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

17

Consent
December 2, 2014

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

Title: Approval of Bond, Disposition and Financing Documents for Rehabilitation of Sierra Vista Apartments

Location/Council District: 1115 23rd Street, Council District 4

Recommendation: Adopt - 1) a **Housing Authority Resolution** a) approving the issuance, execution and delivery of multifamily housing revenue bonds of up to $13,239,000 to finance rehabilitation of the 78-unit Sierra Vista Apartments ("Project"), b) authorizing the Executive Director or her designee to execute and deliver the Master Pledge and Assignment, Regulatory Agreement and Declaration of Restrictive Covenants and other documents relating thereto, and c) approving all actions taken by officers and agents of the Housing Authority that they deem necessary or advisable to issue and deliver the bonds; 2) a **Housing Authority Resolution** authorizing the Executive Director or her designee to: a) terminate the existing ground lease for Housing Authority property at 1115 23rd Street with Sacramento Housing Authority Repositioning Program, Inc. ("SHARP"), b) approval of a Disposition and Development Agreement ("DDA") between the Housing Authority and the Sacramento Housing and Redevelopment Agency (jointly "Agency") and Sierra Vista Housing Associates, LP ("Developer"), c) approval of a $392,000 ground lease for 1115 23rd Street to the Developer or related entity, d) execute a $6,400,000 Acquisition Loan Agreement ("Seller Carryback Loan") between the Housing Authority and the Developer, e) approval of a $200,000 Permanent Loan Agreement ("Permanent Loan") between the Housing Authority and the Developer, f) approval of the Relocation Plan, g) approve standard Housing and Urban Development Use Agreement, h) execute and transmit related documents, I) amend the budget to receive and allocate payments associated with DDA, and J) making related findings); 3) a **City Council Resolution,** authorizing and delegating authority to the Sacramento Housing and Redevelopment Agency (Agency) to: a) execute a $3,050,000 Construction and Permanent Loan Agreement comprised of up to $1,400,000 of City Home Investment Partnership Program (HOME) funds and $1,650,000 of Community Development Block Grant (CDBG) funds, and b) perform other actions and execute documents approved by Agency Counsel that may be required to implement the Construction and Permanent Loan Agreement.

Approval of Bond, Disposition and Financing Documents for Rehabilitation of Sierra Vista Apartments

Contact: Christine Weichert, Assistant Director, Development Finance, 440-1353; Tyrone Roderick Williams, Director of Development, 440-1316

Department: Sacramento Housing and Redevelopment Agency

Description/Analysis

Issue: In August 2007, the Housing Authority of the City of Sacramento ("Housing Authority") adopted Repositioning Strategy Guiding Principles ("Strategy") as a strategic response to reductions in funding sources for public housing capital improvements and operations. Creative public-private partnerships were conceived as a means for the Sacramento Housing and Redevelopment Agency ("Agency") to attract private equity and debt capital as financing for needed repairs and improvements for certain existing projects.

Among other things, the Strategy recommended disposition of several high-rise buildings operated by the Housing Authority. The United States Department of Housing and Urban Development (HUD) approved three of the properties for disposition: Washington Plaza, Sutterview and Sierra Vista. Washington Plaza has received all necessary funding and is currently under rehabilitation. Work is expected to be complete by the end of the year. The subject of this report, Sierra Vista Apartments at 1115 23rd Street, is located in midtown Sacramento. Sierra Vista is a 78-unit, nine-story, reinforced concrete structure constructed in 1971. Though structurally sound, the forty-three year old building needs significant upgrades to preserve the building as housing for extremely low-income seniors. A vicinity map is included as Attachment 1.

In 2009, to implement the Strategy, the Housing Authority created a non-profit public benefit corporation under California law called Sacramento Housing Authority Repositioning Program, Inc. ("SHARP"). SHARP's corporate structure is similar to the Norwood Avenue Housing Corporation non-profit operated by the Agency for many years. In August 2010, the Housing Authority authorized the inclusion of Sierra Vista in this disposition program and its transfer to SHARP for ultimate transfer to a low-income housing tax credit partnership for rehabilitation (HA Resolution 2010-006).

Rehabilitation to be done includes correcting life-safety concerns, seismic upgrades, remediation of environmental issues, upgrading and waterproofing the building's exterior, replacing windows, upgrading mechanical and electrical systems, making energy efficiency improvements, upgrading unit interiors, and resolving code compliance issues. In addition, the ground floor entry and common areas will be significantly altered and increased in size to improve security, function, and usefulness to tenants. A proposed architectural illustration is included as Attachment 2.

The Project reflects a partnership between SHARP and BRIDGE Housing Corporation (BRIDGE), an experienced non-profit affordable housing developer based in San Francisco. BRIDGE will remain in the partnership throughout

construction. Upon completion of the work, BRIDGE will exit the partnership, leaving SHARP to continue in an ownership role. The Housing Authority will continue to own the underlying land, and the Housing Authority will continue to provide property management at Sierra Vista. In addition, Housing with Heart, Inc., will provide a minimum of 15 hours of resident services each week.

The property will continue to be occupied during the planned 11-month rehabilitation period although two to three floors of tenants will be temporarily relocated to off-site locations on a rotating basis until work is complete. Vacating full floors will expedite the remediation and rehabilitation work. After approximately two months of temporary relocation, tenants will return to their renovated units. The temporary relocation plan and associated implementation budget of $655,000 was reviewed by Housing Authority staff and their consultant and found acceptable. Staff is recommending approval of the temporary relocation plan.

Project funding sources will include more than $10 million of low-income housing tax credit (LIHTC) equity, approximately $4.3 million in mortgage revenue bond proceeds, a $3.05 million Agency construction and permanent loan, a $200,000 Housing Authority permanent loan, a $6.4 million Housing Authority seller carryback acquisition loan as determined by appraisal, and a $392,000 seller financed ground lease determined at fair market value. Since the property will continue to operate during renovation, more than $453,000 of expected operating income will contribute to Project funding as well. As a condition of the new 99-year ground lease with the Developer, the Housing Authority is required to terminate an existing ground lease with SHARP.

In connection with the bond issuance, the Agency will impose a 55-year bond regulatory agreement to maintain use of the property as affordable senior housing. Units will ultimately be regulated at 30, 40 and 50 percent of Area Median Income (AMI). However, the property also has an ongoing Housing Assistance Payments (HAP) contract from HUD. This contract will ensure that no tenant pays more than 30 percent of their income for housing, with HUD paying the difference. Since all potential residents on the waiting list for such vouchers are extremely low income (30 percent of AMI or below), actual rents charged to tenants at Sierra Vista will be affordable at or below 30 percent of AMI.

Further background on the project, developer and the property is included as Attachment 3. A project summary, including a proposed sources and uses of funds, is included as Attachment 4. A project cash flow pro-forma is included as Attachment 5, and a schedule of maximum rents is included as Attachment 6.

Policy Considerations: The recommended actions are consistent with the strategy adopted in the Housing Authority's 2007 Asset Repositioning Strategy to attract non-traditional sources of equity and debt to preserve affordable housing. The actions are also generally consistent with approved Agency Multifamily Lending and Mortgage Revenue Bond Policies. The

loan term will be 55 years. Regulatory restrictions on the property will be specified in a bond regulatory agreement with a 55-year term and HOME regulatory agreement for a term of 15 years. Compliance with the regulatory agreements will be monitored by the Agency on a regular basis throughout their terms.

Economic Impacts: This residential rehabilitation project is expected to create approximately 128 total jobs (73 direct jobs and 55 jobs through indirect and induced activities) and result in approximately $17.2 million in total economic output ($10.5 million direct output and another $6.7 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.

Environmental Considerations:

California Environmental Quality Act (CEQA): The proposed action has been analyzed in accordance with CEQA and is categorically exempt per Guidelines Section 15301(d) which exempts actions on existing facilities, including rehabilitation and financing, where the use remains unchanged.

National Environmental Policy Act (NEPA): The proposed action has been analyzed in accordance with NEPA and is categorically excluded pursuant to 24 CFR Section 58.35(a)(3)(ii) because the project consists of the rehabilitation of a multifamily residential complex in which the unit density will not be changed by more than 20 percent and the estimated cost of rehabilitation is less than 75 percent of the cost of replacement after rehabilitation.

Sustainability Considerations: The renovation of Sierra Vista Apartments is consistent with City Sustainability Master Plan goal number one (Energy Independence) by improving energy efficiency and a consequent reduction in fossil fuel use, as well as the reduction of peak electrical demand through installation of photovoltaic generating equipment. The Project is consistent with goal number five (Public Health and Nutrition) in that it will rehabilitate an inefficient, aged building and contribute to improvement of the midtown neighborhood.

Rationale for Recommendation: The actions recommended in this report enable the Agency and Housing Authority to continue to preserve existing affordable housing units and to provide a range of affordable housing opportunities in the City.

December 2, 2014

Approval of Bond, Disposition and Financing Documents for Rehabilitation of Sierra Vista Apartments

Financial Considerations: The bond issuance will not be an obligation of the City, the Housing Authority, or the Sacramento Housing and Redevelopment Agency. The bonds will be the obligation solely of the project's owner, who will bear all costs associated with the issuance of the bonds. The Agency will receive a one-time issuance fee of 0.25 percent (25 basis points) of the bond issuance amount, which is payable at bond closing. The Agency will also collect an annual payment of 0.15 percent (15 basis points) of the total bond issuance amount for monitoring of the regulatory restrictions and administration of the bonds. The law firm of Orrick, Herrington and Sutcliffe LLP, is acting as bond counsel for the Housing Authority.

An Agency construction and permanent loan of $3.05 million is comprised of up to $1.4 million of federal HOME funds, $1,650,000 of City CDBG funds together with a Housing Authority permanent loan of $200,000 was last approved on July 15, 2014.

M/WBE and Section 3 Considerations: Minority and Women's Business Enterprise requirements will be applied to all activities to the extent required by federal funding to maintain that federal funding. Section 3 requirements will be applied to the extent they may be applicable. The Developer will be encouraged to use the First Source program for employment opportunities.

Respectfully Submitted by: _____
LA SHELLE DOZIER
Executive Director

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Approved as to form:

_____
Agency Counsel

APPROVED AS TO FORM:

_____
CITY ATTORNEY

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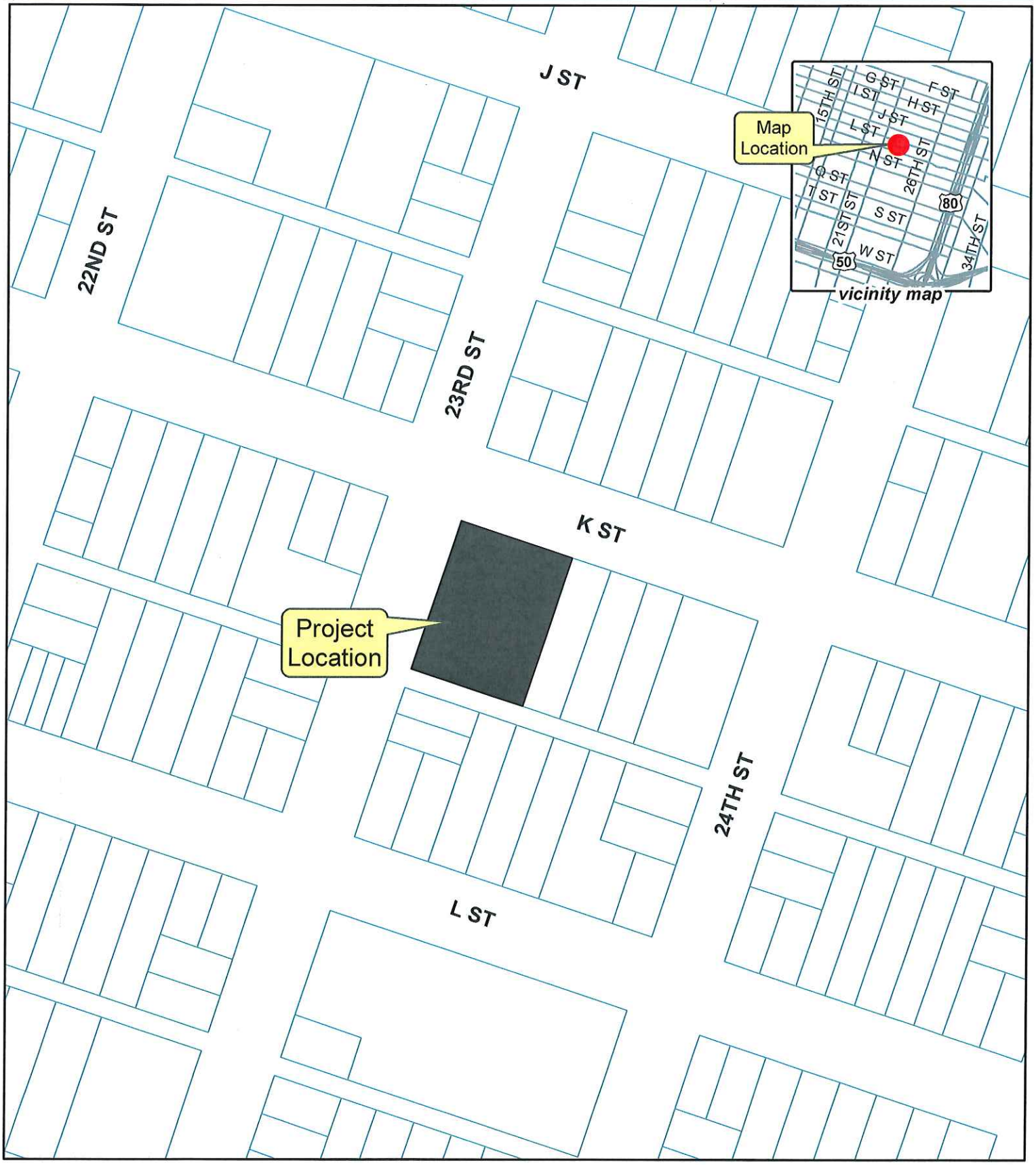
Sierra Vista Apartments



Sierra Vista Apartments

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SHRA GIS
June 17, 2014

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Attachment 3

Sierra Vista Senior Apartments
Background Information

The Developer, a joint venture between BRIDGE Housing Corporation (BRIDGE) and the Sacramento Housing Authority Repositioning Program (SHARP), proposes to rehabilitate the Sierra Vista Apartments at 1115 23rd Street in Sacramento. This collaboration is a result of an asset repositioning strategy by the Housing Authority of the City of Sacramento (Housing Authority), which is intended to address the limited funding available to rehabilitate aging public housing units.

Project Description: Sierra Vista is a 78-unit, nine-story, reinforced concrete structure constructed in 1971. A vicinity map and architectural renderings are provided as Attachments 1 and 2. Although structurally sound, the forty-three year old building needs significant upgrades to preserve it as housing for very low-income seniors. The almost $10.7 million in rehabilitation costs proposed for the project will include correcting life-safety concerns, seismic upgrades, remediation of environmental issues, upgrading and waterproofing the building's exterior, replacing windows, upgrading mechanical and electrical systems, making energy efficiency improvements, upgrading unit interiors, and resolving code compliance issues. In addition, the ground floor entry and common areas will be significantly altered and increased in size to improve security, function and usefulness to tenants. The proposed rehabilitation conforms to the Agency's required 15 years of useful life for all major building systems.

Developer: BRIDGE Housing Corporation is a non-profit developer based in San Francisco, California. They have won numerous awards for design, finance, environmental sustainability, and multifamily affordable communities, and have participated in the development of over 14,000 housing units. BRIDGE was established in 1983 and their projects display the same quality of construction as market-rate housing. BRIDGE strives to create sustainable living environments that enhance and uplift the neighborhoods around them and to prevent people from being priced out of their own communities. BRIDGE recently completed the Foothill Farms Senior Housing project in Sacramento County.

SHARP is a nonprofit public benefit corporation created by the Housing Authority in 2009, to implement the Repositioning Strategy Guiding Principles adopted by the Housing Authority in 2007. Since Housing Authority authorization (2010) to dispose of the property to a low income housing tax credit partnership for rehabilitation, SHARP activities include acquiring, providing, developing, financing, rehabilitating, owning and operating affordable housing, for the purpose of repositioning aging Housing Authority assets to maintain and preserve their affordable units. It is currently partnering with BRIDGE to rehabilitate three Housing Authority properties, including Washington Plaza and Sutterview Apartments.

Property Management: The property is proposed to be managed by the Housing Authority. Housing Authority staff currently manages the units at Washington Plaza, along with 3,300 other housing units throughout the City and County of Sacramento.

Resident Services: Resident services at Sierra Vista will be provided by Housing with HEART, an affiliate of Jamboree Housing Corporation. Housing with HEART will provide 15 hours of services to the residents per week, including health and wellness and life building services. Housing with HEART provides services at several properties in the City and County of Sacramento, including the Hotel Berry.

Security: Developer will be required to provide a security camera system and lighting adequate to properly illuminate all common spaces.

Project Financing: Funding for the project includes a mortgage revenue bond and Low-Income Housing Tax Credits (LIHTC), a seller carryback loan for the building acquisition from the Housing Authority, a permanent loan from the Housing Authority, Agency construction and permanent loan, and income from operations during the construction period.

The property also has an ongoing Housing Assistance Payments (HAP) contract from the US Department of Housing and Urban Development (HUD), which will provide a source of ongoing income to supplement rents paid by tenants. Pursuant to the HAP contract, each unit will have a Housing Choice Voucher associated with it. Tenants will pay no more than 30 percent of their income in rent each month, and the HUD voucher will pay the difference between the tenant's payment and a market rent calculated by HUD.

These funding sources together will require that all of the units in the property, excluding one manager's unit, be affordable to households earning less than 50 percent of Area Median Income (AMI). In addition, all of the potential tenants on the Housing Choice Voucher waiting list are extremely low income, so actual rents charged to tenants will be below 30 percent of AMI.

Low-Income Set-Aside Requirements: As a condition of receiving tax credits and the benefits of tax-exempt bond financing, federal law requires the apartments be set-aside for targeted income groups. The Agency's gap financing will also restrict rents at the property. Regulatory restrictions on the units will last for up to 55 years. The following chart summarizes the combined proposed affordability restrictions:

Funding	**% of Units**	**Affordability Restrictions**	**No. Units**	**Regulatory Requirements**
Tax-Exempt Bonds, Tax Credits (LIHTC), Agency Loan	99%	(50% AMI) LI (40% AMI) VLI (30% AMI) ELI	53 16 8	55 years 55 years 15 years
Unrestricted	1%	Unrestricted	1	None
Total	**100%**		**78**	

Maximum rent and income limits using Federal rents can be found in Attachment 6. The project's affordability restrictions will be specified in regulatory agreements with the Developer.

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Attachment 4

Sierra Vista Apartments
Project Summary

Address	1115 23rd Street, Sacramento 95814		
Number of Units	78		
Year Built	1971		
Acreage	0.45 (50,605 sq. ft.)		
Affordability	77 units (99%) at or below 30%, 40% and 50% of Area Median Income (AMI) * and 1 Manager's Unit		
Unit Mix and Rents	ELI (30% AMI) *	VLI (40% AMI) *	LI (50% AMI) *
1 Bedroom / 1 Bath	8	16	53
Unrestricted			1
Square Footage	*Unit Size (sq.ft.)*	*Total*	
1 Bedroom / 1 Bath	408	31,824	sq.ft.
Ground Floor Community Area		15,115	sq.ft.
New Construction		800	sq.ft.
Total		47,739	sq.ft.
Resident Facilities	Community room with kitchen, laundry, outdoor patio seating area		
Permanent Sources	*Total*	*Per Unit*	*Per Square Foot*
Mortgage Revenue Bond	4,292,000	55,026	90
Tax Credit Equity	10,058,866	128,960	211
Seller Carry back Loan	6,400,000	82,051	134
Ground Lease @ FMV	392,000	5,026	8
Construction Period Income	453,321	5,812	9
Agency HOME/CDBG Loan	3,050,000	39,103	64
Housing Authority Low/Mod Fund Loan	200,000	2,564	4
TOTAL SOURCES	$ 24,846,187	$ 318,541	$ 520.46
Permanent Uses			
Acquisition	6,792,000	87,077	142
Construction Costs	10,704,873	137,242	224
Permits	65,000	833	1
Architecture , Engineering, Survey	450,000	5,769	9
Hard Cost Contingency	1,615,544	20,712	34
Soft Cost Contingency	176,000	2,256	4
Financing Cost	260,868	3,344	5
Construction Loan Interest	439,490	5,634	9
Reserves	413,126	5,296	9
Legal Fees	185,000	2,372	4
Relocation - Temporary	655,000	8,397	14
Developer Fee	2,500,000	32,051	52
Third Party Fees, Marketing, Other	589,286	7,555	12
TOTAL USES	$ 24,846,187	$ 318,541	$ 520.46
Management / Operations			
Proposed Developer:	SHARP, Inc. and BRIDGE Housing Corporation		
Property Management Company:	Housing Authority of the City of Sacramento		
Operations Budget:	$311,261	$3,991	
Property Management	$41,200	$528	
Resident Services:	$24,720	$317	
Replacement Reserves:	$23,400	$300	

* HAP contract ensures all tenants will be extremely low income (30 percent or less of AMI).

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Unit Type	Number	Square Feet	Total Sq Feet	TCAC Gross Rent	Utility Allowance	TCAC Net Rent	Rent per Sq Foot	Net Monthly TCAC Rent	Annual TCAC Rent	HAP Rent Increment Per Unit	Total Monthly HAP Increment	Total Annual HAP Increment
1 BD / 1BA @ 30% AMI	8	455	3,640	$ 386	$ 66	$ 320	$ 0.70	$ 2,560	$ 30,720	$ 477	$ 3,816	$ 45,792
1 BD / 1BA @ 40% AMI	16	455	7,280	$ 515	$ 66	$ 449	$ 0.99	$ 7,184	$ 86,208	$ 348	$ 5,568	$ 66,816
1 BD / 1BA @ 50% AMI	53	455	24,115	$ 644	$ 66	$ 578	$ 1.27	$ 30,634	$ 367,608	$ 219	$ 11,607	$ 139,284
Manager's Unit	1	455	455	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total / Average for Restricted Units	78	455	35,490	$ 590	$ 66	$ 524	$ 1.14	$ 40,378	$ 484,536	$ 273	$ 20,991	$ 251,892

	rate	annual increase	per unit	2016 Year 1	2017 Year 2	2018 Year 3	2019 Year 4	2020 Year 5	2025 Year 10	2030 Year 15	2035 Year 20	2040 Year 25	2045 Year 30
Income													
Potential Gross Income		2.00%		494,227	504,111	514,193	524,477	534,967	590,647	652,122	719,995	794,933	877,670
Excess HAP Income		1.50%		255,670	259,505	263,398	267,349	271,359	292,331	314,923	339,262	365,482	393,727
Other Income		2.00%		7,864	8,021	8,182	8,346	8,512	9,398	10,377	11,457	12,649	13,966
Less Vacancy - TCAC rents	3.00%			-14,827	-15,123	-15,426	-15,734	-16,049	-17,719	-19,564	-21,600	-23,848	-26,330
Less Vacancy - Sec 8 PBS increment rent	3.00%			-7,670	-7,785	-7,902	-8,020	-8,141	-8,770	-9,448	-10,178	-10,964	-11,812
Effective Gross Income				$735,264	$748,730	$762,446	$776,417	$790,649	$865,887	$948,410	$1,038,936	$1,138,251	$1,247,221
Operating Expenses													
Operating Expenses		3.00%	3,874	311,261	320,599	330,217	340,123	350,327	406,125	470,810	545,798	632,729	733,507
Property Management		3.00%	513	41,200	42,436	43,709	45,020	46,371	53,757	62,319	72,244	83,751	97,090
Resident Services		3.00%	308	24,720	25,462	26,225	27,012	27,823	32,254	37,391	43,347	50,251	58,254
Taxes & Assessments		2.00%	64	5,000	5,100	5,202	5,306	5,412	5,975	6,597	7,284	8,042	8,879
Replacement Reserves		0.00%	300	23,400	23,400	23,400	23,400	23,400	23,400	23,400	23,400	23,400	23,400
Total Expenses			5,059	405,581	416,996	428,753	440,862	453,333	521,511	600,517	692,073	798,173	921,131
Net Operating Income				**$329,684**	**$331,733**	**$333,693**	**$335,555**	**$337,316**	**$344,376**	**$347,893**	**$346,863**	**$340,078**	**$326,090**

Debt Service	amount	rate	term										
Senior Loan	$4,292,000	4.706%	35	125,182	250,363	250,363	250,363	250,363	250,363	250,363	250,363	250,363	250,363
Housing Authority Monitoring Fee	$12,581,000	0.150%		18,872	18,872	18,872	18,872	18,872	18,872	18,872	18,872	18,872	18,872
Debt Service Subtotal				144,053	269,235	269,235	269,235	269,235	269,235	269,235	269,235	269,235	269,235
Priority Distributions													
Asset Management Fee (AMF)		3.00%		5,000	5,150	5,305	5,464	5,628	6,524	7,563	8,768	10,164	11,783
Partnership Management Fee (PMF)		3.00%		20,000	20,600	21,218	21,855	22,510	26,095	30,252	35,070	40,656	47,131
Priority Distributions Subtotal				25,000	25,750	26,523	27,318	28,138	32,619	37,815	43,838	50,820	58,914
Net Cash after Priority Distributions				160,631	36,749	37,936	39,003	39,944	42,522	40,844	33,791	20,023	(2,058)
Housing Authority Seller Carryback Loan													
Principal Balance	6,400,000	3.16%		6,400,000	6,400,000	6,400,000	6,400,000	6,400,000	6,400,000	6,400,000	6,400,000	6,400,000	6,400,000
Interest for Period				202,240	215,022	216,740	222,428	228,258	259,847	296,448	339,653	391,519	454,684
Accumulated Interest				404,480	458,871	638,862	823,355	1,012,610	2,040,554	3,236,134	4,652,459	6,357,972	8,440,293
Payment				160,631	36,749	37,936	39,003	39,944	42,522	40,844	33,791	20,023	0
Balance				6,643,849	6,822,122	7,000,927	7,184,352	7,372,666	8,398,032	9,595,290	11,018,668	12,737,949	14,840,293
SHRA loan													
Principal Balance	3,250,000	0.00%		3,250,000	3,250,000	3,250,000	3,250,000	3,250,000	3,250,000	3,250,000	3,250,000	3,250,000	3,250,000
Payment				0	0	0	0	0	0	0	0	0	0
Payment				0	0	0	0	0	0	0	0	0	0
Balance				3,250,000	3,250,000	3,250,000	3,250,000	3,250,000	3,250,000	3,250,000	3,250,000	3,250,000	3,250,000
Ground Lease													
Ground Rent													
Fair Market Value Ground Rent	392,000	3.16%		392,000	392,000	392,000	392,000	392,000	392,000	392,000	392,000	392,000	392,000
Interest for Period				12,387	12,387	12,387	12,387	12,387	12,387	12,387	12,387	12,387	12,387
Accumulated Interest				24,744	37,131	49,518	61,906	74,293	136,229	198,165	260,101	322,037	383,973
Payment				0	0	0	0	0	0	0	0	0	0
Balance				429,131	441,518	453,906	466,293	478,680	540,616	602,552	664,488	726,424	788,360
Combined Debt Coverage Ratio				1.17	1.18	1.19	1.23	1.26	1.26	1.26	1.26	1.26	1.26

Sierra Vista Cash Flow

Attachment 5

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MAXIMUM HOME AND CDBG RENT AND INCOME LEVELS 2014

Rents @ 50%, 40% and 30% of Area Median Income

Maximum Income Limits:

Family Size	Max Income *50% AMI*	*40% AMI*	*30% AMI*
1 person	$24,050	$19,240	$14,430
2 person	$27,500	$22,000	$16,500

Maximum Rent Limits:

Unit Size	Gross Rent *50% AMI*	*40% AMI*	*30% AMI*
1 Bedroom	$644.00	$515.00	$386.00

** Rent listed is the maximum gross rent under tax credit guidelines. However, the project's Housing Assistance Payments (HAP) contract will allow tenants to pay no more than 30% of their income, with HUD paying the difference between the tenant payment and market rent. Further, all potential tenants currently on a waiting list for such units are below 30% AMI. As such, tenant rent payments will be at or below 30% AMI (less than $387).*

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RESOLUTION NO. 2014 -

Adopted by the Housing Authority of the City of Sacramento

on date of

SIERRA VISTA APARTMENTS: A RESOLUTION OF THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO AUTHORIZING THE ISSUANCE, EXECUTION AND DELIVERY OF MULTIFAMILY HOUSING REVENUE BONDS, AUTHORIZING THE EXECUTION AND DELIVERY OF A TRUST INDENTURE, A LOAN AGREEMENT, A REGULATORY AGREEMENT AND DECLARATION OF RESTRICTIVE COVENANTS AND OTHER DOCUMENTS RELATING THERETO; APPROVING OTHER ACTIONS AND MATTERS RELATING THERETO

BACKGROUND

A. The Housing Authority of the City of Sacramento (the "Authority") is authorized pursuant to Chapter 1 of Part 2 of Division 24 of the California Health and Safety Code (the "Act") to issue revenue bonds and make loans for the purpose of financing multifamily rental housing projects to be occupied in whole or in part by persons of low and very low income; and

B. Sierra Vista Housing Associates, L.P., a California limited partnership (the "Borrower"), has requested the Authority to issue revenue bonds designated as the Housing Authority of the City of Sacramento Multifamily Housing Revenue Bonds (Sierra Vista Apartments) 2014 Issue D (the "Bonds") and to loan the proceeds from the sale thereof to the Borrower to finance the acquisition, rehabilitation and development of a 78-unit multifamily rental housing development located in the City of Sacramento, California and commonly known as the Sierra Vista Apartments (the "Project"); and

C. On July 15, 2014, the City Council of the City of Sacramento held public hearings on the proposed issuance of the Bonds, as required under the Internal Revenue Code of 1986, following published notice of such hearings, and, following such public hearings approved the issuance of the Bonds; and

D. The Authority hereby finds and declares that this resolution is being adopted pursuant to the powers granted by the Act;

E. All conditions, things and acts required to exist, to have happened and to have been performed precedent to and in connection with the issuance of the Bonds as contemplated by this resolution and the documents referred to herein will exist, have happened and have been performed in due time, form and manner as required by the laws of the State of California, including the Act;

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

Section 1. The Authority hereby finds and declares that the above recitals are true and correct.

Section 2. Pursuant to the Act and a Trust Indenture (as defined below), the issuance of the Bonds, in an aggregate principal amount not to exceed $13,239,000, is hereby authorized. The Chairperson or Executive Director of the Authority, or their designee (the "Authorized Officer"), each acting alone, are hereby authorized and directed to execute the Bonds for and in behalf of the Authority by manual or facsimile signature, in the form set forth in the Trust Indenture, with such changes, deletions and insertions as may be approved by such Authorized Officers and legal counsel to the Authority, such approvals being conclusively evidenced by the execution and delivery thereof, and the Clerk of the Sacramento Housing and Redevelopment Agency or her designee (the "Clerk") is hereby authorized and directed, if required, to attest the Bonds in said form and otherwise in accordance with the Trust Indenture.

Section 3. The Trust Indenture (the "Trust Indenture") by and between the Authority and U.S. Bank National Association, as Trustee (the "Trustee"), in the form on file with the Clerk, is hereby approved. The Authorized Officers, each acting alone, are hereby authorized for and in behalf of the Authority to execute and deliver the Trust Indenture with such changes, additions or deletions as may be approved by such Authorized Officer and legal counsel to the Authority, such approvals to be conclusively evidenced by the execution and delivery thereof.

Section 4. The Loan Agreement (the "Loan Agreement") by and among the Authority, the Trustee and the Borrower, in the form on file with the Clerk, is hereby approved. The Authorized Officers, each acting alone, are hereby authorized for and in behalf of the Authority to execute and deliver the Loan Agreement with such changes, additions or deletions as may be approved by such Authorized Officer and legal counsel to the Authority, such approvals to be conclusively evidenced by the execution and delivery thereof.

Section 5. The Regulatory Agreement and Declaration of Restrictive Covenants by and between the Authority and the Borrower (the "Regulatory Agreement"), in the form on file with the Clerk, is hereby approved. The Authorized Officers, each acting alone, are hereby authorized for and in behalf of the Authority to execute and deliver the Regulatory Agreement with such changes, additions or deletions as may be approved by such Authorized Officer and legal counsel to the Authority, such approvals to be conclusively evidenced by the execution and delivery thereof.

Section 6. The Bonds, when executed, shall be delivered to the purchaser of the Bonds upon the funding of the Loan (as defined in the Trust Indenture) with the purchase price for the Bonds as set forth in the Trust Indenture.

Section 7. All actions heretofore taken by the officers and agents of the Authority with respect to the sale and issuance of the Bonds are hereby approved, confirmed and ratified, and the proper officers of the Authority, including the Authorized Officers, are hereby authorized and directed, for and in the name and on behalf of the Authority, to do any and all things and take any and all actions and execute any and all certificates, agreements and other documents, which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and delivery of the Bonds in accordance with this Resolution, including but not limited to those certificates, agreements and other documents described in the Trust Indenture, the Loan Agreement, the Regulatory Agreement and other documents herein approved.

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

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RESOLUTION NO. 2014 –

Housing Authority of the City of Sacramento

on the date of

SIERRA VISTA APARTMENTS REHABILITATION ("PROJECT"): APPROVAL OF TERMINATION OF GROUND LEASE WITH SACRAMENTO HOUSING AUTHORITY REPOSITIONG PROGRAM, INC. ("SHARP"); APPROVAL OF DISPOSITION AND DEVELOPMENT AGREEMENT; APPROVAL OF $392,000 GROUND LEASE; APPROVAL OF $6,400,000 SELLER CARRYBACK LOAN AGREEMENT FOR IMPROVEMENTS; APPROVAL OF A $200,000 PERMANENT LOAN OF HOUSING ASSET FUNDS; APPROVAL OF THE RELOCATION PLAN; APPROVAL OF USE AGREEMENT AND RELATED DOCUMENTS WITH SIERRA VISTA HOUSING ASSOCIATES, LP; RELATED BUDGET AMENDMENTS AND ENVIRONMENTAL FINDINGS

BACKGROUND

A. The Housing Authority of the City of Sacramento ("Housing Authority") adopted Resolution No. 2010-006 on August 10, 2010 to authorize application to the United States Department of Housing and Urban Development ("HUD") for disposition of Sierra Vista Apartments ("Sierra Vista" or "Project") at 1115 23rd Street, (formerly know as 1107 23rd Street) Sacramento;

B. Said resolution also authorized the transfer of ownership of Sierra Vista to an instrumentality of the Housing Authority for ultimate further transfer to an entity that can benefit from the use of low-income housing tax credits to accomplish necessary renovations to Sierra Vista;

C. On October 24, 2013, HUD authorized the sale of Sierra Vista improvements to the Developer at fair market value, and a very long term ground lease for the underlying land with Developer at fair market value, subject to a Use Agreement between the Housing Authority and the Developer.

D. SHARP and BRIDGE Housing Corporation ("BRIDGE") created Sierra Vista Housing Associates, LP, ("Developer") to seek California Tax Allocation Committee tax credits to accomplish rehabilitation of Sierra Vista;

E. The Housing Authority entered into an exclusive ground lease and purchase option agreement with SHARP and BRIDGE on February 14, 2014 which is to be terminated to implement the recommended actions herein;

F. On June 10, 2014, Housing Authority Resolution 2014-0008 authorized: i) $6,400,000 fair market value seller financing of the Sierra Vista improvements ("Carryback Loan Commitment"), ii) a ground lease to the Developer, iii) $200,000 Housing Asset funds permanent loan ("Permanent Loan Commitment"), and iv) other related documents and actions by the Executive Director required to accomplish the Project.

G. In accordance with state and federal law, a relocation plan has been prepared by an outside consultant for the temporary relocation of tenants during rehabilitation Sierra Vista.

H. On June 10, 2014, environmental impacts of the Project were considered in accordance with California Environmental Quality Act (CEQA) and determined that the Project is exempt due to CEQA §15301, where rehabilitation to the existing facility involves no expansion or change to the existing use, Resolution 2014-0008.

I. The project was found to be categorically excluded under the National Environmental Policy Act (NEPA) pursuant to 24 CFR Section 58.35(a)(3)(ii) as it consists of the rehabilitation of a multifamily residential complex in which the unit density will not be changed by more than 20 percent and the estimated cost of rehabilitation is less than 75 percent of the cost of replacement after rehabilitation. The actions herein fall within the scope of the project that was previously analyzed; therefore, additional environmental review pursuant to NEPA is not required.

J. Further environmental review is not required under CEQA or NEPA because there is neither any new information of substantial importance nor any substantial changes to the circumstances under which the project will be undertaken that would require the preparation of supplemental environmental documentation the actions herein fall within the scope of the project that was previously analyzed.

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

Section 1. All of the evidence having been duly considered, the findings, including the environmental findings, as stated above, are found to be true and correct.

Section 2. The Executive Director or her designee is authorized to terminate the existing ground lease by and between the Housing Authority and SHARP.

Section 3. The Plan for the temporary relocation of tenants during relocation, on file with the Agency Clerk, is approved.

Section 4. The Executive Director or her designee, is authorized to execute Disposition and Development Agreement, attached as Exhibit A, between the Developer and, jointly, the Housing Authority and Agency.

Section 5. The Executive Director or her designee is authorized to enter into a Ground Lease between the Housing Authority and the Developer, not to exceed 99

years with rent capitalized at its fair market value of $392,000 and to be repaid on a residual receipts basis. The form of the Ground Lease is attached as Exhibit B.

Section 6. The Executive Director or her designee is authorized to enter the Acquisition Loan Agreement ("Seller Carryback Loan"), the form of which is attached as Exhibit C, for financing the $6,400,000 fair market value acquisition of Sierra Vista improvements by Developer.

Section 7. The Executive Director or her designee is authorized to enter Permanent Loan Agreement, the form of which is attached as Exhibit D, for permanent financing for the project in the amount of $200,000.

Section 8. The Housing and Urban Development Use Agreement attached to the Disposition and Development Agreement that requires rehabilitation of Sierra Vista and reserves the property for project-based vouchers and occupancy solely by eligible residents under the Section 8 Program, is approved.

Section 9. The Executive Director or her designee is authorized to execute and transmit the documents as approved, and related documents, to the Developer, and the Executive Director is authorized to enter into other documents, as approved to form by Housing Authority Counsel, and perform other actions necessary to fulfill the intent of each approved documents that accompany this resolution, in compliance with the terms of each, and to ensure proper repayment of the Housing Authority funds including without limitation, subordination, extensions, and restructuring of such a loan consistent with Agency adopted policy and with this resolution.

Section 10. The Executive Director is authorized to amend the Housing Authority budget to receive and allocate payments for use in a manner consistent with the United States Department of Housing and Urban Development Disposition Approval for 1115 23rd Street, Sacramento, CA, dated October 24, 2013.

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Exhibit A - Disposition and Development Agreement
Exhibit B - Ground Lease
Exhibit C - Acquisition Loan Agreement ("Seller Carryback Loan")
Exhibit D – Permanent Loan Agreement

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NO FEE DOCUMENT:
Entitled to free recording
per Government Code §6301 & 27383.
When recorded, return to:
SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY
ATTN: STEVE LIERLY
801 12th Street
Sacramento, CA 95814

DISPOSITION AND DEVELOPMENT AGREEMENT
SIERRA VISTA APARTMENTS
1115 23RD STREET SACRAMENTO, CALIFORNIA

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO

AND

SIERRA VISTA HOUSING ASSOCIATES, LP

December ___, 2014

DISPOSITION AND DEVELOPMENT AGREEMENT
SIERRA VISTA APARTMENTS

1115 23rd Street Sacramento, California

THE SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY AND THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO (COLLECTIVELY "AGENCY"), and SIERRA VISTA HOUSING ASSOCIATES, LP ("Developer") enter into this Disposition and Development Agreement, also called DDA, as of December ___, 2014. For purposes of this Agreement, the capitalized terms shall have the meanings assigned in Section 16.

RECITALS

A. Agency is the owner of real property consisting of land and improvements located at 1115 23rd Street (formerly 1107 23rd Street) Sacramento, California in the City of Sacramento, State of California, more particularly described in the Property Description.

B. The primary purpose of this DDA is to acquire, rehabilitate, and preserve affordable residential units. In order to accomplish such purpose, the DDA provides that the Agency will transfer the Agency's interests in the Sierra Vista Apartments (the "Improvements") and a leasehold in the land on which it is situated of approximately .45 acres (the "Land") and improvements (collectively, the "Project") to Developer upon the express condition that Developer will rehabilitate and operate the Project for the uses described in and assured by this DDA.

C. This DDA effectuates the Option Agreement by and between Housing Authority of the City of Sacramento, the Sacramento Housing Authority Repositioning Program and BRIDGE Housing Corporation which together were the Optionee under the Option Agreement originally dated June 26, 2014 as amended.

D. Developer desires to acquire and rehabilitate the Project, by leasing the Land and purchasing the Improvements thereon and Agency desires to lease the land and sell the improvements for acquisition and rehabilitation, on the terms and conditions in this DDA.

AGREEMENT

NOW THEREFORE, the parties acknowledge that the foregoing Recitals are true and correct, and based upon such Recitals and in consideration of the following mutual covenants, obligations and agreements and for other good and valuable consideration, the receipt and adequacy of which are acknowledged, the parties agree as follows:

1. **PERFORMANCE.** The parties shall perform their obligations at the times and in the manner specified in this DDA. The time for performance is stated in this DDA and in the Schedule of

Performances; provided, however that such times shall be extended for periods of Unavoidable Delay.

2. **PROJECT DESCRIPTION.** Agency is entering into this DDA and conveying the Project to Developer solely for the purposes of acquiring and rehabilitating the Project. The Project shall be the following:
Acquisition and rehabilitation of Sierra Vista Apartments, a 78-unit apartment building located on a land parcel approximately 0.45 acres in size. Rehabilitation includes, but is not limited to, life-safety and code compliance improvements; lighting, camera and security system upgrades; energy efficiency improvements, and minor alteration and expansion of management/community space.

3. **GROUND LEASE AND PURCHASE AND SALE OF IMPROVEMENTS.**

3.1. **THE IMPROVEMENTS.** Agency agrees to sell and Developer agrees to purchase the Improvements subject to the terms and conditions in this DDA. This DDA, if executed by Developer only, constitutes Developer's offer to purchase the Property on the terms and conditions contained in this DDA and subject to the covenants, conditions and restrictions contained in the HUD Agreement to be executed by the Agency and Developer and recorded on the Property upon conveyance of the Property to Developer.

3.1.1. **PURCHASE PRICE.** The Purchase Price for the Improvements shall be Six Million Four Hundred Thousand Dollars ($6,400,000) and shall be payable as pursuant to the seller carryback loan as described in Section 4, below.

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

3.2. **GROUND LEASE.** The Agency and Developer agree to enter into a ground lease for the purpose of leasing the land for Three Hundred Ninety Two Thousand Dollars ($392,000) in conjunction with the Project as defined in this DDA and the subject to the terms and conditions in the Ground Lease (attached hereto and incorporated herein as **Exhibit 6: the Ground Lease)**

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

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

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

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

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

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

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

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

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

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

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

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

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

b) Developer has caused a Phase I environmental study to be performed for Project and Developer by Treadwell & Rollo, dated June 6, 2013. To the extent, if any, that Developer relies on the study, Developer does so at Developer's own risk.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

a) Developer covenants by and for itself and assigns, and all persons claiming under or through it, that it shall not discriminate on the basis of based on race, color, national origin, religion, sexual orientation or gender identity, gender, language proficiency, familial status, age (except that a minimum age qualification is acceptable to maintain this property's status as "senior housing") or disability in the sale, lease, or rental or in the use or occupancy of the Property. Owner covenants by and for him/her/itself, his/her/its heirs, executors, administrators, and assigns, and all persons claiming under or through them that there shall be no discrimination against or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the Property.

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

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

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

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

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

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

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

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

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

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

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

4. **AGENCY FUNDING.** The Agency shall provide funding for the Project as follows: a seller carryback acquisition loan for the improvements and payment of capitalized rent pursuant to the ground lease, construction and permanent financing in the form of a combined HOME, and CDBG loan, and permanent financing in the form of a Housing Authority of the City of Sacramento loan. All terms and conditions specifically related to the seller carryback loan, the construction and permanent loan and the permanent loan are in their respective loan agreements, including without limitation, the source and use of funds. The rent shall be financed pursuant to the terms and conditions of the Ground Lease. As to this Agency Funding, the order of repayment priority shall be the seller carryback acquisition loan for the Improvements first; the ground lease rent, second; the permanent financing, third, and the construction and permanent financing fourth.

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

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

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

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

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

5.5. **DELIVERY.** Developer has delivered the Final Plans or changes to the Final Plans for Agency review.

5.6. **GOVERNMENTAL CHANGES.** If any revisions or corrections of the Final Plans shall be required by any government official, agency, department or bureau in exercise of its proper jurisdiction, the Developer shall inform the Agency. Developer shall incorporate the change and it shall be deemed approved by Agency.

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

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

a) Material changes in the layout, elevation design, functional utility or square footage.

b) Material changes in use of exterior finishing materials substantially affecting architectural appearance or functional use and operation.

c) Any change that reduces the effectiveness of any mitigation measure required for CEQA approval of the Project.

d) Material changes in site development items for the Property that are specified in the Final Plans.

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

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

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

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

5.7.2. **MISREPRESENTATION.** If the Agency's approval of the Final Plans is reasonably based upon a material misrepresentation to Agency by Developer or by anyone on Developer's behalf, the Agency may, within a reasonable time after discovery of the misrepresentation, take any action permitted by law with regard to any such misrepresentation, notwithstanding

Agency's prior approval, including without limitation, rescission of the approval or such other equitable remedies as may then be appropriate to such rescission.

6. **DEVELOPMENT PROVISIONS.** As stated in detail in this Section 6, Developer shall construct and manage the Project according to the requirements established in this DDA, which includes, without limitation, the Scope of Development, the Schedule of Performances and the Plans. Developer shall promptly begin, diligently prosecute and timely complete the construction of the Project.

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

6.2. **CONSTRUCTION CONTRACTS.** Developer shall submit to Agency the construction contract or contracts for the Project. Agency's review of the construction contract shall be only for determining its compliance with this DDA. If the cost of construction of the Project or any part of the Project exceeds the costs projected by Developer, Developer shall, nevertheless, bear the responsibility to complete, at Developer's cost, the construction of the Project in accordance with this DDA. If the property is revested in the Agency pursuant to Section 12.1, Developer shall assign all rights under the construction contracts to Agency.

6.3. **GOVERNMENTAL REVIEW PROCESS.** Notwithstanding any other provision of this DDA, Developer is subject to all building, planning, design and other plan review requirements that are otherwise applicable to the project, including without limitation those of the City of Sacramento. Conditions to the project imposed by the City shall be considered obligations of the Developer under this DDA. If a dispute with City staff arises regarding such City conditions, Developer shall accept the decision of the City's Planning Commission interpreting, imposing and enforcing such City conditions, subject to any applicable appeals process of the Planning Commission.

6.4. **ART IN PUBLIC PLACES EXEMPTION.** The Project improves and preserves the stock of affordable housing in the community. Imposition of the Art in Public Places Program would increase the cost of the Project substantially and reduce either the number of affordable units available in the Project or the affordability of those units. Therefore, the Aesthetic Improvement Policy requirements are not applicable.

6.5. **SUBSTANTIAL CHANGES.** Developer covenants and agrees that Developer shall not make or permit to be made any construction of the Project which incorporates a substantial change in the Final Plans, as described in Section 5.7, without Agency approval of such changes as provided in Section 5.7.

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

6.7. **PREVAILING WAGES.** Developer agrees to comply with the provisions of Section 1720 et seq. of the California Labor Code in the award of public works contracts and subcontracts involving the expenditure of funds provided in this DDA, and to insure that its contractor and subcontractors meet the requirements of those enactments. Specifically, the Developer shall be ultimately responsible for collecting certified payrolls and will include the requirements for labor compliance in its contract with the General Contractor as to California prevailing wages.

The Funds provided in Section 4, above (CDBG and HOME), are federal funds and require that Davis-Bacon prevailing wages are also to be paid on this Project. Developer shall inform the Contractor and shall require the Contractor to inform all subcontractors and materialmen furnishing goods or services to the Project of Agency's determination of the applicability of Davis –Bacon prevailing wage requirements.

The Contractor and all Subcontractors shall pay higher of state prevailing wage or Davis Bacon prevailing wages as determined for each trade. Developer and General Contractor have made their own independent determinations of the applicability of prevailing wage laws and have independently implemented such determinations. Developer indemnifies, holds harmless and defends the Lender from all additional wages, benefits, fees, penalties, fines, legal fees, court costs, arbitration costs, and other costs arising from the improper application of these prevailing wage laws to the Project by Developer or General Contractor or both of them

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

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

6.9.1. **EMPLOYMENT.** Developer shall not discriminate against any employee or applicant for employment because of sex, race, color, religion, ancestry, national origin, disability, medical condition, marital status, sexual orientation or gender identity. The Developer will take affirmative action to ensure that applicants are employed, and that employees are

treated during employment, without regard to their sex, race, color, religion, ancestry, national origin, language proficiency, age, disability, medical condition, marital status, or sexual orientation or gender identity. 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.

6.9.2. **ECONOMIC OPPORTUNITY EMPLOYMENT REQUIREMENTS.** The construction contract shall require 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.

6.9.3. **ADVERTISING.** Developer or its Contractor 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.

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

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

6.11. **AGENCY ACCESS TO THE PROPERTY.** Developer shall permit Agency representatives access, without charge, to the entire Property at any time and for any purpose which Agency reasonably considers necessary to carry out its obligations and protect its interests under the

DDA. Purposes for Agency entry may include, without limitation, inspection of all work being performed in connection with the construction of the Project.

6.11.1. **INSPECTION.** Agency may, at any time and without notice to Developer, 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 Developer pertaining to the Project and to make extracts or copies. Developer shall make all such documents available to Agency promptly on demand. Developer agrees to cooperate fully (and to cause the General Contractor to cooperate fully) with the Agency and its Lender's designated agent and to permit all appropriate access to the Property and to all relevant books and records. Developer shall bear the cost of reasonable inspections, except that Agency shall bear its costs of inspection. If however, Lender's inspection discovers issues of a nature that require further third-party review or investigation, Developer shall bear the costs of such third party review.

6.12. **PROJECT SIGN.** If Developer places a sign on the Project 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 the size of letters used to name any of the other participants.

6.13. **CERTIFICATE OF COMPLETION.** After the Agency has determined that Developer has completed the construction of the Project in accordance with the Final Plans and Developer's obligations under this DDA, the Agency will furnish the Developer with the Certificate of Completion certifying such completion. The Agency's issuance of the Certificate of Completion shall be a conclusive determination of satisfaction and termination of the agreements and covenants in the DDA with respect to the obligations of the Developer to rehabilitate the Project as of the Completion Date specified in the Schedule of Performances, subject to any qualifications or limitations stated in such certification. Agency shall prepare and execute the Certificate of Completion in a form suitable for recording in the Official Records of Sacramento County.

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

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

6.14. **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.

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

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

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

6.18. **HAZARDOUS SUBSTANCES.** Developer has obtained such Hazardous Substances assessments as Developer deems reasonably necessary to assure the development of the Project in accordance with all applicable laws, rules and regulations; provided, however that such assessments are prepared by a qualified environmental specialist in accordance with nationally recognized standards to determine the existence of and to quantify the extent of Hazardous Substances on the Property. As between the Agency and Developer, Developer shall be solely responsible. Developer is relying on these assessments, as adequate Hazardous Substances investigations If Hazardous Substances are known to be present, based on these assessments, Developer shall remediate or encapsulate such Hazardous Substances to the extent required by any federal, state or local agency having jurisdiction regarding Hazardous Substances standards or remediation and as may be necessary to avoid incurring liability or further liability under any federal, State and local law or regulation. If Hazardous Substances are discovered after conveyance of the project to Developer and have not been released after conveyance to Developer and the cost to remediate such Hazardous Substances is reasonably estimated to exceed Fifty Thousand Dollars ($50,000), Developer may elect to terminate this DDA, upon reconveyance of the Property to Agency and return of all monies and properties delivered by Agency to Developer pursuant to or in furtherance of this DDA.

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

7. **RELOCATION.** Agency is required by law to provide relocation services and make relocation payments to eligible tenants that are displaced as a result of the Project. Developer shall comply fully with all relocation laws that are the obligation of Agency or are otherwise applicable to the Project. Developer's compliance with the relocation requirements as stated in this Section 7 is a material element of this DDA. Developer's failure to comply with the relocation requirements as stated in this Section 7 is an Event of Default, subject to Developer's opportunity to cure in accordance with applicable law.

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

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

7.3. **DEVELOPER AS RELOCATION AGENT.** Developer is acting as Agency's agent in accomplishing relocation. Developer may enter into agreements for the provision of relocation services, or Developer may perform such services directly. Developer shall, by provisions in its agreements or by direction to its staff, assure that the entity performing the relocation services: (a) complies with all applicable laws; (b) fully informs Agency of all relocation activities; (c) makes all requests for direction or clarification to Agency; and (d) responds to and follow the Agency's instruction and direction.

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

uses of funds, all "hard" and "soft" costs and contingencies and reflecting, as possible, firm bids or accepted contracts and with evidence of sufficient funds to meet all budget requirements. To the extent that funds specified in this DDA for the Project are insufficient to fully fund the Project, the Developer shall provide evidence, satisfactory to the Agency, of the additional required construction and permanent financing. Agency is not obligated by this DDA or otherwise to make any contribution beyond its obligations stated in this DDA.

8.1. **EVIDENCE OF AVAILABLE FUNDS.** Unless otherwise approved by the Agency, Developer's evidence of available funds, as required in the preceding section, must include only the following: (a) Developer equity (as provided in Section 8.3); (b) firm and binding loan commitments (as provided in Section 8.2) from each Lender, in form and content acceptable to Agency; and (c) Agency contribution, if any, as specified in this DDA. Within ten (10) days after Agency's request, Developer shall provide all additional information requested by the Agency for evaluation of the actual availability of funds included in such evidence, including without limitation, requests for clarification, further evidence or audited financial reports.

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

8.3. **EVIDENCE OF DEVELOPER EQUITY.** Developer shall provide proof of an equity commitment for the Project in the amount of approximately Ten Million Fifty Eight Thousand Dollars and No Cents ($10,058,000.00) in Tax Credit Equity.

8.4. Other Financing: Developer, as a requirement this DDA and Agency Funding (Section 4 above) , shall procure and deliver to Agency evidence satisfactory to Agency that Developer has obtained the following described financing which may be secured by a lien upon the Improvements (Developer's Leasehold Interest) superior or subordinate to Agency's liens, and which shall be otherwise on terms and conditions acceptable to Agency:

8.4.1. As a condition precedent to disbursement of the of the Agency loan, financing from a private lender(s) in an amount(s) sufficient to complete construction of the Property according to a scope of work as approved by Agency and made for a term not less than that

specified in the Schedule of Performance for completion of construction, and in any event not less than the time necessary to fulfill all conditions precedent to funding of the permanent financing.

8.4.2. Commitments for seller carryback loan financing in an amount equal to appraised value of the improved real property and ground lease with capitalized rent amount equal to appraised value of the land.

8.4.3. Commitments for permanent financing sufficient to "take out" all liens senior to the Agency's liens.

Such commitments for financing shall not require modification of Agency loan documents, or ground lease or any term of the DDA.

Such commitments shall not be based upon sources and uses of Project funds that are different from those approved by Agency for the Project or be subject to conditions which require amendment of the Agency loan documents or other agreements.

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

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

10. **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 reasonable 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 reasonable 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.

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

11.1 **LIABILITY INSURANCE POLICY LIMITS.** Developer shall obtain all insurance under this Section 11 written with a deductible of not more than Twenty-five Thousand Dollars ($25,000) or an amount approved by Agency, and for limits of liability which shall not be less than the following:

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

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

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

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

11.6 **INSURANCE PROVISIONS.** Each policy of insurance required under this DDA shall be obtained from a provider licensed to do business in California and having a current Best's Insurance Guide rating of 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 Agency's legal counsel. Each policy shall contain the following provisions as applicable, unless otherwise approved by Agency's legal counsel in writing in advance:

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

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

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

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

a) Developer 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 Developer'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 Developer shall notify the Agency within forty eight **(48)** hours of such cancellation or non-renewal.

_____Developer's Initials

11.6.5 **FAILURE TO MAINTAIN.** If Developer fails to obtain or maintain, or cause to be obtained and maintained, any insurance required by this DDA, the Agency shall have the right, but not the obligation, to purchase the insurance on Developer's behalf, and Developer shall promptly reimburse the full cost of such insurance to the Agency. If Developer fails to reimburse the Agency for insurance, the amount of unpaid reimbursement shall bear interest at the maximum rate permissible under the law until paid. Failure to maintain the insurance required by this Section 11 shall be a default under this DDA (see Section 12.3, below).

11.6.7. **BLANKET COVERAGE.** Developer's obligation to carry insurance as required under this Section 11 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 11 with respect to such insurance shall otherwise be satisfied by such blanket policy.

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

12.1. **REVESTING TITLE IN AGENCY.** Notwithstanding any other provisions of this DDA and in addition to any other rights and remedies of the Agency, for a period of ten years following the Effective Date, after conveyance of any part of the Property to Developer and prior to issuance of Certificate of Completion, if Developer defaults in its obligations related to the Project development, abandons or unreasonably suspends Project construction work, permits any

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

12.1.1. **RESALE OF REACQUIRED PROPERTY**. Upon the revesting of title of the Project in the Agency, Agency shall use its best efforts to resell the Project, as soon and in such manner as the Agency shall find feasible and consistent with the objectives of the Disposition Agreement between the United States Department of Housing and Urban Development(HUD) and the Housing Authority of the City of Sacramento, to a qualified and responsible party, as determined by the Agency and approved by HUD, who will assume the obligation of completing the Project or such other improvements in their stead as shall be satisfactory to the Agency. Upon such resale of the Project, the resale proceeds (after repayment of any liens and encumbrances which have previously been approved by Agency in writing) shall be applied as follows:

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

12.1.3. **DEVELOPER REIMBURSEMENT.** After payment to Agency of the sum specified herein, said proceeds shall be paid to Developer to reimburse Developer in an amount not to exceed: (1) the sum of the purchase price paid by Developer for the Property and the cash actually expended by it in actual construction of any of the Project (including without limitation fees and expenses paid to any governmental agency on account of the Project, mitigation or development fees, earned developer fee payable to the Developer, the costs and expenses of all third-party architects, engineers, or similar design professionals, hard and soft costs of construction expended in construction of the Project, and Lender's interest, loan fees and other fees and charges on account of the Loan); less (2) any gains or income withdrawn or made by it from the DDA or the Project and any amounts, including interest on loans, then due from Developer to Agency.

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

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

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

13. **ENCUMBRANCE OF PROJECT AND LENDER PROTECTIONS.** Before issuance of a Certificate of Completion, if Developer has obtained Agency's prior written approval, which approval Agency may withhold in exercise of its reasonable discretion and in consideration of the commercially reasonable protection of its interests under this DDA, the Developer may obtain a Loan and encumber the Project as security for the Loan, provided either that the proceeds of the Loan are used solely for construction of the Project improvements upon usual and customary and commercially reasonable terms or that the Loan is permanent project financing made upon usual and customary and commercially reasonable terms. Each lender shall be a federal or state chartered financial institution, a pension fund, an insurance company or such other lender which Agency may approve in writing in advance. After issuance of a Certificate of Completion, the Agency shall have no rights of approval regarding financing secured by the Project. As a condition to Agency's approval of a Loan, Developer shall provide the Agency with a conformed copy of all documents related to the Loan. Agency acknowledges that a Lender will rely upon this DDA in making the Loan and that Agency's obligations under this DDA are inducements to Lender's making of the Loan.

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

[Date]

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

[Lender Name and Address for Notice]

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

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

13.4. **LENDER'S AND LIMITED PARTNER'S OPTION TO CURE DEFAULTS**. After any default of Developer's obligations under the DDA, each Lender shall have the right, at its option, to cure or remedy such default, within the time for cure allowed to Developer, and to add the cost of such cure to the debt and the lien secured by the Project. 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 Project in the manner provided in the DDA. Any Lender who properly completes the Project as provided in the DDA shall be entitled, upon written request made to the Agency, to a Certificate of Completion from the Agency in a manner provided in the DDA. Such certification shall mean that any remedies or rights with respect to the Project that the Agency may have, because of Developer's failure to cure any default with respect to the construction of the Project, or because of any other default of the DDA by the Developer, shall not apply to the part of the Project 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. The Developer's limited partner has the same cure rights afforded to the Developer in this Section 13.

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

13.5.1. 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 DDA) shall be tolled if and so long as, all of the following are true: (a) Lender has delivered to the Agency, prior to the date on which Agency is entitled to give notice of termination of this DDA, a written instrument satisfactory to Agency in which Lender or its designee unconditionally agrees that it will commence the cure of such default immediately upon Lender or its designee taking possession of the Property and will thereafter diligently pursue such cure to completion; provided, however, that neither the Lender nor its designee shall be obligated to pay damages to the Agency on account of such default, except to the extent of any monies due and unpaid from Developer; (b) Lender or its designee has rights to obtain possession of the Project (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 Project; (c) if Lender is prevented by court action or by any statutory stay from prosecuting foreclosure proceedings, that Lender is diligently seeking relief from such action or stay; and (d) upon receiving possession of the Project, Lender or its designee promptly commences and diligently proceeds to cure such default in accordance with this DDA.

13.5.2. From and after the cure of such Developer default, Lender or its designee is not required to obtain possession or to continue in possession of the Project. 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.

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

provided, however, that the assignee or transferee shall thereafter be subject to all of the terms and conditions of this DDA.

13.7. **MODIFICATIONS.** No modification or amendment to the DDA which materially and adversely affects the Lender's interest in the Project 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.

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

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

13.10. **PROHIBITIONS AGAINST ASSIGNMENT AND TRANSFER.** In reliance on the financial capability and experience of Developer, substantial public financing and other public aids have been made available by law and by the federal and local governments to make development of the Property possible. Developer shall not, prior to issuance of a Certificate of Completion, which in accordance with Section 6.13 may terminate this DDA subject to provisions expressly stated to survive this DDA, assign Developer's interests or obligations under this DDA or undertake any act or transaction resulting in a significant change in the interests of the principals of Developer or the degree of their control of Developer without the prior written consent of Agency. The transfer or assignment, pursuant to this Section, requires the transferee or assignee to execute and deliver to Agency a valid, binding, written assumption of all obligations of Developer. Such a transfer as permitted in this Section shall not relieve Developer, or any other party bound in any way by the DDA, from any of its obligations under the DDA. With respect to this provision, the Developer and the parties signing the DDA on behalf of the Developer represent that they have the authority of all of Developer's principals to agree to and bind them to this provision. Agency acknowledges that after the issuance of the Certificate of Completion Winfield Hill, Inc., will withdraw from the general partner entity.

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

14.1. **HUD USE AGREEMENT**. The HUD (United States Department of Housing and Urban Development Use Agreement is to be recorded against the land and the leasehold estate (HUD Use Agreement, Exhibit 5).

14.2. **OTHER REGULATORY AGREEMENTS**. Bond financing, tax credit equity financing, HOME and CDBG Loan, all require additional regulatory agreements with restrictions and covenants and are permitted under this DDA.

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

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

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

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

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

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

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

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

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

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

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

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

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

15.12.1. Addresses for notices are as follows:

a) Agency: Sacramento Housing and Redevelopment Agency, 801 12th Street, Sacramento, California 95814, Attention: Steve Lierly, Housing Finance Analyst.

b) Developer: Sierra Vista Housing Associates, LP, 600 California Street, Suite 900, San Francisco, CA 94108, Attention: Ann Silverberg. And, SHARP, 801 12th Street, Sacramento, California 95814, Attention: Bern Wikhammer, Senior Management Analyst –Asset Manager.

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

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

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

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

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

15.12.3. **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:

Bank of America, N.A.
CA4-70202-29
2001 Clayton Road, 2nd Floor
Concord, CA 94520
Attention: Loan Administration Manager

with a copy to:

Paul Hastings LLP
515 South Flower Street, Twenty-Fifth Floor
Los Angeles, CA 90071
Atten: Ken Krug, Partner

And:

MCCC, LLC
c/o Merritt Community Capital Corporation
1970 Broadway, Suite 250
Oakland, California 94612
Attention: Bernard T. Deasy

with a copy to:

Carle, Mackie, Power & Ross LLP
100 B Street, Suite 400
Santa Rosa, CA 95401
Attention: Richard W. Power, Esq.

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

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

16.1. "Agency" is the Sacramento Housing and Redevelopment Agency. The Agency is a joint powers agency, exercising governmental functions and powers, and organized and existing under the Section 6500 et seq. of the California Government Code. The principal office of the Agency is located at 801 12th Street, Sacramento, California 95814. Agency as used in this DDA includes the Housing Authority of the City of Sacramento, a public body corporate and politic, and any assignee of or successor to its rights, powers and responsibilities.

16.2. "Agency Construction and Permanent Loan" is the construction and permanent HOME and CDBG financing the terms and conditions of which are specifically contained in the construction and permanent loan documents.

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

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

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

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

16.7. "Contractor" is Remco Deacon, the contractor or contractors with whom Developer has contracted for the rehabilitation of the Project.

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

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

16.10. "Developer" is Sierra Vista Housing Associates, LP, a California limited partnership. The principal office of the Developer is located at 600 California Street, Suite 900, San Francisco, CA 94108. The principals of Developer are BRIDGE Housing Corporation (Ann Silverberg, Senior Vice-President) and the Sacramento Housing Authority Repositioning Program Inc., James Shields (President).

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

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

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

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

16.15. Ground Lease is the Ground Lease dated concurrently with recording of this DDA by and between the Housing Authority of the City of Sacramento and the Developer for the land upon which the Improvements are situated **Exhibit 6: Form of Ground Lease.**

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

16.17. "Housing Authority Permanent Loan" is the permanent loan of certain Housing Authority assets which are specifically contained in the Authority's permanent loan documents.

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

16.19. "Plans" are the Project designs and elevations, prepared by the Project architect Ferrari Moe LLP and dated August 12, 2014 a portion of which (consisting of various elevations) is attached to the staff report for approval of this DDA. Agency has approved the Plans concurrently with the approval of this DDA.

16.20. "Project" is the leasehold in the land and fee in the improvements to be acquired and rehabilitated as described in this DDA for the uses stated in this DDA.

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

16.22. "Purchase Price" is the purchase price for the Property as set out in Section 3.1.

16.23. "Seller Carry Back Loan" is the seller carry back acquisition loan from the Housing Authority of the City of Sacramento to the Developer for the purchase of the Improvements subject to this DDA.

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

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

16.26. "Title Company" is Placer Title Company, if approved by lender and investor. Title Company is the insurer of title under this DDA and the Escrow holder. The Title Company address is 2394 Fair Oaks Blvd., Sacramento 95825.

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

16.28. "HUD Use Agreement" is the United States Department of Housing and Urban Development Use Agreement regulating, among other things, the use and affordability of the Project. The HUD Use Agreement is attached hereto and incorporated herein as **Exhibit 5: HUD Use Agreement**.

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

DEVELOPER : SIERRA VISTA HOUSING ASSOCIATES, LP
a California limited partnership

By: Sierra Vista Housing Associates LLC,
a California limited liability company, its general partner

By: Winfield Hill, Inc.,
a California public nonprofit public benefit corporation
Its managing member

BY:_____

Name:_____

Its:_____

Date: _____

AGENCY: THE SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY, a joint powers agency **AND THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO,** a public body corporate and politic

By:

_____
LaShelle Dozier, Executive Director

Date: _____

Approved as to form:

_____
Agency Counsel

Exhibit 1: Property Description

Exhibit 2

Sierra Vista Apartments

Schedule of Performances

Task #	Task Description	Responsible Party[1]	Completion [2] No Later Than
1	Escrow Closes / Title Transfers	Developer, Lender, Investor, Agency, Title	December 19, 2014
2	Construction Mobilization	Developer, Contractor	January 15, 2015
3	Relocation of Tenants in Floors 7 - 9	Developer, Contractor	April 1, 2015
4	Rehab of 1st Floor Common Areas & Community Room	Developer, Contractor	October 31, 2015
5	Rehab of Residential Units	Developer, Contractor	October 31, 2015
6	Final Punchlist	Developer, Contractor, City	December 1, 2015
7	Substantial Completion	Developer, Contractor	November 15, 2015
8	Conversion to Perm Loan	Developer, Lender	September 1, 2016
9			

(1) "City" = City of Sacramento
"Developer" = Sierra Vista Housing Associates, LP, a California Limited Partnership
"Agency" = Sacramento Housing & Redevelopment Agency;
"Authority" = Housing Authority of the City of Sacramento
"Lender" = Bank of America
"Title" = Placer Title Company

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

Exhibit 3: Scope of Development

Sierra Vista Apartments
1115 23rd Street, Sacramento, CA

Sierra Vista Apartments is a nine-story concrete structure built in 1971. The site includes 16 surface parking spaces. The building consists of 78 residential one-bedroom units, 77 of which will have rent restrictions with one unrestricted manager's unit. Each unit is between 408 and 450 square feet in size. All are accessed off an interior corridor by way of two elevators and/or stairwells. The first floor consists of a small lobby and common room, kitchen, laundry room, two small storage rooms, managers' office, two restrooms and 6 existing partially-accessible units. The second through ninth floors consist of 9 residential units, elevator lobby, two exit stairwells, janitors' closet, and storage closet. There is a two story elevator penthouse at the roof level to house the elevator equipment and water heaters. The building's exterior walls consist mostly of precast concrete walls, with minor areas of stucco on the first floor and elevator penthouse. Aluminum single-pane windows with un-insulated spandrel panels exist throughout. There is an existing built-up roof with minimal slope and no guardrail. Units are heated and cooled using individual PTAC units, corridors are cooled using an evaporator cooler, and common areas using a split system. Most of the building elements appear to date to the original construction and are at or nearing the end of their service life.

A requirement of the project is to have a 20-year minimum service life such that no significant capital improvements should be necessary within that time period. Additionally, the project is to meet current Title 24 energy standards and CalGreen, as required by components of the proposed financing structure. The project will expand the first floor to encompass a larger community space, and improved site access.

The following outlines the recommendations for rehabilitation which are included in the permit set drawings:

Site Work & Accessibility
Provide new landscaping and irrigation throughout. Modify fence to remove at new community room and accept new entrance off K Street. Remove and replace all site concrete. In parking lot center drive aisle, remove and replace asphalt and base. Remaining asphalt surfaces grind 2" of existing asphalt and install new 2" top layer asphalt. Slope surfaces as needed to achieve accessible pathways to assigned accessible space and public sidewalk. Re-stripe including accessible placards and crosswalks, number all stalls. Replace concrete curb stops. Refurbish existing CMU trash and recycling enclosure as to secure existing plumbing systems with a gate or door. Provide weather proof roofing from building exterior to outside edge of enclosure. Paint CMU and metal.

Controlled Access/CCTV
Upgrade Pelco CCTV system to include two cameras per floor, cameras around the first floor common spaces and the site. Provide new DoorKing access controls at main points of entry to the site and building, common restrooms, community room, laundry room, vending, first floor corridor, and first floor elevator.

Building Exterior
Install new aluminum frame, fully insulated, thermally broken windows. Glass installed shall be dual panel, argon filled, low E coating, with light tinting and a minimum U-value = 0.29 and SHGC = 0.30. Install new aluminum "eyebrow" shading features above windows. Cast concrete wall panels are to remain in place. Remove and re-caulk concrete panel joints, clean and seal concrete. Stucco walls at elevator penthouse to be removed and replaced. Remove existing roof system and install new rigid insulation with modified bitumen cap sheet and PMMA resin at flashing locations. Install new metal guardrail. Rearrange mechanical equipment on the roof to accommodate new solar systems. Equipment to remain in place and fully operational throughout construction. Provide certified OPUS per OSHA standards.

Unit Interiors
All units to have new flooring throughout, including glue down low pile carpet and cove vinyl in the bathrooms. New wood kitchen cabinets with wood fronts and floating bathroom vanity. Kitchens to have granite countertops and bathrooms to have solid surface integral sink countertops. Appliances to be GE and include a dishwasher and garbage disposal, all to be energy star if available. Install new fire rated front entry doors, with self-closure, door bell, peep hole, smoke seal and new door numbers. Interior doors to remain; sand, prep, paint. Install new hardware throughout. New lighting fixture throughout and new electrical outlets as required by code. New HVAC to include PTAC, transfer fan, kitchen fan and bath fan. New plumbing fixtures throughout including full height fiberglass shower surround. New single-color paint scheme throughout unit.

Renovate 8 units for mobile accessibility, which exceeds the required 5%.. Improvements include rearranged kitchen, larger bathroom including roll-in shower, new electrical panels including feeders, and new doors throughout. Adjacent unit closet will be impacted.

Common Areas
Expand building footprint at the first floor toward K Street and rearrange entrance. Rearrange first floor to include two accessible restrooms, vending room, expanded laundry room, new community space, new community kitchen and leasing agent office. Include accordion door for private meetings in community space.

In corridors, install new LED lighted handrails and sconces. Install new drop acoustic ceiling, new carpet and vinyl plank flooring. Remove sinks and countertops from Janitor/Storage closets at upper floors. Install new signage throughout interior and exterior including large font building identity signage.

Solar Photovoltaic & Solar Thermal
The goal of the project is to have between 50-70% of the common load energy usage offset by solar photovoltaic, after the planned upgrades this is expected to be between 47,500 kWh - 67,000 kWh. The design includes PV panels mounted on a low trellis and roof mounted solar thermal panels.

Electrical
Install LED lighting within common areas, corridors, and throughout the exterior. New fluorescent lighting will be installed within the units. Provide alternative pricing for replacement of existing aluminum wires. Provide battery backup for lighting as needed to meet code. Provide for installation of wifi, cable TV, and telephone throughout the building.

Plumbing
Most of the existing pipes have been in place since original construction, some are galvanized steel, some copper. Replace all original galvanized pipes and all horizontal waste lines, including main waste line to the alleyway. Install new plumbing fixtures, use low water use per CalGreen throughout.

Seismic/Structural
The project will include some seismic upgrades. Upgrades consist of installing angles at the top of columns, and at floor lines within one stairwell, two units, and at two side of the first floor. With the seismic upgrades, the PML for the building is 11%.

Fire Safety
The building will remain unsprinklered. Install new non-proprietary fire alarm system with Kidde smoke detectors. Install speaker strobes at accessible units. Install smoke curtains and man doors at upper floor elevators.

Environmental
Elements within the building were tested for lead and asbestos. Some items came back containing trace amounts of the material and are expected to be abated or encapsulated as necessary during construction. The owner will engage a certified hygienist to oversee the abatement work.

Construction & Relocation
It is anticipated that this work will be done over a 12 month period maintaining partial building occupancy. This will require relocation of the existing tenants.

Exhibit 4: Grant Deed Form

NO FEE DOCUMENT:
Entitled to free recording
per Government Code §§ 6103 and 27383.
Recording Requested by the
SACRAMENTO HOUSING AND
REDEVELOPMENT AGENCY
801 12th Street
Sacramento, California 95814
Attention: Steve Lierly

Mail Tax Statements to:

GRANT DEED

(WITH REVESTMENT PROVISIONS, COVENANTS, RESTRICTIONS AND RESERVATIONS)

For valuable consideration, receipt of which is hereby acknowledged,

THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO, a public body, corporate and politic, of the State of California (the "Grantor"), acting to carry out rehabilitation and operation of residential units, the ("Project"), under the Housing Authority Law of California, hereby grants to Sierra Vista Housing Associates, L.P. a California limited partnership (the "Grantee"), the Improvements, only (the "Property"), as, described in Exhibit 1 which is attached to, and incorporated in this Deed by this reference, and as situated upon certain real property, subject to the covenants, restrictions and reservations set forth below which covenants, restrictions and reservations shall inure to the benefit of, and bind, each and every successor, assign or successor in interest of the parties, including any heirs, executors, administrators, transferees or any other person or entity claiming through the parties.

The Property is conveyed in accordance with, and subject to, (i) the Disposition and Development Agreement (DDA) dated December ___, 2014.

1. The Grantee covenants and agrees that the Property shall be devoted only to the uses specified in the applicable provisions of the United States Department of Housing and Urban Development Use Agreement, this Deed and any and all instruments recorded pursuant to the Disposition and Development Agreement, including such Agreement, duly recorded by Grantor and affecting the Property. Grantee hereby covenants and agrees that the Grantee, such successors and such assigns shall rehabilitate, use, and maintain the Property as follows: residential units available for rent by the general public and containing not less than the following number of units: 78, of which one will be a manager unit; affordable to tenants having an income of not more than 80% of the Average Median Income as determined by the United States Department of Housing and Urban Development.

2. Grantee acknowledges and agrees that the Property shall be subject to the Use Agreement as recorded against the Property.

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

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

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

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

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

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

3.1.2. Abandon or substantially suspend construction or rehabilitation of the Improvements for more than sixty days after written notice from the Grantor to continue such construction, provided that Grantor shall not have obtained an extension or postponement to which Grantee may be entitled or that Grantee or Grantee's lender, or limited partner for the Project have commenced and are diligently proceeding to cure such default; or

3.1.3. Transfer, or suffer any involuntary transfer, of all or any part of, or interest in, the Property, in violation of the DDA or this Grant Deed.

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

3.2.1. Any mortgage, deed of trust or limited partner permitted by the DDA or this Deed and duly approved by the Grantor; or

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

3.2.3. The limited partner of Grantee for the Project shall have the same rights to notice and cure herein as the holders of such mortgages or deeds of trust.

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

3.4. In the event title to all or any part of the Property is revested in the Grantor as provided in this Section 3, the Grantor shall, pursuant to its responsibilities under California Law, use its best efforts to resell the Property or part as soon and in such manner as the Grantor shall find feasible and consistent with the objectives of such law to a qualified and responsible party or parties (as determined by the Grantor) who will assume the obligation of making or completing the Improvements or such other improvements in their stead as shall be satisfactory to the Grantor and in accordance with the uses specified for such Property or part in the Redevelopment Plan. Upon such resale of the Property the proceeds thereof shall be applied as follows:

3.4.1. First, the Grantor shall be reimbursed, on its own behalf or on behalf of the City of Sacramento, California for all costs and expenses incurred by the Grantor, including but not limited to salaries of personnel incurred in connection with the recapture, management and resale of the Property or part (but less any income derived by the Grantor from the Property in connection with such management); all taxes, assessments, and water

and sewer charges with respect to the Property or part (or, in the event the Property is exempt from taxation, assessment or such charges during the period of Grantor's ownership thereof, an amount equal to such taxes, assessments or charges as determined by the assessing official as would have been payable if the Property were not exempt); any payments made or necessary to be made to discharge any encumbrances or liens existing on the Property or part at the time of revesting of title in the Grantor or to discharge or prevent such encumbrances or liens from attaching or being made by any subsequent successors or transferees; any expenditures made or obligations incurred with respect to the completion of the Improvements; and any amounts otherwise owed to the Grantor by the Grantee and its successors or transferee except with respect to loans from Grantor to Grantee as evidenced by loan documents; and

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

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

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

4. The Grantee covenants and agrees that:

4.1. There shall be no discrimination against or segregation of any person on the basis of sex, race, color, religion, ancestry, national origin, disability, medical condition, marital status, language proficiency or sexual orientation or gender identity, in the sale, lease, or rental or in the use or occupancy of the Property. Grantee covenants by and for itself, its successors 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. Grantee covenants by and for himself, his heirs, executors, administrators, and assigns, and all persons claiming under or through them that there shall be no discrimination against or segregation with reference to the selection, location, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the Property. The foregoing covenants shall run with the land.

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

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

6. All covenants contained in this Deed shall be covenants running with the land and equitable servitudes thereon. The covenants contained in Section 3 of this Deed shall terminate upon issuance of a Certificate of Completion for the Property. Every covenant contained in this Deed not previously terminated shall terminate thirty (30) years from the date of recordation in the official records of Sacramento County, except that the covenants against discrimination contained in Section 4 of this Grant Deed shall remain in perpetuity.

7. All covenants without regard to technical classification or designation shall be binding for the benefit of the Grantor, its successors and assigns, the City of Sacramento, California, any successor in interest to the Property, the owner of any other land (or of any interest in such land) in Project which is subject to the covenants against discrimination contained in Section 4.1 shall be binding for the benefit of the Grantor, the City of Sacramento and

the United States of America and such covenants shall run in favor of the Grantor, the City of Sacramento and the United States of America, for the entire period during which such covenants shall be in force and effect, without regard to whether the Grantor or the City of Sacramento, is or remains an owner of any land or interest therein to which such covenants relate. The Grantor, in the event of any breach of any such covenant, and the City of Sacramento (and the United States of America, in the event of any such breach of the covenants in Section 4), shall have the right to exercise all the rights and remedies, and to maintain any actions at law or suits in equity or other property proceedings to enforce the curing of such breach against Grantee, its successors to and assigns of the Property or any part or interest in the Property, any subcontracting party or parties or other transferees under the DDA, and any party in possession or occupancy of all or any part of the Property.

8. Both before and after issuance of a Certificate of Completion, the Grantor and Grantee and their successors and assigns only shall have the right to mutually consent and agree to changes in, or to eliminate in whole or in part, any of the covenants, easements, or other restrictions contained in this Deed or to subject the Property to additional covenants, easements, or other restrictions, and Grantor and Grantee may do so without the consent of any tenant, lessee, easement holder, licensee, or any other such person or entity having any interest less than a fee in the Property other than lenders with loans secured by the Property.

9. The covenants contained in this Deed shall not be construed as conditions which might result in forfeiture of title, except for the covenants and conditions contained in Section 3 of this Grant Deed.

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

With respect to such individual parts or parcels of the Property which, if so provided in the DDA, the Grantee may convey or lease as the Improvements thereon are completed, the Grantor shall also, upon proper completion of the Improvements relating to any such part or parcel and prior to such conveyance or lease, issue a Certificate of Completion with regard to such part of parcel. Such certification shall mean and provide (1) that any party purchasing or leasing such individual part or parcel with required authorization shall not (because of such purchase or lease) incur any obligation with respect to the construction of the Improvements relating to such part or parcel or to any other part or parcel of the Property; and (2) that neither the Grantor nor any other party shall thereafter have or be entitled to exercise with respect to any such individual part or parcel so sold (or, in the case of lease, with respect to the leasehold interest) any rights or remedies or controls that it may otherwise have or be entitled to exercise with respect to the Property as a result of a default in or breach of any provisions of the DDA or of this Deed by the Grantee or any successor in interest or assignee, unless (i) such default or breach be by the purchaser or lessee, or any successor in interest to or assignee of such individual part or parcel with any other of the covenants contained and referred to in this Deed and the Regulatory Agreements and (ii) the right, remedy or control relates to such default or breach.

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

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

IN WITNESS WHEREOF, the Grantor and the Grantee have caused this instrument to be executed on their behalf by their respective and duly authorized officers.

GRANTOR:
HOUSING AUTHORITY OF THE CITY OF SACRAMENTO

_____
LaShelle Dozier
Executive Director

Date:_____

APPROVED:_____
Authority Counsel

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

GRANTEE:
SIERRA VISTA HOUSING ASSOCIATES, L.P.
a California limited partnership

By: Washington Plaza Housing Associates LLC,
a California limited liability company, its general partner

By: Winfield Hill, Inc.,
a California public nonprofit public benefit corporation
Its managing member

BY:_____
Name: _____

Its: _____

Date:_____

[NOTARIZED ACKNOWLEDGEMENTS]

RECORDING REQUESTED BY:

Exhibit 5

Housing Authority of the City Sacramento
801 12th Street
Sacramento, CA 95814

WHEN RECORDED MAIL TO:

Housing Authority of the City of Sacramento
801 12th Street
Sacramento, CA 95814
Attn: Executive Director

NO FEE REQUIRED
PER GOVERNMENT CODE SECTION 27383

(SPACE ABOVE THIS LINE FOR RECORDER'S USE)

USE AGREEMENT

This Use Agreement (this "**Agreement**") dated as of _____, 2014, is by and between the HOUSING AUTHORITY OF THE CITY OF SACRAMENTO, CALIFORNIA, a public body, corporate and politic organized under the laws of the state of California ("**PHA**"), with a mailing address of 801 12th Street, Sacramento, CA 95814, Attention: Executive Director and SIERRA VISTA HOUSING ASSOCIATES, L.P., a California limited partnership ("**Lessee**"), with an address of 801 12th Street, Sacramento, CA 95814.

RECITALS

WHEREAS, PHA owned and operated 78 dwelling units in one (1) dwelling building formerly known as Sierra Vista on 0.45 acres of underlying land, as more particularly described in the attached Exhibit A (the "**Disposition Property**"), as low-rent public housing with financial assistance provided by HUD under the U.S. Housing Act of 1937, as amended, 42 U.S.C. 1437 et. seq. (the "**Act**");

WHEREAS, PHA is the fee owner of the Disposition Property;

WHEREAS, PHA has requested HUD approval of the ground lease of the Disposition Property and the sale of the improvements located thereon to Lessee, and HUD, as documented in that certain letter from HUD to PHA dated October 24, 2013 (the "**Approval Letter**") attached hereto as Exhibit B and incorporated herein, agreed to such ground lease and sale on the terms and conditions set forth in (i) the Approval Letter, (ii) that certain Disposition Agreement dated as of February 1, 2014, between HUD, PHA and the Sacramento Housing Authority Repositioning Program, Inc., a California nonprofit public benefit corporation (the "**Disposition Agreement**") and (iii) this Agreement, including, without limitation, the condition that seventy-seven (77) dwelling units on the Disposition Property ("**Required Units**") are operated exclusively as housing units for families whose incomes do not exceed 80% of the area median

income (the "**Use Requirement**") for a period of not less than thirty (30) years from the date this Agreement is recorded in the official records of the county where the Disposition Property is located (the "**Restricted Period**");

WHEREAS, PHA has entered into that certain ground lease of even date herewith with Lessee for the Disposition Property, a memorandum of which will be recorded against the Disposition Property concurrently herewith; and

WHEREAS, as a condition of the Approval Letter, the parties are obligated to enter into this Use Agreement on the terms and conditions hereinafter provided.

AGREEMENT

NOW THEREFORE, in consideration of the foregoing recitals, each of which is incorporated herein by reference, and the promises and covenants herein set forth and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. Lessee, for itself and for its successors and assigns, hereby covenants and agrees to develop, operate and maintain the Required Units in strict conformance with the Use Requirement for the duration of the Restricted Period.

2. The following will not constitute a breach of the Use Requirement:

a. It shall not constitute a breach of the Use Requirement if one or more of the Required Units are left vacant for a period (i) while one tenant is moving out and before another has moved in, (ii) while waiting for a new qualifying tenant in the event there are none immediately available to move in after the previous qualifying tenant vacates, or (iii) while the unit is being renovated or repaired.

b. In the event one or more of the Required Units are damaged or destroyed by fire or other casualty, cessation of the use of the unit or units in conformance with the Use Requirement during the period of repairs or reconstruction shall not constitute a breach of the Use Requirement; provided (i) Lessee uses commercially reasonable efforts to cause the units to be repaired or restored to substantially the same condition as existed prior to the event causing damage or destruction, (ii) the units are actually repaired or restored within eighteen (18) months after the date of the casualty, or such longer period as may be approved by HUD in writing, such approval not to be unreasonably withheld, conditioned, or delayed, and (iii) the units are thereafter operated in accordance with the Use Requirement for the remainder of the Restricted Period.

c. In the event one or more of the Required Units are taken for any public or quasi-public use under governmental law, ordinance or regulation, or by right of eminent domain, or by private purchase in lieu thereof (a "**Taking**"), or if any other portion of the property in which one or more Required Units are located, which property is necessary for a tenant's occupancy of a Required Unit, has been subject to a Taking, cessation of the use of a unit or units in conformance with the Use Requirement resulting from a Taking shall not

constitute a breach of the Use Requirement; provided (i) Lessee applies funds received as a result of the Taking of the Restricted Unit(s) for the acquisition and development of other residential units that will be operated in accordance with the Use Requirement, (ii) the new units are acquired or developed within two (2) years after the date of the Taking, or such longer period as may be approved by HUD in writing, such approval not to be unreasonably withheld, conditioned or delayed, and (iii) the new units are thereafter operated in accordance with the Use Requirement for the remainder of the Restricted Period.

3. In the event the Use Requirement ceases to be satisfied prior to the expiration of the Restricted Period:

a. PHA shall give written notice of the failure to Lessee (a "**Notice of Violation**"), which Lessee shall have one hundred twenty (120) days to cure. PHA agrees to give to (i) the beneficiary of any deed of trust encumbering the Disposition Property, and its successors or assigns (a "**Holder**") and (ii) the one or more special limited partners and investor limited partners of Lessee, and their successors or assigns (the "**Special and Investor Limited Partners**") (collectively, the "**Project Financiers**"), a written copy of any Notice of Violation that PHA may give to Lessee under this Agreement. No notice or demand under this Agreement shall be effective unless a copy of such notice is given to the Project Financiers. Any Notice of Violation shall describe the violation of the Agreement with reasonable detail. Project Financiers shall have the right, but not the obligation, to cure any breach or default within one hundred twenty (120) days after receipt of such notice.

b. If a Notice of Violation is incapable of being cured within such one hundred twenty (120) day period, each Project Financier shall have such additional time as may be approved by HUD in writing, such approval not to be unreasonably withheld, conditioned or delayed, to cure such violation. Any cure tendered by a Project Financier shall be accepted by the PHA or HUD as if tendered by the Lessee.

c. Any notice, pursuant to this Agreement, given to the Project Financiers hereunder shall be sent to the addresses set forth below or to such additional Special or Investor Limited Partners who record a request to receive notice and provide a mailing address to which the notice shall be sent under this Agreement:

To Bank:

Bank of America, N.A.
CA4-70202-29
2001 Clayton Road, 2nd Floor
Concord, CA 94520
Attention: Loan Administration Manager

with a copy to:

Paul Hastings LLP
515 South Flower Street, Twenty-Fifth Floor
Los Angeles, CA 90071
Atten: Ken Krug, Partner

To: Investor:

Merritt Community Capital Fund XVII, L.P.
1970 Broadway, Suite 250
Oakland, California 94612
Attention: Bernard T. Deasy

with a copy to:

Carle, Mackie, Power & Ross LLP
100 B Street, Suite 400
Santa Rosa, CA 95401
Attention: Richard W. Power, Esq.

Special Limited Partner: May be designated in the future by notice to the PHA

d. If, after written Notice of a Violation has been provided as required by this Agreement, the failure is not corrected to the satisfaction of PHA within the prescribed amount of time, PHA may declare a default under this Agreement (an "**Event of Default**") without further notice. In case of an Event of Default, to the extent permitted by applicable law, PHA shall have the right to seek specific performance of the Use Requirement and/or to enjoin any violation of the Use Requirement in a court of competent jurisdiction. The right to specific performance and injunction shall be in addition to all other remedies available under statute, at law and in equity.

4. "PHA" means the Housing Authority of the City of Sacramento, California, a public body corporate and politic organized under the laws of the State of California and/or its successors and assigns. No party other than PHA shall exercise the rights and privileges reserved herein to PHA unless such party shall receive and record in the official records of the County where the Disposition Property is located a written assignment of all or a portion of such rights, privileges and obligations.

5. Recordation of this Agreement shall constitute the agreement by Lessee, for its successors and assigns, to be bound by and to comply with the restrictions set forth in this Agreement. The benefits and burdens of this Agreement touch and concern and run with the land and are binding upon and shall inure to the benefit of the respective successors and assigns of the parties to this Agreement. Wherever the term "Lessee" is used herein such term shall be construed to include Lessee's successors and assigns in title to the Disposition Property.

6. Upon the expiration of the Restricted Period, the Use Requirement shall cease and terminate and the Disposition Property shall be deemed released of the Use Requirement and this Agreement without the requirement of any further writing between the parties. Notwithstanding

the foregoing, upon expiration of the Restricted Period, PHA agrees to execute and deliver to Lessee such documents as Lessee shall reasonably request releasing and confirming the release of the Use Requirement and this Agreement from title to the Disposition Property and clearing title to the Disposition Property from any cloud created by the Use Requirement or this Agreement.

7. All notices under this Agreement shall be in writing and shall be served by (a) personal service or receipted courier service, (b) by registered or certified first class mail, return receipt requested, or (c) nationally-recognized overnight delivery service, addressed to PHA or Lessee, as appropriate, at the addresses for such parties set forth in the initial paragraph of this Agreement and with a courtesy copy provided to HUD at 600 Harrison Street, Third Floor, San Francisco, CA, 94107. Any notice or other communication sent pursuant to clause (a) hereof shall be deemed received upon such personal service, if sent pursuant to clause (b) shall be deemed received five (5) days following deposit in the mail and/or if sent pursuant to clause (c) shall be deemed received the next succeeding business day following deposit with such nationally recognized overnight delivery service. Either party may change its address by notice given in accordance with this Section 7.

8. The invalidity of any clause, part or provision of this Agreement shall not affect the validity of the remaining portions thereof.

9. This Agreement may be executed in any number of original counterparts, all of which evidence only one agreement, and only one of which need be produced for any purpose.

10. The terms and provisions of this Agreement shall be construed and enforced in accordance with the laws of the State of California.

11. Lessee shall reimburse PHA for all reasonable attorneys' fees and expenses reasonably incurred by PHA in connection with the enforcement of PHA's rights under this Agreement, including, but not limited to, all such fees and expenses for trial, appellate proceedings, out-of-court workouts, mediation, and settlements and for enforcement of rights under any state or federal statute, including, but not limited to, all such fees and costs relating to bankruptcy and insolvency proceedings such as in connection with seeking relief from stay in a bankruptcy proceeding or negotiating and documenting any amendment or modification of this Agreement.

12. Notwithstanding anything to the contrary set forth in Section 5 above, in no event shall the Holder or any other purchaser at foreclosure have any liability for sums due and payable under this Agreement prior to its acquisition of title to the Disposition Property.

13. Notwithstanding anything to the contrary set forth in this Agreement, this Agreement shall extend to and be binding upon Holder only in the event and after Holder acquires ownership of the Disposition Property.

[This space intentionally left blank.]

IN WITNESS WHEREOF, by their duly authorized signatures below, the Parties hereto enter into this Agreement as of the date first above written.

PHA:

HOUSING AUTHORITY OF THE CITY OF SACRAMENTO, a public body corporate and politic

By: _____
LaShelle Dozier, Executive Director

LESSEE:

SIERRA VISTA HOUSING ASSOCIATES, L.P.,
a California limited partnership

By: Sierra Vista Housing Associates LLC,
a California limited liability company, its general partner

By: Winfield Hill, Inc., a California public nonprofit public benefit corporation its managing member

By:_____
Name:_____
Its:_____

By: Sacramento Housing Authority Repositioning Program, Inc., a California nonprofit public benefit corporation a member

By:_____
James Shields, President

Exhibit 6: Ground Lease Form

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LEASE

By and Between

THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO

and

SIERRA VISTA HOUSING ASSOCIATES, L.P.

December ___, 2014

LEASE

(HACS to Sierra Vista Housing Associates, LP)

THIS Lease (the "Lease") is entered into as of December __, 2014, (the "Effective Date") by and between THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO, a public body, corporate and politic (the "Authority") and SIERRA VISTA HOUSING ASSOCIATES, L.P., a California limited partnership ("Lessee").

RECITALS

A. The Authority is the owner of that certain real property in Sacramento, California, and more particularly described in the attached Exhibit A (the "Leased Premises") and the improvements thereon.

B. The Authority formerly operated the Leased Premises and Improvements as public housing as that term is defined in the United States Housing Act of 1937, 42. U.S.C.A. 1437 et seq.

C. The Authority applied to the United States Department of Housing and Urban Development ("HUD"), pursuant to Section 18 of the United States Housing Act of 1937 (42 U.S.C.A. 1437p) and its implementing regulations at 24 Code of Federal Regulation 970 et seq, for approval to dispose of the Leased Premises and other public housing developments.

D. HUD granted the Authority approval to dispose of the Leased Premises on the condition that it continues to be maintained as affordable housing and otherwise adheres to the requirements contained in the disposition approval from HUD, the provisions of which are set forth in the October 24, 2013 letter from Ainars Rodins, P.E., Director of the HUD Special Applications Center to La Shelle Dozier, the Authority's Executive Director, attached as Exhibit B, (the "HUD Disposition Approval").

E. This Lease conforms to the requirements of the HUD Disposition Approval.

F. Lessee is to rehabilitate approximately 78 units of affordable senior housing, one manager unit, together with approximately 15,115 square footage of of common area including community/management space on the Leased Premises.

G. The Authority desires to lease the Leased Premises to Lessee for a period of Ninety Nine (99) years pursuant to the terms of this Lease, so long as Lessee complies with the terms of this Lease.

H. Capitalized terms which are referred to and utilized throughout this Lease are defined in Article 1 of this Lease.

NOW, THEREFORE, for and in consideration of the foregoing premises, the covenants, representations, warranties and agreements set forth herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows:

ARTICLE 1. DEFINITIONS AND EXHIBITS

For purposes of this Lease, the following defined terms shall have the meanings given them in this Article 1.

1.1 Definitions.

The following terms shall have the following meanings in this Lease:

(a) "AMI" or Area Median Income as defined in this Section 1.1 means the median gross yearly income adjusted for actual household size in Sacramento County, California, as published from time to time by HUD.

(b) "Approved Financing" means all mortgage loans made by Authority to Lessee and such other financing as Authority may approve. Approved Financing as of the date hereof includes the following:

i. A construction loan (the "Construction Loan") from Banc of America Public Capital Corp. ("Bank") in the approximate amount of Twelve Million Nine Hundred and Twenty Three Thousand Dollars ($12,923,000) (the "Bonds"), a portion of which shall be converted into a permanent loan from the Bank in the approximate amount of Four Million Two Hundred and Ninety Two Thousand Dollars ($4,292,000);

ii. A construction and permanent loan from Sacramento Housing and Redevelopment Agency (SHRA) in the approximate amount of Three Million Fifty Thousand Dollars ($3,050,000) (the "Agency Loan");

iii. A permanent loan from the Authority to Lessee in the amount Two Hundred Thousand Dollars ($200,000).

iv. A seller carryback loan from the Authority to the Lessee for the purchase of the Improvements, in the amount of Six Million Four Hundred Thousand Dollars ($6,400,000) (the "Seller Carryback Loan").

v. Low Income Housing Tax Credit/Investor equity funds in the approximate amount of Ten Million Fifty Eight Thousand and Eight Hundred Sixty Six Dollars and No Cents ($10,058,866), approximately $1,508,991 of which will be provided during construction (the "Tax Credit Equity").

(c) "Authority" means the Housing Authority of the City of Sacramento, and its successors and assigns.

(d) "Bond Regulatory Agreement" means the regulatory agreement executed by Authority and Lessee as required in connection with the issuance of the Bonds.

(e) "Casualty" has the meaning defined in Article 12 of this Lease.

(f) "CFR" means the Code of Federal Regulations.

(g) "City" means the City of Sacramento, California.

(h) "DDA" means that certain Disposition and Development Agreement relating to the Development, by and between Authority and Lessee, dated as of December __, 2014, as it may have been amended by the parties.

(i) "Effective Date" means the date first written above.

(j) "Existing Tenant" means any Tenant Household that occupies one of the Units on the Effective Date.

(k) "Fair Market Rent" means the rent, including utilities that would be required to be paid in the City for decent, safe and sanitary housing, by unit size, as determined by HUD and published in the Federal Register.

(l) "HAP Contract" means a Housing Assistance Payment Contract provided by the Authority in order to subsidize the Tenant Households' monthly rent.

(m) "Hazardous Materials" means any oil or any fraction thereof or petroleum products or "hazardous substance" as defined in Section 101(14) of CERCLA (42 U.S.C. Section 9601(14) or Section 25281(d) or 25316 of the California Health and Safety Code at such time; any "hazardous waste," "infectious waste" or "hazardous material" as defined in Section 25117, 25117.5 or 2550(j) of the California Health and Safety Code at such time; any other waste, substance or material designated or regulated in any way as "toxic" or "hazardous" in the RCRA (42 U.S.C. Section 6901 et seq.),CERCLA Federal Water Pollution Control Act (33 U.S.C. Section 1521 et seq.), Safe Drinking Water (42 U.S.C. Section 3000(f) et seq.),Toxic Substances Control Act (15 U.S.C. Section 2601 et seq.), Clean Air Act (42 U.S.C. Section 7401 et seq.) California Health and Safety Code (Section 25100 et seq.), or California Water Code (Section 1300 et seq.) at such time; and any additional wastes, substances or materials which at such time are classified, considered or regulated as hazardous or toxic under any other present or future environmental or other similar laws relating to the Leased Premises, but excluding any substances or materials used in the construction, development, maintenance or operation of the Leased Premises, so long as the same are used in accordance with all applicable laws.

(n) "Hazardous Materials Law" means all federal, state, and local laws, ordinances, regulations, orders and directives pertaining to Hazardous Materials in, on or under the Leased Premises or any portion thereof.

(o) "HUD" means the United States Department of Housing and Urban Development.

(p) "HUD Disposition Approval" means the approval referenced in Recital D and attached as Exhibit B.

(q) "HUD Use Agreement" means the Use Agreement dated concurrently herewith, between Authority and Lessee governing the Premises and recorded against the Leased Premises and the Authority's Estate, which is and shall be senior and in first position to this Lease and all financing relating to the acquisition and rehabilitation of the Improvements and the lease of the Premises

(r) "Improvements" means the buildings, structures, and other improvements, including the building fixtures therein, now or hereafter located on the Site leased pursuant to this Lease.

(s) "Lease" means this ground lease between Authority and Lessee and shall include any and all amendments made to this Lease.

(t) "Leased Premises" means that certain real property, not including the Improvements thereon, located in the City, as more particularly described in Exhibit A attached hereto and together with all and singular rights, easements, licenses, privileges and appurtenances thereunto attaching or in any way belonging thereto.

(u) "Lease Term" means the Ninety Nine (99) year period during which this Lease will be in effect as described in Section 2.2, unless earlier terminated as provided herein.

(v) "Lease Year" means a calendar year. The first Lease Year shall commence on the date of this Lease and end on the following December ___, 2015. The last Lease Year shall begin on January 1 of that year and end on the last day of this Lease.

(w) "Leasehold Estate" means the estate held by Lessee pursuant to and created by this Lease.

(x) "Leasehold Mortgage" means any mortgage, deed of trust, security agreement or collateral assignment encumbering the Leasehold Estate created hereunder as a leasehold mortgage lien.

(y) "Leasehold Mortgagee" means the holder, mortgagee, grantee or secured party under any Leasehold Mortgage.

(z) "Lessee" means Sierra Vista Housing Associates, L.P., a California limited partnership.

(aa) "Memorandum of Lease" means the memorandum of the Lease to be recorded against the Leased Premises in the official records of Sacramento County in the form attached here to as Exhibit C.

(bb) "Net Condemnation Award" means the net amounts owed or paid to the Parties or to which either of the Parties may be or become entitled by reason of any Taking or pursuant to any agreement with any condemning authority which has been made in settlement of

any proceeding relating to a Taking, less any costs and expenses incurred by the Parties in collecting such award or payment.

(cc) "Operating Expenses" shall mean actual costs, fees and expenses as evidenced by invoices attributable to the operation, recordkeeping, maintenance, taxes and management of the Project, including a property management fee initially ; $40,000 in calendar year 2015 and escalating at three percent (3%) annually thereafter; taxes and assessments; payroll, payroll taxes and benefits for property employees; insurance; security; painting, cleaning, repairs, and alterations; landscaping; sewer charges; utility charges; advertising, promotion and publicity; cable television, satellite and other similar services; office, janitorial, cleaning and building supplies; recreational amenities and supplies; purchase, repair, servicing and installation of appliances; costs and expenses associated with the provision of social and/or community services to the residents of the Project; equipment, fixtures and furnishing; fire alarm monitoring; fees and expenses of accountants, attorneys, consultants and other professionals. All Operating Expenses must be included in the budget approved by the Authority.

(dd) "Operating Revenues" means all cash income derived and actually received from all the Units in the Improvements, and shall include, without limitation: 1) rent; 2) payments pursuant to a HAP Contract; 3) receipts from laundry, parking or any other services for which a fee is charged; and 4) insurance proceeds.

(ee) "Party" means Authority or Lessee, as applicable. The Authority and Lessee shall be referred to collectively as the "Parties."

(ff) "Regulatory Agreements" refers to the HUD Use Agreement, the SHRA HOME Regulatory Agreement, any any other recorded restrictions related to the other Approved Financing, including the Bond Regulatory Agreement and the Tax Credit Covenants and Restrictions, setting forth certain terms and conditions under which the Leased Premises will be operated.

(gg) "Rent" means the the rent from Lessee to the Authority as described in Section 2.3, below.

(hh) "Senior Loan" means the construction loan to Lessee from Banc of America Public Capital Corp.

(ii) "SHARP" means Sacramento Housing Authority Repositioning Program, Inc., a California nonprofit public benefit corporation.

(jj) "Taking" means during the Term hereof of all or any part of the Leased Premises and/or the Improvements, or any interest therein or right accruing thereto, as a result of the exercise of the right of condemnation or eminent domain or a change in grade materially affecting the Leased Premises or any part thereof. A conveyance in lieu of or in anticipation of the exercise of any such right of condemnation or eminent domain shall be considered a Taking. Any such Taking shall be deemed to have occurred upon the earlier to occur of (a) the date on which

the property, right or interest so taken must be surrendered to the condemning authority, or (b) the date title vested in a condemning authority or other party pursuant to any Taking.

(kk) "Tenant Household" means any household authorized by Lessee to occupy a Unit.

(ll) "Tenant Rent" means the Tenant Household's share of rent charged for a Unit.

(mm) "Total Tenant Payment" has the meaning set forth in 24 CFR Part 5.628.

(nn) "Units" means the residential units in the Improvements, excluding one manager's unit, which shall be occupied by the Tenant Households.

1.2 Exhibits. The Exhibits referred to in this Lease and attached hereto are:

Exhibit A Leased Premises

Exhibit B October 24, 2013, approval letter from Ainars Rodins, P.E., Director of the HUD Special Applications Center to La Shelle Dozier, the Authority's Executive Director

Exhibit C Memorandum of Lease

ARTICLE 2. LEASE OF THE LAND; RENTAL PROVISIONS

2.1 Lease of the Land.

The Authority, for and in consideration of the covenants and agreements to be kept and performed by Lessee, leases the Leased Premises to Lessee, and in consideration thereof, Lessee does take, hire and lease the Leased Premises from the Authority pursuant to the terms of this Lease. Lessee or its designee shall operate the Leased Premises in compliance with all applicable laws.

2.2 Term.

The term of this Lease (the "Lease Term" or the "Term") shall commence on the Effective Date, and shall continue from such date until the expiration of Ninety-Nine (99) years, unless earlier terminated in accordance with this Lease.

2.3 Rent.

Lessee shall pay the Authority rent in the amount of Three Hundred Ninety Two Thousand Dollars ($392,000). This one time rent shall be financed by Authority through this Ground Lease and repayment shall be payable on an annual basis. The Authority will charge interest at the applicable federal rate to be fixed as of the date of closing and compounded annually. Rent repayments are to begin in the first month of the first calendar year after the Seller Carryback Loan for the acquisition of the improvements has been repaid in full. Such

payments are based upon and equal to "Residual Cash Flow," meaning Revenue reduced by the following: (a) Operating Expenses; (b) required deposits into replacement reserves maintained by the Borrower; (c) debt service and fees on the Senior Loan and reserve deposits required under the Senior Loan; (d) asset management fee up to Five Thousand Dollars ($5,000) initially in the first year of operations after construction completion and closing of this Loan, and thereafter increasing by no more than three percent (3%) annually; (e) partnership management fee up to Twenty Thousand Dollars ($20,000) initially, thereafter increasing by no more than three percent (3%) annually; and (f) deferred developer fee. Determination of the amount of Residual Cash Flow for the current year will be based on the annual audited financial statement from the prior year. Payments will be first applied to accrued interest and then to the $392,000.00 until repaid in full.

All unpaid ground rent shall be due and payable on the first day of the 660 month following the Effective Date. All unpaid ground rent may also be due upon sale of the Improvements or refinancing of the Improvements, unless prior written approval is obtained from the Authority.

ARTICLE 3. THE IMPROVEMENTS

3.1 Construction.

Lessee shall cause the commencement of rehabilitation of the Improvements within thirty (30) days following recordation of the Memorandum of Lease. Lessee shall cause the Improvements to be rehabilitated in substantial compliance with the construction plans and specifications for the Improvements that have been previously approved by Authority pursuant to the DDA. Any and all Improvements rehabilitated by or on behalf of Lessee shall be constructed in a good and workman-like manner, in compliance with all applicable Legal Requirements, including, without limitation, wage rates under the Davis Bacon Act (40 U.S.C.A. 276a 1 through 40 U.S.C.A. 276a 5), the requirements of the Approved Financing, and Economic Opportunity Requirements. Lessee shall take no action to effectuate any material amendments, modifications or alterations to the plans and specifications unless Authority has approved such in accordance with the DDA.

a. **ECONOMIC OPPORTUNITY EMPLOYMENT REQUIREMENTS.** The construction contract(s) shall require 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.

3.2 No Liens.

Lessee shall not have any right, authority or power to bind Authority, Authority's fee interest in the Leased Premises or any other interest of Authority in the Leased Premises, for any claim for labor or material or for any other charge or expense, lien or security interest incurred in connection with the development, construction or operation of the Improvements or any change, alteration or addition thereto. Lessee shall not have any right to encumber Lessee's Estate without the written consent of Authority, other than as set forth in the Preliminary Title Report and other than with Leasehold Mortgages for Approved Financing, the Regulatory Agreements, utility easements and other customary easements necessary and incidental to the development, construction and operation of the Improvements, which easements are subject to the approval of Authority, which shall not be unreasonably withheld.

The Lessee shall promptly pay and discharge all claims for work or labor done, supplies furnished or services rendered at the request of the Lessee and shall keep the Leased Premises free and clear of all mechanics' and materialmen's liens in connection therewith. If any claim of lien is filed against the Leased Premises or a stop notice is served on the Authority or other third party in connection with the development, construction or operation of the Improvements or any change, alteration or addition thereto, then Lessee shall, within thirty (30) days after such filing or service, either pay and fully discharge the lien or stop notice, effect the release of such lien or stop notice by delivering to the Authority a surety bond in sufficient form and amount, or provide the Authority with other assurance satisfactory to the Authority that the claim of lien or stop notice will be paid or discharged, provided that the Authority provides written notice of such claim of lien or stop notice to the Lessee promptly upon receipt by the Authority.

If Lessee fails to discharge any lien, encumbrance, charge, or claim in the manner required in this Section, then in addition to any other right or remedy, the Authority may (but shall be under no obligation to) discharge such lien, encumbrance, charge, or claim at Lessee's expense and, Lessee shall pay to the Authority as Additional Rent any such amounts expended by the Authority within thirty (30) days after written notice is received from the Authority of the amount expended. Alternately, the Authority may require Lessee to immediately deposit with the Authority the amount necessary to satisfy such lien or claim and any costs, pending resolution thereof. The Authority may use such deposit to satisfy any claim or lien that is adversely determined against Lessee.

Lessee shall file a valid notice of cessation or notice of completion upon cessation of construction on the Improvements for a continuous period of thirty (30) days or more, except in

the event such cessation of construction is caused by adverse weather conditions, and shall take all other reasonable steps to forestall the assertion of claims of lien against the Leased Premises. The Authority shall have the right to post or keep posted on the Leased Premises, or in the immediate vicinity thereof any notices of non-responsibility for any construction, alteration or repair of the Leased Premises by Lessee. Lessee authorizes the Authority, but without any obligation, to record any notices of completion or cessation of labor, or any other notice that the Authority deems necessary or desirable to protect its interest in the Leased Premises.

3.3 Permits, Licenses and Easements. Lessee shall be responsible for obtaining any and all permits, licenses, easements and other authorizations required by any governmental authority with respect to any construction or other work to be performed on the Leased Premises and to grant or cause to be granted all permits, licenses, easements and other governmental authorizations that are necessary or helpful for electric, telephone, gas, cable television, water, sewer, drainage, access and such other public or private utilities or facilities as may be reasonably necessary or desirable in connection with the construction or operation of the Improvements. Lessee shall be entitled, without separate payment to Authority for tap or connection fees, to tap into the existing lines, facilities and systems of applicable electric, gas, cable, water, sewer, sewer treatment and other utilities serving the Leased Premises, provided Lessee remains responsible for payment of such fees therefor as are required by the City. Authority agrees to use Authority's reasonable efforts to assist Lessee to obtain waiver, reduction or deferral, as applicable, of all fees and other charges otherwise payable in connection with obtaining any permits, licenses, easements and other authorizations required by any Governmental Authority with respect to any construction or other work to be performed on the Leased Premises in connection with the Improvements.

3.3 Title to Improvements.During the Term. Authority hereby grants to Lessee, without warranty express or implied, any right, title, or interest that Authority has or may have in the Improvements now or hereafter located on the Leased Premises which improvements are and shall remain real property. Notwithstanding any provision in this Lease to the contrary, the Improvements and all alterations, additions, equipment and fixtures built, made or installed by Lessee in, on, under or to the Leased Premises or Improvements shall be the sole property of Lessee or its successors and/or assigns and Lessee shall hold title to all such Improvements until the expiration of the Term or other termination of this Lease; provided, however, that Lessee shall have no right to destroy, demolish or remove the Improvements except as necessary to effect the rehabilitationof the Project during the construction loan period and except as specifically provided for in this Lease or as approved in writing by Authority. It is the intent of the parties hereto that this Lease shall create a constructive notice of severance of the Improvements from the Leased Premises without the necessity of a deed from Authority.

(b) After the Term. Upon the expiration of the Term or other termination of the Lease, the Improvements and all alterations, additions, equipment and fixtures shall be deemed to be and shall automatically become the property of Authority, without cost or charge to Authority. Authority agrees that Lessee, at any time prior to the sixtieth (60th) day after the

expiration or other termination of this Lease, may remove from the Leased Premises any and all equipment which Lessee has furnished for maintenance purposes or for the use of the management agent, provided that Lessee shall repair any physical damage to the Leased Premises caused by the removal of such equipment and property. Lessee agrees to execute, at the request of Authority at the end of the Term, a quitclaim deed of the Improvements to Authority to be recorded at Authority's option and expense and any other documents that may be reasonably required by Authority or Authority's title company to provide Authority title to the Leased Premises and the Improvements free and clear of all monetary liens and monetary encumbrances not caused or agreed to by Authority.

3.4 Benefits of Improvements During Term. Authority acknowledges and agrees that any and all depreciation, amortization, profits, losses, income and tax credits for federal or state tax purposes relating to the Improvements located on the Leased Premises and any and all additions thereto, substitutions therefor, fixtures therein and other property relating thereto shall be deducted or credited exclusively to Lessee during the Term and for the tax years during which the Term begins and ends.

3.5 Restrictions Applicable to Units. The Lessee shall, at all times throughout the Term, comply with all applicable requirements of the Regulatory Agreements that are then encumbering Leasehold Estate. To the extent applicable, in no event will any action be taken which violates Section 42(h)(6)(E)(ii) of the U.S. Internal Revenue Code of 1986, as amended, regarding prohibitions against evicting, terminating tenancy or increasing rent of tenants for a period of three (3) years after acquisition of a building by foreclosure or deed-in-lieu of foreclosure.

3.6 Equal Opportunity. During the rehabilitation of the Improvements, Lessee shall not discriminate against any person or group of persons on the grounds of race, color, creed, religion, sex, sexual orientation or gender identity, marital status, disability, national origin, ancestry, language proficiency or age in the hiring, firing, promoting or demoting of any person engaged in the construction work.

ARTICLE 4. AFFORDABILITY AND OCCUPANCY

4.1 Occupancy and Rent Requirements.

(a) At a minimum, the Units shall be affordable to and occupied by households having an income not greater than eighty percent (80%) of AMI at admission. Tenant Rent and the Units shall continue to be affordable to and occupied by households having incomes no greater than eighty percent (80%) of AMI at admission for the Term of this Lease.

4.2 Section 8-HCV.

It is anticipated that Lessee will enter into a HAP Contract for the Leased Premises with the Authority pursuant to which it will receive Project Based Vouchers, authorized by the United States Housing Act of 1937 (42 U.S.C.A. 1437(o)(13)), and implemented in accordance with the Authority Administrative Plan. Lessee agrees to accept Project Based Vouchers or any equivalent rental subsidy if the Project Based Voucher program ceases to exist, and apply for an

extension of the term of the HAP Contract, so long as the occupancy and rent requirements of Section 4.1 are in effect.

Pursuant to the HAP Contract, the Authority will pay Lessee the difference between the Tenant Rent and the rent to owner amount determined pursuant to 24 CFR Part 983.301, or any successor regulation.

Notwithstanding anything to the contrary herein, so long as there is a HAP Contract for the Leased Premises, the amount of Tenant Rent payable by a Tenant Household eligible to receive Section 8 assistance shall be determined pursuant to the Authority's Section 8 Administrative Plan, the HAP Contract as a project based voucher unit and applicable HUD regulations.

Nothing in this Lease shall limit the maximum amount payable to Lessee pursuant to any HAP Contract.

ARTICLE 5. INCOME CERTIFICATION AND REPORTING

5.1 Tenant Selection Plan.

Lessee, to the extent required under or in connection with the HAP Contract shall only lease Units to households from the Authority's waiting lists or from a waiting list approved in writing by the Authority. Lessee agrees to comply with all federal rules that apply to the Authority's Project-Based Section 8 program, including those regarding income targeting. Authority agrees and acknowledges that the Units shall also be leased in accordance with and subject to Section 42 of the Internal Revenue Code and a regulatory agreement to be entered into with the California Tax Credit Allocation Committee for the term of that regulatory agreement.

5.2 Income Certification.

Lessee shall insure that Tenant Households are income certified consistent with the requirements provided to it by the Authority.

5.3 Annual Report to the Authority.

Lessee shall submit to the Authority not later than the fifteenth (15th) day after the close of each fiscal year of the Lessee, or such other date as may be requested by the Authority, a statistical report, including income, occupancy, rent, and work order data for all Units, or as otherwise requested by the Authority.

5.4 Additional Information.

Lessee shall provide any additional information reasonably requested by the Authority or HUD. The Authority and HUD shall have the right, upon reasonable notice during regular business hours, to examine and make copies of all books, records or other documents of Lessee which pertain to any of the Leased Premises.

5.5 Tenant Records.

(a) Lessee shall keep and maintain in accordance with generally accepted accounting principles consistently applied, complete, accurate and current records pertaining to the Leased Premises, and shall permit any duly authorized representative of the Authority or HUD to inspect records, including records pertaining to income and household size of Tenant Households, and rent charged Tenant Households. All Tenant lists, applications and waiting lists relating to the Leased Premises shall at all times be kept separate and identifiable from any other business of Lessee and shall be maintained as required by the Authority, in a reasonable condition for proper audit and subject to examination during business hours by representatives of the Authority or HUD. The Authority shall retain copies of all materials obtained or produced with respect to occupancy of the Units for a period of at least five (5) years after creation.

(b) The Authority shall notify Lessee of any records it deems insufficient. Lessee shall have fifteen (15) calendar days after the receipt of such a notice to correct any deficiency in the records specified by the Authority in such notice, or if a period longer than fifteen (15) days is reasonably necessary to correct the deficiency, then Lessee shall begin to correct the deficiency within fifteen (15) days and correct the deficiency as soon as reasonably possible.

5.6 On-Site Inspection.

The Authority shall have the right to perform an on-site inspection of the Leased Premises at least one (1) time per year to verify compliance with the requirements of this Lease. Lessee agrees to cooperate in such inspection. If the Authority desires to inspect the interior of the residential units, the Authority shall give Lessee sufficient notice to allow Lessee to provide state law required notice to Tenant Households.

ARTICLE 6. PROPERTY MANAGEMENT AND MAINTENANCE; RESERVES

6.1 Management Responsibilities.

Lessee is responsible for all management functions with respect to the Leased Premises, including without limitation the selection of tenants, certification and recertification of household size and income, evictions, collection of rents and deposits, maintenance, landscaping, routine and extraordinary repairs, replacement of capital items, and security. Lessee shall contract with the Authority to manage the Leased Premises, or, upon approval of the Authority in its sole discretion, retain a professional property management company approved by the Authority in its reasonable discretion to perform the property management duties hereunder. The Authority shall have no responsibility over management of the Leased Premises unless pursuant to a separate contract for management between the Parties. The rental subsidy programs for the Leased Premises shall be administered in accordance with the Authority's Section 8 Administrative Plan.

6.2 Management Agent; Periodic Reports.

If the Authority directs or agrees upon request of Lessee, to allow for the management of the Leased Premises, by other than the Authority, then management shall be by an experienced

management agent acceptable to the Authority, with demonstrated ability to operate residential facilities like the Leased Premises in a manner that will provide decent, safe, and sanitary housing (as approved, the "Management Agent"). Lessee shall submit for the Authority's approval the identity of any proposed Management Agent. Lessee shall also submit such additional information about the background, experience and financial condition of any proposed Management Agent as is reasonably necessary for the Authority to determine whether the proposed Management Agent meets the standard for a qualified Management Agent set forth above. If the proposed Management Agent meets the standard for a qualified Management Agent set forth above, the Authority shall approve the proposed Management Agent by notifying Lessee in writing.

6.3 Performance Review.

The Authority reserves the right to conduct an annual (or more frequently, if deemed necessary by the Authority) review of the management practices and financial status of the Lessee and the Leased Premises. The purpose of each periodic review will be to enable the Authority to determine if the Leased Premises are being operated and managed in accordance with the requirements and standards of this Lease. Lessee shall cooperate with the Authority in such reviews.

6.4 Replacement of Management Agent.

If, as a result of a periodic review, the Authority determines in its reasonable judgment that the Leased Premises are not being operated and managed in accordance with any of the material requirements and standards of this Lease, the Authority shall deliver notice to Lessee of its intention to cause replacement of the Management Agent, if other than the Authority, including the reasons therefor. Within fifteen (15) days of receipt by Lessee of such written notice, the Authority's staff and Lessee shall meet in good faith to consider methods for improving the financial and operating status of the Leased Premises, including, without limitation, replacement of the Management Agent.

If, after such meeting, the Authority's staff recommends in writing the replacement of the Management Agent, Lessee shall promptly dismiss the Management Agent consistent with the approved property management contract, and shall appoint as the Management Agent a person or entity meeting the standards for a Management Agent set forth in Section 6.2 above and approved by the Authority's pursuant to Section 6.2 above.

Any contract for the operation or management of the Leased Premises entered into by Lessee shall provide that the contract can be terminated as set forth above. Failure to remove the Management Agent in accordance with the provisions of this Section shall constitute an Event of Default under this Lease.

6.5 Approval of Management Policies.

The Authority shall provide written management policies, including policies related to the selection of Tenant Households, with respect to the Leased Premises to Lessee. Any changes

to such policies shall be as provided by the Authority or, if any changes are requested by Lessee, they must be approved in writing by the Authority, in its sole discretion.

6.6 Property Maintenance.

Lessee shall maintain the interior and exterior of all Improvements, including landscaping, in good condition and repair (and, as to landscaping, in a healthy condition) and in accordance with all applicable laws, rules, ordinances, orders and regulations of all federal, state, county, municipal, and other governmental agencies and bodies having or claiming jurisdiction over the Property and all their respective departments, bureaus, and officials.

The Authority places prime importance on quality maintenance to ensure that the Leased Premises are not allowed to deteriorate due to below-average maintenance. Normal wear and tear of the Leased Premises will be acceptable to the Authority so long as Lessee makes all repairs and replacements necessary to keep the Improvements in good condition and repair.

Lessee shall be responsible for the cost of the following utilities: water and sewer, common area electricity and waste removal supplied to the Leased Premises. Subject to Section 8.2(d), Lessee shall pay or cause same to be paid currently and as due.

6.7 Authority's Approval.

Any repairs, alterations or replacements to the Leased Premises, after the recording of the Lessee's Notice of Completion for the rehabilitation anticipated to cost in excess of Twenty-Five Thousand Dollars ($25,000) must be approved in advance by the Authority.

6.8 Replacement Reserve.

Lessee shall establish and maintain a Replacement Reserve ("Replacement Reserve") until the termination of this Lease. The Replacement Reserve shall be funded by deposits in the amount of at least Three Hundred Dollars ($300) per unit per year or such greater amount as required by Senior Lender or investor limited partner, due on the first day of each month. The Authority may adjust, at any time, the amount of the monthly payments to be made into the Replacement Reserve as necessary to, in its sole discretion, keep pace with increases in the costs of replacing structural elements and equipment of the Leased Premises. The Replacement Reserve shall be used upon the Authority's written approval to replace major structural elements or equipment of the Leased Premises or for any other purpose consistent with maintaining the financial and physical integrity of the Improvements.

6.9 Operating Reserve.

Lessee shall establish and maintain an Operating Reserve funded by an initial deposit in the amount of Three Hundred Thirty Five Thousand One Hundred and Twenty Six Dollars ($335,126)

or such greater amount required by Senior Lender or investor limited partner, due at the time the Senior Lender loan converts to permanent financing. The Operating Reserve shall be used upon Authority approval to cover operating deficits.

ARTICLE 7. BUDGET APPROVAL

7.1 Budget Development.

Annually, in consultation with the Authority's property management staff, the general partner of the Lessee shall develop a budget for the operation of the Leased Premises. A copy of the approved annual budget will be provided to the Authority no later than January 31st of the budget year.

ARTICLE 8. ASSURANCES OF LESSEE; TAXES AND ASSESSMENTS

8.1 Assurances of Lessee.

Lessee shall use the Leased Premises for the operation of the Improvements on the Leased Premises in accordance with the restrictions and assurances set forth in this Lease. Further, Lessee agrees and warrants:

(a) That income from the Leased Premises will only be used to maintain, operate and improve the Leased Premises, including funding the reserves required by Article 6.

(b) That Lessee will use commercially reasonable efforts to prevent any member of any Tenant Household from committing or maintaining any nuisance or unlawful conduct on or about the Leased Premises and that Lessee will not use or allow the Leased Premises to be used for any disorderly or unlawful purpose;

(c) That Lessee will use commercially reasonable efforts to prevent any member of any Tenant Household from violating any of the covenants and conditions of this Lease with respect to the Leased Premises;

(d) Subject to all applicable laws and the rights of Tenant Households, that Lessee will take commercially reasonable action, if necessary, to abate any violation of this Lease by any member of any Tenant Household upon notice from the Authority; and

(e) Lessee shall operate the Leased Premises as provided in the HUD Disposition Approval.

8.2 Taxes and Assessments.

(a) Payment of Taxes and Assessments. Except as provided in Section 8.2(e), Lessee covenants and agrees during the entire Lease Term, at its own cost and expense, to pay the public officers charged with their collection, as the same become due and payable and before any fine, penalty, interest, or other charge may be added to them for non-payment, all real estate taxes, general and special, ordinary and extraordinary, unforeseen as well as foreseen, of any kind and nature, made, assessed, levied or imposed upon, or due and payable in connection with, or which

become a lien upon, the Leased Premises, the Improvements, or any part of the Leased Premises or Improvements, or upon this Lease, as well as assessments for sidewalks, streets, sewers, water, or any other public improvements and any other improvements or benefits which shall, during the Lease Term, be made, assessed, levied, or imposed upon or become due and payable in connection with, or a lien upon the Leased Premises, the Improvements, or any part of the Leased Premises or Improvements, or upon this Lease. Lessee shall be responsible for obtaining a low-income housing property tax exemption, as available, or necessary.

(b) Payment of Fees. Except as provided in Section 8.2(e), Lessee covenants and agrees during the entire Lease Term, at its own cost and expense, to pay, as the same become due and payable and before any fine, penalty, interest, or other charge may be added to them for non-payment, license and permit fees, charges for public utilities of any kind, and any and all governmental charges relating to the use or occupancy of the Improvements.

(c) Copies of Notices to Lessee. The Authority agrees promptly to send to Lessee copies of any and all notices received by it in respect to any taxes, assessments, charges, or fees for which Lessee is liable pursuant to this Section 8.2.

(d) Lessee's Right to Contest. If Lessee disputes any amount or validity of any liens, taxes, assessments, charges, penalties or claims, including liens or claims of material suppliers, mechanics or laborers, upon the Leased Premises or the Improvements, regardless of whether such amounts are payable by the Authority or Lessee, Lessee may contest and defend against the same at its cost, and in good faith diligently conduct any necessary proceedings in connection therewith to prevent and avoid the same; provided, however, that such contest shall be prosecuted to a final conclusion as speedily as possible. The Authority agrees to render to Lessee all reasonable assistance, at no expense to the Authority, in contesting the validity or amount of any such taxes, assessments or charges, including joining in the signing of any protests or pleadings which Lessee may deem advisable to file. During any such contest, Lessee shall (by the payment of such disputed taxes, assessments, or charges, if necessary) prevent any advertisement of tax sale, any foreclosure of, or any divesting thereby of title, reversion or other interest in or to the Leased Premises.

(e) The Authority's Obligations. The provisions of this Lease shall not be deemed to require Lessee to pay any municipal, county, state, or federal income or gross receipts or excess profits taxes assessed against the Authority, or any municipal, county, state, or federal capital levy, estate, succession, inheritance, gift, or transfer taxes of the Authority, or franchise taxes imposed upon any owner in fee of the Leased Premises. Any rebate made on account of any taxes or charges paid by the Authority and not reimbursed by Lessee shall belong and be paid to the Authority; otherwise such rebate shall belong to Lessee.

8.3 Assignment of Lessee's Leasehold Interest.

Lessee may not assign its interest in this Lease without the written consent of the Authority, which consent shall be at the Authority's sole discretion except as set forth in Article 18, below.

ARTICLE 9. HAZARDOUS MATERIALS.

9.1 Certain Covenants and Agreements.

Lessee hereby covenants and agrees that:

(a) Lessee shall not knowingly permit the Leased Premises or any portion thereof to be a site for the use, generation, treatment, manufacture, storage, disposal or transportation of Hazardous Materials in violation of any applicable law or otherwise knowingly permit the presence of Hazardous Materials in, on or under the Leased Premises in violation of any applicable law;

(b) Lessee shall keep and maintain the Leased Premises and each portion thereof in compliance with, and shall not cause or permit the Leased Premises or any portion thereof to be in violation of, any Hazardous Materials Laws;

(c) Upon receiving actual knowledge of the same Lessee shall immediately advise the Authority in writing of:

i. any and all enforcement, cleanup, removal or other governmental or regulatory actions instituted, completed or threatened against Lessee or the Leased Premises pursuant to any applicable Hazardous Materials Laws;

ii. any and all claims made or threatened by any third party against Lessee or the Leased Premises relating to damage, contribution, cost recovery, compensation, loss or injury resulting from any Hazardous Materials (the matters set forth in the foregoing clause (i) and this clause (ii) are hereinafter referred to as "Hazardous Materials Claims");

iii. the presence of any Hazardous Materials in, on or under the Leased Premises in such quantities which require reporting to a government agency; or

iv. Lessee's discovery of any occurrence or condition on any real property adjoining or in the vicinity of the Leased Premises classified as "borderzone property" under the provisions of California Health and Safety Code, Sections 25220 et seq., or any regulation adopted in accordance therewith, which would materially restrict the ownership, occupancy, transferability or use of the Leased Premises or to be otherwise subject to any material restrictions on the ownership, occupancy, transferability or use of the Leased Premises under any Hazardous Materials Laws.

If the Authority reasonably determines that Lessee is not adequately responding to a Hazardous Material Claim or any condition in Sections 9.1(c)(iii) or (iv), the Authority shall have the right to join and participate in, as a party if it so elects, any legal proceedings or actions initiated in connection with any such Hazardous Materials Claims and to have its reasonable attorney's fees in connection therewith paid by Lessee.

(d) Without the Authority's prior written consent, which shall not be unreasonably withheld or delayed, Lessee shall not take any remedial action in response to the presence of any Hazardous Materials on, under, or about the Leased Premises (other than in emergency situations or as required by governmental agencies having jurisdiction), nor enter into

any settlement agreement, consent decree, or other compromise in respect to any Hazardous Materials Claims.

(e) Authority acknowledges that Leased Premises contains existing Hazardous Materials in the form of asbestos and lead based paint that was present in building materials used in construction of the Improvements prior to Lessee's ownership and Authority has agreed that, in compliance with all regulatory and statutory requirements, Lessee will be remediating and removing an agreed upon portion of said Hazardous Materials in accordance with the Final Plans and will also be encapsulating and leaving in place within the Leased Premises the remaining portion of said Hazardous Materials in accordance with the Final Plans.

9.2 Indemnity.

Without limiting the generality of the indemnification set forth in Section 11.4 below, Lessee hereby agrees to indemnify, protect, hold harmless and defend (by counsel reasonably satisfactory to the Authority) the Authority, its board members, commissioners, officers, agents, successors, assigns and employees (the "Indemnitees") from and against any and all claims, losses, damages, liabilities, fines, penalties, charges, administrative and judicial proceedings and orders, judgments, remedial action requirements, enforcement actions of any kind, and all costs and expenses incurred in connection therewith (including, but not limited to, attorney's fees and expenses), arising directly or indirectly, in whole or in part, out of:

(a) The failure of Lessee or any other person or entity (other than an indemnitee) on or after the Effective Date (or prior to the Effective Date if due to the negligence or willful misconduct of Lessee or any other person under the control of Lessee to the extent resulting in material harm to an Indemnitee), to comply with any Hazardous Materials Law relating in any way whatsoever to the handling, treatment, presence, removal, storage, decontamination, cleanup, transportation or disposal of Hazardous Materials into, on, under or from the Leased Premises;

(b) Any release or discharge of any Hazardous Materials into, on, under or from the Leased Premises, arising on or after the Effective Date, or the presence in, on, or under the Leased Premises of any Hazardous Materials that occurs on the Leased Premises after the Effective Date (or prior to the Effective Date if due to the negligence or willful misconduct of Lessee or any person under the control of Lessee to the extent resulting in material harm to an Indemnitee); or

(c) Any activity or omission of activity carried on or undertaken on or off the Leased Premises, on or after the Effective Date (or prior to the Effective Date if due to the negligence or willful misconduct of Lessee or any employees, agents, contractors or subcontractors of Lessee to the extent resulting in material harm to an Indemnitee), and whether by Lessee or any employees, agents, contractors or subcontractors of Lessee or any successor in title that is related to Lessee occupying or present on the Leased Premises, in connection with the handling, treatment, removal, storage, decontamination, cleanup, transport or disposal of any Hazardous Materials located or present on or under the Leased Premises. Lessee's indemnity obligations as they pertain to activities occurring off the Leased Premises shall only extend to

activities performed by or arising from activities performed by Lessee or any employees, agents, contractors or subcontractors of Lessee.

The foregoing indemnity shall further apply to any residual contamination on or under the Leased Premises, or affecting any natural resources, and to any contamination of any property or natural resources arising in connection with the generation, use, handling, treatment, storage, transport or disposal of any such Hazardous Materials, and irrespective of whether any of such activities were or will be undertaken in accordance with Hazardous Materials Laws. The provisions of this subsection shall survive expiration of the Term or other termination of this Lease, and shall remain in full force and effect. This indemnity obligation shall not extend to any claim arising from the Authority's or any indemnitee's negligence or willful misconduct.

9.3 No Limitation.

Lessee hereby acknowledges and agrees that Lessee's duties, obligations and liabilities under this Lease, including, without limitation, under Section 9.2 above, are in no way limited or otherwise affected by any information the Authority may have concerning the Leased Premises and/or the presence on the Leased Premises of any Hazardous Materials, whether the Authority obtained such information from Lessee or from its own investigations, except to the extent the Authority's knowledge prior to the Effective Date and failure to act on such knowledge constituted negligence or willful misconduct on the part of the Authority.

9.4 As-Is Conveyance.

This Lease is made "AS IS," with no warranties or representations by the Authority concerning the condition of the Leased Premises, including the presence or absence of any Hazardous Materials, except as set forth in Section 9.5, below. Lessee hereby agrees and acknowledges that except in the event of any fraud, misrepresentation, or withholding of information by the Authority: (i) neither the Authority, nor anyone acting for or on behalf of the Authority, has made any representation, statement, warranty or promise to Lessee concerning the development potential or condition of the Leased Premises except as set forth in Section 9.5 below; and (ii) in entering into this Lease, Lessee has not relied on any representation, statement or warranty of the Authority, or anyone acting for or on behalf of the Authority, other than as may expressly be contained in writing in this Lease; and (iii) THAT LESSEE IS LEASING THE LEASED PREMISES, IN AN "AS IS" PHYSICAL CONDITION AND IN AN "AS IS" STATE OF REPAIR.

9.5 Authority Representations. Except as set forth in Exhibit D:

(a) The Authority has not received any information that Hazardous Materials exist on the Leased Premises in violation of Hazardous Materials Laws, nor has the Authority received any information indicating that there are any Hazardous Materials Claims with respect to the Leased Premises.

(b) General Release. Subject to Section 9.3 and 9.4, above, Lessee and its owners, employees, agents, assigns and successors agree that upon the Effective Date, Lessee shall be deemed conclusively to have released and discharged the Authority and its agents,

employees, trustees, assigns and successors, from any and all damages, losses, demands, claims, debts, liabilities, obligations, causes of action and rights, whether known or unknown, by Lessee regarding the Leased Premises, including, but not limited to, the environmental condition of the Leased Premises.

(c) Waiver of Civil Code § 1542. Lessee agrees that, with respect to the General Release contained in Section 9.5(b) above, the General Release extends to all matters regarding the Leased Premises, whether or not claimed or suspected, to and including the date of execution hereof, and constitutes a waiver of each and all the provisions of the California Civil Code § 1542, which reads as follows:

> "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR."

Lessee herein acknowledges that the effect and import of the provisions of Civil Code § 1542 have been explained to it by its own counsel. Lessee understands and acknowledges the significance and the consequence of such specific waiver of unknown claims and hereby assumes full responsibility for any injuries, damages, losses or liabilities that it may hereinafter incur from the waiver of these unknown claims.

ARTICLE 10. LIENS

10.1 Liens and Encumbrances Against Lessee's Interest in the Leasehold Estate.

Lessee shall have a right to encumber the Leasehold Estate or the Improvements with approved leasehold deeds of trust, mortgages, and regulatory agreements or with any other liens or encumbrances with the written approval of the Authority.

ARTICLE 11. INSURANCE

11.1 Required Insurance Coverage.

(a) Fire and Extended Coverage Endorsement. Lessee shall during the Lease Term keep the Leased Premises insured against loss or damage by a standard all risk policy in amounts such that the proceeds of such insurance shall not be less than the replacement value of the Leased Premises, or, should insurance in such amount not be reasonably and commercially available, or the cost of such insurance shall not be commercially reasonable given Lessee's net income, such lesser amount as may be reasonably acceptable to the Authority. The amount of such insurance shall be adjusted by reappraisal of the Improvements by the insurer or its designee at least once every five (5) years during the Lease Term, if requested by the Authority. If an all risk policy insuring the full replacement value of the Leased Premises is not reasonably and commercially available, Lessee shall use best efforts to obtain and maintain an extended coverage

endorsement that ensures the full replacement value of the Leased Premises as soon as such coverage becomes commercially and reasonably available, subject to the approval of the Authority.

(b) Liability and Property Damage Insurance. During the Lease Term, Lessee shall keep in full force and effect a policy or policies of comprehensive general liability and property damage insurance against liability for bodily injury to or death of any person or property damage arising out of an occurrence on or about the Leased Premises. The limits of such insurance shall be not less than Three Million Dollars ($3,000,000) combined single limit for bodily injury and property damage. The limits of the insurance shall be adjusted once every five (5) years if and as reasonably required by the Authority.

(c) Workers' Compensation Insurance. Lessee shall carry or cause to be carried workers' compensation insurance covering all persons employed in connection with the Leased Premises and with respect to whom death, bodily injury, or sickness insurance claims could be asserted against the Authority or Lessee.

(d) Builders' Risk Insurance. During the course of any alteration, construction or reconstruction, the cost of which exceeds Two Hundred Fifty Thousand Dollars ($250,000), Lessee shall require any contractor to provide builders' risk insurance for not less than Five Million Dollars ($5,000,000) combined single limit for bodily injury or property damage insuring the interests of the Authority, Lessee and any contractors and subcontractors.

11.2 Insurance Policies and Premiums.

(a) All liability policies required by this Lease shall name the Authority as an additional insured. Duplicate copies of such policies or certificates of such insurance shall be promptly furnished to the Authority.

(b) To the extent obtainable, any policy of insurance shall provide that any change or cancellation of said policy must be made in writing and sent to Lessee and the Authority at their respective principal offices at least thirty (30) days before the effective date of change or cancellation.

i. It is the Lessee'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 Lessee shall notify the Agency within forty eight **(48)** hours of such cancellation or non-renewal.

_____Lessee's Initials

ii. Lessee is in material breach of this Lease for so long as Lessee fails to maintain all of the required insurance. Authority has the right, but not the obligation, to pay any delinquent insurance premiums and any other charges to reinstate or maintain the required insurance policies and coverage. Upon Authority's demand, Lessee must immediately reimburse Authority for any and all costs incurred by Authority in so obtaining or maintaining insurance.

11.3 Proceeds of Insurance.

All insurance proceeds received under the policies set forth in this Article 11 shall be paid to Lessee, provided that Lessee shall apply such proceeds, to the extent possible, for reconstruction or repair in a manner consistent with the provisions of Section 13.1.

11.4 Limitation of Liability.

(a) Lessee shall indemnify and hold harmless the Authority, its officers, commissioners, employees, agents, contractors, servants, and directors from all claims, actions, demands, costs, expenses and reasonable attorneys' fees arising out of, attributable to or otherwise occasioned, in whole or in part, by any act or omission of Lessee, its agents, contractors, servants, employees, or invitees, arising from or relating to operation of the Leased Premises.

(b) The Authority shall indemnify and hold harmless Lessee, its officers, employees, agents, contractors, servants, directors, members or partners from all claims, actions, demands, costs, expenses and reasonableattorneys' fees arising out of, attributable to or otherwise occasioned, in whole or in part, by any act or omission of the Authority, its agents, contractors, servants, employees, or invitees, arising from or relating to operation of the Leased Premises.

ARTICLE 12. CONDEMNATION

12.1 Termination of Lease.

The Authority and Lessee agree that, in the event of a Taking such that Lessee reasonably determines that the Leased Premises cannot continue to be operated, at reasonable cost, for its then-current use, then, subject to the rights of Leasehold Mortgagees, this Lease shall, at Lessee's sole option, terminate as of the Taking Date.

12.2 Continuation of Lease and Presumption of Restoration.

The Authority and Lessee agree that, in the event of Taking that does not result in the termination of this Lease pursuant to Section 12.1 above, this Lease shall continue in effect as to the remainder of the Leased Premises, and the Net Condemnation Award will be disbursed in accordance with Section 12.4 below to Lessee and/or any Leasehold Mortgagee, if the terms of the applicable Leasehold Mortgage so require, and shall be used so as to make the same as complete, unified and efficient operating unit as nearly as reasonably possible to the condition existing prior to the Taking, subject to any applicable requirements of the Leasehold Mortgagee.

12.3 Temporary Taking.

If there shall be a temporary Taking with respect to all or any part of the Leased Premises or of Lessee's interest in this Lease, then the Term shall not be reduced and Lessee shall continue to pay in full all Rents, taxes and other charges required herein, without reduction or abatement thereof at the times herein specified; provided, however, that Lessee shall not be required to perform such obligations that Lessee is prevented from performing by reason of such temporary

Taking.

12.4 Apportionment of Award.

If there is a Taking, whether whole or partial, the Authority and Lessee shall be entitled to receive and retain such separate awards and portions of lump sum awards as may be allocated to their respective interests in any condemnation proceedings, or as may be otherwise agreed, taking into consideration the fact that the Authority's interest in the Leased Premises is limited to the land (exclusive of the Improvements, as encumbered by this Lease), and a reversionary interest in the Leased Premises upon the expiration of the Term. If the Leased Premises shall be restored as in contemplated in Section 12.2 above, Lessee shall be entitled to recover the costs and expenses incurred in such restoration out of any Net Condemnation Award. Thereafter, if the condemning authority does not make separate awards, the Parties agree that any Net Condemnation Award will be allocated on a proportionate basis. If the Parties are unable to agree as to the exact amount of such allocation, and the Parties are unable to agree as to amounts that are to be allocated to the respective interest of each Party, then each Party shall select an independent M.A.I. real estate appraiser (an "Appraiser"). Each Appraiser shall separately determine the amount of the balance of the Net Condemnation Award that is to be allocated to the interests of each Party. If the percentage of the balance of the Net Condemnation Award each Appraiser allocates to the Authority (a) are within ten percent (10%) of each other, the two allocations shall be averaged, and such average shall be the final allocation of the Net Condemnation Award, or (b) are not within ten percent (10%) of each other, the two Appraisers shall then select a third Appraiser, who shall independently allocate the Net Condemnation Award between the Authority and Lessee, and the middle of such three allocations shall be the final allocation of the Net Condemnation Award.

12.5 Joinder.

If a Leasehold Mortgage exists, the Leasehold Mortgagees, to the extent permitted by law, shall be made a party to any Taking proceeding.

ARTICLE 13. DAMAGE OR DESTRUCTION

13.1 Damage or Destruction to Leased Premises.

Lessee shall give prompt written notice to the Authority after the occurrence of any fire, earthquake, act of God or other casualty to or in connection with the Leased Premises, the Improvements or any portion thereof (hereinafter sometimes referred to as "Casualty"). Subject to Section 13.2 below, if during the Term the Improvements shall be damaged or destroyed by Casualty, Lessee shall repair or restore the Improvements, so long as Lessee determines, after consultation and approval by the Authority, that it is feasible to do so and in such event Lessee provides or causes to be provided sufficient additional funds which, when added to such insurance proceeds, will fully effect such repair or restoration. Upon the occurrence of any such Casualty, Lessee, promptly and with all due diligence, shall apply for and collect all applicable insurance proceeds recoverable with respect to such Casualty, for the benefit of the Leasehold Mortgagees, if any. In the event that Lessee shall determine, subject to the rights of any Leasehold Mortgagees, by notice to the Authority given within thirty (30) days after receipt by

Lessee of any such insurance proceeds, that it is not economically practical to restore the Leased Premises to substantially the same condition in which they existed prior to the occurrence of such Casualty, then Lessee may terminate this Lease as of a date that is not fewer than thirty (30) days after the date of such notice. If Lessee terminates this Lease pursuant to this Section 13.1, Lessee immediately shall surrender possession to the Authority of that part of the Leased Premises determined not economically feasible to restore and assign to the Authority (or, if same has already been received by Lessee, pay to the Authority) all of its right, title and interest in and to the proceeds from Lessee's insurance upon the Leased Premises, subject to the prior rights of any Leasehold Mortgagee therein, as referenced in Section 13.3 below.

13.2 Damage or Destruction Near End of Term.

If, during the last year of the Term, the Improvements shall be damaged by Casualty, then Lessee shall have the option, to be exercised within one hundred twenty (120) days after such Casualty:

(a) to repair or restore the Improvements as hereinabove provided in this Article 13; or

(b) subject to the rights of Leasehold Mortgagees, to terminate this Lease by notice to the Authority, which termination shall be deemed to be effective as of the date of Casualty. If Lessee terminates this Lease pursuant to this Section 13.2, Lessee shall surrender possession of the Leased Premises to the Authority immediately and assign to the Authority (or, if same has already been received by Lessee, pay to the Authority) all of its right, title and interest in and to the proceeds from Lessee's insurance upon the Leased Premises, subject to the prior rights of any Leasehold Mortgagee therein, as referenced in Section 13.3 below.

13.3 Distribution of Insurance Proceeds.

In the event that this Lease is terminated pursuant to Sections 13.1 or 13.2 hereof, the insurance proceeds received as the result of such Casualty shall be distributed as follows: (a) first, if a Leasehold Mortgage is in place to the Leasehold Mortgagee to the extent of any indebtedness then owed to such Leasehold Mortgagee; (b) second, the balance, if any, of such insurance proceeds shall be paid to Lessee or, as applicable pursuant to Sections 13.1 and 13.2 above, assigned or paid over to the Authority.

ARTICLE 14. PARTICULAR COVENANTS

14.1 Non-Discrimination.

(a) Lessee or its designee shall not, in the selection or approval of Tenant Households or provision of services or in any other matter, discriminate against any person or group of persons on the grounds of race, color, creed, religion, sex, sexual orientation or gender identity, marital status, disability, national origin, ancestry, language proficiency, source of income, or that the prospective tenant is receiving rental assistance pursuant to the HUD Housing Choice Voucher Program or any other rental assistance program. In addition, Lessee covenants by and for Lessee and Lessee's successors, assigns and all persons claiming under or through

Lessee that this Lease is made subject to the condition that there shall be no discrimination against or segregation of any person or group of persons on account of race, color, religion, creed, sex, sexual orientation or gender identity, marital status, disability, national origin, ancestry, language proficiency, source of income or that the Tenant Household is receiving rental assistance pursuant to the HUD Housing Choice Voucher Program or any other rental assistance program in the leasing, subleasing, transferring, use, occupancy, tenure, or enjoyment of the Units, nor shall Lessee or any person claiming under or through it establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of Tenant Households, lessees, sublessees, subtenants or vendees on the Leased Premises.

(b) The Authority shall be entitled to invoke any remedies available at law or in equity to redress any breach of these subsections or to compel compliance therewith by Lessee. The Authority shall be entitled to invoke any remedies available at law or in equity to redress any breach of this Article 13 or to compel compliance therewith by Lessee.

ARTICLE 15. ASSURANCES OF THE AUTHORITY

15.1 The Authority to Give Peaceful Possession.

The Authority covenants that it owns in fee simple, and that it has good and marketable title to the Leased Premises and that the Leased Premises are free of all liens, encumbrances, easements, covenants, conditions, and restrictions except for those exceptions specifically approved in writing by Lessee. The Authority covenants and warrants that Lessee and its tenants shall have, hold and enjoy, during the Lease Term, peaceful, quiet, and undisputed possession of the Leased Premises without hindrance from anyone so long as Lessee is not in default under this Lease.

15.2 Release of the Authority.

The Authority may sell, assign, transfer, or convey all or any part of the Authority's interest in the Leased Premises, reversionary interest in the Improvements or this Lease without obtaining Lessee's consent, provided that the purchaser, assignee, or transferee expressly assumes all of the obligations of the Authority under this Lease by a written instrument in a form reasonably satisfactory to the Authority. In the event the Authority intends to sell all or any part of the Leased Premises, the Authority shall notify Lessee and all Tenant Households of such intention not later than sixty (60) days before the approval of such sale is scheduled for approval by the Authority Commission. In the event of a sale, assignment, transfer, or conveyance by the Authority of the Leased Premises or its rights under this Lease, the same shall operate to release the Authority from any liability arising on or after the effective date of such transfer upon any of the covenants or conditions of this Lease, expressed or implied, in favor of Lessee, and in such event Lessee shall look solely to the successor in interest of the Authority in and to the Site or this Lease. Provided, however, Lessee may terminate this Lease if, after notice of the Authority's intent to sell, assign, transfer or convey any part of the Leased Premises, within thirty (30) days of receipt of such notice, it declares its intention to terminate in writing to the Authority. This Lease shall not be affected by any such sale, and Lessee agrees to attorn to any such purchaser or assignee.

ARTICLE 16. ADDITIONAL HUD PROVISIONS

Notwithstanding any provisions in this Lease to the contrary, the following provisions shall prevail:

(a) The Leased Premises shall only be used for the specific purposes outlined in the HUD Use Agreement and the HUD Disposition Approval; namely, that the Units shall continue to be affordable to and occupied by households having incomes no greater than eighty percent (80%) of AMI for thirty (30) years from the Effective Date;

(b) The Leased Premises shall be leased solely to Lessee and no subsequent assignment, sublease, transfer or encumbrance of the Property shall be permitted without the prior written approval of HUD, with the exception of the transfer of Winfield Hill, Inc.'s membership and management of the General Partner to SHARP or a nonprofit affiliate of SHARP at the conclusion of the rehabilitation as evidenced by the final equity contribution of the investor limited partner, and subject to the notice and cure provisions provided in this Lease regarding the rights and obligations of the lenders and investors as described in Section 18, below.

(c) The Lessee shall use and operate the Leased Premises in accordance with the HUD Disposition Approval during the Lease Term, including the duration of any extensions;

(d) The terms of this Lease shall not be materially modified, amended, supplemented or revised, nor subordinated to any lien, charge or encumbrance upon the Property without the prior written approval of the Secretary of HUD;

(e) If Lessee fails to correct a violation under the HUD Use Agreement or HUD Disposition Approval, in the time periods set forth in Section 17.1(a), such failure shall be an Event of Default under this Lease.

(f) If the Lessee fails to use and operate the Leased Premises in accordance with the HUD Use Agreement or HUD Disposition Approval at any time during the Lease Term, following the notice and cure period provided for in the default provisions of Section 17.1, this Lease shall terminate and, subject to the rights of Leasehold Mortgagees as set forth in Article 18, below, all of Lessee's interest in the Leased Premises shall revert to the Authority; and

(g) If Lessee's interest in the Leased Premises and the Improvements is transferred during the term of the HUD Use Permit, any transferee shall expressly assume the HUD Use Agreement.

ARTICLE 17. DEFAULTS AND REMEDIES

17.1 <u>Events of Default; Remedy of Default by Lessee</u>.

(a) Any one or more of the following events shall constitute an "Event of Default":

i. Failure to pay rent when due, or any other payment required

hereunder, and continuance of such failure for a period of thirty (30) days after receipt by Lessee of written notice specifying the non-payment; or

ii. Failure of Lessee to observe and perform any covenant, condition, or agreement hereunder on its part to be performed, including, but not limited to failure to use and operate the Leased Premises as provided in the HUD Disposition Approval, and (i) continuance of such failure for a period of ninety (90) days after receipt by Lessee of written notice specifying the nature of such default, or (ii) if by reason of the nature of such default the same cannot be remedied within said ninety (90) days, Lessee fails to proceed with reasonable diligence after receipt of said notice to cure the same; or

iii. A general assignment by Lessee for the benefit of creditors; or

iv. The filing of a voluntary petition by Lessee, or the filing of an involuntary petition by any of Lessee's creditors seeking the rehabilitation, liquidation, or reorganization of Lessee under any law relating to bankruptcy, insolvency, or other relief of debtors, provided that in the case of an involuntary petition Lessee shall have one hundred twenty (120) days to cause such petition to be withdrawn or dismissed; or

v. The appointment of a receiver or other custodian to take possession of substantially all of Lessee's assets or of this leasehold which appointment is not withdrawn or dismissed within one hundred twenty (120) days; or

vi. Lessee declares it is unwilling to pay its debts as they become due; or any court enters a decree or order directing the winding up or liquidation of Lessee or of substantially all of its assets; or Lessee takes any action toward the dissolution or winding up of its affairs or the cessation or suspension of its use of the Leased Premises; or

vii. Attachment, execution, or other judicial seizure of substantially all of Lessee's assets or this leasehold, which is not dismissed, bonded, or stayed within ninety (90) days.

(b) Whenever any default shall have occurred and be continuing and upon expiration of any applicable cure periods provided herein, the Authority may take whatever action at law or in equity as may appear reasonably necessary to enforce performance or observance of any obligations, agreements, or covenants of Lessee under this Lease, including without limitation, termination of this Lease. In the event of such default, the Authority's remedies shall be cumulative, and no remedy expressly provided for in this Section shall be deemed to exclude any other remedy allowed by law.

(c) The Authority shall not declare a default under this Lease Agreement pursuant to this Section during the 15 year tax credit compliance period with respect to the Project. Nor shall the Authority declare a default while any affiliate of the Authority is a general partner, or equity owner thereof, during the term of the HUD Use Agreement. Nothing in this subsection (c) shall apply to, modify or amend the Additional HUD Provisions in Article XVI, above.

17.2 Remedy of Material Breach by the Authority.

If the Authority defaults under the Lease, Lessee shall give the Authority written notice requiring that the default be remedied by the Authority. If the default is not cured within the time set forth by Lessee (which shall be a reasonable time for curing the default and shall in any event be at least thirty (30) days), Lessee may take any action as may be necessary to protect its

interests. Such action, in the event that the Authority shall fail to perform any of its obligations under this Lease and such failure shall continue after the expiration of the cure period specified in this Section, shall include the right of Lessee to cure such default and receive any reimbursement of expenditure with interest thereon from the Authority within thirty (30) days after sending to the Authority a statement therefor.

ARTICLE 18. PERMITTED MORTGAGES AND INVESTOR RIGHTS

18.1 Right to Encumber. Lessee shall have the right during the Term to encumber, through a Leasehold Mortgage pursuant to the Approved Financing and the Regulatory Agreements, all of Lessee's right, title and interest in the Leased Premises, subject to the provisions of this Lease; provided, however, that any Leasehold Mortgage shall be in all respects be subordinate and inferior to Authority's right, title and interest in the Leased Premises and such Leasehold Mortgagee shall be subject to all of the rights and obligations of Authority herein contained in this Lease, except as otherwise provided in this Lease. For purposes of this Lease, Authority and Lessee acknowledge and agree that Bank of America, N.A., along with its successors and assigns ("Senior Leasehold Mortgagee"), is a permitted Leasehold Mortgagee and all references to a "Leasehold Mortgagee" shall specifically include Senior Leasehold Mortgagee. All references to a Leasehold Mortgage shall include that certain Construction Leasehold Deed of Trust with Assignment of Rents, Security Agreement and Fixture Filing, dated as of even date herewith, made by Lessee for the benefit of Senior Leasehold Mortgagee. For so long as any Leasehold Mortgage is outstanding, Authority shall not agree to any mutual termination or accept any surrender of this Lease without the prior written consent of the holders of Leasehold Mortgages then in effect. Notwithstanding anything to the contrary contained herein, a Leasehold Mortgagee shall be deemed to be a third party beneficiary of this Lease.

18.2 Notice to Leasehold Mortgagee.

During any period in which a Leasehold Mortgage is in place, Authority shall give any such Leasehold Mortgagee of which Authority has received notice from Lessee a duplicate copy of all notices of default or other notices that Authority may give to or serve in writing upon Lessee pursuant to the terms of this Lease. The address of the Leasehold Mortgagee originally designated in the Leasehold Mortgage may be changed upon written notice delivered to Authority in the manner specified in Section 20.2 below. Authority's failure to give any such notice to any such Leasehold Mortgagee shall not render such notice ineffective, nor shall any such failure constitute an Event of Default hereunder; provided, however, that Authority shall not exercise any remedies under Section 17 of this Lease unless such notice has been provided and Leasehold Mortgagee has been provided the opportunity to cure the default as provided in Section 18.3 below.

18.3 Right of Leasehold Mortgagee to Cure.

Notwithstanding any default by Lessee under this Lease, Authority shall have no right to terminate this Lease unless Authority shall have given each Leasehold Mortgagee written notice of such default and such Leasehold Mortgagees shall have failed to remedy such default or acquire Lessee's leasehold estate created by this Lease or commence foreclosure or other appropriate proceedings as set forth in, and within the time specified by, this Section.

Any Leasehold Mortgagee which has an outstanding Leasehold Mortgage shall have the right, but not the obligation, at any time to pay any or all of the rental due pursuant to the terms of this Lease, and do any other act or thing required of Lessee by the terms of this Lease, to prevent termination of this Lease. Each Leasehold Mortgagee shall have one hundred twenty (120) days after receipt of notice from Authority describing such default to cure the default. All payments so made and all things so done shall be as effective to prevent a termination of this Lease as the same would have been if made and performed by Lessee instead of by Leasehold Mortgagees.

In addition to the cure period provided in this Section 18.3 above, if the default is such that possession of the Property may be reasonably necessary to remedy the default, any Leasehold Mortgagee shall have a reasonable time after the expiration of such one hundred twenty (120) period within which to remedy such default, provided that (i) such Leasehold Mortgagee shall have fully cured any default in the payment of any monetary obligations of Lessee under this Lease, other than Prior Indemnity Obligations, within such one hundred twenty (120) day period and shall continue to pay currently such monetary obligations when the same are due and (ii) such Leasehold Mortgagee shall have acquired Lessee's leasehold estate hereunder or commenced foreclosure or other appropriate proceedings prior to or within such period, and shall be diligently prosecuting the same.

Any default under this Lease which by its nature cannot be remedied by any Leasehold Mortgagee and all Prior Indemnity Obligations shall be deemed to be remedied if (i) within one hundred twenty (120) days after receiving written notice from Authority describing the default, or prior thereto, any Leasehold Mortgagee shall have acquired Lessee's leasehold estate or commenced foreclosure or other appropriate proceedings, (ii) Leasehold Mortgagee shall diligently prosecute any such proceedings to completion, (iii) Leasehold Mortgagee shall have fully cured any default in the payment of any monetary obligations of Lessee hereunder (other than the Prior Indemnity Obligations) which does not require possession of the Leased Premises, and (iv) after gaining possession of the Leased Premises, the Leasehold Mortgagee shall cure within a reasonable time all non-monetary defaults of Lessee hereunder capable of cure by Leasehold Mortgagee.

As used herein, "Prior Indemnity Obligations" means all monetary obligations arising from the acts or inactions of Lessee prior to the date that the holder of a Leasehold Mortgage obtains possession of the Project by foreclosure, deed in lieu of foreclosure, or a new lease pursuant to Section 18.7, below.

If any Leasehold Mortgagee is prohibited, stayed or enjoined by any bankruptcy, insolvency or other judicial proceedings involving Lessee from commencing or prosecuting foreclosure or other appropriate proceedings, the times specified for commencing or prosecuting such foreclosure or other proceedings shall be extended for the period of such prohibition; provided that any Leasehold Mortgagee shall have fully cured any default in the payment of any monetary obligations of Lessee under this Lease and shall continue to pay currently such monetary obligations when the same fall due; provided, further, that such Leasehold Mortgagee shall not interfere with Authority's efforts to seek compliance by the Lessee with any non-monetary obligation under this Lease.

18.4 Limitation on Liability of Leasehold Mortgagee.

No Leasehold Mortgagee shall be or become liable to Authority as an assignee of this Lease or otherwise unless it expressly assumes by written instrument executed by Authority and Leasehold Mortgagee such liability (in which event the Leasehold Mortgagee's liability shall be limited to the period of time during which it is the owner of the leasehold estate created hereby) and no assumption shall be inferred from or result from foreclosure or other appropriate proceedings in the nature thereof or as the result of any other action or remedy provided for by such Leasehold Mortgage or other instrument or from a conveyance from Lessee pursuant to which the purchaser at foreclosure or grantee shall acquire the rights and interest of Lessee under the terms of this Lease.

18.5 Estoppel Certificates.

Authority and Lessee agree that at any time and from time to time upon not less than twenty (20) days' prior written notice by the other Party, or upon request from any Leasehold Mortgagee or Investor or a permitted assignee or other interested party, Authority or Lessee will execute, acknowledge and deliver to the other Party or to such Leasehold Mortgagee or Investor a statement in writing certifying (a) that this Lease is unmodified and in full force and effect; (b) the date through which the Rents have been paid; and (c) that, to the knowledge of the certifier (if such be the case), there is no default, set off, defense or other claim against Authority or Lessee, as applicable, other than those, if any, so specified under the provisions of this Lease. It is intended that any such statement may be relied upon by any persons proposing to acquire the interest of Authority, Lessee or any Leasehold Mortgagee or Investor, as the case may be, in this Lease or by any prospective Leasehold Mortgagee or Investor or permitted assignee of any Leasehold Mortgage or Investor.

18.6 Registration of Leasehold Mortgages.

Upon written request by Authority, Lessee shall provide written notice to Authority of the name and address of each Leasehold Mortgagee under this Lease.

18.7 New Lease.

In the event of the termination of this Lease prior to the natural expiration of the Term of this Lease due to a default of Lessee or operation of law (except by eminent domain) or upon a foreclosure of Lessee's estate by a Leasehold Mortgagee or acceptance of a deed in lieu of foreclosure, Authority, upon written request from any Leasehold Mortgagee, shall enter into a new lease with such holder or its designee in accordance with and upon the same terms and conditions as set forth herein. In this regard, in the event of the filing of a petition in bankruptcy by the Lessee, and the Lessee rejects this Lease under the then applicable provisions of the Bankruptcy Code, Authority shall, upon the request of a Leasehold Mortgagee, affirm this Lease, and Authority will enter into a new lease on the same terms and conditions set forth herein with such holder or its designee immediately upon Lessee's rejection of this Lease. In the event of the filing of a petition in bankruptcy by the Authority, and the Authority rejects this Lease and the Lessee does not affirm it, a Leasehold Mortgagee will have the authority to affirm this Lease on

behalf of the Lessee and to keep the Lease in full force and effect. If more than one Leasehold Mortgagee requests such New Lease, the most senior Leasehold Mortgagee shall be provided the New Lease.

ARTICLE 19. RIGHTS OF INVESTOR

The Investor (and any limited partner of Lessee) shall have the same rights hereunder, including notice and cure rights, as any Leasehold Mortgagee for so long as it is a limited partner of Lessee. The address for any notices to same, as of the date hereof, is provided in Section 20.2, hereof.

ARTICLE 20. MISCELLANEOUS

20.1 Instrument is Entire Agreement; Amendment.

This Lease and the attached Exhibits constitute the entire agreement between the Parties with respect to the matters set forth herein. This Lease shall completely and fully supersede all other prior understandings or agreements, both written and oral, between the Authority and Lessee relating to the lease of the Leased Premises by the Authority to Lessee. This Lease may not be amended except by a written agreement between the Authority and Lessee.

20.2 Notices.

All notices hereunder shall be in writing signed by Authorized Officer(s) and shall be sufficient if sent by United States first class, certified mail, postage prepaid, or express delivery service with a receipt showing the date of delivery, addressed:

if to the Authority
Housing Authority of the City of Sacramento
801- 12th Street, 6th Floor
Sacramento, CA 95814
Attention: Executive Director

if to Lessee prior to the final investor limited partner equity payment
:
Sierra Vista Housing Associates, L.P.
600 California Street, Suite 900
San Francisco, CA 94108

And
SHARP
801 12th Street 4th Floor
Sacramento, CA 95814

If to Lessee after the final investor limited partner equity payment

Sierra Vista Housing Associates, L.P.
801 12th Street, 4th Floor

Sacramento, CA 95814

If to Bank:

Bank of America, N.A.
CA4-70202-29
2001 Clayton Road, 2nd Floor
Concord, CA 94520
Attention: Loan Administration Manager

with a copy to:

Paul Hastings LLP
515 South Flower Street, Twenty-Fifth Floor
Los Angeles, CA 90071
Atten: Ken Krug, Partner

If to Tax Credit Investor:

Merritt Community Capital Fund XVII, L.P.
1970 Broadway, Suite 250
Oakland, California 94612
Attention: Bernard T. Deasy

With copy to:

Carle, Mackie, Power & Ross LLP
100 B Street, Suite 400
Santa Rosa, CA 95401
Attention: Richard W. Power, Esq.

or any other address as either Party may have furnished to the other in writing pursuant to the requirements of this Section 20.2 as a place for service of notice. Any notice so given shall be deemed to have been given upon the delivery date or the date that proper delivery is refused by the addressee, or the item is returned undeliverable, as shown on the delivery receipt.

20.3 Non-Waiver of Breach.

Neither the failure of the Authority or Lessee to insist upon strict performance of any of the covenants and agreements of this Lease nor the failure by the Authority or Lessee to exercise any rights or remedies granted to such Parties under the terms of this Lease shall be deemed a waiver or relinquishment (a) of any covenant herein contained or of any of the rights or remedies of Lessee or the Authority hereunder, (b) of the right in the future of the Authority or Lessee to insist upon and to enforce by any appropriate legal remedy a strict compliance with all of the covenants and conditions thereof, or (c) the right of the Authority to recover possession of the Leased Premises.

20.4 Effective Date; Counterparts.

This Lease shall become effective upon the commencement of the Lease Term set forth in Article 2. This Lease may be executed in counterparts, each of which shall be an original and all of which shall constitute the same instrument.

20.5 Lease Binding on Successors.

This Lease and all of its provisions and attached Exhibits shall inure to the benefit of, and shall be binding upon, the Authority, Lessee, and their respective permitted successors and permitted assigns. The Authority and Lessee intend, declare and covenant, on behalf of themselves and all successors and assigns during the Lease Term, that the provisions of this Lease shall be and are covenants running with the land, encumbering the Leased Premises for the Lease Term and binding upon the Authority's successors in title and all successors and assigns of the Leased Premises, and shall bind the Lessee (and the benefits shall inure to the Lessee, the Authority, and any past, present or prospective Tenant Household) and its respective successors and assigns during the Lease Term. The Authority and Lessee hereby agree that any and all requirements of the laws of the State of California to be satisfied in order for the terms of this Lease to constitute covenants running with the land shall be deemed to be satisfied in full, and that any requirements or privileges of estate are intended to be satisfied, or in the alternate, that an equitable servitude has been created to insure that these restrictions run with the Leased Premises land.

20.6 Relationship of Parties.

Nothing contained in this Lease shall be deemed or construed by the Parties or by any third Party to create the relationship of principal or agent or of partnership, joint venture or association or of buyer and seller between the Authority and Lessee, it being expressly understood and agreed that neither the computation of any payments and other charges under the terms of this Lease nor any other provisions contained in this Lease, nor any act or acts of the Parties, shall be deemed to create any relationship between the Authority and Lessee other than the relationship of the Authority and tenant.

20.7 No Merger.

There shall be no merger of this Lease or any interest in this Lease nor of the Leasehold Estate created hereby, with the fee estate in the Site, by reason of the fact that this Lease or such interest therein, or such leasehold estate may be directly or indirectly held by or for the account of any person who shall hold the fee estate in the Site, or any interest in such fee estate, nor shall there be such a merger by reason of the fact that all or any part of the leasehold estate created hereby may be conveyed or mortgaged in a leasehold mortgage to a leasehold mortgagee who shall hold the fee estate in the Site or any interest of the Authority under this Lease.

20.8 Gender and Number.

Words of any gender used in this Lease shall be held to include any other gender, and any words in the singular number shall be held to include the plural (and vice versa), when the sense requires.

20.9 Titles.

The titles and article or paragraph headings are inserted only for convenience, and are in no way to be construed as a part of this Lease or as a limitation on the scope of the particular provisions to which they refer.

20.10 Severability.

If any provision of this Lease or the application of any provision to any person or circumstances shall be invalid or unenforceable to any extent, the remainder of this Lease, or the application of such provision to persons or circumstances other than those as to which it is invalid or unenforceable, shall not be affected, and each provision of this Lease shall be valid and be enforced to the fullest extent permitted by law.

20.11 Applicable Law.

This Lease shall be governed by and construed in accordance with the laws of the State of California.

20.12 Non-recourse to Lessee.

Neither Lessee nor any of its partners, officers, principals, members, trustees, affiliates, directors, employees, contractors, agents, representatives, subtenants, licensees, or invitees (each, including Lessee, a "Lessee Indemnified Party" and collectively, the "Lessee Indemnified Parties") shall in any event or at any time be personally liable for the payment or performance of any obligation required or permitted of Lessee under this Lease. In the event of any actual or alleged failure, breach or default by Lessee under this Lease or any such documents, the sole recourse of the Authority shall be against Lessee's right, title and interest in and to the Leased Premises and the Improvements. No attachment, execution, writ, or other process shall be sought or obtained, and no judicial proceeding shall be initiated by or on behalf of the Authority, against any Lessee Indemnified Party personally as a result of any such failure, reach, or default.

In no event shall Lessee or any other Lessee Indemnified Party have any liability for any loss of profits, business interruptions and/or consequential damages of the Authority.

SIGNATURES ON FOLLOWING PAGE

IN WITNESS WHEREOF, the Parties have executed this Lease effective as of the day and year first above written.

AUTHORITY:
HOUSING AUTHORITY OF THE CITY OF SACRAMENTO a public body corporate and politic

By: _____
La Shelle Dozier, Executive Director

LESSEE:
SIERRA VISTA HOUSING ASSOCIATES, L.P.,
a California limited partnership

By: Sierra Vista Housing Associates LLC,
a California limited liability company
Its general partner

By: Winfield Hill, Inc.,
a California public nonprofit public benefit corporation
Its managing member

By:_____

Name: _____

Its: _____

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ACQUISITION LOAN AGREEMENT
(SELLER CARRY-BACK LOAN FOR IMPROVEMENTS)
SIERRA VISTA

ARTICLE I TERMS AND DEFINITIONS:

"EFFECTIVE DATE"	December ___, 2014	Which is the date as of which this Loan Agreement shall be effective.

LENDER AND BORROWER HAVE ENTERED THIS LOAN AGREEMENT AS OF THE EFFECTIVE DATE. This Loan Agreement includes Article II Loan Provisions and the attachments and Exhibits listed below, all of which are incorporated in this Loan Agreement by this reference. The capitalized terms in this Loan Agreement shall have the meanings assigned in Article I Terms and Definitions and as defined in Article II Loan Provisions. (Terms being defined are indicated by quotation marks. If an item in this Article 1 table is marked "None, Not Applicable, N/A or equivalent or is left blank, that defined term is not applicable to this Loan or the referenced item is not required or is not included in this Loan, as the context may indicate.) The Lender is making the Loan pursuant to the terms and conditions of this Loan Agreement.

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

A. "Loan Information" The general loan provisions of the Loan		
"LENDER"	The following public agency that is making the Loan, and whose legal status and address are:	
Name	Housing Authority of the City of Sacramento	
Legal Status	A public body, corporate and politic	
Principal Address	801 12th Street, City of Sacramento, Sacramento County, California 95814	
"BORROWER"	The borrower of the Loan funds whose name, legal status and address are:	
Name	Sierra Vista Housing Associates, L.P.	
Legal Status	A California limited partnership	
Principal Address	600 California Street, Suite 900, San Francisco, California 94108	
"LOAN"	The Loan made by this Loan Agreement.	
"LOAN COMMITMENT"	Lender's loan commitment, made by letter dated as of	June 10, 2014
"LOAN PROGRAM"	Lender's Loan Program, commonly known as	n/a as this is a "seller carry-back" loan
"LOAN AMOUNT"	Six Million Four Hundred Thousand Dollars ($6,400,000)	
"INTEREST RATE"	The annual interest rate is the Applicable Federal Rate at cost of escrow date, interest to compound annually.	
"MATURITY DATE"	The first day of the 660th calendar month following the Effective Date.	
"PAYMENT START DATE"	Commencing January 1, 2017 from Residual Receipts from the previous calendar year, annual payments of interest and principal shall be due in arrears subject to review of annual audited financial statement as described in the Promissory Note for Improvements.	
"PAYMENT SCHEDULE"	Annual payments of Residual Receipts in accordance with the Promissory Note for Improvements (Note). The unpaid balance of the Note is due and payable on the Maturity Date, including without limitation all unpaid principal, interest, fees and charges.	
"BORROWER EQUITY"	Ten Million Fifty Eight Thousand Dollars and No Cents ($10,058,000.00)	Which is the minimum amount of cash or cash equivalent (excluding land equity or other non-cash investment in the Project) that Borrower is investing in the Project.
"SPECIAL TERMS"	Principal and interest due in full upon refinance, sale or end of Term.	

B. "Collateral" The Collateral securing repayment of the Loan, which Collateral consists of the following

"PROPERTY"	Property includes the leasehold estate in the underlying land, which is the subject of a separate ground lease all located at 1115 23rd Street, Sacramento, CA and the fee in the improvements and supporting constructed infrastructure situated upon the land:
Address	1115 23rd Street, Sacramento, California
Assessor's Parcel Number	007-0096-027
"Legal Description"	The Property is situated in the State of California, County of Sacramento, and is more particularly described in **Exhibit: Legal Description** attached and incorporated by reference.
Borrower's Title Interest	Borrower has fee interest in the Improvements of upon Property or, if the Additional Escrow Instructions so indicate, Borrower will acquire fee interest in the Improvements at Close of Escrow.

C. "ESCROW INFORMATION":		
"Title Company" and "Escrow Agent"	Placer Title Company Jenny Vega	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"	December ___ , 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
Exhibit 1: Legal Description	"Legal Description"
Exhibit 2: Note Form	"Note"
Exhibit 3: Trust Deed Form	"Trust Deed"
Exhibit 4: Escrow Instructions	"Escrow Instructions
Exhibit 5: The HUD Use Agreement	"HUD Use Agreement"
Exhibit 6: Scope of Development	"Scope of Development"

D. "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 operation of the Property, including capital improvements and operating reserve account
Evidence of construction financing
Budget for the operation of the Property, including capital improvements and operating reserve account

F. "ASSIGNED DOCUMENTS" BORROWER ASSIGNS THE FOLLOWING DOCUMENTS TO LENDER
Construction Agreement
Architectural Agreement
Subject to the interests of any senior lender, any lease and rental agreements for the Property, or any part of it.

G. "SPECIAL PROVISIONS" The following special provisions shall be in addition to the provisions of this Loan Agreement.
This Loan is made pursuant to the Disposition and Development Agreement by and between Borrower and the Housing Authority of the City of Sacramento dated December __, 2014 (the "DDA"). This Loan Agreement is subject to the DDA including without limitation, conditions precedent to funding the Loan or making disbursements of the Loan Proceeds.
This loan is a seller carry back loan for Property acquisition costs.
Subject to Lender's written approval, Borrower shall obtain and maintain for the life of the Loan a property management agreement with a duly accredited real estate property management company for the management of the Property. Lender shall have the right to review and approve or reject any proposed changes to scope of said agreement and to changes in the real estate property management company prior to making such changes. Any such changes made without Lender approval shall be a default of the loan. The Lender hereby approves Housing Authority of the City of Sacramento as the Property's property manager.

Borrower may elect to close the Loan in advance of closing of the Bank loan, provided that the loan meets all requirements of this Loan Agreement. Lender shall subordinate this Loan to the Bank loan, provided that the Bank loan does not require modification of this Loan Agreement or Lender's entering into any agreements containing new or modified Loan terms, and with respect to the HUD Use Agreement, beyond the terms of the HUD Use Agreement as attached hereto as Exhibit 5.

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

BORROWER : SIERRA VISTA HOUSING ASSOCIATES, L.P., a California limited partnership

By: Sierra Vista Housing Associates LLC, a California limited liability company
Its general partner

By: Winfield Hill, Inc., a California public nonprofit public benefit corporation its managing member

By:_____
Name:_____
Its:_____

Approved as to form:

_____
Borrower Counsel

AGENCY: HOUSING AUTHORITY OF THE CITY OF SACRAMENTO, a public body corporate and politic

By: _____
LaShelle Dozier, Executive Director

Approved as to form:

_____
Agency Counsel

ARTICLE II LOAN PROVISIONS

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

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

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

1.1. Approved Loans" means the Housing Authority permanent loan, the Sacramento Housing andn Redevelopment Construction and Permanent Loan, and the construction loan from Bank
America, N.A. loan.

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

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

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

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

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

1.7. "Event of Default" is breach of or default in a party's obligations under this Loan Agreement, the Trust Deed, the Note and any other instrument that is incorporated in this Loan Agreement or that otherwise secures the repayment of the Loan beyond any applicable notice and cure periods.

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

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

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

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

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

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

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

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

1.16. "Permanent Lender" is the lender for the Permanent Loan.

1.17. "Permanent Loan" means the permanent financing obtained by Borrower through an Approved Loan, which is to be made after completion of construction and which will be secured by a senior lien against the Property.

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

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

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

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

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

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

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

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

2.4. **NO VIOLATION.** The consummation of the transactions covered by this Loan Agreement and the payment and performance of all of the obligations in the Loan Documents, will not result in any breach of, or constitute a default under,

any mortgage, deed of trust, lease, contract, loan or credit agreement, corporate charter, bylaws, partnership agreement, trust agreement, or other instrument to which the Borrower or any of its general partners is a party or by which it or they or the Property may be bound or affected.

2.5. **No Default.** There is no Event of Default or Potential Default on the part of Borrower.

2.6. **Title to Property.** Borrower will be the sole legal and beneficial owner of the Property, which is free of all claims, liens, and encumbrances other than those shown in the Title Policy.

2.7. **No Unapproved Loans.** Borrower has not received financing for either the acquisition of the Property, the use and operation of the Property, or the permanent financing of the Property except as has been fully disclosed to and approved by Lender in writing.

2.8. **Title of Personalty.** All Personalty is vested solely in Borrower, free of all claims, liens, and encumbrances, and the security interest of Lender in the Personalty is a valid lien.

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

2.10. **Construction Quality.** There are no structural defects in the Property that are known to or reasonably should be known to Borrower or its agents and employees, and to the best of Borrower's knowledge, no violation of any Governmental Requirement exists.

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

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

3.1. **Principal Amount.** The principal amount of the Loan shall be the Loan Amount.

3.2. **Use of Loan Funds.** Loan funds shall be used only for acquisition financing and for other purposes specified in the Loan Agreement.

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

3.4. **Note and Security Documents.** The Loan is evidenced by the Note executed by Borrower in favor of Lender and delivered to Lender upon Close of Escrow. Repayment of the Note is secured by the Trust Deed covering the Property. Borrower shall execute, as Trustor, 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.

3.5. **HUD USE Agreement.** The imposing covenants, conditions and restrictions running with the land is required by the DDA and is a material consideration for the making of this Loan. Borrower shall execute prior to Close of Escrow and deliver it to Escrow for recordation. Said Use Agreement shall be and remain senior in position to any and all liens against the land fee or the leasehold interest of the improvement.

4. **Performance Conditions.** The following are conditions precedent to performance under this Loan Agreement:

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

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

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

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

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

5. RELOCATION. Lender is required by law to provide relocation services and make relocation payments to eligible tenants displaced as a result of the Lender's involvement in the Property. Borrower shall comply fully with all relocation laws that are the obligation of Lender or are otherwise applicable to the Property. Borrower's compliance with the relocation requirements as stated in this Section 5 is a material element of this Loan. Borrower's failure to comply with the relocation requirements as stated in this Section 5 is an Event of Default.

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

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

5.3. **BORROWER AS RELOCATION AGENT.** With the approval of Lender, Borrower may act as Lender's agent in accomplishing such relocation. If Lender and Borrower agree that Borrower will act as Lender's agent for purposes of this Loan, Borrower may enter into agreements for the provision of relocation services, or Borrower may perform such services directly. Borrower shall, by provisions in its agreements or by direction to its staff, assure that the entity performing the relocation services (a) shall comply with all applicable law, (b) shall fully inform Lender of all relocation activities, (c) shall make all requests for direction or clarification to Lender, and (d) shall respond to and follow the Lender's instruction and direction.

6. **ADDITIONAL SECURITY INSTRUMENTS.** Upon request by Lender, Borrower shall execute and deliver to Lender a security instrument in favor of Lender naming as secured property all contracts related to the Property and all other property

of any kind owned by Borrower and used primarily in connection with the Property. Lender may require such instrument at any time, and from time to time may require additions of new contracts and other property. Borrower irrevocably assigns to Lender, effective upon Lender's written demand, as security for the due performance of this Loan Agreement all of its right, title, and interest in the Assigned Documents.

7. **CONDITIONS PRECEDENT TO LOAN DISBURSEMENT.** The obligation of Lender to make any disbursements under this Loan Agreement shall be subject to the following conditions precedent (subject only to the rights of the Permanent Lender):

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

7.2. If requested by Lender, Borrower has furnished to Lender 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 in Personalty other than those of Lender and Senior Lender.

7.3. The Property and all fixtures, and furnishings installed on or acquired for the Property are owned by Borrower free of any liens, encumbrance, or other interests of any kind other than Lender's lien or security interest or lien/security interests pertaining to the Senior Loan

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

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

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

7.7. There is no legal action threatened or pending against Borrower or any Additional Collateral.

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

7.8.1. Borrower has obtained and Lender has approved a loan approval from a financial institution (or other lender approved by Lender in its sole discretion) to make the Permanent Loan, which provides (a) that it is subject only to those conditions which are usual and customary in the industry and which can be satisfied by the proposed closing date of the Permanent Loan; (b) that it is in full force with no default by any party; and (c) that Lender will have notice of, and a reasonable opportunity to cure, any Borrower defaults.

7.8.2. The Permanent Lender's commitment to make the Permanent 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 Permanent 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 Loan Commitment

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

7.8.4. Borrower has provided proof of all insurance required by this Loan Agreement.

8. **DEFAULTS**

8.1. **EVENTS OF DEFAULT.** Subject to the notice and cure provisions set forth in Section 16 of the Trust Deed, at the option of Lender, each of the following events will constitute a default (each an "Event of Default"):

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

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

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

8.1.4. The filing of any lien against the Property, if the claim of lien continues for sixty (60) days without discharge, satisfaction, or the making of provision for payment (including bonding) to the satisfaction of Lender.

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

8.1.6. Notwithstanding anything to the contrary herein or in the Loan Documents, Lender agrees that in no event shall it declare an event of default or seek any remedy with respect to the Loan or the Loan Documents during the 15-Year tax credit compliance period under Internal Revenue Code Section 42 applicable to the Property until Lender has consulted with the tax credit limited partner or so long as any affiliate of Lender or any party related to Lender holds any equity interest, directly or indirectly, in Borrower.

9. REMEDIES

9.1. **OPTION TO ACT.** Subject to the notice and cure provisions of Section 16 of the Trust Deed, on the occurrence of any Event of Default, in addition to its other rights in this Loan Agreement or in any of the other Loan Documents, at law, or in equity, Lender may, without prior demand, exercise any one or more of the following rights and remedies:

9.1.1. Terminate its obligation to make disbursements.

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

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

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

9.1.5. Make any unauthorized payment from Loan Proceeds or other funds of Lender.

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

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

9.3. **DISCLAIMER.** Whether Lender elects to employ any of the remedies available to it in connection with an Event of Default, Lender will not be liable for the failure to protect the Property; the payment of any expense incurred in connection with the exercise of any remedy available to Lender; or the performance or nonperformance of any obligation of Borrower.

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

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

10.2. **FAILURE TO MAINTAIN.** If Borrower fails to obtain or maintain, or cause to be obtained and maintained, any insurance required by this Loan Agreement, the Lender, after providing Borrower with not less than 7 days notice, Agency shall have the right to purchase the insurance on Borrower's behalf, and Borrower shall promptly reimburse the full cost of such insurance to the Agency. If Borrower fails to reimburse the Agency for insurance, the amount of unpaid reimbursement shall bear interest, at the maximum rate permissible under the law, until paid.

11. MISCELLANEOUS.

11.1. **NONRECOURSE.** Notwithstanding any provision of this Loan Agreement or any document evidencing or securing this Loan, Borrower, and Borrower's principals, partners, agent, officer, and successors in interest shall not be personally liable for the payment of the Loan or any obligation of the Loan, Lender's sole recourse shall be against the Property.

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

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

11.4. **FINANCIAL STATEMENTS.** Borrower shall provide Financial Statements to Lenders, as and when reasonably requested to assure the good status of the Loan and the Property.

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

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

11.7. **NOTICES.** Borrower irrevocably appoints Lender as its agent (the agency being coupled with an interest) to file for record any notices of completion, cessation of labor, or any other notice that Lender deems necessary or desirable to protect its interests under this Loan Agreement or under the Loan Documents. All notices to be given under this Loan Agreement shall be in writing and sent to the addresses stated above. as well as to those Parties listed in the definition of "Additional Notices" in the Trust Deed by one or more of the following methods. Lender shall give copies of notices required to be delivered to Borrower to those Parties listed in the definition of "Additional Notices" in the Trust Deed 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.

(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

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 Instructions or to such other address as Borrower or Agency may respectively designate by written notice to the other.

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

11.9. **ASSIGNMENT.** The terms of this Loan Agreement will be binding on and inure to the benefit of successors and assigns of the parties. However, Borrower shall not assign this Loan Agreement or any interest it may have in the monies due or, except as otherwise provided, convey or encumber the Property or any Personalty or Fixtures now or later on the Property without the prior written consent of Lender or as otherwise permitted under the DDA. Lender may at any time assign the Loan Documents to any affiliate of Lender or to a national bank or other equivalent lender, and the assignee will assume the obligations of Lender, and Lender will have no further obligation of any nature. In that case, the provisions of this Loan Agreement will continue to apply to the Loan, and the assignee will be substituted in the place and stead of Lender, with all rights, obligations, and remedies of Lender, including, without limitation, the right to further assign the Loan Documents. In addition, Lender may at any time assign a participation in the Loan to any other party, provided that Lender continues to be primarily obligated under this Loan Agreement.

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

11.11. **BORROWER, LENDER RELATIONSHIP.** The relationship between Borrower and Lender is, and will at all times remain, solely that of borrower and lender, and Lender neither undertakes nor assumes any responsibility for or duty to Borrower.

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

11.13. **CONSENTS AND APPROVALS.** All consents and approvals by Lender required or permitted by any provision of this Loan Agreement will be in writing, and Lender shall not unreasonably withhold consent and approval delay in reviewing and approving or disapproving any consents and waivers. Lender's consent to or approval of any act by Borrower requiring further consent or approval will not be deemed to waive or render unnecessary the consent or approval to or of any subsequent similar act.

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

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

11.16. **LOAN EXPENSES.** Borrower agrees to pay on demand all out-of-pocket costs and expenses reasonably incurred by Lender including, without limitation, the fees and disbursements of Lender's outside counsel, in connection with: (i) the administration of the Loan, including, without limitation, all approvals or consents given or contemplated to be given under the Loan Documents, all amendments to the Loan Documents entered into by Lender or requested by any Loan Party, and all title insurance policies and endorsements required by Lender, and (ii) the enforcement of any rights or remedies under the Loan Documents, whether any action or proceeding is commenced, or the protection of the security, or interests of Lender under the Loan Documents. All costs and expenses, together with interest at Loan rate, will form a part of the indebtedness and will be secured by the Security Documents.

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

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

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

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

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

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

11.23. **INDEMNITY.** Except for claims due to Lender's sole negligence or willful misconduct, Borrower agrees to defend, indemnify, and hold Lender harmless from all losses, damages, liabilities, claims, actions, judgments, costs, and reasonable attorney fees that Lender may reasonably incur as a direct or indirect consequence of the making of the Loan,

Borrower's failure to perform any obligations as and when required by this Loan Agreement or any of the other Loan Documents, the failure at any time of any of Borrower's representations or warranties to be true and correct, or any act or omission by Borrower, any contractor, subcontractor, engineer, architect, or other Person with respect to the Property, or any portion of it. Borrower will pay immediately on Lender's demand any amounts owing under this indemnity, together with interest at the lesser of the Default Rate or the maximum rate permitted by law from the date Lender makes a payment or incurs a loss. Borrower's duty to indemnify Lender will survive the release and cancellation of the Note and the reconveyance or partial reconveyance of the Trust Deed.

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

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

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

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

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

Exhibit 1: Legal Description

THE BUILDINGS AND IMPROVEMENTS SITUATED ON THE FOLLOWING DESCRIBED REAL PROPERTY:

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

EXHIBIT 2 NOTE

PROMISSORY NOTE
FOR SIERRA VISTA APARTMENTS
SELLER CARRY-BACK LOAN FOR IMPROVEMENTS

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"	December __, 2014	
"Lender"	Housing Authority of the City of Sacramento	
"Borrower"	Sierra Vista Housing Associates, L.P.	
"Borrower Legal Status"	A California limited partnership	
"Loan Agreement"	The Loan Agreement between the Borrower and Lender as of the Effective Date for making of the loan ("Loan") evidenced by this Note.	
"Principal Amount"	Six Million Four Hundred Thousand Dollars and No Cents ($ 6,400,000.00)	
"Interest Rate"	The interest rate on the outstanding balance shall be set at the Applicable Federal Rate for long-term loans, as published by the U.S. Internal Revenue Service (IRC 1274(d)) as of the date of Close of Escrow. Interest to compound annually.	
"Accrual Date"	Interest shall accrue starting on the following "Accrual Date":	Date of ownership transfer to Borrower.
"Special Terms"		
PAYMENT SCHEDULE. Repayment of this Note shall be made the following amounts:		
"Maturity Date"	The first day of the 660 calendar month following the Effective Date.	

"Payment Start Date"	Commencing January 1, 2017, annual payments of interest and principal shall be due in arrears subject to review of the annual audited financial statement. Annual payments of interest and principal shall be due in an amount equal to the Residual Receipts remaining, if any, after payment of all operating expenses and priority payments as further described below. All unpaid principal and interest amounts due but not payable shall accrue under the Note. All payments shall be applied first to accrued interest and thereafter to principal. All outstanding principal and interest is due and payable on the maturity date. a. Residual Receipts is defined as the Net Income remaining in the period as stated in the annual audited financial statement after payment of all approved operating expenses and priority payments due in the period as further described below. b. Priority Payments are defined as replacement reserve deposits, operating reserve deposits (if any), LP and GP asset management fee payments, deferred developer fee payments (if any), and guaranty reimbursements (if any) due in the period. c. Operating Expenses shall mean actual costs, fees and expenses as evidenced by invoices attributable to the operation, recordkeeping, maintenance, taxes and management of the Project, including a property management fee initially, i.e., during the first year of operations after construction completion and closing of this Loan, of approximately Forty-Thousand Dollars ($40,000.00) beginning in 2015 and increasing by three percent (3.0%) annually thereafter; taxes and assessments; payroll, benefits and payroll taxes of for property employees; insurance; security; painting, cleaning, repairs, and alterations; landscaping; sewer charges; utility charges; advertising, promotion and publicity; cable television, satellite and other similar services; office, janitorial, cleaning and building supplies; recreational amenities and supplies; purchase, repair, servicing and installation of appliances; costs and expenses associated with the provision of social and/or community services to the residents of the Project; equipment, fixtures and furnishing; fire alarm monitoring; fees and expenses of accountants, attorneys, consultants and other professionals. d. Revenue means all revenue from the leasing of the of the Project, including but not limited to all rents, fees, and charges paid by tenants as well as rental subsidy payments regardless of the source of these subsidies, forfeited tenant deposits, rent increases, proceeds from vending machines and laundry room machines. Revenue shall not include tenants' security deposits (unless forfeited), interest on those deposits, loan proceeds, capital contributions or similar advances, or amounts released from reserves or interest on reserves. Such payments are based upon "Residual Receipts," meaning Revenue reduced by the following: (a) Operating Expenses; (b) deposits into operating and/or replacement reserves maintained by the Borrower; (c) debt service and fees on the Senior Loan and reserve deposits required under the Senior Loan; (d) asset management fee up to Five Thousand Dollars ($5,000) beginning in 2015, and thereafter increasing by three percent (3.0%) annually; and (e) partnership management fee up to Twenty Thousand Dollars ($20,000) beginning in 2015 increasing by three percent (3.0%) annually thereafter.	
"Payment Amount(s)"	Annual Residual Receipts remaining as described above. The unpaid balance of the Loan, including without limitation principal and interest, shall be all due and payable on the Maturity Date, including without limitation all unpaid principal, interest (if any) , fees and charges.	
	Month 660th	Principal and accrued interest due 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.

2. 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.

3. 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.

4. 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, then, subject to any rights of Borrower's limited partners explicitly set forth in the Trust Deed, (or such longer period explicitly set forth in the Trust Deed), Lender may at its option, declare all funds secured by the Trust Deed immediately due and payable.

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

6. 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, set forth herein or in the Loan Agreement or Trust Deed if any:

a. Borrower defaults in the payment of any principal or interest when due and fails to cure within 10 (ten) days.

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 and Borrower fails to cure within 30 days after receipt of notice, provided, however, that if such cure cannot reasonably be effected within such 30 day period, such failure shall not be a default so long as Borrower promptly (and in any event, within ten (10) days after receipt of such notice) commences such cure and thereafter diligently (and in any event, within ninety (90) days after receipt of such notice) prosecutes such cure to completion. Any limited partner of Borrower is entitled to the notice and cure provisions set forth in Section 16 of the Trust Deed.

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 which are not stayed within 90 days.

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 which are not stayed within 90 days.

7. Any limited partner of Borrower is entitled to the notice and cure provisions set forth in Section 16 of the Trust Deed.

8. 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.

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

10. 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.

11. This Loan is a non-recourse 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.

12. 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:
SIERRA VISTA HOUSING ASSOCIATES, L.P.,
a California limited partnership

By: Sierra Vista Housing Associates LLC,
a California limited liability company
Its general partner

By: Winfield Hill, Inc.,
a California public nonprofit public benefit corporation
Its managing member

By:_____

Name: _____

Its:_____

EXHIBIT 3: TRUST DEED FORM

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

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

DEED OF TRUST AND ASSIGNMENT OF RENTS

Sierra Vista Apartments (For Improvements)

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

"Effective Date"	December __, 2014	
"Trustor" and "Borrower"	Sierra Vista Housing Associates, L.P., a California limited partnership	
"Borrower Address"	600 California Street, Suite 900, San Francisco, California 94108	
"Trustee"	Placer Title Company	
"Beneficiary" and "Lender"	Housing Authority of the City of Sacramento, a public body, corporate and politic	
"Lender Address"	801 12th Street, Sacramento, California 95814	
"Property"	Which consists of the Improvements and leasehold estate in real property located in the County of Sacramento and the State of California as more particularly described in the Legal Description.	
	Address	1115 23rd Street, Sacramento, California 95814
	Assessor's Parcel Numbers	007-0096-027
"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 Seller Carry-Back Loan Agreement between Lender and Borrower stating the term and conditions of the Loan.	
	Which is dated:	December __, 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:	

	Bank: Bank of America, N.A. CA4-70202-29 2001 Clayton Road, 2nd Floor Concord, CA 94520 Attention: Loan Administration Manager with a copy to: Paul Hastings LLP 515 South Flower Street, Twenty-Fifth Floor Los Angeles, CA 90071 Atten: Ken Krug, Partner Investor: Merritt Community Capital Fund XVII, L.P. 1970 Broadway, Suite 250 Oakland, California 94612 Attention: Bernard T. Deasy with a copy to: Carle, Mackie, Power & Ross LLP 100 B Street, Suite 400 Santa Rosa, CA 95401 Attention: Richard W. Power, Esq.	
"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	Six Million Three Hundred Fifty Thousand Dollars and No Cents ($6,350,000.00)

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

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

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

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

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

Borrower and Lender covenant and agree as follows:

1. Payment of Principal and Interest. Borrower shall promptly pay when due the principal and interest, if any, on the indebtedness evidenced by the Note. All payments received by Lender under the Note shall be applied by Lender first to interest payable on the Note and thereafter to the unpaid principal of the Note.

2. Charges; Liens. Borrower shall pay all taxes, assessments and other charges, fines and impositions attributable to the Property and leasehold payments or ground rents, if any by Borrower making payment, when due, directly to the appropriate payee. Borrower shall promptly furnish to Lender all notices of amounts due under this paragraph, and in the event that Borrower makes payment directly, Borrower shall promptly furnish to Lender receipts evidencing such payments. Borrower shall pay when due any encumbrance, charge and lien, with interest in accordance with its terms, on the Property or any portion which is inferior or superior to this Deed of Trust. Provided, however, Borrower shall have the right to contest such amount in good faith provided that Borrower causes any such lien to be released from the Property by the posting of a bond or by other appropriate means.

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. Lender's prior approval is not required for (l) the sale or transfer of the Limited Partner's interest to one or more of the other partners that currently comprise the Borrower's entity, (2) the admission of the Limited Partner or its affiliate to the Borrower and the transfer of its interest to an affiliate thereof so long as the general partner, or managing member, of the transferor, or an affiliate thereof, is the general partner, or managing member of the transferee, or partner; however, Borrower is obligated to notify Lender within 30 days from the date of such sale or transfer, (3) the removal of the general partner of the Borrower by the Limited Partner for a default under Borrower's partnership agreement, provided that any replacement general partner is approved by Lender, which approval shall not be unreasonably withheld, conditioned or delayed.

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 and the Limited Partner 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, and the Limited Partner 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, provided, however, that if such cure cannot reasonably be effected within such 30 day period, such failure shall not be a default so long as Borrower promptly (and in any event, within ten (10) days after receipt of such notice) commences such cure and thereafter diligently (and in any event, within ninety (90) days after receipt of such notice) prosecutes such cure to completion The Limited Partner is entitled to cure any defaults on behalf of the Borrower within the same specified time periods; said cure periods shall not extend statutory periods and times for notice and commencement of foreclosure; provided, however, that if, in order to cure any such default the Limited Partner must first remove a general partner of Borrower, then, provided that the Limited Partner notifies Lender of such removal and removes such general partner within a reasonable period, then the Limited Partner shall have until the date 30 days after the effective date of such removal to effect such cure. In any event, such cure process shall not exceed 120 days. 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, partners, agents, officers, and successors in interest shall not be personally liable for the payment of the Loan or any obligation of the Loan and Lender's sole recourse is to the collateral secured by this Deed of Trust.

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.

25. Extended Use Agreement. In order to receive an allocation of federal low income housing tax credits, Borrower will be required to record in the real property records of the County in which the property is located, an "extended low-income housing commitment" (as defined in Section 42(h)(6)(B) of the Internal Revenue Code of 1986, as amended ("Code")) ("Extended Use Agreement"). Lender acknowledges and agrees that, in the event of a foreclosure of its interest under this Deed of Trust or delivery by the Borrower of a deed in lieu thereof (collectively, a "Foreclosure"), Lender agrees to comply with all the following rule contained in Section 42(h)(6)(E)(ii) of the Code shall apply: For a period of three (3) years from the date of Foreclosure, with respect to any unit that had been regulated by the Extended Use Agreement, (i) none of the eligible tenants occupying those units at the time of Foreclosure may be evicted or their tenancy terminated (other than for good cause, including but not limited to, the tenants' ineligibility pursuant to regulations of Section 42 of the Code), (ii) nor may any rent be increased except as otherwise permitted under Section 42 of the Code.

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

BORROWER (Trustor):
SIERRA VISTA HOUSING ASSOCIATES, L.P.,
a California limited partnership

By: Sierra Vista Housing Associates LLC,
a California limited liability company
Its general partner

By: Winfield Hill, Inc.,
a California public nonprofit public benefit corporation
Its managing member

By: _____

Name: _____

Its: _____

Exhibit 4: Escrow Instructions

Exhibit 5: HUD Use Agreement

Exhibit 6: Scope of Development

Sierra Vista Apartments
1115 23rd Street, Sacramento, CA

Sierra Vista Apartments is a nine-story concrete structure built in 1971. The site includes 16 surface parking spaces. The building consists of 78 residential one-bedroom units, 77 of which will have rent restrictions with one unrestricted manager's unit. Each unit is between 408 and 450 square feet in size. All are accessed off an interior corridor by way of two elevators and/or stairwells. The first floor consists of a small lobby and common room, kitchen, laundry room, two small storage rooms, managers' office, two restrooms and 6 existing partially-accessible units. The second through ninth floors consist of 9 residential units, elevator lobby, two exit stairwells, janitors' closet, and storage closet. There is a two story elevator penthouse at the roof level to house the elevator equipment and water heaters. The building's exterior walls consist mostly of precast concrete walls, with minor areas of stucco on the first floor and elevator penthouse. Aluminum single-pane windows with un-insulated spandrel panels exist throughout. There is an existing built-up roof with minimal slope and no guardrail. Units are heated and cooled using individual PTAC units, corridors are cooled using an evaporator cooler, and common areas using a split system. Most of the building elements appear to date to the original construction and are at or nearing the end of their service life.

A requirement of the project is to have a 20-year minimum service life such that no significant capital improvements should be necessary within that time period. Additionally, the project is to meet current Title 24 energy standards and CalGreen, as required by components of the proposed financing structure. The project will expand the first floor to encompass a larger community space, and improved site access.

The following outlines the recommendations for rehabilitation which are included in the permit set drawings:

Site Work & Accessibility
Provide new landscaping and irrigation throughout. Modify fence to remove at new community room and accept new entrance off K Street. Remove and replace all site concrete. In parking lot center drive aisle, remove and replace asphalt and base. Remaining asphalt surfaces grind 2" of existing asphalt and install new 2" top layer asphalt. Slope surfaces as needed to achieve accessible pathways to assigned accessible space and public sidewalk. Re-stripe including accessible placards and crosswalks, number all stalls. Replace concrete curb stops. Refurbish existing CMU trash and recycling enclosure as to secure existing plumbing systems with a gate or door. Provide weather proof roofing from building exterior to outside edge of enclosure. Paint CMU and metal.

Controlled Access/CCTV
Upgrade Pelco CCTV system to include two cameras per floor, cameras around the first floor common spaces and the site. Provide new DoorKing access controls at main points of entry to the site and

building, common restrooms, community room, laundry room, vending, first floor corridor, and first floor elevator.

Building Exterior

Install new aluminum frame, fully insulated, thermally broken windows. Glass installed shall be dual panel, argon filled, low E coating, with light tinting and a minimum U-value = 0.29 and SHGC = 0.30. Install new aluminum "eyebrow" shading features above windows. Cast concrete wall panels are to remain in place. Remove and re-caulk concrete panel joints, clean and seal concrete. Stucco walls at elevator penthouse to be removed and replaced. Remove existing roof system and install new rigid insulation with modified bitumen cap sheet and PMMA resin at flashing locations. Install new metal guardrail. Rearrange mechanical equipment on the roof to accommodate new solar systems. Equipment to remain in place and fully operational throughout construction. Provide certified OPUS per OSHA standards.

Unit Interiors

All units to have new flooring throughout, including glue down low pile carpet and cove vinyl in the bathrooms. New wood kitchen cabinets with wood fronts and floating bathroom vanity. Kitchens to have granite countertops and bathrooms to have solid surface integral sink countertops. Appliances to be GE and include a dishwasher and garbage disposal, all to be energy star if available. Install new fire rated front entry doors, with self-closure, door bell, peep hole, smoke seal and new door numbers. Interior doors to remain; sand, prep, paint. Install new hardware throughout. New lighting fixture throughout and new electrical outlets as required by code. New HVAC to include PTAC, transfer fan, kitchen fan and bath fan. New plumbing fixtures throughout including full height fiberglass shower surround. New single-color paint scheme throughout unit.

Renovate 8 units for mobile accessibility, which exceeds the required 5%.. Improvements include rearranged kitchen, larger bathroom including roll-in shower, new electrical panels including feeders, and new doors throughout. Adjacent unit closet will be impacted.

Common Areas

Expand building footprint at the first floor toward K Street and rearrange entrance. Rearrange first floor to include two accessible restrooms, vending room, expanded laundry room, new community space, new community kitchen and leasing agent office. Include accordion door for private meetings in community space.

In corridors, install new LED lighted handrails and sconces. Install new drop acoustic ceiling, new carpet and vinyl plank flooring. Remove sinks and countertops from Janitor/Storage closets at upper floors. Install new signage throughout interior and exterior including large font building identity signage.

Solar Photovoltaic & Solar Thermal
The goal of the project is to have between 50-70% of the common load energy usage offset by solar photovoltaic, after the planned upgrades this is expected to be between 47,500 kWh - 67,000 kWh. The design includes PV panels mounted on a low trellis and roof mounted solar thermal panels.

Electrical
Install LED lighting within common areas, corridors, and throughout the exterior. New fluorescent lighting will be installed within the units. Provide alternative pricing for replacement of existing aluminum wires. Provide battery backup for lighting as needed to meet code. Provide for installation of wifi, cable TV, and telephone throughout the building.

Plumbing
Most of the existing pipes have been in place since original construction, some are galvanized steel, some copper. Replace all original galvanized pipes and all horizontal waste lines, including main waste line to the alleyway. Install new plumbing fixtures, use low water use per CalGreen throughout.

Seismic/Structural
The project will include some seismic upgrades. Upgrades consist of installing angles at the top of columns, and at floor lines within one stairwell, two units, and at two side of the first floor. With the seismic upgrades, the PML for the building is 11%.

Fire Safety
The building will remain unsprinklered. Install new non-proprietary fire alarm system with Kidde smoke detectors. Install speaker strobes at accessible units. Install smoke curtains and man doors at upper floor elevators.

Environmental
Elements within the building were tested for lead and asbestos. Some items came back containing trace amounts of the material and are expected to be abated or encapsulated as necessary during construction. The owner will engage a certified hygienist to oversee the abatement work.

Construction & Relocation
It is anticipated that this work will be done over a 12 month period maintaining partial building occupancy. This will require relocation of the existing tenants.

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PERMANENT LOAN AGREEMENT
SIERRA VISTA APARTMENTS

ARTICLE I TERMS AND DEFINITIONS:

"EFFECTIVE DATE"	December __, 2014	Which is the date as of which this Loan Agreement shall be effective.

LENDER AND BORROWER HAVE ENTERED THIS LOAN AGREEMENT AS OF THE EFFECTIVE DATE. This Loan Agreement includes Article II Loan Provisions and the attachments and Exhibits listed below, all of which are incorporated in this Loan Agreement by this reference. The capitalized terms in this Loan Agreement shall have the meanings assigned in Article I Terms and Definitions and as defined in Article II Loan Provisions. (Terms being defined are indicated by quotation marks. If an item in this Article 1 table is marked "None, Not Applicable, N/A or equivalent or is left blank, that defined term is not applicable to this Loan or the referenced item is not required or is not included in this Loan, as the context may indicate.) The Lender is making the Loan pursuant to the terms and conditions of this Loan Agreement.

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

A. "Loan Information" **The general loan provisions of the Loan**		
"LENDER"	The following public agency that is making the Loan, and whose legal status and address are:	
Name	Housing Authority of the City of Sacramento	
Legal Status	A public body, corporate and politic	
Principal Address	801 12th Street, City of Sacramento, Sacramento County, California 95814	
"BORROWER"	The borrower of the Loan funds whose name, legal status and address are:	
Name	Sierra Vista Housing Associates, L.P.	
Legal Status	limited partnership	
Principal Address	600 California Street, Suite 900, San Francisco, CA 94108	
"LOAN"	The Loan made by this Loan Agreement.	
"LOAN COMMITMENT"	Lender's loan commitment, made by letter dated as of	June 10, 2014 and as amended on September 10,2014
"LOAN PROGRAM"	Lender's Loan Program, commonly known as	Housing Authority
"LOAN AMOUNT"	Two Hundred Thousand Dollars and no/100 ($200,000.00)	
"INTEREST RATE"	The interest rate is zero percent (0%)	
"MATURITY DATE"	First Day of the 660th month following the Effective Date.	

"PAYMENT START DATE"	Annual installments are to begin on the first day of the first month of the first year after repayment of the Seller Carryback loan and all accrued Ground Lease payments to date after issuance of the annual audited financial statement. Based on the annual audited financial statement, such payments will be made upon a "Residual Cash Flow" basis meaning Revenue reduced by the following: (a) Operating Expenses; (b) deposits into operating and/or replacement reserves maintained by the Borrower; (c) debt service and fees on the Senior Loan and reserve deposits required under the Senior Loan; (d) asset management fee up to Five Thousand Dollars ($5,000) beginning in 2015, the first year of operations after construction completion and closing of this Loan, and thereafter increasing by three percent (3.0%) annually; and (e) partnership management fee up to Twenty Thousand Dollars ($20,000) beginning in 2015, thereafter increasing by three percent (3.0%) annually. "Revenue" means all revenue from the leasing of the of the Project, including but not limited to all rents, fees, and charges paid by tenants as well as rental subsidy payments regardless of the source of these subsidies, forfeited tenant deposits, rent increases, proceeds from vending machines and laundry room machines. Revenue shall not include tenants' security deposits (unless forfeited), interest on those deposits, loan proceeds, capital contributions or similar advances, or amounts released from reserves or interest on reserves. "Operating Expenses" shall mean actual costs, fees and expenses as evidenced by invoices attributable to the operation, recordkeeping, maintenance, taxes and management of the Project, including a property management fee of Forty Thousand Dollars ($40,000) in 2015 and increasing three percent (3.0%) annually thereafter; taxes and assessments; payroll, benefits and payroll taxes of for property employees; insurance; security; painting, cleaning, repairs, and alterations; landscaping; sewer charges; utility charges; advertising, promotion and publicity; cable television, satellite and other similar services; office, janitorial, cleaning and building supplies; recreational amenities and supplies; purchase, repair, servicing and installation of appliances; costs and expenses associated with the provision of social and/or community services to the residents of the Project; equipment, fixtures and furnishing; fire alarm monitoring; fees and expenses of accountants, attorneys, consultants and other professionals. Payments from Residual Cash Flow shall only occur after the Housing Authority Seller Carryback loan for the acquisition of the improvements has been repaid in full and all accrued Ground Lease payments paid to date. All unpaid principal shall be due and payable at Maturity or upon sale of the improvements or refinancing of the improvements that results in a change in the debt ratio.	
"PAYMENT SCHEDULE"	Payable annually in an amount equal to Residual Cash Flow as described above payable on the Payment Start Date and continuing annually thereafter on the first day of the calendar month following issuance of the annual audited financial, through and including the six hundred sixtieth (660th) month.	
"BORROWER EQUITY"	Ten Million Fifty Eight Thousand Dollars and No Cents($10,058,000.00)	Which is the minimum amount of cash or cash equivalent (excluding land equity or other non-cash investment in the Project) that Borrower is investing in the Project.
"PROJECT"	Which is the Project to be developed on the Property with the Loan funds, described as:	Acquisition and rehabilitation of existing multifamily improvements located at 1115 23rd Street, Sacramento, California. The Project has a total of 78 residential units, 53 of which shall be affordable to individuals earning no more than 50% of the Area Median Income (AMI), 16 units shall be affordable to individuals earning no more than 40% AMI and 8 units shall be affordable to individuals earning no more than 30% AMI . One unit will be the unregulated manager's unit.

B. **"Collateral"** The Collateral securing repayment of the Loan, which Collateral consists of the following	
"PROPERTY"	The following described real property, which is security for the Loan:
Address	1115 23rd Street, Sacramento, California, 95814

	Assessor's Parcel Numbers	007-0096-027	
	"Legal Description"	The Property is situated in the State of California, County of Sacramento, and is more particularly described in **Exhibit: Legal Description** attached and incorporated by reference.	
	Borrower's Title Interest	Borrower has fee interest in the Property or, if the Additional Escrow Instructions so indicate, Borrower will acquire fee interest in the Property at Close of Escrow.	
"ADDITIONAL COLLATERAL"		The Additional Collateral securing repayment of the Loan is any additional security required by Lender under this Loan Agreement, including without limitation the following items, if any	
	"PERSONAL PROPERTY"	Borrower's interest in the following personal property, tangible and intangible, and all other such property listed as security in this Loan Agreement	Leases and rental agreements for the Property
	"ADDITIONAL REAL PROPERTY"	Address	Not Applicable
		Assessor's Parcel Number	Not Applicable
		"Legal Description"	Not Applicable
		Borrower's Title Interest	Not Applicable

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

D. "List of Exhibits" (THE FOLLOWING ARE ATTACHED AND INCORPORATED IN THIS LOAN AGREEMENT):	
EXHIBIT	DEFINED TERM
Exhibit 1: Legal Description	"Legal Description"
Exhibit 2: Scope of Development	"Scope of Development"
Exhibit 3: Note Form	"Note"
Exhibit 4: Trust Deed Form	"Trust Deed"
Exhibit 5: HUD Use Agreement	"HUD Use Agreement"
Exhibit 6: Escrow Instructions	"Escrow Instructions

E. "Approval Documents" BORROWER SHALL SUBMIT THE FOLLOWING DOCUMENTS FOR LENDER APPROVAL
Leases and rental agreements for the Property, the lease revenues of which were considered in underwriting the Loan
Borrower's organizational documents, such as partnership agreements or corporate articles and by-laws
Budget for the operation of the Property, including capital improvements and operating reserve account
Permanent financing documents for senior loans
Relocation Plan

F. "Assigned Documents" **BORROWER ASSIGNS THE FOLLOWING DOCUMENTS TO LENDER**
Subject to the interests of any senior lender, any lease and rental agreements for the Property, or any part of it.

H. "Special Provisions" **THE FOLLOWING SPECIAL PROVISIONS SHALL BE IN ADDITION TO THE PROVISIONS OF THIS LOAN AGREEMENT**	
Borrower may elect to close the Loan in advance of closing of the senior loan, provided that the senior loan meets all requirements of this Loan Agreement. Housing Authority will subordinate this Loan to the senior loan, provided that the senior loan does not require modification of this Loan Agreement or Housing Authority's entering into any agreements containing new or modified Loan terms.	
For the life of the Loan, Borrower shall obtain and maintain a property management agreement with a duly accredited property management company for the management of the Property, and shall assure the compliance of the property management with such agreement. Housing Authority shall not disburse any funds under this Loan Agreement unless and until it has reviewed and approved the agreement as adequate and the property management company as top quality and duly accredited. Housing Authority shall have the right to review and approve any proposed changes to scope of said agreement and to changes in the real estate property management company, prior to Borrower's making such changes. Any such changes made without Housing Authority approval shall be a default of the loan. It is agreed by and between the Parties that initially the Borrower and Housing Authority of the City of Sacramento shall enter into a property management agreement.	
Borrower shall maintain reserves for replacement and repairs required to be made to the Property, fixtures on the Property or personal property used on the Property, or otherwise as approved by Lender, in an amount, at all times, not less than.	$ 23,400
When requested by Lender, Borrower shall provide certified financial statements and such other evidence as the Lender may deem necessary to verify the Property net income, including without limitation copies of certified rent roles, bank statements, billing statements and invoices.	
The Housing Authority of the City of Sacramento is approved as "Property Manager" for the Property.	
Borrower shall provide Lender with a detailed resident services plan including but not limited to (1) identification of all entities responsible for providing resident services to Project tenants and each entity's role in the provision of those services; (2) the services will provided for a minimum of 15 hours per week, including adult activities and service coordination; (3) a description of the programs to be offered; and, (4) a proforma resident services budget.	

ARTICLE II LOAN PROVISIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1.12. "Loan Agreement" means this Permanent Loan Agreement including Article I and II, all Exhibits attached to this Loan Agreement (which are incorporated in this Loan Agreement by this reference) and the Loan Documents which are not otherwise included in this definition.

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

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

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

1.16. "Permanent Lender" is the lender for the Permanent Loan.

1.17. "Permanent Loan" means the permanent financing obtained by Borrower, which is to be made concurrently with the Loan and which is secured by a senior lien against the Property.

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

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

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

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

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

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

2.2. **BINDING OBLIGATION.** This Loan Agreement, the Note, the Trust Deed, and each of the other Loan Documents 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.

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

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

2.5. **No Default.** There is no Event of Default or Potential Default on the part of Borrower.

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

2.7. **No Unapproved Loans.** Borrower has not received financing for either the acquisition of the Property, the use and operation of the Property, or the permanent financing of the Property except as has been fully disclosed to and approved by Lender in writing.

2.8. **Title of Personalty.** All Personalty is vested solely in Borrower, free of all claims, liens, and encumbrances, and the security interest of Lender in the Personalty is a lien.

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

2.10. **Construction Quality.** There are no structural defects in the Property that are known to or reasonably should be known to Borrower or its agents and employees, and to the best of Borrower's knowledge, no violation of any Governmental Requirement exists.

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

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

3.1. **Principal Amount.** The principal amount of the Loan shall be the Loan Amount.

3.2. **Use of Loan Funds.** Loan funds shall be used only for permanent financing and for other purposes specified in the Loan Agreement.

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

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

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

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

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

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

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

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

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

5. **RELOCATION.** Lender is required by law to provide relocation services and make relocation payments to eligible tenants displaced as a result of the Lender's involvement in the Property. Borrower shall comply fully with all relocation laws that are the obligation of Lender or are otherwise applicable to the Property. Borrower's compliance with the relocation requirements as stated in this Section 5 is a material element of this Loan. Borrower's failure to comply with the relocation requirements as stated in this Section 5 is an Event of Default, subject to Borrower's opportunity to cure in accordance with applicable law.

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

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

5.3. **BORROWER AS RELOCATION AGENT.** With the approval of Lender, Borrower may act as Lender's agent in accomplishing such relocation. Lender and Borrower by memorandum in writing shall establish their respective duties related to such relocation. If Lender and Borrower agree that Borrower will act as Lender's agent for purposes of this Loan, Borrower may enter into agreements for the provision of relocation services, or Borrower may perform such services directly. Borrower shall, by provisions in its agreements or by direction to its staff, assure that the entity performing the relocation services (a) shall comply with all applicable law, (b) shall fully inform Lender of all relocation activities, (c) shall make all requests for direction or clarification to Lender, and (d) shall respond to and follow the Lender's instruction and direction.

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

7. **CONDITIONS PRECEDENT TO LOAN DISBURSEMENT.** The obligation of Lender to make any disbursements under this Loan Agreement shall be subject to the following conditions precedent (subject only to the rights of the Permanent Lender):

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

7.2. If requested by Lender, Borrower has furnished to Lender 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 in Personalty other than those of Lender.

7.3. The Property and all fixtures, and furnishings installed on or acquired for the Property are owned by Borrower free of any liens, encumbrance, or other interests of any kind other than Lender's lien or security interest.

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

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

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

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

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

7.8.1. Borrower has obtained and Lender has approved a loan approval from a financial institution (or other lender approved by Lender in its sole discretion) to make the Permanent Loan, which provides (a) that it is subject only to those conditions which are usual and customary in the industry and which can be satisfied by the proposed closing date of the Permanent Loan; (b) that it is in full force with no default by any party; and (c) that Lender will have notice of, and a reasonable opportunity to cure, any Borrower defaults.

7.8.2. The Permanent Lender's commitment to make the Permanent 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 Permanent 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 Loan Commitment

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

7.8.4. Rehabilitation has been completed and Borrower has received the building permit sign-off.

7.8.5. Lender has received evidence that Borrower has satisfied the 50% test in accordance with Section 42(h)(4)(b) of the Internal Revenue Code.

7.8.6. Borrower has provided proof of all insurance required by this Loan Agreement.

7.8.7. **MAKING DISBURSEMENT.** Lender shall deposit the Loan Proceeds, net of all costs which are payable directly by Lender to itself or a third-party pursuant to this Loan Agreement, in Escrow not later than twenty-four (24) hours prior to Close of Escrow, subject to fulfillment of the conditions precedent as stated in Section 7.

7.8.8. **REDUCTION FOR OTHER LOANS.** In the event that Borrower receives other financing in excess of the amounts shown in the Budget, the amount of the Loan shall be reduced by such excess amount, and Borrower shall immediately repay any Loan funds disbursed that are in excess of the resulting new Loan amount. If Borrower fails to make such repayment within ten (10) business days of Housing Authority's demand, the Loan shall be considered to be in default.

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

8.1. **REPLACEMENT RESERVES.** Borrower shall fund reserves for replacement and repairs required to be made to the Property, fixtures on the Property or personal property used on the Property, or otherwise as approved by Lender, in an annual amount of not less than Three Hundred Dollars ($300) for each residential unit in the Project

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

9. **DEFAULTS**

9.1. **EVENTS OF DEFAULT.** Subject to the notice and cure provisions set forth in Section 16 of the Trust Deed at the option of Lender, each of the following events will constitute a default (each an "Event of Default" subject to applicable cure rights, if any"):

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

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

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

9.1.4. The filing of any lien against the Property, if the claim of lien continues for thirty (30) days without discharge, satisfaction, or the making of provision for payment (including bonding) to the satisfaction of Lender.

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

9.1.6. Notwithstanding anything to the contrary herein or in the Loan Documents, Lender agrees that in no event shall it declare an event of default or seek any remedy with respect to the Loan or the Loan Documents during the 15-Year tax credit compliance period under Internal Revenue Code Section 42 applicable to the Property until Lender has consulted with the tax credit limited partner or so long as any affiliate of Lender or any party related to Lender holds any equity interest, directly or indirectly, in Borrower.

10. **REMEDIES**

10.1. **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:

10.1.1. Terminate its obligation to make disbursements.

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

10.1.3. 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.

10.1.4. 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.

10.1.5. Make any unauthorized payment from Loan Proceeds or other funds of Lender.

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

10.2. **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.

10.3. **DISCLAIMER.** Whether Lender elects to employ any of the remedies available to it in connection with an Event of Default, Lender will not be liable for the failure to protect the Property; the payment of any expense incurred in connection with the exercise of any remedy available to Lender; or the performance or nonperformance of any obligation of Borrower.

11. **FIRE, HAZARD AND EXTENDED COVERAGE INSURANCE.** For the duration of Loan Agreement, Borrower shall obtain and maintain fire and hazard insurance to the full insurable value of the Property with endorsements of extended coverage, vandalism, and malicious mischief, and with such other endorsements and in such amounts as the Housing Authority may reasonably require to protect the Property. In the event of damage to

the Property and subject to the requirements of Lender, Borrower shall use the proceeds of such insurance to reconstruct the Property and the public improvements.

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

11.2. **FAILURE TO MAINTAIN.** If Borrower fails to obtain or maintain, or cause to be obtained and maintained, any insurance required by this Loan Agreement, the Lender shall have the right, upon seven (7) 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. **MISCELLANEOUS.**

12.1. **NONRECOURSE.** Notwithstanding any provision of this Loan Agreement or any document evidencing or securing this Loan, Borrower, and Borrower's 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.

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

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

12.4. **FINANCIAL STATEMENTS.** Borrower shall provide Financial Statements to Lender, as and when reasonably requested to assure the good status of the Loan and the Property.

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

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

12.7. **NOTICES.** Borrower irrevocably appoints Lender as its agent (the agency being coupled with an interest) to file for record any notices of completion, cessation of labor, or any other notice that Lender deems necessary or

desirable to protect its interests under this Loan Agreement or under the Loan Documents. All notices to be given under this Loan Agreement shall be in writing and sent to the addresses stated above by one or more of the following methods.

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

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

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

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.

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

12.9. **ASSIGNMENT.** The terms of this Loan Agreement will be binding on and inure to the benefit of successors and assigns of the parties. However, Borrower shall not assign this Loan Agreement or any interest it may have in the monies due or, except as otherwise provided, convey or encumber the Property or any Personalty or Fixtures now or later on the Property without the prior written consent of Lender 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 Security Documents. Lender may at any time assign the Loan Documents to any affiliate of Lender or to a national bank or other equivalent lender, and the assignee will assume the obligations of Lender, and Lender will have no further obligation of any nature. In that case, the provisions of this Loan Agreement will continue to apply to the Loan, and the assignee will be substituted in the place and stead of Lender, with all rights, obligations, and remedies of Lender, including, without limitation, the right to further assign the Loan Documents. In addition, Lender may at any time assign a participation in the Loan to any other party, provided that Lender continues to be primarily obligated under this Loan Agreement.

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

12.11. **BORROWER, LENDER RELATIONSHIP.** The relationship between Borrower and Lender is, and will at all times remain, solely that of borrower and lender, and Lender neither undertakes nor assumes any responsibility for or duty to Borrower.

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

12.13. **CONSENTS AND APPROVALS.** All consents and approvals by Lender required or permitted by any provision of this Loan Agreement will be in writing. Lender's consent to or approval of any act by Borrower

requiring further consent or approval will not be deemed to waive or render unnecessary the consent or approval to or of any subsequent similar act.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

BORROWER : SIERRA VISTA HOUSING ASSOCIATES, L.P.

By: Sierra Vista Housing Associates LLC,
a California limited liability company, its general partner

By: Winfield Hill, Inc.,
a California public nonprofit public benefit corporation
Its managing member

BY:_____
Name: _____
Its: _____

Date:_____

AGENCY: HOUSING AUTHORITY OF THE CITY OF SACRAMENTO

By: _____
La Shelle Dozier, Executive Director

Date:_____

Approved as to form:

_____
Agency Counsel

Exhibit 1: Legal Description

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

THE BUILDINGS AND IMPROVEMENTS SITUATED ON THE FOLLOWING DESCRIBED REAL PROPERTY.

Exhibit 2: Scope of Development

Sierra Vista Apartments
1115 23rd Street, Sacramento, CA

Sierra Vista Apartments is a nine-story concrete structure built in 1971. The site includes 16 surface parking spaces. The building consists of 78 residential one-bedroom units, 77 of which will have rent restrictions with one unrestricted manager's unit. Each unit is between 408 and 450 square feet in size. All are accessed off an interior corridor by way of two elevators and/or stairwells. The first floor consists of a small lobby and common room, kitchen, laundry room, two small storage rooms, managers' office, two restrooms and 6 existing partially-accessible units. The second through ninth floors consist of 9 residential units, elevator lobby, two exit stairwells, janitors' closet, and storage closet. There is a two story elevator penthouse at the roof level to house the elevator equipment and water heaters. The building's exterior walls consist mostly of precast concrete walls, with minor areas of stucco on the first floor and elevator penthouse. Aluminum single-pane windows with un-insulated spandrel panels exist throughout. There is an existing built-up roof with minimal slope and no guardrail. Units are heated and cooled using individual PTAC units, corridors are cooled using an evaporator cooler, and common areas using a split system. Most of the building elements appear to date to the original construction and are at or nearing the end of their service life.

A requirement of the project is to have a 20-year minimum service life such that no significant capital improvements should be necessary within that time period. Additionally, the project is to meet current Title 24 energy standards and CalGreen, as required by components of the proposed financing structure. The project will expand the first floor to encompass a larger community space, and improved site access.

The following outlines the recommendations for rehabilitation which are included in the permit set drawings:

Site Work & Accessibility
Provide new landscaping and irrigation throughout. Modify fence to remove at new community room and accept new entrance off K Street. Remove and replace all site concrete. In parking lot center drive aisle, remove and replace asphalt and base. Remaining asphalt surfaces grind 2" of existing asphalt and install new 2" top layer asphalt. Slope surfaces as needed to achieve accessible pathways to assigned accessible space and public sidewalk. Re-stripe including accessible placards and crosswalks, number all stalls. Replace concrete curb stops. Refurbish existing CMU trash and recycling enclosure as to secure existing plumbing systems with a gate or door. Provide weather proof roofing from building exterior to outside edge of enclosure. Paint CMU and metal.

Controlled Access/CCTV
Upgrade Pelco CCTV system to include two cameras per floor, cameras around the first floor common spaces and the site. Provide new DoorKing access controls at main points of entry to the site and building, common restrooms, community room, laundry room, vending, first floor corridor, and first floor elevator.

Building Exterior
Install new aluminum frame, fully insulated, thermally broken windows. Glass installed shall be dual panel, argon filled, low E coating, with light tinting and a minimum U-value = 0.29 and SHGC = 0.30. Install new aluminum "eyebrow" shading features above windows. Cast concrete wall panels are to remain in place. Remove and re-caulk concrete panel joints, clean and seal concrete. Stucco walls at elevator penthouse to be removed and replaced. Remove existing roof system and install new rigid insulation with modified bitumen cap sheet and PMMA resin at flashing locations. Install new metal guardrail. Rearrange mechanical equipment on the roof to accommodate new solar systems. Equipment to remain in place and fully operational throughout construction. Provide certified OPUS per OSHA standards.

Unit Interiors
All units to have new flooring throughout, including glue down low pile carpet and cove vinyl in the bathrooms. New wood kitchen cabinets with wood fronts and floating bathroom vanity. Kitchens to have granite countertops and bathrooms to have solid surface integral sink countertops. Appliances to be GE and include a dishwasher and garbage disposal, all to be energy star if available. Install new fire rated front entry doors, with self-closure, door bell, peep hole, smoke seal and new door numbers. Interior doors to remain; sand, prep, paint. Install new hardware throughout. New lighting fixture throughout and new electrical outlets as required by code. New HVAC to include PTAC, transfer fan, kitchen fan and bath fan. New plumbing fixtures throughout including full height fiberglass shower surround. New single-color paint scheme throughout unit.

Renovate 8 units for mobile accessibility, which exceeds the required 5%.. Improvements include rearranged kitchen, larger bathroom including roll-in shower, new electrical panels including feeders, and new doors throughout. Adjacent unit closet will be impacted.

Common Areas
Expand building footprint at the first floor toward K Street and rearrange entrance. Rearrange first floor to include two accessible restrooms, vending room, expanded laundry room, new community space, new community kitchen and leasing agent office. Include accordion door for private meetings in community space.

In corridors, install new LED lighted handrails and sconces. Install new drop acoustic ceiling, new carpet and vinyl plank flooring. Remove sinks and countertops from Janitor/Storage closets at upper floors. Install new signage throughout interior and exterior including large font building identity signage.

Solar Photovoltaic & Solar Thermal
The goal of the project is to have between 50-70% of the common load energy usage offset by solar photovoltaic, after the planned upgrades this is expected to be between 47,500 kWh - 67,000 kWh. The design includes PV panels mounted on a low trellis and roof mounted solar thermal panels.

Electrical
Install LED lighting within common areas, corridors, and throughout the exterior. New fluorescent lighting will be installed within the units. Provide alternative pricing for replacement of existing aluminum wires. Provide battery backup for lighting as needed to meet code. Provide for installation of wifi, cable TV, and telephone throughout the building.

Plumbing
Most of the existing pipes have been in place since original construction, some are galvanized steel, some copper. Replace all original galvanized pipes and all horizontal waste lines, including main waste line to the alleyway. Install new plumbing fixtures, use low water use per CalGreen throughout.

Seismic/Structural
The project will include some seismic upgrades. Upgrades consist of installing angles at the top of columns, and at floor lines within one stairwell, two units, and at two side of the first floor. With the seismic upgrades, the PML for the building is 11%.

Fire Safety
The building will remain unsprinklered. Install new non-proprietary fire alarm system with Kidde smoke detectors. Install speaker strobes at accessible units. Install smoke curtains and man doors at upper floor elevators.

Environmental
Elements within the building were tested for lead and asbestos. Some items came back containing trace amounts of the material and are expected to be abated or encapsulated as necessary during construction. The owner will engage a certified hygienist to oversee the abatement work.

Construction & Relocation
It is anticipated that this work will be done over a 12 month period maintaining partial building occupancy. This will require relocation of the existing tenants.

Exhibit 3: Note Form

PROMISSORY NOTE
FOR SIERRA VISTA APARTMENTS
PERMANENT LOAN AGREEMENT

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

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

DEFINED TERM:	DEFINITION:	
"Effective Date"	December __, 2014	
"Lender"	Housing Authority of the City of Sacramento	
"Borrower"	Sierra Vista Housing Associates, L.P.	
"Borrower Legal Status"	A California limited partnership	
"Loan Agreement"	The Loan Agreement between the Borrower and Lender as of the Effective Date for making of the loan ("Loan") evidenced by this Note.	
"Principal Amount"	Two Hundred Thousand Dollars and no/100 ($200,000.00)	
"Interest Rate"	The interest rate is zero percent 0%.	
"Accrual Date"	Interest shall accrue starting on the following "Accrual Date":	The Effective Date
PAYMENT SCHEDULE. Repayment of this Note shall be made the following amounts:		
"Maturity Date"	The first day of the 660th calendar month following the Effective Date.	

"Payment Start Date"	Annual installments are to begin on the first day of the first month of the first year after repayment of the Seller Carryback loan and all accrued Ground Lease payments to date after issuance of the annual audited financial statement. Based on the annual audited financial statement, such payments will be made upon a "Residual Cash Flow" basis meaning Revenue reduced by the following: (a) Operating Expenses; (b) deposits into operating and/or replacement reserves maintained by the Borrower; (c) debt service and fees on the Senior Loan and reserve deposits required under the Senior Loan; (d) asset management fee up to Five Thousand Dollars ($5,000) beginning in 2015, the first year of operations after construction completion and closing of this Loan, and thereafter increasing by three percent (3.0%) annually; and (e) partnership management fee up to Twenty Thousand Dollars ($20,000) beginning in 2015, thereafter increasing by three percent (3.0%) annually. "Revenue" means all revenue from the leasing of the of the Project, including but not limited to all rents, fees, and charges paid by tenants as well as rental subsidy payments regardless of the source of these subsidies, forfeited tenant deposits, rent increases, proceeds from vending machines and laundry room machines. Revenue shall not include tenants' security deposits (unless forfeited), interest on those deposits, loan proceeds, capital contributions or similar advances, or amounts released from reserves or interest on reserves. "Operating Expenses" shall mean actual costs, fees and expenses as evidenced by invoices attributable to the operation, recordkeeping, maintenance, taxes and management of the Project, including a property management fee of Forty Thousand Dollars ($40,000) in 2015 and increasing three percent (3.0%) annually thereafter; taxes and assessments; payroll, benefits and payroll taxes of for property employees; insurance; security; painting, cleaning, repairs, and alterations; landscaping; sewer charges; utility charges; advertising, promotion and publicity; cable television, satellite and other similar services; office, janitorial, cleaning and building supplies; recreational amenities and supplies; purchase, repair, servicing and installation of appliances; costs and expenses associated with the provision of social and/or community services to the residents of the Project; equipment, fixtures and furnishing; fire alarm monitoring; fees and expenses of accountants, attorneys, consultants and other professionals. Payments from Residual Cash Flow shall only occur after the Housing Authority Seller Carryback loan for the acquisition of the improvements has been repaid in full and all accrued Ground Lease payments paid to date. All unpaid principal shall be due and payable at Maturity or upon sale of the improvements or refinancing of the improvements that result in a change in the debt ratio.
"PAYMENT SCHEDULE"	Payable annually in an amount equal to Residual Cash Flow as described above payable on the Payment Start Date and continuing annually thereafter on the first day of the calendar month following issuance of the annual audited financial, through and including the six hundred sixtieth (660th) month.

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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 HUD Use Agreement, the making of which is further consideration for this Note.

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

3. 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.

4. 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, , then, subject to any rights of Borrower's limited partners explicitly set forth in the Trust Deed, (or such longer period explicitly set forth in the trust Deed,), Lender may at its option, declare all funds secured by the Trust Deed immediately due and payable.

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

6. 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. Any limited partner of Borrower is entitled to the notice and cure provisions set forth in Section 16 of the Trust Deed.

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 which are not stayed within 90 days.

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 which are not stayed within 90 days.

7. 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.

8. 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.

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

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

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

Borrower:
SIERRA VISTA HOUSING ASSOCIATES, L.P.,
a California limited partnership

By: Sierra Vista Housing Associates LLC,
a California limited liability company, its general partner

By: Winfield Hill, Inc.,
a California public nonprofit public benefit corporation
Its managing member

BY:_____
Name: _____
Its:_____

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: Portfolio Management

DEED OF TRUST AND ASSIGNMENT OF RENTS

Sierra Vista Apartments
Permanent Loan Agreement

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"	December ___, 2014	
"Trustor" and "Borrower"	Sierra Vista Housing Associates, L.P., limited partnership	
"Borrower Address"	600 California Street, Suite 900, San Francisco, CA 94108	
"Trustee"	Placer Title Company	
"Beneficiary" and "Lender"	Housing Authority of the City of Sacramento, a public body, corporate and politic	
"Lender Address"	801 12th Street, Sacramento, California 95814	
"Property"	Which consists of the Improvements and a leasehold estate in real property located in the County of Sacramento and the State of California as more particularly described in the Legal Description	
	Address	1115 23rd Street, Sacramento, California 95814
	Assessor's Parcel Number	007-0096-027
"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 Permanent Loan Agreement between Lender and Borrower stating the term and conditions of the Loan.	
	Which is dated:	December __, 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:	

	Bank of America, N.A. CA4-70202-29 2001 Clayton Road, 2nd Floor Concord, CA 94520 Attention: Loan Administration Manager with a copy to: Paul Hastings LLP 515 South Flower Street, Twenty-Fifth Floor Los Angeles, CA 90071 Atten: Ken Krug, Partner Merritt Community Capital Corporation 1970 Broadway, Suite 250 Oakland, California 94612 Attention: Bernard T. Deasy with a copy to: Carle, Mackie, Power & Ross LLP 100 B Street, Suite 400 Santa Rosa, CA 95401 Attention: Richard W. Power, Esq.	
"Note"	Which is Borrower's note made in accordance with the Loan Agreement securing the following principal sum or such lesser amount as shall equal the aggregate amount disbursed to Borrower by Lender, with interest.	
	Which has a principal sum of	Two Hundred Thousand Dollars and No Cents ($200,000.00)

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. Provided, however, Borrower shall have the right to contest such amount in good faith provided that Borrower causes any such lien to be released from the Property by the posting of a bond or by other appropriate means.

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 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. Lender's prior approval is not required for (l) the sale or transfer of the Limited Partner's interest to one or more of the other partners that currently comprise the Borrower's entity, (2) the admission of the Limited Partner or its affiliate to the Borrower and the transfer of its interest to an affiliate thereof so long as the general partner, or managing member, of the transferor, or an affiliate thereof, is the general partner, or managing member of the transferee, or partner; however, Borrower is obligated to notify Lender within 30 days from the date of such sale or transfer, (3) the removal of the general partner of the Borrower by the Limited Partner for a default under Borrower's partnership agreement, provided that any replacement general partner is approved by Lender, which approval shall not be unreasonably withheld, conditioned or delayed.

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 and the Limited Partner 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, and the Limited Partner 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, provided, however, that if such cure cannot reasonably be effected within such 30 day period, such failure shall not be a default so long as Borrower promptly (and in any event, within ten (10) days after receipt of such notice) commences such cure and thereafter diligently (and in any event, within ninety (90) days after receipt of such notice) prosecutes such cure to completion. The Limited Partner is entitled to cure any defaults on behalf of the Borrower within the same specified time periods; said cure periods shall not extend statutory periods and times for notice and commencement of foreclosure; provided, however, that if, in order to cure any such default the Limited Partner must first remove a general partner of Borrower, then, provided that the Limited Partner notifies Lender of such removal and removes such general partner within a reasonable period, then the Limited Partner shall have until the date 30 days after the effective date of such removal to effect such cure. In any event, such cure process shall not exceed 120 days. 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 and Lender's sole recourse is to the collateral secured by this Deed of Trust.

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.

25. Extended Use Agreement. In order to receive an allocation of federal low income housing tax credits, Borrower will be required to record in the real property records of the County in which the property is located, an "extended low-income housing commitment" (as defined in Section 42(h)(6)(B) of the Internal Revenue Code of 1986, as amended ("Code")) ("Extended Use Agreement"). Lender acknowledges and agrees that, in the event of a foreclosure of its interest under this Deed of Trust or delivery by the Borrower of a deed in lieu thereof (collectively, a "Foreclosure"), Lender agrees to comply with all the following rule contained in Section 42(h)(6)(E)(ii) of the Code shall apply: For a period of three (3) years from the date of Foreclosure, with respect to any unit that had been regulated by the Extended Use Agreement, (i) none of the eligible tenants occupying those units at the time of Foreclosure may be evicted or their tenancy terminated (other than for good cause, including but not limited to, the tenants' ineligibility pursuant to regulations of Section 42 of the Code), (ii) nor may any rent be increased except as otherwise permitted under Section 42 of the Code.

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

BORROWER (Trustor):
SIERRA VISTA HOUSING ASSOCIATES, L.P.,
a California limited partnership

By: Sierra Vista Housing Associates LLC,
a California limited liability company, its general partner

By: Winfield Hill, Inc.,
a California public nonprofit public benefit corporation
Its managing member

BY:_____

Name: _____

Its: _____

[NOTARIZED ACKNOWLEDGEMENTS]

Exhibit 5: HUD Use Agreement

Exhibit 6: Escrow Instructions

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RESOLUTION NO. 2014 –

Adopted by the Sacramento City Council

on the date of

SIERRA VISTA APARTMENTS REHABILITATION ("PROJECT"): APPROVAL OF $3,050,000 CONSTRUCTION AND PERMANENT AGENCY LOAN AGREEMENT; EXECUTION OF RELATED DOCUMENTS WITH SIERRA VISTA HOUSING ASSOCIATES, LP; RELATED BUDGET AMENDMENTS, AND RELATED FINDINGS

BACKGROUND

A. Sierra Vista Housing Associates, LP, ("Developer") is a single-asset tax credit investment partnership formed to finance and rehabilitate the Sierra Vista Senior Apartments at 1115 23rd Street., (formerly know as 1107 23rd Street) Sacramento, whose members are Sacramento Housing Authority Repositioning Program, Inc. ("SHARP") and an affiliate of BRIDGE Housing Corporation ("BRIDGE"). Developer applied for an allocation of $3,050,000 comprised of $1,400,000 of City Home Investment Partnership Program ("HOME") funds and $1,650,000 of City Community Development Block Grant Multifamily Residential ("CDBG") funds to provide construction and permanent financing of the 78-unit Sierra Vista Apartments ("Sierra Vista" or "Project").

B. The Project qualifies for HOME and CDBG funds under the Sacramento Housing and Redevelopment Agency ("Agency") guidelines.

C. On June 10, 2014, the Sacramento City Council approved the use of the requested HOME and CDBG funds and authorized a related loan commitment from the Sacramento Housing and Redevelopment Agency ("Agency") to the Developer.

D. On June 10, 2014, the Housing Authority Board approved the commitment to the Developer for financing in the form of seller financing ("Carryback Loan Commitment") from the Housing Authority at its fair market value appraisal.

E. On June 10, 2014, the City considered environmental impacts of the Project in accordance with California Environmental Quality Act (CEQA) and determined that the Project is exempt due to CEQA §15301, where rehabilitation to the existing facility involves no expansion or change to the existing use. Further environmental review is not required under CEQA because there is neither any new information of substantial importance nor any substantial changes to the circumstances under which the project will be undertaken that would require the preparation of supplemental environmental documentation the actions herein fall within the scope of the project that was previously analyzed.

F. The project is categorically excluded under the National Environmental Policy Act (NEPA) pursuant to 24 CFR Section 58.35(a)(3)(ii) as it consists of the rehabilitation of a multifamily residential complex in which the unit density will not be changed by more than 20 percent and the estimated cost of rehabilitation is less than 75 percent of the cost of replacement after rehabilitation.

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 statements as stated above are found to be true and correct.

Section 2. The Construction and Permanent Loan Agreement, attached as Exhibit A, for financing the Project with up to $3,050,000 of Agency funds comprised of $1,400,000 of City HOME funds and $1,650,000 of CDBG funds, is approved, and the Sacramento Housing and Redevelopment Agency (Agency) is delegated authority to execute and transmit the Loan Agreement and related documents, including the Regulatory Agreement to the Developer.

Section 3. The Agency is authorized to enter into and execute other documents, in a form as approved by Agency Counsel, and perform other actions necessary to fulfill the intent of the construction and permanent loan agreement and the disposition and development agreement that accompanies this resolution, in compliance with the terms of each, and 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 – Construction and Permanent Loan Agreement

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CONSTRUCTION AND PERMANENT LOAN AGREEMENT
SIERRA VISTA APARTMENTS

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

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

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

A. "LOAN INFORMATION" The general loan provisions of the Loan:		
"EFFECTIVE DATE"	December ____, 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 12th Street, Sacramento CA 95814	
"BORROWER"	The borrower of the Loan funds whose name, legal status and address are:	
Name	Sierra Vista Housing Associates, L.P.	
Legal Status	A California limited partnership	
Principal Address	600 California Street, Suite 900, San Francisco, CA 94108	
"LOAN"	The Loan made by this Loan Agreement.	
"LOAN COMMITMENT"	Lender's loan commitment, made by letter dated as of	June 10, 2014
"LOAN PROGRAM"	Lender's Loan Program, commonly known as	HOME - CDBG
"LOAN AMOUNT"	Three Million Fifty Thousand Dollars ($3,050,000)	
"INTEREST RATE"	The interest rate is 0% per year, simple interest.	

"PAYMENT START DATE"	Annual installments are to begin on the first day of the first month of the first year after full repayment of the Seller Carryback loan, all accrued Ground Lease payments to date and the full repayment of the Housing Authority Permanent Loan after issuance of the annual audited financial statement. Based on the annual audited financial statement, such payments will be made upon a "Residual Cash Flow" basis meaning Revenue reduced by the following: (a) Operating Expenses; (b) deposits into operating and/or replacement reserves maintained by the Borrower; (c) debt service and fees on the Senior Loan and reserve deposits required under the Senior Loan; (d) asset management fee up to Five Thousand Dollars ($5,000) beginning in 2015, the first year of operations after construction completion and closing of this Loan, and thereafter increasing by three percent (3.0%) annually; and (e) partnership management fee up to Twenty Thousand Dollars ($20,000) beginning in 2015, thereafter increasing by three percent (3.0%) annually. "Revenue" means all revenue from the leasing of the of the Project, including but not limited to all rents, fees, and charges paid by tenants as well as rental subsidy payments regardless of the source of these subsidies, forfeited tenant deposits, rent increases, proceeds from vending machines and laundry room machines. Revenue shall not include tenants' security deposits (unless forfeited), interest on those deposits, loan proceeds, capital contributions or similar advances, or amounts released from reserves or interest on reserves. "Operating Expenses" shall mean actual costs, fees and expenses as evidenced by invoices attributable to the operation, recordkeeping, maintenance, taxes and management of the Project, including a property management fee of Forty Thousand Dollars ($40,000) in 2015 and increasing three percent (3.0%) annually thereafter; taxes and assessments; payroll, benefits and payroll taxes of for property employees; insurance; security; painting, cleaning, repairs, and alterations; landscaping; sewer charges; utility charges; advertising, promotion and publicity; cable television, satellite and other similar services; office, janitorial, cleaning and building supplies; recreational amenities and supplies; purchase, repair, servicing and installation of appliances; costs and expenses associated with the provision of social and/or community services to the residents of the Project; equipment, fixtures and furnishing; fire alarm monitoring; fees and expenses of accountants, attorneys, consultants and other professionals. Payments from Residual Cash Flow shall only occur after the Housing Authority Seller Carryback loan for the acquisition of the improvements has been repaid in full, all accrued Ground Lease payments paid to date and the Housing Authority Permanent Loan has been paid in full. All unpaid principal shall be due and payable at Maturity or upon sale of the improvements or refinancing of the improvements that results in a change in the debt ratio.	
"MATURITY DATE"	The first day of the 660th calendar month following the Effective Date.	
"PAYMENT SCHEDULE"	Payable annually in an amount equal to Residual Cash Flow as described above payable on the Payment Start Date and continuing annually thereafter on the first day of the calendar month following issuance of the annual audited financial, through and including the six hundred sixtieth (660th) month.	
"BORROWER EQUITY"	Ten Million Fifty Eight Thousand Dollars and No Cents ($10,058,000.00)	Which is the minimum amount of cash or cash equivalent (excluding land equity or other non-cash investment in the Project) that Borrower is investing in the Project.
		Which is Borrower's non-cash contribution to the Project (such as deferred Developer fees).

"SPECIAL TERMS"	At completion of construction, borrower shall submit to Agency a cost certification prepared by a qualified, independent auditor acceptable to Agency, which cost certification shall indicate the amounts actually spent for each item in the cost breakdown and shall indicate the projected final sources of funding. If there is an aggregate savings, net of any increases or decreases in sources of funding, in the total of all such cost breakdown items from the cost breakdown items in the original budget approved by the Agency, the Agency shall withhold for itself as loan repayment, one-half of such savings from the amount of retention then held by the Agency, and the Loan balance shall be reduced by the amount so withheld. The Agency, in its sole discretion, shall determine any reduction and/or repayment of the Agency loan based upon this cost certification, the projected final sources of funding, and the original approved budget for the Project.	
"PROJECT"	Which is the Project to be developed on the Property with the Loan funds, described as:	Acquisition and rehabilitation of existing multifamily improvements located at 1115 23rd Street, Sacramento, California. The Project has a total of 78 residential units, 53 of which shall be affordable to individuals earning no more than 50% of the Area Median Income (AMI), 16 units shall be affordable to individuals earning no more than 40% AMI and 8 units shall be affordable to individuals earning no more than 30% AMI . One unit will be the unregulated manager's unit.

B. "COLLATERAL" The Collateral securing repayment of the Loan, which Collateral consists of the following:			
"PROPERTY"	The following described real property, which is security for the Loan and the site of the Project:		
Address	1115 23rd Street, Sacramento, California, 95814		
Assessor's Parcel Number	007-0096-027		
"Legal Description"	The Property is situated in the State of California, County of Sacramento, and is more particularly described in **Exhibit 1: Legal Description** attached and incorporated by reference.		
Borrower's Title Interest	Borrower has fee interest in the Property or, if the Additional Escrow Instructions so indicate, Borrower will acquire fee interest in the Property at Close of Escrow.		
"ADDITIONAL COLLATERAL"	The Additional Collateral securing repayment of the Loan is any additional security required by Lender under this Loan Agreement, including without limitation the following items, if any		
"PERSONAL PROPERTY"		Borrower's interest in the following personal property, tangible and intangible, and all other such property listed as security in this Loan Agreement:	Materials and supplies for the Project
OTHER ADDITIONAL COLLATERAL		Borrower's interest in the following property:	None

C. "ESCROW INFORMATION":		
"Title Company" and "Escrow Agent"	First American Title Company	Which is the title company that will issue the Title Policy and that will act as Escrow Agent for the Escrow.
"Escrow"	The escrow with Escrow Agent	
"Closing Date"	December ___, 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
Exhibit 1: Legal Description	"Legal Description"
Exhibit 2: Scope of Development	"Scope of Development"
Exhibit 3: Note Form	"Note"
Exhibit 4: Trust Deed Form	"Trust Deed"
Exhibit 5: Regulatory Agreement	"Regulatory Agreement"
Exhibit 6: Escrow Instructions	"Escrow Instructions

Exhibit 7: Federal Requirements	"Federal Requirements"

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"	December 15, 2015	Which is the date on or before which the Completion of the Project must occur.	
"General Contractor"	Remco Deacon	Which is the general contractor for construction of the Project.	
"Project Architect"		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%)

I. "SPECIAL PROVISIONS" The following special provisions shall be in addition to the provisions of this Loan Agreement:
1. Loan funds shall be used solely for actual costs of Project construction. No Loan funds shall be used for predevelopment costs, except as provided in an approved Lender budget. Unless otherwise noted in the budget, predevelopment costs are not subject to withholding as Retention.
2. Borrower shall submit for approval a detailed resident services plan including but not limited to, the following information: 1) identification of all entities responsible for providing social services to Project tenants and each entity's role in the provision of those services; 2) the services will be provided for a minimum of 15 hours per week; 3) confirmation services will be provided according to the Agency's minimum requirements as specified in the Multifamily Lending and Mortgage Revenue Bond Policies; 4) a description of the programs to be offered, and; 5) a Proforma Residential Services budget.
3. Upon completion of construction, Borrower shall obtain and maintain a property management agreement with a top quality and duly accredited real estate property management company for the management of the Property, and shall assure the compliance of the property management with such agreement. Agency shall not disburse any Retention under this Loan Agreement unless and until it has reviewed and approved the agreement as adequate and the property management company as top quality and duly accredited. Agency shall have the right to review and approve any proposed changes to scope of said agreement and to changes in the real estate property management company, prior to Borrower's making such changes. Any such changes made without Agency approval shall be a default of the loan. The Housing Authority of the City of Sacramento is approved by the Lender as "Property Manager" for the Property and Project.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

7. **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. 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 7 is a material element of this Loan. Borrower's failure to comply with the relocation requirements as stated in this Section 7 is an Event of Default, subject to Borrower's opportunity to cure in accordance with applicable law.

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

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

7.3. **BORROWER AS RELOCATION AGENT.** With the approval of Lender, Borrower may act as Lender's agent in accomplishing such relocation. Lender and Borrower by memorandum in writing shall establish their respective duties

related to such relocation. If Lender and Borrower agree that Borrower will act as Lender's agent for purposes of this Loan, Borrower may enter into agreements for the provision of relocation services, or Borrower may perform such services directly. Borrower shall, by provisions in its agreements or by direction to its staff, assure that the entity performing the relocation services: (a) shall comply with all applicable law; (b) shall fully inform Lender of all relocation activities; (c) shall make all requests for direction or clarification to Lender; and (d) shall respond to and follow the Lender's instruction and direction.

8. **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.

8.1. **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.

8.2. **ECONOMIC OPPORTUNITY EMPLOYMENT REQUIREMENTS.** The construction contract shall require 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.

8.3. **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.

8.4. **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.

8.4.1. **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.

8.4.2. **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.

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

8.5. **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.

8.6. **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.

8.6.1. 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.

8.6.2. 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.

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

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

8.9. **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.

8.9.1. **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.

8.9.2. **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

8.10. **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.

9. **PREVAILING WAGES** Lender advises Borrower that the Project is subject to the payment of prevailing wages under California law. Borrower shall inform the General Contractor and shall require the General Contractor to inform all subcontractors and materialmen furnishing goods or services to the Project of Lender's determination of the applicability of California prevailing wage requirements. Borrower and General Contractor have had the opportunity to meet with their respective legal counsel and to request a determination of the matter before the California Department of Industrial Relations and any other appropriate governmental bodies. Borrower and General Contractor have made their own independent determinations of the applicability of prevailing wage laws and have independently implemented such determinations. Borrower indemnifies, holds harmless and defends the Lender from all additional wages, benefits, fees, penalties, fines, legal fees, court costs, arbitration costs, and other costs arising from the improper application of California prevailing wage laws to the Project by Borrower or General Contractor or both of them. Borrower shall also comply with Davis-Bacon prevailing wage requirements as described in the Federal Requirements because more than eleven (11) units are assisted with HOME funds as the Funding Source (as indicated in the Regulatory Agreement). Prevailing wages shall be the higher of State Prevailing wages or Davis Bacon wages as determined for each trade.

10. **LOAN DISBURSEMENT PROCEDURES.**

10.1. **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:

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

10.1.2. 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.

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

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

10.1.5. 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.

10.1.6. 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.

10.2. **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 10.1 have been met:

10.2.1. Borrower has taken ownership to the Property with fee title subject only to those exceptions as approved in writing by Lender.

10.2.2. A deed of trust, with Borrower as Trustor and Lender as Beneficiary, has been recorded against the Property evidencing Promissory Note.

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

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

10.2.5. Borrower has obtained and Lender has approved a loan approval from a financial institution or other lender approved by Lender in its sole discretion, to make the permanent financing obtained by Borrower, has obtained an award of low income housing tax credits and a binding commitment from a tax credit investor, or has obtained commitments to issue bonds, which repays after completion of the Project all construction and other loans secured by the Project and which is secured by a senior lien against the Property. Such permanent financing approval must provide: (a) that it is subject only to those conditions that are usual and customary in the industry and that can be satisfied by the proposed closing date of the permanent financing; (b) that it is in full force with no default by any party; and (c) that Lender will have notice of, and a reasonable opportunity to cure, any Borrower defaults.

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

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

10.2.8. 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.

10.2.9. Borrower must request First Disbursement consistent with the terms and conditions of this Loan Agreement no later than February 1, 2015.

10.3. **CONDITIONS PRECEDENT TO FINAL DISBURSEMENT.** Lender shall make the final loan disbursement under this Loan Agreement when the following conditions precedent and the conditions precedent stated in Section 10.1 have been met:

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

a. That the Project has been duly completed in a good and proper manner using sound, new materials;

b. That the Project complies with the Plans and Specifications, the requirements of all Governmental Authorities and any other party having enforceable rights regarding the construction of the Project; and

c. That the Project is structurally sound.

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

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

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

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

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

b. Borrower has obtained final certificates of occupancy for all of the Project;

c. All other permits and approvals necessary for the construction, equipping, management, operation, use, or ownership of the Project have been obtained, subject only to those conditions approved by Lender, and

d. The completed Project complies with all applicable zoning regulations, subdivision map acts, building code provisions, and similar governmental laws and regulations, and has all utilities and adequate ingress and egress from public streets, that evidence to be in the form of a certificate executed by Borrower in favor of Lender.

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

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

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

10.3.9. Borrower has submitted to Lender a final cost certification prepared by a CPA.

10.3.10. Borrower must request Final Disbursement consistent with terms and conditions of this Loan Agreement no later than December 1, 2017, remaining funds shall be recaptured after said date.

10.4. **MAKING DISBURSEMENT.** Lender shall pay each disbursement request within twenty (20) business days after the disbursement request is submitted to Lender, subject to fulfillment of the conditions precedent as stated in Section 10.1. 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.

10.5. **COMPLIANCE.** To the best of Borrower's knowledge, the construction, use, and occupancy of the Property and Project comply in full with, or if built according to the Plans and Specifications, will comply in full with, all Governmental

requirements. No right to construct or use the Project is to any extent dependent on any real property other than the Property. All approvals, licenses, permits, certifications, filings, and other actions normally accepted as proof of compliance with all Governmental requirements by prudent lending institutions that make investments secured by real property in the general area of the Property, to the extent available as of the date of this Loan Agreement, have been given or taken, or Borrower is entitled to have them given or taken as the ministerial act of the applicable Governmental Authority.

11. **RESIDENTIAL OPERATIONS.**

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

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

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

12. **DEFAULT.**

12.1. **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:

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

12.1.2. 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.

12.1.3. 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.

12.1.4. Any material deviation from the Plans and Specifications (as such plans and specifications may be modified in accordance with the terms of this Agreement) 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.

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

12.1.6. 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.

12.1.7. 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.

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

12.1.9. Borrower's failure to request the First Disbursement consistent with the terms and conditions of this Loan Agreement

12.1.10. Notwithstanding anything to the contrary herein or in the Loan Documents, Lender agrees that in no event shall it declare an event of default or seek any remedy with respect to the Loan or the Loan Documents during the 15-Year tax credit compliance period under Internal Revenue Code Section 42 applicable to the Property until Lender has consulted with the tax credit limited partner or so long as any affiliate of Lender or any party related to Lender holds any equity interest, directly or indirectly, in Borrower

12.2 **LIMITED PARTNER CURE RIGHTS.** Notwithstanding anything to the contrary set forth herein, any limited partner of the Borrower shall be entitled to cure any defaults on behalf of the Borrower within the time periods set forth herein, provided, however, that if, in order to cure any such default, such limited partner must first remove a general partner of Borrower, then provided that such limited partner notices Lender of such removal and removes such general partner within a reasonable period of time, then such limited partner shall have unit the date 30 days after the effective date of such removal to effect such cure.

13. **REMEDIES.**

13.1. **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:

13.1.1. Terminate its obligation to make disbursements.

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

13.1.3. 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.

13.1.4. 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.

13.1.5. 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.

13.2. **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.

13.3. **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.

13.4. **GRANT OF POWER.** Subject to the prior rights of lenders whose loans are secured by the Property and senior to the rights of Lender, Borrower irrevocably appoints Lender as its attorney-in-fact, with full power and authority, including the power of substitution, exercisable on the occurrence of an Event of Default, to act for Borrower in its name, place, and stead as provided in this Loan Agreement, to take possession of the Property and Project, remove all employees, contractors, and agents of Borrower, to complete or attempt to complete the work of construction, and to market, sell, or lease the Property and Project; to make any additions, changes, and corrections in the Plans as may be necessary or

desirable, in Lender's sole discretion, or as it deems proper to complete the Project; to employ any contractors, subcontractors, suppliers, architects, inspectors, consultants, property managers, and other agents that Lender, in its sole discretion, deems proper for the completion of the Project, for the protection or clearance of title to the Property or Personalty, or for the protection of Lender's interests, to employ security guards to protect the Property and Project from injury or damage; to pay, settle, or compromise all bills and claims then existing or later arising against Borrower that Lender, in its sole discretion, deems proper for the completion of the Project, for the protection or clearance of title to the Property, or for the protection of Lender's interests; to prosecute and defend all actions and proceedings in connection with the Property or Project; and to execute, acknowledge, and deliver all other instruments and documents in the name of Borrower that are necessary or desirable, to exercise Borrower's rights under all contracts concerning the Property or Project, and to do all other acts with respect to the Property or Project that Borrower might do on its own behalf, in each case as Lender in its reasonable discretion deems proper.

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

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

14.2. **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.

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

14.4. **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.

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

14.6. **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:

14.6.1. **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.

14.6.2. **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.

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

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

_____Borrower's Initials

14.7. **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.

14.8. **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 14 with respect to such insurance shall otherwise be satisfied by such blanket policy.

15. **MISCELLANEOUS.**

15.1. **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.

15.2. **CURE BY PARTY OTHER THAN BORROWER.** Any lender whose loan is secured by the property and any principal and /or limited partner 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.

15.3. **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.

15.4. **SUBORDINATION.** Lender will subordinate this Loan to the senior loan, provided that the senior loan for the Project indicated in the Budget meets all requirements of this Loan Agreement, and that the senior loan does 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.

15.5. **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.

15.6. **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.

15.7. **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.

15.8. **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.

15.9. **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.

15.10. **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.

15.11. **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.

15.11.1. **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.

e. 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:

To Bank:

Bank of America, N.A.
CA4-70202-29
2001 Clayton Road, 2nd Floor
Concord, CA 94520
Attention: Loan Administration Manager

with a copy to:

Paul Hastings LLP
515 South Flower Street, Twenty-Fifth Floor
Los Angeles, CA 90071
Atten: Ken Krug, Partner

To: Investor:

Merritt Community Capital Fund XVII, L.P.
1970 Broadway, Suite 250
Oakland, California 94612
Attention: Bernard T. Deasy

with a copy to:

Carle, Mackie, Power & Ross LLP
100 B Street, Suite 400
Santa Rosa, CA 95401
Attention: Richard W. Power, Esq.

15.11.2. **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.

15.12. **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.

15.13. **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.

15.14. **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.

15.15. **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, transferred or conveyed to any person, or refinanced by Borrower such that additional debt is added to the property or the cash flows change without Lender's prior written consent, Lender may, at Lender's option, declare all the sums secured by this Deed of Trust to be immediately due and payable. Lender shall have waived such option to accelerate if, prior to the refinancing, sale or transfer, Lender and the person to whom the Property is to be sold or transferred reach agreement in writing that the loan may be assumed. If Lender has waived the option to accelerate provided in this Section and if Borrower's successor in interest has executed a written assumption agreement accepted in writing by Lender, Lender shall release Borrower from all obligations under this Deed of Trust and the Note

15.16. **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.

15.17. **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.

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

15.18.1. 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.

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

15.18.3. 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.

15.19. **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.

15.20. **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.

15.21. **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.

15.22. **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.

15.23. **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.

15.24. **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.

15.25. **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.

15.26. **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.

15.27. **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.

15.28. **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.

15.29. **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.

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

15.31. **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.

15.32. **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.

15.33. **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.

15.34. **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.

15.35. **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 :

LENDER:
SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY, A JOINT POWERS AGENCY

By: _____
LaShelle Dozier, Executive Director

Date: _____

Approved as to form:

_____
Lender Counsel

Date:_____

Exhibit 1: Legal Description

Exhibit 2: Scope of Development

Exhibit 3: Note Form

PROMISSORY NOTE
FOR SIERRA VISTA APARTMENTS
CONSTRUCTION AND PERMANENT LOAN AGREEMENT

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

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

DEFINED TERM:	DEFINITION:	
"Effective Date"	December XX, 2014	
"Lender"	Sacramento Housing and Redevelopment Agency	
"Borrower"	Sierra Vista Housing Associates, L.P.	
"Borrower Legal Status"	A California limited partnership	
"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"	Three Million fifty Thousand Dollars and no cents ($3,050,000)	
"Interest Rate"	The interest rate is zero percent 0%.	
"Accrual Date"	Interest shall accrue starting on the following "Accrual Date":	The Effective Date
"Special Terms"	At completion of construction, Borrower shall submit to Lender a cost certification prepared by a qualified, independent auditor acceptable to Lender, which cost certification shall indicate the amounts actually spent for each item in the cost breakdown. If there is an aggregate savings in the total of all such cost breakdown items from the cost breakdown items in the original Budget approved by the Lender, the Lender shall withhold for itself as Loan repayment one-half of such savings from the amount of retention then held by the Lender, and the Loan balance shall be reduced by the amount so withheld. The Lender, in its sole discretion, shall determine any reduction and/or repayment of the Loan based upon this cost certification and the original approved Budget for the Project.	
PAYMENT SCHEDULE. Repayment of this Note shall be made the following amounts:		
"Maturity Date"	The first day of the 660th calendar month following the Effective Date.	

"Payment Start Date"	Annual installments are to begin on the first day of the first month of the first year after full repayment of the Seller Carryback loan, all accrued Ground Lease payments to date and the full repayment of the Housing Authority Permanent Loan after issuance of the annual audited financial statement. Based on the annual audited financial statement, such payments will be made upon a "Residual Cash Flow" basis meaning Revenue reduced by the following: (a) Operating Expenses; (b) deposits into operating and/or replacement reserves maintained by the Borrower; (c) debt service and fees on the Senior Loan and reserve deposits required under the Senior Loan; (d) asset management fee up to Five Thousand Dollars ($5,000) beginning in 2015, the first year of operations after construction completion and closing of this Loan, and thereafter increasing by three percent (3.0%) annually; and (e) partnership management fee up to Twenty Thousand Dollars ($20,000) beginning in 2015, thereafter increasing by three percent (3.0%) annually. "Revenue" means all revenue from the leasing of the of the Project, including but not limited to all rents, fees, and charges paid by tenants as well as rental subsidy payments regardless of the source of these subsidies, forfeited tenant deposits, rent increases, proceeds from vending machines and laundry room machines. Revenue shall not include tenants' security deposits (unless forfeited), interest on those deposits, loan proceeds, capital contributions or similar advances, or amounts released from reserves or interest on reserves. "Operating Expenses" shall mean actual costs, fees and expenses as evidenced by invoices attributable to the operation, recordkeeping, maintenance, taxes and management of the Project, including a property management fee of Forty Thousand Dollars ($40,000) in 2015 and increasing three percent (3.0%) annually thereafter; taxes and assessments; payroll, benefits and payroll taxes of for property employees; insurance; security; painting, cleaning, repairs, and alterations; landscaping; sewer charges; utility charges; advertising, promotion and publicity; cable television, satellite and other similar services; office, janitorial, cleaning and building supplies; recreational amenities and supplies; purchase, repair, servicing and installation of appliances; costs and expenses associated with the provision of social and/or community services to the residents of the Project; equipment, fixtures and furnishing; fire alarm monitoring; fees and expenses of accountants, attorneys, consultants and other professionals. Payments from Residual Cash Flow shall only occur after the Housing Authority Seller Carryback loan for the acquisition of the improvements has been repaid in full, all accrued Ground Lease payments paid to date and the Housing Authority Permanent Loan has ben paid in full. All unpaid principal shall be due and payable at Maturity or upon sale of the improvements or refinancing of the improvements that results in a change in the debt ratio.
"PAYMENT SCHEDULE"	Payable annually in an amount equal to Residual Cash Flow as described above payable on the Payment Start Date and continuing annually thereafter on the first day of the calendar month following issuance of the annual audited financial, through and including the six hundred sixtieth (660th) month.
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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.

2. Borrower shall make payments annually in the amounts shown in the Payment Schedule, , beginning on the First Payment Date and continuing for the number of payments shown in the Payment Schedule. On the Maturity Date, the unpaid balance of

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

3. 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.

4. 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, , then, subject to any rights of Borrower's limited partners explicitly set forth in the Trust Deed, (or such longer period explicitly set forth in the trust Deed,), Lender may at its option, declare all funds secured by the Trust Deed immediately due and payable.

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

6. 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. Any limited partner of Borrower is entitled to the notice and cure provisions set forth in Section 16 of the Trust Deed.

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 which are not stayed within 90 days.

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 which are not stayed within 90 days.

7. 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.

8. 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.

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

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

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

Borrower:
SIERRA VISTA HOUSING ASSOCIATES, L.P.,
a California limited partnership

By: Sierra Vista Housing Associates LLC,
a California limited liability company, its general partner

By: Winfield Hill, Inc.,
a California public nonprofit public benefit corporation
Its managing member

BY:_____

Name: _____

Its:_____

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: Steve Lierly

DEED OF TRUST AND ASSIGNMENT OF RENTS

Sierra Vista Apartments
Construction and Permanent Loan Agreement (HOME & CDBG)

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"	December ___, 2014	
"Trustor" and "Borrower"	Sierra Vista Housing Associates, L.P., limited partnership	
"Borrower Address"	600 California Street, Suite 900, San Francisco, CA 94108	
"Trustee"	Placer Title Company	
"Beneficiary" and "Lender"	Sacramento Housing and Redevelopment Agency, a joint powers agency	
"Lender Address"	801 12th Street, Sacramento, California 95814	
"Property"	Which consists of the Improvements and a leasehold estate in real property located in the County of Sacramento and the State of California as more particularly described in the Legal Description.	
	Address	1115 23rd Street, Sacramento, California 95814
	Assessor's Parcel Number	007-0096-027
"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 Permanent Loan Agreement between Lender and Borrower stating the term and conditions of the Loan.	
	Which is dated:	December ___,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:	

	Bank of America, N.A. CA4-70202-29 2001 Clayton Road, 2nd Floor Concord, CA 94520 Attention: Loan Administration Manager with a copy to: Paul Hastings LLP 515 South Flower Street, Twenty-Fifth Floor Los Angeles, CA 90071 Atten: Ken Krug, Partner Merritt Community Capital Fund XVII, L.P. 1970 Broadway, Suite 250 Oakland, California 94612 Attention: Bernard T. Deasy with a copy to: Carle, Mackie, Power & Ross LLP 100 B Street, Suite 400 Santa Rosa, CA 95401 Attention: Richard W. Power, Esq.	
"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	Three Million Fifty Thousand Dollars and no cents ($3,050,000)

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. Provided, however, Borrower shall have the right to contest such amount in good faith provided that Borrower causes any such lien to be released from the Property by the posting of a bond or by other appropriate means.

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 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. Lender's prior approval is not required for (l) the sale or transfer of the Limited Partner's interest to one or more of the other partners that currently comprise the Borrower's entity, (2) the admission of the Limited Partner or its affiliate to the Borrower and the transfer of its interest to an affiliate thereof so long as the general partner, or managing member, of the transferor, or an affiliate thereof, is the general partner, or managing member of the transferee, or partner; however, Borrower is obligated to notify Lender within 30 days from the date of such sale or transfer, (3) the removal of the general partner of the Borrower by the Limited Partner for a default under Borrower's partnership agreement, provided that any replacement general partner is approved by Lender, which approval shall not be unreasonably withheld, conditioned or delayed.

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 and the Limited Partner 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, and the Limited Partner 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, provided, however, that if such cure cannot reasonably be effected within such 30 day period, such failure shall not be a default so long as Borrower promptly (and in any event, within ten (10) days after receipt of such notice) commences such cure and thereafter diligently (and in any event, within ninety (90) days after receipt of such notice) prosecutes such cure to completion. The Limited Partner is entitled to cure any defaults on behalf of the Borrower within the same specified time periods; said cure periods shall not extend statutory periods and times for notice and commencement of foreclosure; provided, however, that if, in order to cure any such default the Limited Partner must first remove a general partner of Borrower, then, provided that the Limited Partner notifies Lender of such removal and removes such general partner within a reasonable period, then the Limited Partner shall have until the date 30 days after the effective date of such removal to effect such cure. In any event, such cure process shall not exceed 120 days. 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 and Lender's sole recourse is to the collateral secured by this Deed of Trust.

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.

25. Extended Use Agreement. In order to receive an allocation of federal low income housing tax credits, Borrower will be required to record in the real property records of the County in which the property is located, an "extended low-income housing commitment" (as defined in Section 42(h)(6)(B) of the Internal Revenue Code of 1986, as amended ("Code")) ("Extended Use Agreement"). Lender acknowledges and agrees that, in the event of a foreclosure of its interest under this Deed of Trust or delivery by the Borrower of a deed in lieu thereof (collectively, a "Foreclosure"), Lender agrees to comply with all the following rule contained in Section 42(h)(6)(E)(ii) of the Code shall apply: For a period of three (3) years from the date of Foreclosure, with respect to any unit that had been regulated by the Extended Use Agreement, (i) none of the eligible tenants occupying those units at the time of Foreclosure may be evicted or their tenancy terminated (other than for good cause, including but not limited to, the tenants' ineligibility pursuant to regulations of Section 42 of the Code), (ii) nor may any rent be increased except as otherwise permitted under Section 42 of the Code.

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

BORROWER (Trustor):
SIERRA VISTA HOUSING ASSOCIATES, L.P.,
a California limited partnership

By: Sierra Vista Housing Associates LLC,
a California limited liability company, its general partner

By: Winfield Hill, Inc.,
a California public nonprofit public benefit corporation
Its managing member

BY:_____

Name: _____

Its: _____

Exhibit 5: Regulatory Agreement

NO FEE DOCUMENT:
Entitled to free recording
per Government Code §6103 & §27383

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

REGULATORY AGREEMENT FOR RESIDENTIAL RENTAL PROPERTY CONTAINING COVENANTS AFFECTING REAL PROPERTY

PROJECT NAME:	Sierra Vista Apartments
PROJECT ADDRESS:	1115 23rd Street, Sacramento, California, 95814
APNS:	007-0096-027

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

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

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

TERM	DEFINITION		
"Effective Date"	This Regulatory Agreement shall be effective as of the following date:		December __, 2014
"Agency"	Sacramento Housing and Redevelopment Agency		
	A joint powers agency		
"Owner"	Sierra Vista Housing Associates, L.P.		
"Agency Address"	Agency's business address is 801 12th Street, Sacramento, California 95814		
"Owner Address"	Owner's business address is as follows:	600 California Street, Suite 900, San Francisco, CA 94108	
"Jurisdiction"	City of Sacramento		
"Property"	That certain real property which is subject to this Regulatory Agreement as further described in the legal description, attached as **Exhibit 1 – Legal Description of the Property** and incorporated in this Regulatory Agreement by this reference		
"Funding Agreement"	The Funding Agreement between Agency and Owner as follows:	Titled:	Construction and Permanent Loan Agreement
		Dated:	December __, 2014
"Agency Funding"	The Agency Funding made by Agency to Owner under the Funding Agreement for development of the Property		
"Agency Funding Amount"	The amount of the Agency Funding, as follows:		$3,050,000.00

"Proportionate Agency Assistance"	The percentage of the Project cost, including without limitation, land, predevelopment and development costs, that is attributable to the Agency Funding. For rehabilitation projects, the percentage that the Agency Funding bears to the total of the fair market value of the Property before rehabilitation and the total costs of rehabilitation.	12 %
"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.**	
"Approved Use"	The only permitted use of the Property, which is as a residential property available for rent by the general public and containing not less than the following number of units:	78

3. **RESTRICTED PARCELS; APPROVAL OF LEASES.** In order to assure that the proper number and types of units have been rented in accordance with this Regulatory Agreement, Owner is prohibited from leasing any Unit within the Project until either the parties have recorded against the Property a list of the Restricted Units or the Agency has approved the individual lease or lease form for the Restricted Units. The following numbers of Units are restricted for each respective funding source. The initial rents for the respective units shall be the following; provided, however, that upon the request of Owner, Owner and Agency may agree to a schedule for the Restricted Units that complies with the following affordability requirements as of the date when the Project is available for occupancy. In any event the rents for the respective units may be adjusted not more often than annually. The rents shall include allowance for utilities and costs reasonably related to the rental of the units, as may be required in determining the rents for the applicable funding sources. Only units indicated under Agency Funding Source are assisted by the Agency. Nevertheless, Owner shall assure the affordability of all of the following units at the named affordability levels. Additionally, higher rents may be charged for units subject to U.S. Department of Housing and Urban Development Housing Assistance Payment Vouchers, provided that the actual rents paid by the tenants do not exceed the affordability levels for the respective units. HOME Units are fixed units if referenced by Apartment Number or equivalent; otherwise such units are "floating units" in which the number of units of an affordability level and bedroom type remains the same, but the actual designated unit may change from time to time.

Agency Funding Source:	Other Funding Source:	Affordability Level:	Unit Type:	Number of Units:	Restricted Unit Numbers:	Initial Gross Rent per Unit per Month:
HOME/ CDBG	Mortgage Revenue Bonds, Low Income Housing Tax Credits	Very Low Income (50%)	1 Bedroom	12	N/A	$678
HOME/ CDBG	Mortgage Revenue Bonds, Low Income Housing Tax Credits	Low Income (65%)	1 Bedroom	3	N/A	$854

4. **MANAGEMENT AGREEMENT.** Borrower shall obtain and maintain a property management agreement with a duly accredited real estate property management company for the management of the Property. Owner shall not change management company without the prior written approval of the Agency. If Agency has approved an initial property manager for the Project, the company shall be listed immediately below. The term of such agreement shall be the longer of the term of the Funding Agreement or the longest term of the Funding Restrictions

Approved Management Company
The Housing Authority of the City of Sacramento

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

Provision	Term
1. Expiration of Affordability Period. Owner agrees that the rent of "in-place" tenants at the conclusion of the required affordability period will continue to be governed by the applicable affordability restrictions, so long as those tenants continue to live in the development.	15 years
2. Smoke-Free Environment. At least 50% of the buildings but no less than 50% of the units must be smoke free. All indoor common areas must be smoke-free.	
3. Resident Services. Owner shall provide approved resident services at Sierra Vista no less than 15 hours per week, inclusive of administrative programming and	

compliance activities associated with the provision of resident services.	
4. Regulatory Agreement Violations. Owner shall pay the program compliance fees and expenses to Agency set forth in **Exhibit 3 - Compliance Violations and Actions** in reimbursement of the amounts and time expended by Agency to insure Owner's compliance with State statutes and federal regulations and Owner's obligations under the Regulatory Agreement as a result of the Owner not meeting its obligations and reporting requirements. No compliance fee will be assessed for one incident of each type of compliance violation per annual inspection provided the violation is corrected within the specified corrective time period. The second and subsequent violations will be assessed compliance fees as detailed in the Compliance Violations and Actions tables.	
5. "Excess" Utility Charges. Owner shall not pass utility charges paid by Owner, including water, sewer, and garbage collection charges, through to tenants as an add-on to their contracted rent.	
6. Renters' Insurance. Owner shall not make payment of rental insurance premiums a condition of occupancy. If owners require renters' insurance, the policy premium must be deducted from the tenant's rent. The owner shall not add the insurance premium to the tenant's rent in either the initial or subsequent years.	

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

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

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

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

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

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

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

f. Owner shall not cause and shall not permit discrimination based on race, color, national origin, religion, sexual orientation or gender identity, gender, language proficiency, familial status, age (except that a minimum age qualification is acceptable to maintain this property's status as "senior housing") or disability in the sale, lease, or rental or in the use or occupancy of the Property. Owner covenants by and for him/her/itself, his/her/its heirs, executors, administrators, and

assigns, and all persons claiming under or through them that there shall be no discrimination against or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the Property. This covenant against discrimination shall continue in perpetuity.

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

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

9. **TERM.** The term of this Regulatory Agreement shall commence on the Effective Date and continue until the terms of all of the covenants, including without limitation, the terms stated in the Funding Requirements, have expired or otherwise been terminated. Notwithstanding the term in the Funding Requirements, the term of this Regulatory Agreement shall be fifteen (15) years from the Effective Date.

10. **REVIVAL OF COVENANTS AFTER FORECLOSURE.** The affordability restrictions shall be revived after foreclosure, or deed in lieu of foreclosure according to the original terms if, during the original term of this Regulatory Agreement, if the Owner, who was owner of record before the termination event, or a party related to the Owner obtains an ownership interest in the Property or Restricted Unit, as the case may be. For purposes of this provision, a related party is anyone with whom the Owner has or had family or business ties or common ownership; provided that such interest would not be considered a "remote interest" in the usual and customary use of the term.

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

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

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

14. **INDEMNITY FOR OWNER'S FAILURE TO MEET LEGAL REQUIREMENTS.** Owner shall indemnify and hold Agency, its officers, directors, and employees harmless from any and all liability arising from Owner's failure to comply with the covenants, conditions and restrictions contained in this Regulatory Agreement or to comply with all other laws, rules, regulations and restrictions related to the use of 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 resulting from the required repayment by Agency to the funding source of funds improperly used.

15. **Changes Without Consent of Tenants, Lessees, or Others.** Only Agency and its successors and assigns, and Owner (subject to the reasonable approval of Owner's lender in accordance with its rights under its loan terms) shall have the right to consent and agree to changes in, or to eliminate in whole or in part, any of the covenants or restrictions contained in this Agreement without the consent of any easement holder, licensee, other mortgagee, trustee, beneficiary under a deed of trust or any other person or entity having any interest less than a fee in the 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. If such violation is not corrected to the satisfaction of Agency within sixty (60) days after the date such notice is mailed or within such further time as the Agency may reasonably determine is necessary to correct the breach, and without further notice to Owner, the Agency may declare a default under the Agreement, effective on the date of such declaration of default, and upon such default the Agency may: (a) take any action then available under the Funding Agreement for a default under the Funding Agreement and (b) apply to any court for specific performance of this Regulatory Agreement, for an injunction against any violation of the Agreement, for the appointment of a receiver to take over and operate the Property in accordance with the terms of this Regulatory Agreement, for money damages or for such other relief as may be appropriate, since the injury to the Agency arising from a default under any of the terms in this Regulatory Agreement would be irreparable, and the amount of damage would be difficult to ascertain.

17. **Binding Successors in Interest.** This Regulatory Agreement shall bind and the benefits shall inure to the Owner, its successors in interest and assigns, and to the Agency and its successors for the term of this Regulatory Agreement.

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

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

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

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

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

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

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

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

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

OWNER : SIERRA VISTA HOUSING ASSOCIATES, L.P.,
a California limited partnership

By: Sierra Vista Housing Associates LLC,
a California limited liability company, its general partner

By: Winfield Hill, Inc.,
a California public nonprofit public benefit corporation
Its managing member

BY:_____
Name: _____

Its: _____

Date:_____

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

By: _____
LaShelle Dozier, Executive Director

Date: _____

Approved as to form:_____
Agency Counsel

[NOTARIZED ACKNOWLEDGEMENTS]

Exhibit 6: Escrow Instructions

Exhibit 7: Federal Requirements