06

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

Consent
December 9, 2014

Honorable Chair and Members of the Housing Authority Board

Title: Approval of Funding Agreements and Final Bond Documents for the 700 Block of K Street Project

Location/Council District: 700-730 K Street, Council District 4

Recommendation: Adopt a **Housing Authority Resolution** approving a) a Loan and Grant Agreements for the 700 Block of K Project (Project) totaling $10.1 million, b) authorizing the Executive Director to execute the Loan and Grant Agreements, Owner Participation Agreement, and related documents with the 700 Block Investors L.P. and the Downtown Sacramento Revitalization Corporation (DSRC), and c) approving the issuance, execution and delivery of multifamily housing revenue bonds of up to $22,186,052 to finance rehabilitation of the 137-unit 700 Block of K Street project ("Project").

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

Presenters: N/A

Department: Sacramento Housing and Redevelopment Agency (Agency)

Description/Analysis

Issue: In July of 2010, the Redevelopment Agency of the City of Sacramento (Redevelopment Agency) selected 700 Block Investors, LP, a partnership between D&S Development and CFY Development (Developer), to redevelop the south side of the 700 Block of K Street as a mixed-use project (see Attachment 1, Location Map) with Redevelopment Agency funds and entered into disposition and funding agreements in 2011.

Following the dissolution of redevelopment by the State of California in 2012, the Housing Authority of the City of Sacramento (Housing Authority) assumed responsibility for the housing assets formerly administered by the Redevelopment Agency.

In March of 2013, Housing Authority approval was obtained to alter the financial structure of the Project. The housing portion was approved to be financed with Low-Income Housing Tax Credits (LIHTCs), tax-exempt mortgage revenue bonds issued by the Housing Authority, the $10.1 million originally committed to the 700 Block of K Street Project (Project), developer equity, and deferred developer fee. At that time there were no changes to the commercial portion of the Project so additional approvals on the commercial development were not necessary.

However, in July of 2013 the Department of Finance (DOF) made the determination that the Redevelopment Agency agreements for the 700 block of K Street were not enforceable commitments due to the project delays. Litigation ensued which was subsequently settled in July of 2014. The settlement enabled the project to proceed.

On October 7, 2014 the Housing Authority and City Council approved funding of the Project in the form of a loan and grants totaling $10.1 million. Staff is requesting approval of and authority to execute the project Owner Participation Agreement and the loan and grant documents. In addition, staff requests authority to execute the bond related documents.

To address the goal of adding housing units on K Street, the project includes 137 residential units: 15 units over the commercial uses along K Street and 122 units in the new structure along the alley. The Project is designed to attract a variety of tenants. Units will range in size from studios to two-bedrooms. A total of 72 of the units will be restricted at 60 percent of area median income (AMI), 11 of the units restricted at 50 percent of AMI, and the remaining 54 will be unrestricted market rate units.

The Project has progressed through final design and permit approval, and the Developer plans to begin construction by early 2015. Construction will span an 18-24 month period and should be complete by the end of 2016.

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

Policy Considerations: The Project is consistent with long-standing City Council, Redevelopment Agency, and community direction. It is in keeping with the 2030 General Plan, the Central City Community Plan, and the JKL Community Workshop objectives for the 7th and K Street site. Among the Project's benefits are the elimination of blight through the reuse of deteriorated buildings, developing a range of housing options within the downtown area, serving as a catalyst project to attract additional development to the area and K Street, and attracting private sector funding by providing public sector funding.

The recommended actions are generally consistent with the approved Multifamily Lending and Mortgage Revenue Bond Policies. The Agency loan will be repaid on the residual basis consistent with the superior Downtown Sacramento Revitalization Corporation (DSRC) loan, its term will be 55 years and only 11 of the 83 affordable units will be restricted to 50 percent AMI. Due to pending changes in state law, this project will not be subject to the Supplemental Assessment Fee. Regulatory restrictions on the property will be specified in bond and loan regulatory agreements with the Housing Authority. Compliance with the regulatory agreements will be monitored on a regular basis for 55 years.

Economic Impacts: This residential new construction and rehabilitation project is expected to create 330.6 total jobs (185.6 direct jobs and 145 jobs through indirect and induced activities) and create $45,834,065 in total economic output ($28,167,692 of direct output and another $17,666,373 of output through indirect and induced activities). Developer will be required to encourage the use of the First Source Program for employment opportunities.

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 Housing Authority has reviewed the Environmental Impact Report, which was certified by the City of Sacramento Planning Commission on May 12, 2011, and has considered the environmental effects of the proposed project in accordance with CEQA Guidelines §15096(f). On October 7, 2014, the Housing Authority adopted the Findings of Fact and Statement of Overriding Considerations prepared in accordance with CEQA Guidelines §§ 15091 and 15093. Furthermore the Housing Authority filed a Notice of Determination on October 10, 2014.

The actions in this staff report do not require further environmental review per CEQA Guidelines §§ 15162 or 15163.

Sustainability Considerations: The Project is considered to be an infill development, which provides multiple benefits including providing mixed income housing options close to jobs, reducing the need to build new development on the urban fringe, increasing the viability of and dependency on alternative modes of transportation, preserving natural

resources, and providing for efficient use of land, services and infrastructure. Sustainable measures that have been incorporated through conditions of approval for the Project include: 1) Construction of at least one green roof to the satisfaction of the Planning Director; 2) High HTC-rated and energy efficient windows shall be installed in the residential and commercial areas and storefronts, and 3) All toilets shall be low-flow. For the four structures that are listed as historic per CEQA, the original windows will be repaired or replaced in accordance with the Secretary of the Interior's Rehabilitation Standards.

Rationale for Recommendation: The actions recommended in this report enable the Agency to continue to fulfill its mission to provide a range of affordable housing opportunities in the City. In addition, they further the longstanding City goal of revitalizing K Street. Project benefits will include removal of blight, preservation of the historic character of existing buildings, and creation of a unique mixed-use transit-oriented development with 137 new residential units in the heart of downtown.

Financial Considerations: Bonds issued for the Project will be the sole obligation of the Developer who will also bear costs associated with issuing the bonds. The Agency will receive a one-time issuance fee of 0.25 percent of the bond issuance amount, payable at bond closing, and the Agency will collect a fixed annual fee of 0.15 percent of the total bond issuance amount. The law firm of Orrick, Herrington & Sutcliffe LLP, is acting as bond counsel for the Housing Authority. The bond documents are on file with the Agency Clerk. Staff recommends approving the Agency Loan and Grant Agreements totaling $10.1 million. Agency Loan and Grant Agreements are included respectively as Exhibit A and B of the attached Resolution. Repayment of the Agency loan will occur as cash flow permits, with all unpaid amounts due and payable at the loans 55-year maturity.

M/WBE/Section 3/First Source Program Considerations: The activities recommended in this staff report do not involve federal funding therefore; there are no M/WBE or Section 3 requirements. The Developer will be encouraged to use the First Source program for employment opportunities.

Respectfully Submitted by: _____
LA SHELLE DOZIER
Executive Director

Approved as to form:
_____
Agency Counsel

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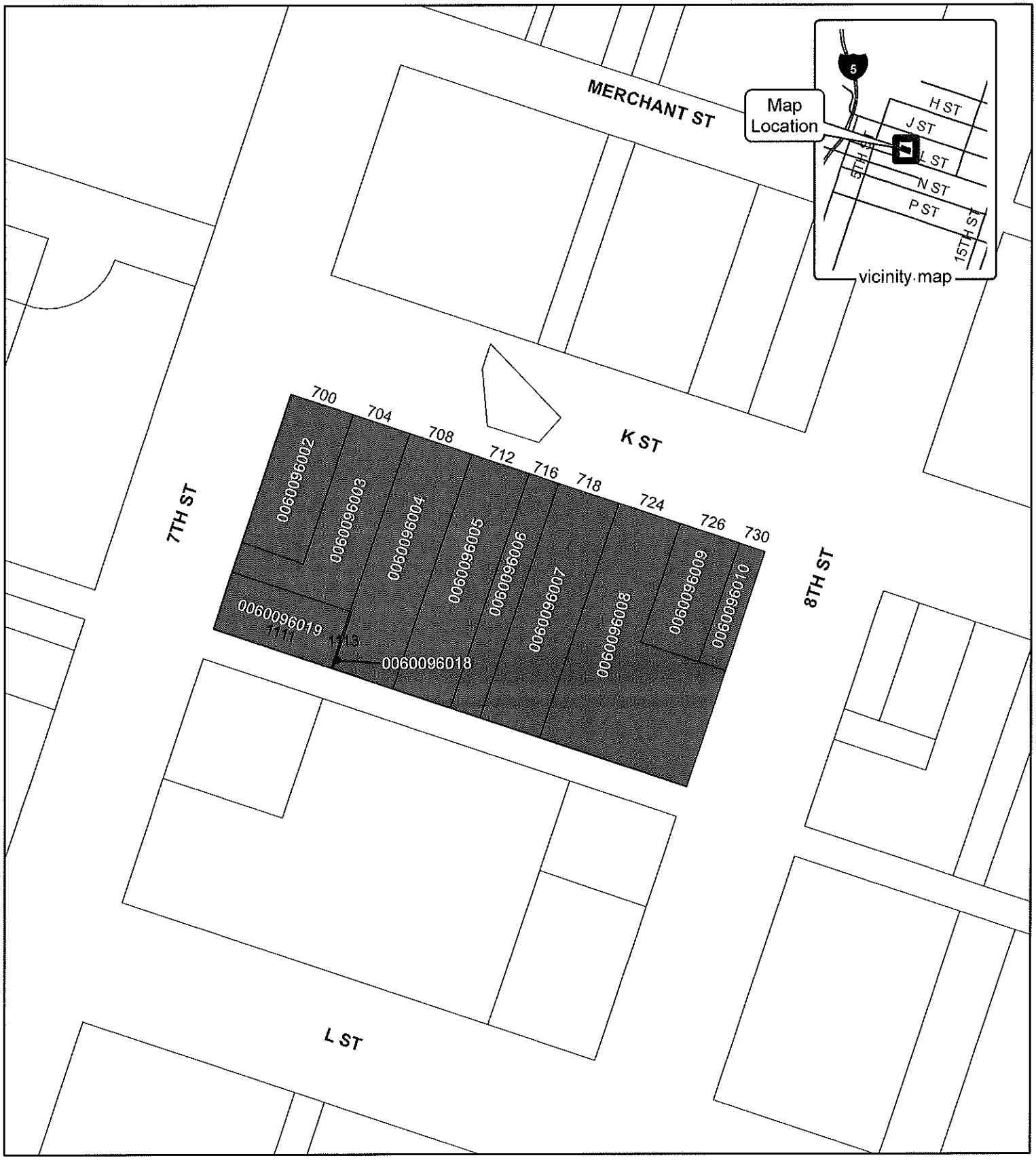
700 Block of K Street



700 Block of K Street

0 100 200 Feet

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SHRA GIS
May 31, 2011

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NORTH ELEVATION AT ROOF GARDEN

NORTH / K STREET ELEVATION

700 BLOCK INVESTORS LP | 700 BLOCK | 700 K STREET SACRAMENTO, CA | NORTH ELEVATIONS | kuchman ARCHITECTS PC | A3.2

WEST / 7TH STREET ELEVATION

EAST / 8TH STREET ELEVATION

SOUTH / ALLEY ELEVATION

700 BLOCK INVESTORS LP | 700 BLOCK | 700 K STREET SACRAMENTO, CA | SOUTH, EAST & WEST ELEVATIONS | kuchman ARCHITECTS PC | A3.1

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Attachment 3

700 Block of K Street
Background Information

The Developer, a joint venture of CFY Development, Inc. and D&S Development Inc., proposes to create a mixed-use development on the south side of K Street between 7th and 8th Streets, by restoring the historic storefronts along K Street, rehabilitating the commercial spaces, and constructing a new 6-story residential building over two levels of parking. A total of 63,000 sq. ft of commercial space will be provided. Parking spaces will be available to residential tenants.

The present staff report addresses the final actions needed by the Housing Authority to issue bonds for the project and provide $10.1 million of Agency funding to the residential portion of the project. Therefore, the following background information focuses on the residential portion of the project.

Residential Project Description: To address the goal for additional housing units on K Street, the project includes 137 residential units: 15 over the commercial uses along K Street and 122 units in the new structure along the alley. Units will range in size from studios to two-bedrooms. 72 of the units will be restricted at 60 percent of area median income (AMI), with 11 units at 50 percent of AMI and the rest will be unrestricted and rented at market rate. Resident amenities will include a community room, fitness room, and laundry room, as well as a private rooftop garden and onsite parking.

Developer: The Developer, 700 Block LLC, is led by CFY Development, Inc, and D&S Development Inc. CFY has more than 20 years experience in affordable housing and D&S Development, Inc. has been developing and providing management services to commercial and office properties in the Sacramento area for many years. The Sacramento Housing and Redevelopment Agency ("Agency") has previously participated in the financing of five affordable housing projects initiated by CFY Development in the greater Sacramento area. The 184 unit Cordova Meadows project involved the rehabilitation of 32 boarded and vacant buildings for affordable family housing in Rancho Cordova, two projects were renovated in the Auburn Boulevard Redevelopment Area, County Square Senior Apartments (78 units) and Ladi Senior Apartments (147 units), the 134 unit historic renovation of the Globe Mills, and most recently the renovation of the Ridgeway Studios (22 units). In addition, the Agency has been engaged with D&S Development Inc. on the renovation of the Maydestone.

Managing General Partner: The managing General Partner for the Project will be Community Revitalization & Development Corporation (CRDC). CRDC has served as the managing general partner for multifamily projects totaling over

4,000 units throughout California, including Northpointe Park Apartments in Sacramento and Waterman Square Apartments in Elk Grove.

Property Management: Property management will be provided by CFY Development Inc. The property manager has submitted a property management plan to the Agency, and the Agency has approved the final version of this plan prior to disbursement of project financing.

Resident Services: The Developer will be required to provide a minimum of 15 hours per week of resident services, including services such as computer training, employment workshops, and conflict management. Resident services are to be provided by LifeSTEPS, a division of Riverside Charitable Corporation. LifeSTEPS' mission is to strengthen families and communities through programs with a focus on life skills training, education and supportive services for children, families and seniors. LifeSTEPS is an experienced social service provider and is already working at several affordable projects in Sacramento. LifeSTEPS has submitted a complete resident services plan for Agency approval detailing the scope and schedule of services to be provided.

Security: Developer will be required to provide a security camera system and lighting adequate to properly illuminate all common spaces. In addition, Developer has included funding for security patrol.

Project Financing: The residential portion of the project is proposed to be funded with Low-Income Housing Tax Credit (LIHTC) equity from Four-percent Federal tax credits, tax-exempt mortgage revenue bonds of up to $20 million, the $10.1 million previously committed by the Redevelopment Agency, $2 million of additional City Funds, a developer loan, and a deferred developer fee.

The $10.1 million of previous low-moderate funds will be contributed to the project in the form of a loan and grant. Due to the tax exempt nature of the project funding $6,280,262 can be repaid to the Agency. This portion will be loaned to the project. The remaining $3,819,738 of funding must be granted to the Downtown Sacramento Revitalization Corporation (DSRC). DSCR will be required to contribute the grant proceeds to the project pursuant to the commitment letter attached to this staff report.

Redevelopment – Housing Successor Agency: As of February 1, 2012, all Redevelopment Agencies were dissolved and their assets, properties, contracts, leases, and ongoing functions were transferred to successor agencies. The City designated the Housing Authority of the City of Sacramento as the local authority to retain the housing assets and functions previously performed by the Redevelopment Agency of the City of Sacramento.

Bond Financing: As a public entity, the Housing Authority can issue tax-exempt bonds, the proceeds of which can provide acquisition, construction, and

permanent financing for multi-family housing projects. Interest paid on the bonds is exempt from federal and state income tax, so bondholders will accept a below-market yield from the bonds. These savings are, in turn, passed on to the project owner in the form of a below-market rate loan, with interest rates approximately one to two percent below prevailing market rates.

The bonds for the project are intended to be privately-placed. The Agency is requesting the Housing Authority to provide final approval of the bond documents. The law firm of Orrick, Herrington and Sutcliffe LLP, will serve as bond counsel to the Housing Authority.

State and Local Approval Process: The Housing Authority must apply for (and receive) authorization from the California Debt Limit Allocation Committee (CDLAC) prior to issuing tax-exempt mortgage revenue bonds. The "volume cap" is limited and is allocated by CDLAC through a state-wide process.

Project Inducement: CDLAC requires that an "inducement" resolution be adopted by the entity proposing to issue the bonds. The Inducement for this project was completed in 2013 and will allow the developer to be reimbursed from bond issue proceeds for expenses that have already been incurred and will be incurred in the future.

Low-Income Set-Aside Requirements: As a condition of receiving tax credits and the benefits of tax-exempt bond financing, federal law requires the units be set-aside for targeted income groups. Further restrictions on incomes and rents are imposed as a result of the $10.1 million from the Housing Authority. Regulatory restrictions on the units will last for 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	8%	Very Low Income (50% AMI)	11	55 years
	52%	Low Income (60% AMI)	72	55 years
Unrestricted	40%	Unrestricted	54	None.
Total	**100%**		**137**	

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

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Attachment 4

700 Block of K Street
Residential Project Summary

Address	700, 704, 708, 710, 712, 716, 718, 722, 724, 726 and 730 K Street, 1111 and 1113 7th Street, 1110 8th Street and 1114 8th Street
Number of Units	137
Year Built	Various, partially new construction
Acreage	1.175 acres
Affordability	11 units (8%) at or below 50% of Area Median Income (AMI) 72 units (53%) at or below 60% of Area Median Income (AMI) 54 units (39%) unregulated market rate

Unit Mix and Rents	50% AMI	60% AMI	Market Rate
Studio	4	21	17
1 BR / 1 BA	6	47	30
2 BR / 1 BA	1	4	7
Total	11	72	54

Square Footage	*Per Unit*	*Total*	
Studio	533	22,386	square feet
1 BR / 1 BA	685	56,865	square feet
2 BR / 1 BA	1,175	14,096	square feet
Total Residential		93,347	square feet
Total Parking		28,834	square feet
Total Other (common spaces, etc.)		51,239	square feet
TOTAL SQUARE FOOTAGE		173,420	square feet

Resident Facilities	The project will include onsite parking, a community area with kitchen, computer center, and activity area; a laundry room; a fitness room; and a private rooftop garden.

Permanent Sources	*Total*	*Per Unit*	*Per Square Foot*
Mortgage Revenue Bond	$ 12,726,317	$ 92,893	$ 73.38
Tax Credit Equity	$ 8,799,498	$ 64,230	$ 50.74
SHRA Loan	$ 6,280,262	$ 45,841	$ 36.21
SHRA Grant to DSRC	$ 3,819,738	$ 27,881	$ 22.03
City Loan to DSRC	$ 1,600,000	$ 11,679	$ 9.23
City Grant to DSRC	$ 240,000	$ 1,752	$ 1.38
DSRC Loan	$ 160,000	$ 1,168	$ 0.92
Deferred Developer Fee	$ 1,250,000	$ 9,124	$ 7.21
Developer Loan	$ 1,500,000	$ 10,949	$ 8.65
TOTAL SOURCES	$ 36,375,815	$ 265,517	$ 209.76
Permanent Uses			
Acquisition Costs	$ -	$ -	$ -
Construction Costs	$ 26,967,448	$ 196,843	$ 155.50
Contingency	$ 1,078,689	$ 7,874	$ 6.22
Financing Costs	$ 1,566,332	$ 11,433	$ 9.03
Reserves	$ 519,609	$ 3,793	$ 3.00
Legal Fees	$ 360,000	$ 2,628	$ 2.08
Permits	$ 1,900,000	$ 13,869	$ 10.96
Architecture and Engineering	$ 956,542	$ 6,982	$ 5.52
Developer Fee	$ 2,500,000	$ 18,248	$ 14.42
Other	$ 527,195	$ 3,848	$ 3.04
TOTAL USES	$ 36,375,815	$ 265,517	$ 209.76

Management / Operations		
Proposed Developer:	CFY Development, Inc. and D&S Development, Inc.	
Property Management Company:	CFY Development, Inc.	
Operations Budget:	$524,560	$3,829
Resident Services:	$29,500	$215
Replacement Reserves:	$34,250	$250

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700 Block of K Street

Unit Type	Number	Square Feet	Total Sq Feet	Gross Rent	Utility Allowance	Net Rent	Rent per Sq Foot	Total Mo. Rent	Annual Rent
Studio @ 50% AMI	4	458	1,832	$ 601.00	$ 42	$ 559	$ 1.22	$ 2,236	$ 26,832
Studio @ 60% AMI	21	482	10,127	$ 721.00	$ 42	$ 679	$ 1.41	$ 14,259	$ 171,108
Studio @ Market	8	564	4,512	$ 1,100.00		$ 1,100	$ 1.95	$ 8,800	$ 105,600
Studio w/Den @ Market	9	657	5,915	$ 1,261.11		$ 1,261	$ 1.92	$ 11,350	$ 136,200
1 BR @ 50% AMI	6	560	3,361	$ 644.00	$ 46	$ 598	$ 1.07	$ 3,588	$ 43,056
1 BR @ 60% AMI	47	652	30,648	$ 773.00	$ 46	$ 727	$ 1.11	$ 34,169	$ 410,028
1 BR @ Market	25	727	18,178	$ 1,494.79	$ -	$ 1,495	$ 2.06	$ 37,370	$ 448,438
1BR w/Den @ Market	4	1021	4,084	$ 1,812.50		$ 1,813	$ 1.78	$ 7,250	$ 87,000
2 BR @ 50% AMI	1	946	946	$ 773.00	$ 63	$ 710	$ 0.75	$ 710	$ 8,520
2 BR @ 60% AMI	4	868	3,473	$ 928.00	$ 63	$ 865	$ 1.00	$ 3,460	$ 41,520
2 BR @ Market	6	1416	8,496	$ 2,058.33	$ -	$ 2,058	$ 1.45	$ 12,350	$ 148,200
2 BR TWN @ Market	1	1103	1,103	$ 2,100.00		$ 2,100.00		$ 2,100	$ 25,200
Manager Unit (1 BR)	1	853	853					$ -	$ -
Total / Average for Restricted Units	137	683	93,528				$ 1.47	$ 137,642	$ 1,651,702

Residential Income	rate	annual increase	per unit	2017 Year 1	2018 Year 2	2019 Year 3	2020 Year 4	2021 Year 5	2026 Year 10	2031 Year 15	2036 Year 20	2041 Year 25	2046 Year 30	2051 Year 35	2056 Year 40	2061 Year 45	2066 Year 50	2071 Year 55
Potential Gross Rental Income		2.50%	12,056	1,651,702	1,692,994	1,735,319	1,778,702	1,823,169	2,062,749	2,333,811	2,640,493	2,987,475	3,380,054	3,824,221	4,326,755	4,895,326	5,538,612	6,266,431
Other Tenant Income (laundry, vending)		2.50%	144	19,728	20,221	20,727	21,245	21,776	24,638	27,875	31,538	35,683	40,372	45,677	51,679	58,470	66,153	74,847
Parking		2.50%	356	48,720	49,938	51,186	52,466	53,778	60,845	68,840	77,886	88,121	99,701	112,802	127,626	144,397	163,372	184,840
Storage Units		2.50%	42	5,716	5,859	6,005	6,156	6,309	7,139	8,077	9,138	10,339	11,697	13,234	14,973	16,941	19,167	21,686
Less Vacancy	5.00%		(630)	(86,293)	(88,451)	(90,662)	(92,928)	(95,252)	(107,768)	(121,930)	(137,953)	(156,081)	(176,591)	(199,797)	(226,052)	(255,757)	(289,365)	(327,390)
Effective Gross Income				$1,639,572	$1,680,562	$1,722,576	$1,765,640	$1,809,781	$2,047,601	$2,316,673	$2,621,102	$2,965,537	$3,355,233	$3,796,138	$4,294,982	$4,859,377	$5,497,940	$6,220,414
Residential Expenses																		
Property Management Fee		3.50%	480	65,760	68,062	70,444	72,909	75,461	89,624	106,445	126,424	150,152	178,333	211,804	251,556	298,770	354,845	421,445
Operating Expenses		3.50%	3,349	458,800	474,858	491,478	508,680	526,484	625,297	742,657	882,044	1,047,591	1,244,210	1,477,731	1,755,081	2,084,485	2,475,714	2,940,372
Resident Services		3.50%	215	29,500	30,533	31,601	32,707	33,852	40,205	47,751	56,714	67,358	80,000	95,015	112,848	134,029	159,184	189,061
Taxes/Assessments/Mello Roos		2.00%	800	109,599	111,791	114,027	116,307	118,633	130,981	144,614	159,665	176,283	194,631	214,888	237,254	261,947	289,211	319,312
Replacement Reserves		0.00%	250	34,250	34,250	34,250	34,250	34,250	34,250	34,250	34,250	34,250	34,250	34,250	34,250	34,250	34,250	34,250
Total Expenses			5,094	$697,909	$719,493	$741,800	$764,854	$788,680	$920,358	$1,075,717	$1,259,096	$1,475,634	$1,731,424	$2,033,688	$2,390,989	$2,813,481	$3,313,205	$3,904,440
Total Net Operating Income				**$941,663**	**$961,068**	**$980,776**	**$1,000,786**	**$1,021,101**	**$1,127,243**	**$1,240,955**	**$1,362,006**	**$1,489,903**	**$1,623,809**	**$1,762,450**	**$1,903,992**	**$2,045,896**	**$2,184,735**	**$2,315,974**
Debt Service	amount	rate	term															
Senior Loan	$12,726,317	5.100%	35	791,314	791,314	791,314	791,314	791,314	791,314	791,314	791,314	791,314	791,314	0	0	0	0	0
SHRA Administration Fee	$22,186,052	0.150%		33,279	33,279	33,279	33,279	33,279	33,279	33,279	33,279	33,279	33,279	33,279	33,279	33,279	33,279	33,279
Total Debt Service				824,593	824,593	824,593	824,593	824,593	824,593	824,593	824,593	824,593	824,593	33,279	33,279	33,279	33,279	33,279
DCR on Senior Loan				1.14	1.17	1.19	1.21	1.24	1.37	1.50	1.65	1.81	1.97	52.96	57.21	61.48	65.65	69.59
Net Cash after Debt Service				$117,071	$136,476	$156,183	$176,194	$196,508	$302,650	$416,362	$537,414	$665,310	$799,216	$1,729,171	$1,870,713	$2,012,617	$2,151,456	$2,282,695
Priority Distributions																		
Managing General Partner Fee				7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500
Investor Asset Management Fee				7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500
Supplemental Annual Admin Fee				$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Deferred Developer Fee																		
Principal Balance	$1,250,000	4.00%		1,250,000	1,197,929	1,124,371	1,028,163	908,095	0	0								
Payment				102,071	121,476	141,183	161,194	181,508	0	0								
Balance				$1,197,929	$1,124,371	$1,028,163	$908,095	$762,911	$0	$0								
Developer Loan																		
Starting Balance	$1,500,000	4.00%		1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	543,152	0	0	0	0	0	0	0	0
Interest for Period				60,000	60,000	60,000	60,000	60,000	60,000	21,726	0	0	0	0	0	0	0	0
Accumulated Interest				60,000	120,000	180,000	240,000	300,000	504,017	21,726	0	0	0	0	0	0	0	0
Residual Payment				0	0	0	0	0	287,650	401,362	0	0	0	0	0	0	0	0
Ending Balance				$1,560,000	$1,620,000	$1,680,000	$1,740,000	$1,800,000	$1,716,366	$163,516	$0	$0	$0	$0	$0	$0	$0	$0
DSRC Loan- City																		
Principal Balance	$1,760,000	4.00%		1,760,000	1,760,000	1,760,000	1,760,000	1,760,000	1,760,000	1,760,000	1,760,000	1,760,000	1,760,000	1,760,000	550,327	0	0	0
Interest for Period				70,400	70,400	70,400	70,400	70,400	70,400	70,400	70,400	70,400	70,400	70,400	22,013	0	0	0
Accumulated Interest				70,400	140,800	211,200	281,600	352,000	704,000	1,056,000	1,408,000	1,186,948	835,512	348,154	22,013	0	0	0
Payment				0	0	0	0	0	0		104,483	130,062	156,843	342,834	371,143	0	0	0
Balance				$1,830,400	$1,900,800	$1,971,200	$2,041,600	$2,112,000	$2,464,000	$2,816,000	$3,063,517	$2,816,886	$2,438,669	$1,765,320	$201,197	$0	$0	$0
SHRA Loan																		
Principal Balance	$6,280,262	4.00%		6,280,262	6,280,262	6,280,262	6,280,262	6,280,262	6,280,262	6,280,262	6,280,262	6,280,262	6,280,262	6,280,262	5,136,737	0	0	1
Interest for Period				251,210	251,210	251,210	251,210	251,210	251,210	251,210	251,210	251,210	251,210	251,210	205,469	0	0	0
Accumulated Interest				251,210	502,421	753,631	1,004,842	1,256,052	2,512,105	3,768,157	4,260,926	4,401,973	4,130,141	3,427,887	205,469	0	0	0
Payment				0	0	0	0	0	0	0	190,930	271,931	356,738	1,077,595	1,167,238	0		
Balance				$6,531,472	$6,782,683	$7,033,893	$7,285,104	$7,536,314	$8,792,367	$10,048,419	$10,350,258	$10,410,304	$10,053,665	$8,630,554	$4,174,968	$0	$0	$0
DSRC Loan - SHRA																		
Principal Balance	$3,159,738	1.00%		3,159,738	3,159,738	3,159,738	3,159,738	3,159,738	3,159,738	3,159,738	3,159,738	3,159,738	3,159,738	3,159,738	3,159,738	3,159,738	-96,866	1,070
Interest for Period				31,597	31,597	31,597	31,597	31,597	31,597	31,597	31,597	31,597	31,597	31,597	31,597	31,597	-969	11
Accumulated Interest				31,597	63,195	94,792	126,390	157,987	315,974	473,961	631,948	789,935	947,921	1,105,908	1,263,895	63,326	-969	11
Payment				0	0	0	0	0	0	0	0	0	0	0	0	1,656,634		901
Balance				$3,191,335	$3,222,933	$3,254,530	$3,286,128	$3,317,725	$3,475,712	$3,633,699	$3,791,686	$3,949,673	$4,107,659	$4,265,646	$4,423,633	$1,566,430	-$97,834	$180
Net Cash to Developer				$0	$0	$0	$0	$0	$0	$0	$227,001	$248,317	$270,635	$293,742	$317,332	$340,983	$2,136,456	$2,267,695

Attachment 5
Cash Flow Proforma

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MAXIMUM INCOME AND RENT LEVELS 2014

(Rents @ 50% and 60% of AMI where applicable)

Maximum Income Limits:

Family Size	Max Income *50% AMI*	Max Income *60% AMI*
1 person	$24,050	$28,860
2 person	$27,500	$33,000
3 person	$30,950	$37,140

Maximum Rent Limits:

Low Income Housing Tax Credit, Housing Trust Fund, Mortgage Revenue Bonds and Tax Increment Funds

Unit Size	Gross Rent *50% AMI*	Gross Rent *60% AMI*
Studio	$601	$721
1 Bedroom	$644	$773
2 Bedroom	$773	$928

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RESOLUTION NO. 2014 - __

Adopted by the Housing Authority of the City of Sacramento

On date of

700 BLOCK OF K: APPROVAL OF $6,280,262 LOAN WITH 700 BLOCK INVESTORS, L.P., APPROVAL OF $3,819,738 GRANT WITH THE DOWNTOWN SACRAMENTO REVITALIZATION CORPORATION, AND EXECUTION OF RELATED DOCUMENTS WITH 700 BLOCK INVESTORS, L.P AND THE DOWNTOWN SACRAMENTO REVITALIZATION CORPORATION; AND ENVIRONMENTAL FINDINGS

BACKGROUND

A. On June 21, 2011, the Redevelopment Agency of the City of Sacramento ("Redevelopment Agency" or "RDA") authorized a commitment of $10.1 million of Downtown low-moderate tax-exempt bond funds to the Downtown Sacramento Revitalization Corporation to finance the rehabilitation and new construction of a 137-unit multifamily housing facility located at 700-730 K Street, Sacramento, California and commonly known as the 700 Block of K Street Project ("Project").

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

C. The City of Sacramento previously established the Redevelopment Agency in order to carry out plans for the improvement, rehabilitation, and redevelopment of blighted areas within the City.

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

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

F. This transfer including the $10.1 million of project funding was ratified by the Oversight Board for the Redevelopment Successor Agency by its Resolution No. 2012-006 adopted on May 21, 2012.

G. On April 1, 2013, the State Department of Finance completed review and issued a determination which approved the Housing Authority's Housing Asset Transfer Form and Project funding.

H. One August 14, 2013, the State Department of Finance completed its Low and Moderate Income Housing Fund Due Diligence Review and issued a determination which approved Project funding.

I. There are no outstanding issues related to the dissolution process and the Project's funding of $10.1 million has accordingly become an asset of the Housing Authority.

J. Due to changes in the project financial structuring $6,280,262 of the $10.1 million will be structured as a loan to the 700 Block Investment Partners, L.P. and $3,819,738 will be structured as a grant to the Downtown Sacramento Revitalization Corporation.

K. An Environmental Impact Report was completed and certified by the City Planning Commission May 12, 2011.

L. The Housing Authority has reviewed the Environmental Impact Report, which was certified by the City of Sacramento Planning Commission on May 12, 2011, and has considered the environmental effects of the proposed project in accordance with California Environmental Quality Act (CEQA) Guidelines §15096(f). On October 7, 2014, the Housing Authority adopted the Findings of Fact and Statement of Overriding Considerations prepared in accordance with CEQA Guidelines §§ 15091 and 15093. Furthermore the Housing Authority filed a Notice of Determination on October 10, 2014. The actions outlined do not require further environmental review per CEQA Guidelines §§ 15162 or 15163

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

Section 1. All evidence presented having been duly considered, the statements above are found to be true and correct.

Section 2. The Executive Director is authorized to execute the Owner Participation Agreement for the redevelopment of the 700 Block of K Project.

Section 3. The Executive Director is authorized to execute the Loan Documents, attached as (Exhibit A), for financing the Project with $6,280,262 in Housing Authority funds.

Section 4. The Executive Director is authorized to execute the Grant Agreement, attached as (Exhibit B), for financing the Project with $3,819,738 in Housing Authority funds and all documents associated with the Grant Agreement.

Section 5. The Executive Director is authorized to enter into and execute other documents, as approved to form by Housing Authority Counsel, and perform other actions necessary to fulfill the intent of the Loan and Grant Agreements that accompany this resolution, in accordance with its terms, and to ensure proper repayment of the Housing Authority funds including without limitation, intercreditor agreement, cash collateral and security agreement, subordination, extensions, and restructuring of such a loan consistent with Agency adopted policy and with this resolution. The Housing Authority finds that an economically feasible alternative method of financing, or assisting these units, on substantially comparable terms and conditions but without subordination is not reasonably available.

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Exhibit A: Owner Participation Agreement
Exhibit B: Loan Documents
Exhibit C: Grant Documents

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OWNER PARTICIPATION AGREEMENT

Using Funds from Aggregate Tax Increment Housing Set- Aside Fund

700 Block of K

700 K Street, 704 K Street, 708 K Street, 710 K Street, 712 K Street, 716 K Street, 718 K Street, 722 K Street, 724 K Street, 726 K Street, and 730 K Street, 1111 and 1113 7th Street, and 1110 8th Street and 1114 8th Street
Sacramento, CA 95814

Housing Authority of the City of Sacramento
and
700 Block Investors, L.P.

OWNER PARTICIPATION AGREEMENT

Using Funds from Aggregate Tax Increment Housing Set- Aside Fund

700 Block of K

700 K Street, 704 K Street, 708 K Street, 710 K Street, 712 K Street, 716 K Street, 718 K Street, 722 K Street, 724 K Street, 726 K Street, and 730 K Street, 1111 and 1113 7th Street, and 1110 8th Street and 1114 8th Street Sacramento, CA 95814

For purposes of this Agreement, the capitalized terms shall have the meanings assigned in Section 16.

THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO, and 700 BLOCK INVESTORS, L.P. also defined as Agency and Developer, respectively, enter into this Owner Participation Agreement ("OPA"), as of December , 2014.

RECITALS

DEVELOPER IS THE OWNER OF REAL PROPERTY LOCATED AT 700 K Street, 704 K Street, 708 K Street, 710 K Street, 712 K Street, 716 K Street, 718 K Street, 722 K Street, 724 K Street, 726 K Street, and 730 K Street, 1111 and 1113 7th Street, and 1110 8th Street and 1114 8th Street in the City of Sacramento, California, more particularly described in attached Exhibit 1: Legal Description, which is incorporated into this OPA by this reference. The Property is located in Former City Aggregate Housing Set-Aside Fund Redevelopment Project Area and is subject to the Former Project Area's Redevelopment Plan.

A. The City of Sacramento previously established the Redevelopment Agency in order to carry out plans for the improvement, rehabilitation, and redevelopment of blighted areas within the City as well as to increase, improve and preserve the communities' supply of low and moderate income housing available at an affordable cost.

B. In 2011 the California Legislature enacted AB 1X 26, which law, coupled with a subsequent decision of the State Supreme Court, resulted in the dissolution of redevelopment agencies as of February 1, 2012, and the transfer of all assets, properties, contracts and leases of the former redevelopment agencies to successor agencies, and requiring successor agencies to carry out the winding down of the redevelopment agencies. Housing Successors were authorized by this, and subsequent legislation to continue accept the housing assets and perform the housing functions of the former redevelopment agencies.

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

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

E. This OPA is made by the PHA in accordance with provisions of the Redevelopment Plan for participation by property owners in redevelopment of the project area (adopted in accordance with California Health & Safety Code Section 33339).

F. The Agency is participating in this OPA, despite the dissolution of Redevelopment in the State of California, because this OPA is consistent with, and furthers, the Redevelopment Plan and the Implementation Plan and benefits the project area(s) providing the Agency Funding in that workers in the Project area live in the area which includes the Project Specifically and without limitation, the Agency has determined that the Project will increase and improve supply of low- or moderate-income housing in the community and will eliminate blight.

G. In order to accomplish such Agency goals and purpose, the OPA provides that the Developer will redevelop the Property in the manner and for the uses described in this OPA. Therefore, Developer desires to develop the Property, and Agency desires to assist development of the Property, on the terms and conditions in this OPA.

AGREEMENT

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

1. **PROJECT DESCRIPTION.** The Project being assisted with the Agency Funding is the following: This residential project on 700 Block of K Street in Downtown Sacramento is in conjunction with a companion project by the City of Sacramento on the same block, i.e., the south side of K Street between 7 and 8 Streets. This OPA is for a 137 unit mixed-income as part of the mixed use project. This Project involves a combination of rehabilitation and new construction on the Property.

2. **AGENCY FUNDING.** Agency is providing funding to the Project under the Agency Funding Agreement for development of the Project as described in Section 1. Agency will provide funding directly to the Developer and funding to the Downtown Sacramento Revitalization Corporation (DSRC) which will then be directly contributed to the Developer to fund the Project as outlined in the Funding Agreements. Please see Exhibit 2: Project Sources and Uses for a summary of the Project's Sources and Uses. If Developer fails to develop the Project as and when required by this OPA, Developer must repay the Agency Funding as provided in the Agency Funding Agreements. As a condition of Agency's obligation to provide the Agency Funding and in consideration of the Agency Funding, Agency is purchasing from Developer, and

3. Developer is selling to Agency, an operating covenant to assure the operation of the Project as described in Section 1, as well as other obligations and restrictions, including without limitation, use restrictions and restrictions on amounts that can be charged on sale or rental of the Property, as evidenced by the Regulatory Agreement.

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

4.1. **CONCURRENT REVIEW.** Agency agrees that its review of the Final Plans shall occur prior to or concurrently with City's review of such plans, so as not to delay the commencement and progress of Project development. Agency agrees that its review of the Final Plans is strictly limited to making a determination that the Final Plans conform to the architectural designs (but not the detailed schematics, if any) presented in the Plans, the Scope of Development, the uses permitted on the Property and the Redevelopment Plan.

4.2. **PREPARATION OF FINAL PLANS AND RELATED DOCUMENTS.** Developer shall prepare the Final Plans that shall include all construction plans, drawings, specifications and other documents necessary to obtain all required building permits for the construction of the Project. Developer shall submit the Final Plans to the Agency for Agency's review. The Final Plans shall conform in all material respects to the Scope of Development. To the extent that the Scope of Development have insufficient detail or are unclear, the Final Plans shall be deemed to provide that the Project shall contain high-quality materials, and shall conform to all applicable zoning, design and usage guidelines. The Final Plans shall be considered to include all changes or corrections approved as provided in this OPA. The Final Plans shall incorporate all related mitigation measures required for compliance with CEQA approvals, as stated in the Mitigation Monitoring Plan, if any adopted under CEQA as a condition of approval of the Project. Developer agrees that it will comply with the requirements of the Design Review Board to the extent of its jurisdiction.

4.3. **DELIVERY.** Developer shall deliver the Final Plans or changes to the Final Plans for Agency review as soon as available. Said delivery shall be made to the office of the and shall have clearly marked on its exterior "URGENT: 700 Block of K PROJECT PLAN REVIEW" or the equivalent.

4.3.1. **DEEMED APPROVAL.** The Final Plans or changes to the Final Plans shall be deemed approved unless disapproved in whole or in part, in writing, within fifteen (15) days after their proper delivery to Agency.

4.3.2. **AGENCY DISAPPROVAL.** If Agency disapproves, in whole or in part, the Final Plans or any change to the Final Plans, Agency shall state, specifically and in writing, at the time of disapproval, the reasons for disapproval and the changes which the Agency requests to be made. Agency's reasons for disapproval and such Agency-requested changes shall be consistent with the Approved Final Plans, the Scope of Development and with any items previously approved under this Section 3. If the Agency rejects the proposed Final Plans, Developer shall obtain no rights to develop the Property under this OPA and Agency shall have no obligations regarding the Project until such time as Developer has modified the proposed Final Plans and received the Agency's approval of the Final Plans as modified.

4.4. **GOVERNMENTAL CHANGES.** If any revisions or corrections of the Final Plans shall be required by any government official, agency, department or bureau in exercise of its proper jurisdiction, the Developer shall inform the Agency. If Agency and Developer concur in writing with the required change, Developer shall incorporate the change and it shall be deemed approved by Agency. If Agency or Developer reasonably disagree with the required change, they shall reasonably cooperate with the agency requiring the change in efforts to develop a mutually acceptable alternative.

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

4.5.1. **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. For purposes of this Section 4.5.1, a "material change" is a change that is material to the Agency in accomplishing its purposes under this OPA.

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

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

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

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

e) Any change which would preclude or materially reduce the ability to use the Project as intended by this OPA.

4.5.2. **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.

5. **DEVELOPMENT PROVISIONS.** As stated in detail in this Section 5, Developer shall construct and manage the Project according to the requirements established in this OPA, which includes, without limitation, the Scope of Development, the Schedule of Performances and the Plans. Developer shall promptly begin, diligently prosecute and timely complete the construction of the Project. In interpreting the provisions of this OPA, the provisions that specifically enforce the Redevelopment Plan and the applicable provisions of the Community Redevelopment Law shall control.

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

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

decision of the City's Planning Commission interpreting, imposing and enforcing such City conditions, subject to any applicable appeals process of the Planning Commission.

5.3. **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 3.6, without Agency approval of such changes as provided in Section 3.6.

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

5.5. **PREVAILING WAGES.** The State of California Department of Industrial Relations has undertaken the aggressive and expansive enforcement of prevailing wage laws for redevelopment projects. The Agency has advised, and the Developer acknowledges, that the Project is subject to the payment of prevailing wages under the laws of the State of California. Developer has had the opportunity to meet with Developer's legal counsel and to request a determination from the State of California Department of Industrial Relations regarding the applicability of prevailing wage requirements to this Project. Developer has made its independent determination of the applicability of prevailing wage laws and has independently implemented such determination. Developer, therefore, indemnifies, holds harmless and defends the Agency from all additional wages, benefits, fees, penalties, fines, legal fees, court costs, arbitration costs, and other costs arising from Developer's determinations and actions related to prevailing wage obligations for the work of this OPA.

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

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

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

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

5.8. **ECONOMIC OPPORTUNITY EMPLOYMENT REQUIREMENTS.** The contract requires that to the greatest extent feasible and subject to the Fair Housing Act, 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.

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

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

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

5.12. **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 OPA, the Agency will furnish the Developer with a "Certificate of Completion" certifying such completion. Such certification shall be a conclusive determination of satisfaction and termination of the agreements and covenants in the OPA with respect to the obligations of the Developer to construct the Project as of the Completion Date, subject to any qualifications or limitations stated in such certification. Agency shall prepare and execute each Certificate of Completion in a form suitable for recording in the Official Records of Sacramento County.

5.12.1. Such certification and such determination shall not constitute evidence of compliance with any governmental requirements regarding the Project other than those of Agency or satisfaction of any obligation of the Developer to any holder of a mortgage, or any insurer of a mortgage, securing money loaned to finance all or any part of the Project. Such certification and such determination shall not constitute evidence of compliance with or satisfaction of any provision of this OPA that is not related to construction of the Project.

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

5.12.3. **CONSTRUCTION PERIOD EXTENSION FEE.** If Developer does not complete the construction of the Project on or before the Completion Date stated in the Schedule of Performances, Developer shall pay to Agency, monthly, in advance, on the first day of each month beginning the calendar month following the Completion Date, a construction period

extension fee of Seventy-Five Dollars and No Cents Dollars ($75.00) for each day by which the completion of construction is delayed beyond said completion date. Construction Extension Fees due for days of delay occurring prior to the first payment date shall be paid in arrears at the time of the first payment under this Section 1. The number of days used in computation of the Construction Extension Fee shall be reduced by the number of days of Unavoidable Delay. Failure to pay Construction Extension Fees when due is a material default of this OPA. Any unearned portion of an advance payment of any such extension fee shall be refunded by the Agency within thirty (30) days of completion of construction, or of termination of the OPA. Agency shall have the option to terminate, upon ten (10) days prior written notice, Developer's rights to unpaid Construction Extension Fees and to declare Developer in material default of this OPA. In any event, Construction Extension Fees shall not be accepted for a time period greater than six months, at which time Developer shall be deemed in material default of this OPA.

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

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

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

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

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

6. **DEVELOPMENT FINANCING**. Developer shall be responsible for and shall pay all costs of developing the Project except as otherwise provided in this OPA. As a condition precedent to Agency's obligation to provide the Agency Funding, Developer shall provide the Agency with a

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

6.1. **EVIDENCE OF AVAILABLE FUNDS.** Unless otherwise approved by the Agency, Developer's evidence of available funds must include only the following: (a) Developer equity (as provided in Section 6.23) (b) firm and binding loan commitments (as provided in Section 6.2) from each Lender, in form and content acceptable to Agency; and (c) Agency contribution, if any, as specified in this OPA. Within ten (10) days after Agency's request, Developer shall provide all additional information requested by the Agency for evaluation of the actual availability of funds included in such evidence, including without limitation, requests for clarification, further evidence or audited financial reports.

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

5.3 **EVIDENCE OF DEVELOPER EQUITY.** Unless otherwise agreed in writing by the Agency, Developer may provide evidence of equity by any one or more of the following actions: (a) a deposit of the required equity in a joint account with the Agency, which funds shall be released only upon the joint signatures of the Agency and the Developer; (b) delivery to Agency of an unconditional, irrevocable letter of credit in the amount of the required equity, in form and content as provided by the Agency, which letter of credit shall provide that the Agency may draw to fulfill any Developer obligation related to the development of the Project and necessary to assure its timely and proper completion; (c) Developer's provision of financial statements prepared by a certified public accountant that show liquid assets available to the Project (and not

subject to other existing or contingent claims) in the amount of One Hundred and Fifty Percent (150%) of the amount of the required equity; (d) delivery to the Agency of a tax credit reservation letter for the project, and an executed copy of the partnership agreement constituting Developer at close of Escrow; and (e) delivery to Agency of loan documents representing an amount equal to the amount of funding the Developer has agreed to directing contribute as outlined in Exhibit 2: Project Sources and Uses.

5.4 Developer shall not provide evidence of equity that includes funds not available at the commencement of construction or that claims as equity any funds to be generated by development of the Project, including without limitation, anticipated Developer profit or fees or Developer contribution of services to the Project. The Agency may reject any submitted evidence of equity if the Agency has any reason to believe that such funds may not be available to the Project.

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

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

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

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

This indemnification provision shall survive the termination of this agreement.

9. **INDEMNIFICATION FOR HAZARDOUS SUBSTANCES.** Developer shall indemnify, protect and defend Agency, its respective officers, directors, commission members, employees, advisory committee members, and agents, and hold them harmless from any and all liability, costs, fees,

penalties and claims related to: (a) the removal, discharge or release of Hazardous Substances on the Property after Developer has taken possession of the Property; or (b) the existence of Hazardous Substances on the Property, which were not on the Property prior to Developer's taking possession of the Property.

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

10.1. **LIABILITY INSURANCE POLICY LIMITS.** Developer shall assure that the insurance required by this Section shall be written with a deductible of not more than ONE HUNDRED THOUSAND DOLLARS ($100,000).

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

10.3. **COMPREHENSIVE GENERAL LIABILITY.** Commercial general liability coverage shall include premises-operations, independent contractor's protective, products and completed operation (for four years), broad form property damage, and contractual liability coverage (or such other substantially similar coverage as may be approved by Agency Counsel). Such insurance shall have limits of liability which are not less than $5,000,000, each occurrence, for bodily injury coverage; $5,000,000 aggregate, for products and completed operations coverage; $1,000,000 each occurrence for property damage coverage, single limit and aggregate; and which is the same as the foregoing coverages.

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

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

10.6. **INSURANCE PROVISIONS.** Each policy of insurance required under this OPA shall be obtained from a provider licensed to do business in California and having a current Best's Insurance Guide rating 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 Lender's legal counsel in writing in advance:

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

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

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

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

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

thereby, and all of the other requirements of this Section 9 with respect to such insurance shall otherwise be satisfied by such blanket policy.

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

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

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

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

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

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

The undersigned, whose address for notices is stated immediately below its signature, does hereby certify that it is the Lender as such term is defined in that certain Owner Participation Agreement dated December , 2014 between the Housing Authority of the City of Sacramento and 700 Block Investors, L.P. ("OPA"). Lender requests, in accordance with Section 11.5 of the

OPA, that if any default notice shall be given to Developer under the OPA, a copy of such default notice shall be given to Lender:

JPMorgan Chase Bank, N.A.
300 South Grand Avenue, Suite 400
Los Angeles, CA 90071

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

12.3. **LENDER NOT OBLIGATED TO CONSTRUCT.** Notwithstanding any of the provisions of the OPA, Lender shall not be obligated by the provisions of the OPA to construct or complete the Project. Nothing in this Section or any other provision of the OPA shall be construed to permit

or authorize Lender to devote the Property to any uses, or to construct any improvements on the Property, other than those uses or improvements provided or permitted in the OPA.

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

12.5. **DEFAULT BY DEVELOPER.** In the event of a default by Developer, Agency shall not terminate this OPA unless and until the Agency has given notice to Lender of such default, as provided in this Section 11.5 and Lender has failed to cure such default as provided in Section 11.4 provided, however that if such default cannot practicably be cured by the Lender without taking possession of the Property, then the Schedule of Performances (and, therefore, the Agency's right to terminate this OPA) shall be tolled if and so long as:

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

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

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

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

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

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

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

12.9. **ESTOPPEL CERTIFICATE.** Any party may, at any time, request in writing of any other party to certify in writing that, to the knowledge of the certifying party, (i) this OPA is in full force and effect and a binding obligation of the parties; (ii) this OPA has not been amended or modified either orally or in writing, or, if so amended, identifying the amendments; and (iii) the requesting party is not in default in the performance of its obligations under this OPA, or, if in default, describing the nature and extent of any such defaults. A party receiving such a request

shall execute and return such certificate to the requesting party, or give a detailed written response explaining why it will not do so, within ten (10) days following its receipt. The City Manager (as Agency's designee) shall be authorized to execute any such certificate requested by Developer from the Agency.

12.10. **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, assign Developer's interests or obligations under this OPA or undertake any act or transaction resulting in a significant change in the interests of the principals of Developer or the degree of their control of Developer without the prior written consent of Agency. The transfer or assignment, pursuant to this Section, requires the transferee or assignee to execute and deliver to Agency a valid, binding, written assumption of all obligations of Developer. Such a transfer as permitted in this Section 11 shall not relieve Developer, or any other party bound in any way by the OPA, from any of its obligations under the OPA. With respect to this provision, the Developer and the parties signing the OPA on behalf of the Developer represent that they have the authority of all of Developer's principals to agree to and bind them to this provision.

13. **LIMITED PARTNER INTERESTS.** Although the limited partner of Developer is not a party to this OPA, Agency shall assure the following to such limited partner.

13.1. **CURE RIGHTS.** In the event of Developer default under this OPA, any such limited partner shall have the right, but not the obligation, to cure such default in the same manner and upon the same terms as the Developer. A tender of cure of default by such limited partner shall be treated as a cure by Developer and shall be accepted or rejected on the same basis as if tendered by Developer.

13.2. **REPLACEMENT OF GENERAL PARTNER OR LIMITED PARTNER OF DEVELOPER.** If Developer has provided Agency with a true and correct copy of Developer's limited partnership agreement and if such limited partnership agreement has been approved by Agency (which approval shall not be unreasonably withheld), Agency shall accept a replacement of the general partner or limited partner made in accordance with the terms of such limited partnership agreement, notwithstanding any other limitation under this OPA of transfers of interests in Developer.

13.3. **NOTICES.** If the Agency gives any notice of default to Developer under this OPA, the Agency shall contemporaneously give a copy of such notice to each limited partner of Developer listed in Section 16.11, if any, or who has made a request for notice in the same manner as a Lender request for notice under Section 12.1 at the address provided for notice. Any such default notice that is not so delivered to such limited partner shall not be effective with regard to time for cure by such limited partner but shall not affect its validity with respect to Developer.

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

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

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

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

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

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

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

14.7. **TIME FOR PERFORMANCE.** In determining time for performance, it shall be construed that Agency and Developer shall each do the actions required of them, promptly and when

specified in this OPA, and that each action specified in the Schedule of Performances shall be performed by the responsible party on or before the date scheduled for its completion.

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

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

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

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

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

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

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

15.1. Addresses for notices are as follows:

15.1.1. Agency: Housing Authority of the City of Sacramento, 801 12th Street, Sacramento, California 95814, Attention: Christine Weichert.

15.1.2. Developer:700 Block Investors, L.P., 1006 Forth Street, Suite 701, Sacramento, CA 95814; Attention: Ali Youssefi. Developer limited partner: RBC Tax Credit Equity, LLC, 600 Superior Avenue, Suite 2300, Cleveland, OH 44114; Attention: President and General Counsel.

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

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

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

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

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

16. **DEFINITIONS.**

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

16.2. "Agency Funding" is the funding provided by the Agency under this OPA to Developer for the Project.

16.3. "Agency Funding Agreement" is the Construction and Permanent Loan Agreement.

16.4. "Certificate of Completion" is the certificate issued by the Agency certifying Developer's completion of the construction of the Project.

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

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

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

16.8. "Completion Date" is the date on or before which Developer must complete the construction of the Project. The Completion Date for the Project is December 31, 2016.

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

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

16.11. "Developer" is 700 Block Investors, L.P., limited partnership Notwithstanding any other provision of this OPA, Developer may assign this OPA to a single asset entity in which Developer has a substantial interest and is the managing member, the general partner or the controlling shareholder and chief operations officer; provided (i) that the entity form and organizational documents have been approved by Agency Counsel, (ii) that the new entity has agreed in writing to be bound by all the provisions of this OPA and all agreements related to this OPA, and (iii) that the entity has been approved in writing, in advance, by the Agency's Executive Director. The principal office of the Developer is located at 1006 Forth Street, Suite 701, Sacramento, CA 95814.

16.12. "Escrow" is the escrow for the transactions contemplated by this OPA.

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

16.14. "Final Plans" are the full and final plans, drawings and specifications for the Project as described in, and approved by the Agency under, Section 3, which shall 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 OPA. The Final Plans shall incorporate any related mitigation measures that may be required for compliance with CEQA. The Final Plans shall specifically include changes or corrections of the Final Plans approved as provided in this OPA. 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 OPA, including without limitation and the Scope of Development.

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

Account Act), 25501 (Hazardous Materials Release Response Final Plans and Inventory) and 25281 (Underground Storage of Hazardous Substances); all applicable local regulations; and all regulations and promulgations pursuant to said laws.

16.16. "Legal Description" is the legal description of the various parcels of real property affected by this OPA. The Legal Description is attached as **Exhibit 1 Legal Description**.

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

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

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

16.20. "Plans" shall mean Final Plans as the context may indicate.

16.21. "Project" is all of the work to be accomplished under this OPA.

16.22. "Project Area" is the City Aggregate Housing Set-Aside Fund Area, as defined in the Redevelopment Plan.

16.23. "Project Sources and Uses" is a detailed description of the costs of the project and funding sources that will be utilized to finance the project. **Exhibit 2: Project Sources and Uses**

16.24. "Redevelopment Plan" is the redevelopment plan for the Project Area (as it may be amended from time to time) for the City Aggregate Housing Set-Aside Fund Area as duly adopted by the City Council and currently active in the City.

16.25. "Regulatory Agreement" is the agreement containing covenants, conditions and restrictions, including without limitation, use restrictions, that run with the Property as a condition of Agency Funding.

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

16.27. "Scope of Development" is the detailed description of the work to be done under this OPA for the Project. The Scope of Development attached as **Exhibit 4: Scope of Development**.

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

16.29. "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 Agency and Developer shall be extended for the period of the enforced delay, as determined by Agency, provided that the party seeking the benefit of the provisions of this Section shall, within thirty (30) days after Developer has or should have knowledge of any such enforced delay, have first notified the other party, in writing, of the delay and its cause, and requested an extension for the period of the enforced delay.

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

DEVELOPER :
700 BLOCK INVESTORS, L.P.
a California limited partnership

By: Community Revitalization and Development Corporation, a California nonprofit public benefit corporation
Its: Managing General Partner

By: _____
David Rutledge,
President

By: 700 Block, LLC,
a California limited liability company
Its: Co-General Partner

By: _____
Ali Youssefi,
Manager

By: _____
Behroze Miryabianeh,
Manager

Approved as to form:

_____
Developer Counsel

AGENCY: THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO

By: _____
LaShelle Dozier, Executive Director

Approved as to form:

_____
Agency Counsel

Exhibit 1: Legal Description.

Exhibit 2: Project Sources and Uses

700 Block of K Street
Residential Project Summary

Address	700, 704, 708, 710, 712, 716, 718, 722, 724, 726 and 730 K Street, 1111 and 1113 7th Street, 1110 8th Street and 1114 8th Street		
Number of Units	137		
Year Built	Various, partially new construction		
Acreage	1.175 acres		
Affordability	11 units (8%) at or below 50% of Area Median Income (AMI) 72 units (53%) at or below 60% of Area Median Income (AMI) 54 units (39%) unregulated market rate		
Unit Mix and Rents	50% AMI	60% AMI	Market Rate
Studio	4	21	17
1 BR / 1 BA	6	47	30
2 BR / 1 BA	1	4	7
Total	11	72	54
Square Footage	*Per Unit*	*Total*	
Studio	533	22,386	square feet
1 BR / 1 BA	685	56,865	square feet
2 BR / 1 BA	1,175	14,096	square feet
Total Residential		93,347	square feet
Total Parking		28,834	square feet
Total Other (common spaces, etc.)		51,239	square feet
TOTAL SQUARE FOOTAGE		173,420	square feet
Resident Facilities	The project will include onsite parking, a community area with kitchen, computer center, and activity area; a laundry room; a fitness room; and a private rooftop garden.		
Permanent Sources	*Total*	*Per Unit*	*Per Square Foot*
Mortgage Revenue Bond	$ 12,726,317	$ 92,893	$ 73.38
Tax Credit Equity	$ 8,799,498	$ 64,230	$ 50.74
SHRA Loan	$ 6,280,262	$ 45,841	$ 36.21
SHRA Grant to DSCR	$ 3,819,738	$ 27,881	$ 22.03
City Loan to DSRC	$ 1,600,000	$ 11,679	$ 9.23
City Grant to DSRC	$ 240,000	$ 1,752	$ 1.38
DSRC Loan	$ 160,000	$ 1,168	$ 0.92
Deferred Developer Fee	$ 1,250,000	$ 9,124	$ 7.21
Developer Loan	$ 1,500,000	$ 10,949	$ 8.65
TOTAL SOURCES	$ 36,375,815	$ 265,517	$ 209.76
Permanent Uses			
Acquisition Costs	$ -	$ -	$ -
Construction Costs	$ 26,967,448	$ 196,843	$ 155.50
Contingency	$ 1,078,689	$ 7,874	$ 6.22
Financing Costs	$ 1,566,332	$ 11,433	$ 9.03
Reserves	$ 519,609	$ 3,793	$ 3.00
Legal Fees	$ 360,000	$ 2,628	$ 2.08
Permits	$ 1,900,000	$ 13,869	$ 10.96
Architecture and Engineering	$ 956,542	$ 6,982	$ 5.52
Developer Fee	$ 2,500,000	$ 18,248	$ 14.42
Other	$ 527,195	$ 3,848	$ 3.04
TOTAL USES	$ 36,375,815	$ 265,517	$ 209.76
Management / Operations			
Proposed Developer:	CFY Development, Inc. and D&S Development, Inc.		
Property Management Company:	CFY Development, Inc.		
Operations Budget:	$524,560	$3,829	
Resident Services:	$29,500	$215	
Replacement Reserves:	$34,250	$250	

Exhibit 3: Schedule of Performances

Tentative Dates	Activity
June 2011	Redevelopment Agency of the City of Sacramento approve the Prior Disposition and Development Agreement and Funding Commitment with DSRC
September 2014	Redevelopment Agency Successor Agency assigns to the City of Sacramento the Property and bond funds for the Project per the terms of the Settlement Agreement
October 2014	City of Sacramento approves the Amended and Restated Disposition and Development Agreement
February 2015	Secures funding for the Project and Developer closes on construction financing
April 2015	Construction begins
December 2016	Construction completed
June 2017	Project units placed in service

Exhibit 4: Scope of Development.

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

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

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

Apartments:
The mid-rise building contains 122 of the project's 137 total apartments. Of these 122 units, 42 are studios, 83 are one-bedroom apartments and 12 are two-bedroom apartments. The apartments will all be designed with sustainable materials. The top level of the mid-rise building includes 19 apartment units that have mezzanine levels.

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

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

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

Scope of Work - Rehab Construction

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

Commercial:

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

Residential:

- New framing, drywall, doors, and rough work per architectural plans and narratives.
- New plumbing, mechanical / HVAC and electrical system.
- New fire sprinkler system.
- New elevator and/or restore existing elevator to provide entry, basement, and ground floor access.
- Remodel basement into laundry and access to garage parking.
- Repaint exterior and interior of the building.
- Replace the roof and repair downspouts.
- New hallway lighting, unit, and exterior lighting.

- Restore / replace all windows to operating condition with new sash and glazing as needed.
- New window coverings.
- Restore and replace doors & hardware as needed.
- Historic Preservation as required.
- Install site and common space security lighting and web based security cameras will be provided.
- New monument, building, ADA, and unit signage.
- New awnings.
- Repair and Replace siding, moisture barrier, and insulation as needed. Brick work and plaster shall be repaired and replaced as needed.
- Removal / abatement of Hazardous material.
- Repair and replacement of dry rot lumbers.
- Structural and seismic upgrade.

The project will be constructed in a manner consist with the Sacramento Housing and Redevelopment Agency's Multifamily Lending and Mortgage Revenue Bond Policies Rental Property Minimum Construction Standards.

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CONSTRUCTION AND PERMANENT LOAN AGREEMENT
700 BLOCK OF K

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	Housing Authority of the City of Sacramento	
Legal Status	A public body, corporate and politic	
Principal Address	801 12th Street, Sacramento CA 95814	
"BORROWER"	The borrower of the Loan funds whose name, legal status and address are:	
Name	700 Block Investors L.P.	
Legal Status	limited partnership	
Principal Address	1006 Fourth Street, Sacramento, CA 95814	
"LOAN"	The Loan made by this Loan Agreement.	
"LOAN COMMITMENT"	Lender's loan commitment, made by letter dated as of	October 1, 2014
"LOAN PROGRAM"	Lender's Loan Program, commonly known as	Downtown Tax Increment Housing Set-Aside Fund, Housing Trust Fund
"LOAN AMOUNT"	Six Million Two Hundred Eighty Thousand Two Hundred Sixty-Two Dollars and No Cents ($6,280,262.00)	
"INTEREST RATE"	The interest rate is 4% per year, simple interest.	
"PAYMENT START DATE"	The first day of the 228th calendar month following the Effective Date.	
"MATURITY DATE"	The first day of the 684th calendar month following the Effective Date.	

"PAYMENT SCHEDULE"	Monthly principal and interest payments shall be deferred from the Loan's Effective Date through the completed payment of the deferred developer fee and Developer's Project Loan or 227 months from the effective date of the loan agreement. Monthly payment will be made in installments commencing on the Payment Start Date and continuing on the first day of each calendar month thereafter, through month 263. Starting in month 264, payments for the loan will be made on a Residual Receipts basis until the Maturity Date. Please see the definition of residual receipts below in the special terms section of this Loan Agreement. Monthly payments shall be made in accordance with the Payment Schedule set out in the Note evidencing this Loan. All outstanding principal and interest is due and payable on the maturity date. 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.	
"BORROWER EQUITY"	Ten Million Two Hundred Thousand Dollars and No Cents($10,200,000.00)	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.
	One Million Two Hundred Fifty Thousand Dollars and No Cents ($1,250,000.00)	Which is Borrower's non-cash contribution to the Project (such as deferred Developer fees).

"SPECIAL TERMS"	Residual Receipts: After Month 263 annual installments are to begin on the first day of the first month 23 (month 276) of the loan. Based on the annual audited financial statement from the preceding year, such payments will be made upon a "Residual Cash Flow" basis meaning Net Income/1.2 less: (a) debt service and fees on the Senior Loans and reserve deposits required under the Senior Loan; (b) asset management fees up to $7,500 annually and (c) partnership management fee up to $7,500 annually. The Net Income is defined as periodic "Revenue" less "Operating Expenses." "Revenue" means all revenue from the leasing 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 fees; 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. The definition will include deposits into operating and/or replacement reserves maintained by the Borrower;	
"PROJECT"	Which is the Project to be developed on the Property with the Loan funds, described as:	The Project is the rehabilitation of the existing commercial properties on the south side of K Street between 7th and 8th Streets in Downtown Sacramento and the creation of 137 mixed-income rental units, including 15 units in the rehabilitated buildings and 122 units in a newly constructed mid-rise building to the south of, and attached to, the commercial properties.

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	700 K Street, 704 K Street, 708 K Street, 710 K Street, 712 K Street, 716 K Street, 718 K Street, 722 K Street, 724 K Street, 726 K Street, and 730 K Street, 1111 and 1113 7th Street, and 1110 8th Street and 1114 8th Street
Assessor's Parcel Number	006-0096-002,-003,-004,-005,-006,-007,-008,-009.-010,-018 and -019
"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"	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 : Jenny Vega	
"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: Regulatory Agreement	"Regulatory Agreement"
Exhibit 6: Escrow Instructions	"Escrow Instructions

E. "APPROVAL DOCUMENTS" Borrower shall submit the following documents for Lender approval:
Construction Agreements for the Project
Architectural Agreement for the Project
Borrower's organizational documents, such as partnership agreements or corporate articles and by-laws
"Budget" for the Project

F. "ASSIGNED DOCUMENTS" Borrower shall assign the following documents to Lender:
Evidence of financing as described in this Loan Agreement
Plans and Specifications as defined in this Loan Agreement
Construction Contract
Architectural Contract

G. "CONSTRUCTION INFORMATION":			
"Completion Date"	December 31, 2016	Which is the date on or before which the Completion of the Project must occur.	
"General Contractor"	CYF Development, Inc.	Which is the general contractor for construction of the Project.	
"Project Architect"	Kuchman Architects	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%)

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H. "SPECIAL PROVISIONS" The following special provisions shall be in addition to the provisions of this Loan Agreement:
This Loan is made pursuant to the Owner Participation Agreement between the Parties, made concurrently with this Loan Agreement ("OPA"). This Loan Agreement is subject to the OPA including without limitation, conditions precedent to funding the Loan or making disbursements of the Loan proceeds. Notwithstanding anything to the contrary contained in this Loan Agreement, the funds will be disbursed during construction, only after all Borrower funds, construction tax credits, DSRC loan(s) and grant(s) funds have been disbursed for actual costs of Project work completed. Loans up to $3,120,524 will reimburse the Borrower for actual construction costs on a requisition basis per Section 10 of this Loan Agreement. To satisfy the "50% test" set forth in Internal Revenue Code Section 42(h)(4)(B), the remaining funds, less 10% Retention, will be distributed by the Lender pursuant to the Loan Agreement on a requisition basis concurrently with the approval and disbursement of JPMorgan Chase Bank, N.A., (Other Lender) draws. Upon the disbursement of funds by the Other Lender, the Lender shall disburse an equal amount of Loan funds into a Borrower account at JPMorgan Chase Bank, N.A., to be held and disbursed in accordance with the terms of that certain Cash Collateral and Security Agreement executed substantially concurrently herewith by and among Borrower, Lender and JPMorgan Chase Bank, N.A.
Loan funds shall be used solely for 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.
CYF Development, Inc. 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, following the expiration of any applicable notice and cure periods.

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 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. **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.

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

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

8.3.2. **ECONOMIC OPPORTUNITY EMPLOYMENT REQUIREMENTS.** The contract requires that to the greatest extent feasible, opportunities for training and employment be given to lower income residents in and around the area of the project, subject to the requirements of the Fair Housing Act. 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.

8.3.3. **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.

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

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

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

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

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

8.6. **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.

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

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

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

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

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

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

10.2.3. 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, 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.

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

10.2.5. 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.

10.2.6. The Downtown Sacramento Revitalization Corporation and the Borrower have entered into loan and grant agreements creating funding obligations by and between the DSRC and the Borrower. Such documents have been executed and are in full force and effect. Nothing about those obligations as documented and executed, or in submissions and approvals made under it, conflicts with this Loan Agreement. Borrower has done all things necessary to keep unimpaired its rights under the DSRC funding agreements.

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

10.2.8. Borrower must request First Disbursement consistent with the terms and conditions of this Loan Agreement no later than 11 months following the Effective Date of this Loan Agreement.

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 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 3 years and 11 months following the Effective Date of this Loan Agreement. If Borrower failures to request Final Disbursement consistent with the terms and conditions of this Loan Agreement within 3 years and 11 months of the Effective Date the remaining funds will be recaptured.

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, which approvals shall not be unreasonably withheld. 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 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.

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 14 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 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 Contractor'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 Contractor shall notify the Agency 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 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.

Notwithstanding anything herein to the contrary, so long as the value of Lender's lien is not impaired, any condemnation proceeds may be used by Borrower for repair and/or restoration of the Project.

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. **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.

15.6. **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.

15.7. **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.

15.8. **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.

15.9. **NO JOINT VENTURE, PARTNERSHIP, OR OTHER RELATIONSHIP.** No Joint Venture, Partnership, or Other RelationshipNothing 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.

15.10. **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.

15.10.1. **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.

15.10.2. **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.

15.11. **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.

15.12. **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.

15.13. **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.

15.14. **ACCELERATION ON TRANSFER OR REFINANCING OF THE PROPERTY; ASSUMPTION.** Except as otherwise provided in the Loan Agreement or the Owner Participation 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. Notwithstanding anything herein to the contrary, Lender acknowledges and agrees that Borrower shall have the right to refinance the senior loan without penalty.

15.15. **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.

15.16. **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.

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

15.17.1. 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.

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

15.17.3. 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.

15.18. **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.

15.19. **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.

15.20. **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.

15.21. **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.

15.22. **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 reasonable 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 reasonable 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 reasonable 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.

15.23. **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.

15.24. **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.

15.25. **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.

15.26. **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.

15.27. **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.

15.28. **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.

15.29. **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.

15.30. **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.

15.31. **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.

15.32. **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.

15.33. **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.

15.34. **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 :
700 BLOCK INVESTORS, L.P.
a California limited partnership

By: Community Revitalization and Development Corporation, a California nonprofit public benefit corporation
Its: Managing General Partner

By: _____
David Rutledge,
President

By: 700 Block, LLC, a California limited liability company
Its: Co-General Partner

By: _____
Ali Youssefi,
Manager

By: _____
Behroze Miryabianeh,
Manager

Date: _____

Approved as to form:

_____
Borrower Counsel

LENDER:
HOUSING AUTHORITY OF THE CITY OF SACRAMENTO

By: _____
LaShelle Dozier, Executive Director

Date: _____

Approved as to form:

_____
Lender Counsel

Exhibit 1: Legal Description

Exhibit 2: Scope of Development

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

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

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

Apartments:
The mid-rise building contains 122 of the project's 137 total apartments. Of these 122 units, 42 are studios, 83 are one-bedroom apartments and 12 are two-bedroom apartments. The apartments will all be designed with sustainable materials. The top level of the mid-rise building includes 19 apartment units that have mezzanine levels.

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

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

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

Scope of Work - Rehab Construction

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

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

Residential:

- New framing, drywall, doors, and rough work per architectural plans and narratives.
- New plumbing, mechanical / HVAC and electrical system.
- New fire sprinkler system.
- New elevator and/or restore existing elevator to provide entry, basement, and ground floor access.
- Remodel basement into laundry and access to garage parking.
- Repaint exterior and interior of the building.
- Replace the roof and repair downspouts.
- New hallway lighting, unit, and exterior lighting.

- Restore / replace all windows to operating condition with new sash and glazing as needed.
- New window coverings.
- Restore and replace doors & hardware as needed.
- Historic Preservation as required.
- Install site and common space security lighting and web based security cameras will be provided.
- New monument, building, ADA, and unit signage.
- New awnings.
- Repair and Replace siding, moisture barrier, and insulation as needed. Brick work and plaster shall be repaired and replaced as needed.
- Removal / abatement of Hazardous material.
- Repair and replacement of dry rot lumbers.
- Structural and seismic upgrade.

The project will be constructed in a manner consist with the Sacramento Housing and Redevelopment Agency's Multifamily Lending and Mortgage Revenue Bond Policies Rental Property Minimum Construction Standards.

Exhibit 3: Note Form

PROMISSORY NOTE
FOR 700 BLOCK OF K
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 ____, 2014	
"Lender"	Housing Authority of the City of Sacramento	
"Borrower"	700 Block Investors, L.P.	
"Borrower Legal Status"	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 Two Hundred Eighty Thousand Two Hundred Sixty-Two Dollars and No Cents ($6,280,262.00)	
"Interest Rate"	The interest rate is 4% per year, simple interest.	
"Accrual Date"	Interest shall accrue starting on the following "Accrual Date":	The Effective Date

"Special Terms"	Residual Receipts: After Month 263 annual installments are to begin on the first day of the first month of year 23 (month 276) of the loan. Based on the annual audited financial statement from the preceding year, such payments will be made upon a "Residual Cash Flow" basis meaning Net Income/1.2 less: (a) debt service and fees on the Senior Loans and reserve deposits required under the Senior Loan; (b) asset management fees up to $7,500 annually and (c) partnership management fee up to $7,500 annually. The Net Income is defined as periodic "Revenue" less "Operating Expenses." "Revenue" means all revenue from the leasing 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 fees; 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. The definition will include deposits into operating and/or replacement reserves maintained by the Borrower; All unpaid principal shall be due and payable at Maturity or upon sale of the improvements or refinancing of the improvements. 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 684th calendar month following the Effective Date.
"Payment Start Date"	Payments are deferred until the first day of Month 228 following the Effective Date.

<table>
<tr><td>"Payment Amount(s)"</td><td>Monthly principal and interest payments shall be deferred from the Loan's Effective Date through the completed payment of the deferred developer fee and Developer's Project Loan or 227 months from the effective date of the loan agreement.

Starting in month 228 monthly payments will begin as outlined in the below table. Monthly payments shall be applied first to outstanding interest accrued and unpaid and then to principal. After month 263, payments will be made on a residual receipt basis.
<table>
<tr><th>Payment Month</th><th>Payment Amount</th></tr>
<tr><td>228 through 239</td><td>$19,592</td></tr>
<tr><td>240 through 251</td><td>$21,239</td></tr>
<tr><td>252 through 263</td><td>$22,904</td></tr>
<tr><td>264 Through 684</td><td>Residual Receipts as determined in the Special Terms section above</td></tr>
</table></td></tr>
</table>

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

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

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

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

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

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

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

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

d. Borrower defaults or breaches any of the terms of Loan Agreement , the Trust Deed , the Regulatory Agreement or this Note, following the expiration of an applicable notice and cure period.

e. Borrower fails to perform any covenant, term or condition (following the expiration of an applicable notice and cure period if any) 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.

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, unless otherwise in accordance with Section 12 of the Owner Participation Agreement or Section 15.13 and 15.14 of the Construction and Permanent Loan Agreement.

f. The occurrence of any of the following:

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

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

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

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

7. Borrower may prepay this Note in full or in part at any time, without any prepayment penalty being charged by Lender. During the existence of default or delinquency under the terms of this Note or the Trust Deed, the Lender is expressly authorized to apply all payments made on this Note to the payment of all or part of the delinquency, as it may elect.

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

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

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

Borrower: 700 BLOCK INVESTORS, L.P.
a California limited partnership

By: 700 Block Investors, L.P.,
a California limited partnership

By: Community Revitalization and Development Corporation,
a California nonprofit public benefit corporation
Its: Managing General Partner

By: _____
David Rutledge,
President

By: 700 Block, LLC,
a California limited liability company
Its: Co-General Partner

By: _____
Ali Youssefi,
Manager

By: _____
Behroze Miryabianeh,
Manager

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
700 Block of K

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"	700 Block Investors, L.P., limited partnership	
"Borrower Address"	1006 Fourth Street, Suite 701, Sacramento, CA 95814	
"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 is real property located in the County of Sacramento and the State of California as more particularly described in the Legal Description.	
	Address	700 K Street, 704 K Street, 708 K Street, 710 K Street, 712 K Street, 716 K Street, 718 K Street, 722 K Street, 724 K Street, 726 K Street, and 730 K Street, 1111 and 1113 7th Street, and 1110 8th Street and 1114 8th Street
	Assessor's Parcel Number	006—96-002,-003,-004,-005,-006,-007,-008,-009.-010,-018 and -019
"Legal Description"	The Legal Description of the Property which is more particularly described in the attached **Exhibit 1 Legal Description**, which is incorporated in and an integral part of this Deed of Trust	
"Loan"	Which is Lender's loan to Borrower evidenced by the Note and which is secured by this Deed of Trust.	
"Loan Agreement"	Which is the agreement between Lender and Borrower stating the term and conditions of the Loan.	
	Which is dated:	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: To Bank: JPMorgan Chase Bank, N.A3 300 South Grand Avenue, Suite 400 Los Angeles, CA 90071 To Investor: RBC Capital 2601 Ashridge Way Granite Bay, CA 95746	
"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 Two Hundred Eighty Thousand Two Hundred Sixty-Two Dollars and No Cents ($6,280,262.00)

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

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

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

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

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

Borrower and Lender covenant and agree as follows:

1. Payment of Principal and Interest. Borrower shall promptly pay when due the principal and interest, if any, on the indebtedness evidenced by the Note. All payments received by Lender under the Note shall be applied by Lender first to interest payable on the Note and thereafter to the unpaid principal of the Note.

2. Charges; Liens. Borrower shall pay all taxes, assessments and other charges, fines and impositions attributable to the Property and leasehold payments or ground rents, if any by Borrower making payment, when due, directly to the appropriate payee. Borrower shall promptly furnish to Lender all notices of amounts due under this paragraph, and in the event that Borrower makes payment directly, Borrower shall promptly furnish to Lender receipts evidencing such

payments. Borrower shall pay when due any encumbrance, charge and lien, with interest in accordance with its terms, on the Property or any portion which is inferior or superior to this Deed of Trust.

3. Hazard Insurance. Borrower shall keep the improvements now existing or later erected on the Property insured against loss of fire or hazards under a policy approved by Lender consistent with the insurance requirements of the Loan Agreement. In addition, Borrower shall insure against loss of all furniture, equipment and other personal property owned by Borrower related to Borrower's operation of the Property. Lender shall have the right to hold the policies and policy renewals, and Borrower shall promptly furnish to Lender all renewal notices and all receipts of paid premiums. In the event of loss, Borrower shall give prompt notice to the insurance carrier and Lender. Lender may make proof of loss if not made promptly by Borrower.

Unless Lender and Borrower otherwise agree in writing, insurance proceeds shall be applied to restoration or repair of the Property damaged, as and to the extent provided in the Loan Agreement, and Lender shall permit use of the insurance proceeds for restoration or repairs so long as the value of its lien is not impaired.

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

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

16. Acceleration on Breach; Remedies. Except as provided in Section 15, upon Borrower's breach of any covenant or agreement of Borrower in this Deed of Trust, the Note, (including the covenants to pay when due any sums secured by this Deed of Trust and restricting transfer of the Property) or Loan Agreement, Lender shall mail notice to Borrower specifying: (1) the breach; (2) the action required to cure such breach; (3) a date, no less than 30 days from the date the notice is mailed to Borrower, by which breach must be cured; and (4) that failure to cure such breach on or before the date specified in the notice may result in acceleration of the sums secured by this Deed of Trust and sale of the Property. If the breach is not cured on or before the date specified in the notice, Lender at Lender's option may declare all of the sums secured by this

Deed of Trust to be immediately due and payable without further demand and may invoke the power of sale and any other remedies permitted by applicable law. Lender shall be entitled to collect from the Borrower, or sale proceeds, if any, all reasonable costs and expenses incurred in pursuing the remedies provided in this Section, including, but not limited to reasonable attorney's fees.

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

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

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

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

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

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

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

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

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

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

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

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

BORROWER (Trustor):
700 BLOCK INVESTORS, L.P.
a California limited partnership

By: 700 Block Investors, L.P.,
a California limited partnership

By: Community Revitalization and Development Corporation,
a California nonprofit public benefit corporation
Its: Managing General Partner

By: _____
David Rutledge,
President

By: 700 Block, LLC,
a California limited liability company
Its: Co-General Partner

By: _____
Ali Youssefi,
Manager

By: _____
Behroze Miryabianeh,
Manager

[NOTARIZED ACKNOWLEDGEMENTS]

Exhibit 1: Legal Description

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

REGULATORY AGREEMENT FOR RESIDENTIAL RENTAL PROPERTY CONTAINING COVENANTS AFFECTING REAL PROPERTY

PROJECT NAME:	**700 Block of K**
PROJECT ADDRESS:	**700 K Street, 704 K Street, 708 K Street, 710 K Street, 712 K Street, 716 K Street, 718 K Street, 722 K Street, 724 K Street, 726 K Street, and 730 K Street, 1111 and 1113 7th Street, and 1110 8th Street and 1114 8th Street**
APN:	**006—96-002,-003,-004,-005,-006,-007,-008,-009.-010,-018 and -019**

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

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

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

TERM	DEFINITION		
"Effective Date"	This Regulatory Agreement shall be effective as of the following date:		December ___ , 2014
"Agency"	Housing Authority of the City of Sacramento		
	The Agency is a public body, corporate and politic.		
"Owner"	700 Block Investors, L.P.		
"Agency Address"	Agency's business address is 801 12th Street, Sacramento, California 95814		
"Owner Address"	Owner's business address is as follows:	1006 Fourth Street, Suite 701, Sacramento, CA 95814	
"Jurisdiction"	City of Sacramento		
"Property"	That certain real property which is subject to this Regulatory Agreement as further described in the legal description, attached as **Exhibit 1 – Legal Description of the Property** and incorporated in this Regulatory Agreement by this reference		
"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:	$6,280,262.00
"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.	17%
"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 and 3 – 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:	137

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

Agency Funding Source:	Other Funding Source:	Affordability Level:	Number of Units:	Restricted Units:	Initial Rent per Unit per Month:
HTF		50% AMI	1	Studio	$601
HTF		50% AMI	3	1 Bedroom	$644
HTF		50% AMI	1	2 Bedroom	$773
Housing Authority (Former Low/Mod)		50% AMI	3	Studio	$601
Housing Authority (Former Low/Mod		50% AMI	3	1 Bedroom	$644
Housing Authority (Former Low/Mod		60% AMI	21	Studio	$721
Housing Authority (Former Low/Mod		60% AMI	47	1 Bedroom	$773
Housing Authority (Former Low/Mod		60% AMI	4	2 Bedroom	$928

4. **MANAGEMENT AGREEMENT.** Borrower shall obtain and maintain a property management agreement with a duly accredited real estate property management company for the management of the Property. Owner shall not change management company without the prior written approval of the Agency. If Agency has approved an initial property manager for the Project, the company shall be listed immediately below. The term of such agreement shall be the longer of the term of the Funding Agreement or the longest term of the Funding Restrictions

Approved Management Company
CFY Development Inc.

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

Provision	Term
Expiration of affordability period. Owner agrees the rent of "in-place" tenants at the conclusion of the required affordability period will continue to be governed by the applicable affordability restrictions, so long as those tenants continue to live in the development.	Fifty-five (55) 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. 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, gender, familial status, age 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.

h. 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 subject to adjustments permitted by applicable utility allowances.

i. 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.

j. Owner shall make 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.

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

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

a. **EXPIRATION OF AFFORDABILITY PERIOD.** Owner agrees the rent of "in-place" tenants at the conclusion of Term, the required affordability will continue to be governed by the applicable affordability restrictions, so long as those tenants continue to live in the development.

10. **REVIVAL OF COVENANTS AFTER FORECLOSURE.** The affordability restrictions shall be revived after foreclosure, or deed in lieu of foreclosure according to the original terms if, during the original term of this Regulatory Agreement, if the Owner, who was owner of record before the termination event, or a party related to the Owner obtains an ownership interest in the Property or Restricted Unit, as the case may be. For purposes of this provision, a related party is anyone with whom the Owner has or had family or business ties; provided that such interest would not be considered a "remote interest" in the usual and customary use of the term.

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

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

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

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

15. **CHANGES WITHOUT CONSENT OF TENANTS, LESSEES, OR OTHERS.** Only Agency and its successors and assigns, and Owner (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.

a. **REGULATORY AGREEMENT VIOLATIONS.** Owner shall pay the program compliance fees and expenses to Agency set forth in Compliance Violations and Actions (Exhibit 3 - Compliance Violations and Actions) in reimbursement of the amounts and time expended by Agency to insure Owner's compliance with State statutes and federal regulations and Owner's obligations under the Regulatory Agreement as a result of the Owner not meeting its obligations and reporting requirements. No compliance fee will be assessed for one incident of each type of compliance violation per annual inspection provided the violation is corrected within the specified corrective time period. The second and subsequent violations will be assessed compliance fees as detailed in the Compliance Violations and Actions tables.

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 judgement is less favorable than the best settlement offered in writing in a reasonable manner by the other party, in which case the prevailing party is the other party.

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

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

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

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

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

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

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

OWNER : 700 BLOCK INVESTORS, L.P.
a California limited partnership

By: Community Revitalization and
Development Corporation,
a California nonprofit public benefit
corporation
Its: Managing General Partner

By: _____
David Rutledge,
President

By: 700 Block, LLC,
a California limited liability company
Its: Co-General Partner

By: _____
Ali Youssefi,
Manager

By: _____
Behroze Miryabianeh,
Manager

Date:_____

Approved as to form:_____
Developer Counsel

AGENCY: THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO

By: _____
LaShelle Dozier, Executive Director

Date: _____

Approved as to form:_____
Agency Counsel

[NOTARIZED ACKNOWLEDGEMENTS]

Exhibit 1: Legal Description

Exhibit 2

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

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

1. **RECITALS.** Agency is a redevelopment agency organized and operating under the California Redevelopment Law (commencing at Health & Safety Code Section 33000). The Agency Funding is funded by the Agency with proceeds of the Low and Moderate Income Housing Fund (as defined in Health & Safety Code Section 33334.3) and made in accordance with the Aggregation of Agency Funding that occurred pursuant to Resolution 2009-57 adopted by the Redevelopment of the City of Sacramento or Resolution 0896 adopted by the County of Sacramento Redevelopment Area in accordance with Health and Safety Code Sections 33334.2(g) and 33413, the provisions of the redevelopment plans for the Agency's Project Areas ("Redevelopment Plans"), and the California Redevelopment Law. The Agency has approved the Agency Funding on condition that the property securing the Agency Funding ("Property") is rehabilitated or developed as residential rental property ("Project") with certain units regulated in accordance with Health & Safety Code Section 33487 ("TI Restricted Units") by recordation of these TI Funding Restrictions as covenants running with the land, in accordance with Health & Safety Code Section 33334.3(f). TI Restricted Units are made affordable by such regulation to persons and households that qualify as moderate-income, low-income or very low-income as indicated in Article I of the Regulatory Agreement. The development of the Project will benefit the Project Areas because the Project will provide housing for persons who work within the Project Areas.

2. **AFFORDABILITY REQUIREMENTS.** Owner shall assure that the TI Restricted Units shall be rented or sold at or below the following rates to households whose incomes are at or below the respective income limits for the rental rate:

   a. Moderate-Income TI Restricted Units shall be rented for amounts that do not exceed payments of thirty percent (30%) of one hundred and ten percent (110%) of the Sacramento Metropolitan Statistical Area median income ("Median Income"), as determined annually by the federal Department of Housing and Urban Development, as adjusted for family size appropriate to the size and number of bedrooms in the respective TI Restricted Unit.

   b. Low-Income TI Restricted Units shall be rented for amounts that do not exceed payments of thirty percent (30%) of sixty percent (60%) of the Median Income as adjusted for family size appropriate to the size and number of bedrooms in the respective TI Restricted Unit.

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

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

3. **TERM.** These covenants shall burden and regulate the TI Restricted Units for a term of fifty-five (55) years, unless a longer term is specified in the body of the document to which this attached.

Exhibit 3

HTF FUNDING REQUIREMENTS
HOUSING TRUST FUND – CITY OF SACRAMENTO
FINANCING FOR RESIDENTIAL RENTAL PROPERTY

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

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

2. **AFFORDABILITY REQUIREMENTS.** Owner shall assure that all of the HTF-Assisted Units assisted with HTF funds shall be rented at or below the following rates:

a. Low-Income Units shall be rented for not more than thirty percent (30%) of sixty percent (60%) of the Sacramento Metropolitan Statistical Area median income ("Median Income"), as determined annually by the federal Department of Housing and Urban Development, as adjusted for family size appropriate to the size and number of bedrooms in the respective HTF-Assisted Unit.

b. Very Low-Income Units shall be rented for not more than thirty percent (30%) of fifty percent (50%) of the Median Income as adjusted for family size appropriate to the size and number of bedrooms in the respective HTF-Assisted Unit.

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

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

2. **OCCUPANCY REQUIREMENTS.** Owner shall assure that all HTF-Assisted Units shall be occupied by households earning less than eighty percent (80%) of Median Income.

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

TERM. These covenants shall burden and regulate the HTF-Assisted Units for a term of thirty (30) years.

Exhibit 6: Escrow Instructions

SAMPLE
JOINT ESCROW INSTRUCTIONS
AGENCY LOAN AND CONDITIONAL GRANT AGREEMENT FOR DEVELOPMENT OF REAL PROPERTY

"Effective Date"	

Agency, Grantee and Partnership execute these Escrow Instructions as of the Effective Date. This document, including attachments and any amendments and additions, shall constitute the joint escrow instructions of Agency, Grantee and Partnership for the Agency conditional grant and loan which is secured by the Property.

ARTICLE I. GENERAL TERMS.

24. **GENERAL.** These Escrow Instructions, in addition to items listed below includes Article II General Provisions, which is attached to and incorporated in these Escrow Instructions by this reference.

25. **DEFINITIONS.** The capitalized terms in these Escrow Instructions shall have the meanings assigned in Article I General Terms and as defined in Article II Instructions. (Terms being defined are indicated by quotation marks.)

"Title Company"	Placer Title Company			
	Address:	301 University Avenue, Suite #120, Sacramento, CA 95825		
"Escrow" with Title Company	**Escrow Number:**	404-9400.2	**Attention:**	Jenny Vega
"Agency"	Housing Authority of the City of Sacramento			
	Address:	801 – 12th Street, Sacramento, CA 95814		
	Attention:	Christine Weichert		
"Partnership"	700 Block Investors, L.P.			
	Address:	1006 fourth Street, Suite 701, Sacramento, CA 95814		
	Attention:	Ali Youssefi		
"Grantee:	The Downtown Sacramento Revitalization Corporation, Inc. (DSRC)			
	Address:	c/o Economic Development Department of the City of Sacramento 915 I Street, Sacramento, CA 95814		
"Closing Date"				
"Property"	**Address:**		**APN:**	
"Transaction Document"	The document that details the obligations of the parties for the contemplated transaction (*e.g.,* Loan Agreement or Owner Participation Agreement):			
Description of the transaction				

"Recorded Documents"- The following documents are to be recorded in the order listed (top being first in priority). Copies of the Recorded documents are attached.	**Documents:**	**Marked for return to:**
	1.	1.
"Agency Items"		
"Partnership Items"		
"Special Provisions":		

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"Agency Title Policy" in the form of an ALTA Lender's Policy insuring that the following are valid liens against the property:	**Documents:**	**Coverage amount (purchase price):**	
		I	
"Partnership Title Policy" insuring fee title in Developer.	**Type of Policy:**		
	☐CLTA ☐ALTA standard owner's policy		
The title policies shall be subject only to the following "Conditions of Title":	Named items of Title Company's Preliminary Report for the Escrow, to remain after Close of Escrow	**Dated:**	
		Report Number:	
		Items remaining:	

THE PARTIES HAVE EXECUTED THESE ESCROW INSTRUCTIONS in Sacramento, California as of the Effective Date.

DEVELOPER:

By: _____
Name:
Title:

AGENCY:

By: _____
Name:
Title:

ARTICLE II. INSTRUCTIONS

1. **CLOSING DATE.** Escrow shall close on or before the Closing Date as it may be changed from time to time by written agreement of Developer and Agency.

2. **CONDITIONS TO CLOSE OF ESCROW.** "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 The following are conditions to the Close of Escrow:

2.1.1. The conditions precedent to performance stated in the Transaction Document and Recorded Documents are satisfied as of the Closing Date.

2.1.2. Simultaneously with the Close of Escrow, Title Company shall issue the Agency Title Insurance to Agency (at Developer's cost) in the amount stated. The Agency Title Insurance shall include all usual and customary endorsements and any endorsements and other commitments as Agency may reasonably require. The Agency Title Insurance shall show the Recorded Documents marked for return to Agency as valid liens against the Property in favor of the Agency, subject only to the Conditions of Title, and securing, as applicable, Developer's performance of it obligations and repayment of Agency Funding.

2.1.3. Simultaneously with the Close of Escrow, Title Company shall issue the Developer Title Insurance to Agency (at Agency's cost) in the amount stated. The Developer Title Insurance shall include all usual and customary endorsements and any endorsements and other commitments as Developer may reasonably require. The Developer Title Insurance shall insure Developer's fee simple title to the Property subject only to the Conditions of Title.

2.1.4. Prior to the Closing Date, the parties shall duly execute (in Escrow or prior to deposit in Escrow) each such document and shall execute those to be recorded in a manner suitable for recording.

2.1.5. On or before the Closing Date, Agency shall also deposit with Title Company the Developer Items and any Loan Amount then to be disbursed under this Agreement, but not less than closing costs, fees and charges required for Close of Escrow.

2.1.6. On or before the Close of Escrow, Developer shall also deposit with Title Company the Agency Items and Developer's share of closing costs and fees.

2.1.7. Title Company is satisfied that all required funds have been deposited in Title Company's account for the Escrow, have cleared the originating bank and are available for transfer by Title Company's check or wire transfer to the appropriate party.

2.2. **TRUST DEED FORM.** If a Trust Deed is included in the Recorded Documents and no exhibit setting out the form of the Trust Deed form is attached, the Title Company shall draw the Trust Deed on the Title Company's Long Form Deed of Trust. Title Company shall assure that the Trust Deed includes a standard clause giving Agency the option to accelerate the Loan upon the sale, conveyance, transfer or further encumbrance of the Property, whether voluntary or involuntary. Title Company shall also affix the following provision to the Trust Deed and incorporate it in the Trust Deed by reference:

> *"The Loan Agreement requires the filing of the "Regulatory Agreement" that is defined in the Loan Agreement. The Regulatory Agreement contains covenants running with the land and is recorded against the Property. If Developer 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 Agency's written notice to Developer of such failure, the principal balance of the Loan shall, at Agency's option, be immediately due and payable, together with all unpaid interest at the stated rate from the date of the advancement of the Loan's proceeds."*

2.3. **UPON CLOSE OF ESCROW.** The Close of Escrow shall take place on the Closing Date. On the Closing Date, Title Company shall complete the Close of Escrow as follows and in the following order (unless otherwise stated, all recorded documents are recorded with the Sacramento County Recorder):

2.3.1. Assure fulfillment of the Special Provisions;

2.3.2. Obtain full execution of all unexecuted documents;

2.3.3. Date all undated documents as of the Closing Date;

2.3.4. Record the Recorded Documents in the priority listed;

2.3.5. Determine all closing costs and fees; including without limitation, all charges, fees, taxes and title insurance premiums payable under this Agreement on Close of Escrow and any other fees and charges approved for payment from Escrow by both parties and deduct such fees from the Loan proceeds deposited by Agency in Escrow;

2.3.6. Deliver the Agency Items to Agency and the Developer Items to Developer; and

2.3.7. Prepare and deliver to Developer and Agency, respectively, signed originals of all documents included for delivery to either party and not delivered for recording, one signed original of Title Company's closing statement showing all receipts and disbursements of the Escrow, and one conformed copy of each of the recorded documents.

2.4. **INABILITY TO CLOSE.** If Title Company is unable to simultaneously perform all of the preceding instructions, Title Company shall notify Developer and Agency, and upon each of their directions return to each party all documents, items and funds deposited in Escrow by such party (less fees and expenses incurred by the respective party) and bill the respective parties for any unpaid fees and expenses incurred in Escrow. If Escrow fails to close on the Closing Date because Developer has not complied with Developer's obligations under this Loan Agreement, then Developer shall pay the costs incurred through Escrow to the date the Escrow is terminated, including the cost of any preliminary title report and any cancellation fees or other costs of this Escrow. If Escrow fails to close on or before the Closing Date because Agency has not complied with Agency's obligations under this Loan Agreement, such costs shall be paid by Agency. If Escrow fails to close on or before the Closing Date for any other reason, such costs shall be divided equally between the parties.

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

/ / / / / / / /

ACCEPTANCE OF ESCROW INSTRUCTIONS

Your acceptance of this escrow shall create a contractual obligation by you with Agency and Developer for complete compliance with these instructions. Agency and Developer reserve the right to jointly revoke this escrow at any time upon their payment to you of your fees and reimbursement to you of your expenses in accordance with the terms of these escrow instructions. Your obligations as Escrow Holder under these escrow instructions shall be subject to the following provisions:

You are not responsible as to the sufficiency or correctness as to form, manner of execution, or validity of any instrument deposited in this escrow nor as to the authority or rights of any person executing such instrument. Except as otherwise provided in these escrow instructions, your duties as Escrow Holder are limited to the proper handling of monies and the proper safekeeping of instruments and other items received by you as Escrow Holder, and for the performance of your obligations as specifically provided under these escrow instructions. You are responsible for the sufficiency of any instruments or documents prepared by you for this escrow.

Developer agrees to indemnify and hold you harmless from damages incurred as a result of your good faith and diligent performance of your duties under these escrow instructions.

Upon your acceptance of these escrow instructions return the executed counterparts of these escrow instructions to Agency and Developer, respectively.

Escrow Holder acknowledges receipt of the foregoing escrow instructions and agrees to act as Escrow Holder and to comply with the terms and conditions of said escrow instructions.

Dated: _____

TITLE COMPANY

_____

By: _____
Name: _____
Title: _____
Its authorized agent and signatory

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CONDITIONAL GRANT AGREEMENT

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

1. **GRANT.** The Grantor is making the Grant pursuant to the terms and conditions of this Grant Agreement. Grantor and Grantee have entered this Grant Agreement as of the Effective Date.

2. **DEFINITIONS TABLES.** The capitalized terms in this Grant 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 Grant or the referenced item is not required or is not included in this Grant as the context may indicate.

A. "GRANT INFORMATION" The general Grant provisions of the Grant:		
"EFFECTIVE DATE"	December ____ , 2014	Being the date as of which this Grant Agreement shall be effective
"GRANTOR"	The following public agency that is making the Grant, 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, Sacramento CA 95814	
"GRANTEE"	The Grantee of the Grant funds whose name, legal status and address are:	
Name	The Downtown Sacramento Revitalization Corporation (DSRC), Inc.	
Legal Status	a California not for profit public benefit corporation	
Principal Address	c/o Economic Development Department of the City of Sacramento, 915 I Street, Sacramento, CA 95814	
"GRANT"	The Grant made by this Grant Agreement.	
"GRANT COMMITMENT"	Grantor's Grant commitment, made by letter dated as of October 1, 2014	This Grant is made pursuant to the Owner Participation Agreement by and between Grantor and 700 Block Investors, a California Limited Partnership (the "Partnership") dated December ____ , 2014 (the "OPA").
"GRANT PROGRAM"	Grantor's Grant Program, commonly known as	Merged Downtown Project Area Tax Increment Housing Set-Aside Fund
"GRANT AMOUNT"	Three Million Eight Hundred Nineteen Thousand Seven Hundred and Thirty Eight Dollars ($3,819,738)	
"GRANTEE EQUITY"	$10,200,000 Developer/Investor Equity	Which is the minimum amount of cash or cash equivalent (excluding land equity or other non-cash investment in the Project) that Developer is investing in the Project.
"SATISFACTION OF CONDITION"	The Grant shall be satisfied upon the Partnership's purchase of the Property, origination and execution of Grantee Loan and Grant Documents to the Partnership, recordation of a regulatory agreement and Grantee's Deed of Trust against the Property, and disbursement of 100% of the Grant Funding to the Partnership as outlined in Section 8 of this Grant Agreement for Project related costs as included in the OPA.	
"PROJECT"	Pursuant to the OPA by and between Grantor and Partnership, the Project is the creation of 137 mixed-income rental units, including 15 units in the rehabilitated buildings and 122 units in a newly constructed mid-rise building located on the south side of K Street between 7th and 8th Streets in Downtown Sacramento.	

B. "COLLATERAL" The Collateral securing repayment of the Grant, which Collateral consists of the following:	
"PROPERTY"	The following described real property, which is security for the Grant and the site of the Project:
Address	700 K Street, 704 K Street, 708 K Street, 710 K Street, 712 K Street, 716 K Street, 718 K Street, 722 K Street, 724 K Street, 726 K Street, and 730 K Street, 1111 and 1113 7th Street, and 1110 8th Street and 1114 8th Street, Sacramento, CA 95814
Assessor's Parcel Number	006-0096-002,-003,-004,-005,-006,-007,-008,-009.-010,-018 and -019
"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.
Partnership's Title Interest	The Partnership has rights to obtain fee interest in the Property and will acquire fee interest in the Property as provided as required in the OPA. Grantor acknowledges that Grantee has and will have no fee interest in the Property and that Grantor will look solely to the Partnership for effectuating the Grantor's security interest in the Property.

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 Jenny Vega	
"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 Grant Agreement):	
EXHIBIT	DEFINED TERM
Exhibit 1: Legal Description	"Legal Description"
Exhibit 2: Schedule of Performances	"Schedule of Performances"
Exhibit 3: Note Form	"Promissory Note"
Exhibit 4: Escrow Instructions Form	"Escrow Instructions"
Exhibit 5: Funding Requirements	"Funding Requirements"

E. "APPROVAL DOCUMENTS" Grantee shall submit the following documents for Grantor approval:
Grantee's organizational documents, such as partnership agreements or corporate articles and by-laws
"Budget" for the Project

G. "CONSTRUCTION INFORMATION":		
"Completion Date"	December 31, 2016	Which is the date on or before which the Completion of the Project must occur.
"General Contractor"	CFY Development Inc.	Which is the general contractor for construction of the Project.
"Project Architect"	Kuchman Architects	Which is the architect for design of the Project

H. "SPECIAL PROVISIONS" The following special provisions shall be in addition to the provisions of this Grant Agreement:
1. This Grant is made pursuant to the OPA by and between the Grantor and the Partnership dated December ___ , 2014. This Grant Agreement is subject to the OPA including without limitation, conditions precedent to funding the Grant or making disbursements of the Grant proceeds.

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

3.1. "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.

3.2. "Escrow" is the escrow with Title Company for the closing of the Grant.

3.3. "Escrow Instructions" means the Escrow Instructions for the Escrow signed by Grantee, the Partnership and the Grantor.

3.4. "Event of Default" is breach of or default in a party's obligations under this Grant Agreement or the Side Funding Agreement, or the OPA.

3.5. "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.

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

3.7. "Grant" is the Grant from Grantor to Grantee made pursuant to this Grant Agreement.

3.8. "Grant Agreement" means this Grant Agreement including all Exhibits attached to this Grant Agreement (which are incorporated in this Grant Agreement by this reference) and the Grant Documents which are not otherwise included in this definition.

3.9. "Grant Proceeds" means funds disbursed by Grantor on account of the Grant and pursuant to this Grant Agreement.

3.10. "Partnership" means 700 Block Investor L.P.

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

3.12. "Residual Receipts" Residual Receipts: Based on the annual audited financial statement from the preceding year, such payments will be made upon a "Residual Cash Flow" basis meaning Net Income/1.2 less: (a) debt service and fees on the Senior Loans and reserve deposits required under the Senior Loan; (b) asset management fees up to $7,500 annually and (c) partnership management fee up to $7,500 annually.

The Net Income is defined as periodic "Revenue" less "Operating Expenses." "Revenue" means all revenue from the leasing 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; 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. The definition will include deposits into operating and/or replacement reserves maintained by the Borrower.

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

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

4.1. **LEGAL ORGANIZATION.** Grantee is duly formed and validly exists in the form stated in Article I, is qualified to do business in California, and has full power to consummate the transactions contemplated.

4.2. **GRANTEE'S POWERS.** Grantee has full authority to execute this Grant Agreement, 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 Grant Agreement constitutes a legal and binding obligation of, and is valid and enforceable against Grantee, in accordance with their respective terms.

4.4. **LITIGATION.** There are no actions, suits, or proceedings pending or, to the best knowledge of Grantee, threatened against or affecting Grantee or the validity or enforceability of any of the other Grant Documents, at law or in equity, or before or by any Governmental Authority. Grantee 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 Grant Agreement and the payment and performance of all of the obligations in the Grant Documents, will not result in any breach of, or constitute a default under, any mortgage, deed of trust, lease, contract, Grant or credit agreement, corporate charter, bylaws, partnership agreement, trust agreement, or other instrument to which the Grantee is a party or by which it may be bound or affected.

4.6. **NO DEFAULT.** There is no Event of Default or Potential Default on the part of Grantee or on the part of the Partnership.

4.7. **USE OF PROCEEDS.** All Grant Proceeds will be disbursed as provided in this Grant Agreement and used only for the purposes specified in the Grant.

4.8. TAXES PAID. Grantee has filed all required Federal, State, County, and City tax returns and has paid all taxes due and owing.

4.9. **ACCURACY.** All applications, financial statements, reports, documents, instruments, information, and forms of evidence delivered to Grantor concerning the Grant or required by this Grant Agreement or any of the other Grant Documents are accurate, correct, and sufficiently complete to give Grantor 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. **GRANT.** Grantor agrees to deliver to Grantee, and Grantee agrees to accept from Grantor, an amount not to exceed the Grant Amount subject to the terms, conditions, representations, warranties, and covenants in this Grant Agreement.

5.1. **PRINCIPAL AMOUNT.** The principal amount of the Grant shall be the actual disbursements of the Grantor to or on account of Grantee, not to exceed the Grant Amount.

5.2. **USE OF GRANT FUNDS.** The Grant is to be used by Grantee solely to pay the costs of developing, rehabilitating and constructing the Project, for such other purposes as Agency expressly agrees to in the Owners Participation Agreement (OPA) by and between Agency and Partnership (or other related entity controlled by the principals of D & S Development, Inc. and CFY Development, Inc.) and in the grant agreements, and such other agreements between Agency and Grantee as may be generally required by the Agency for the use of the funding sources for Grant.

5.2.1. In order to accomplish the purposes stated in this paragraph, Grantee shall:

a. Make a loan (the "Partnership Loan") of $3,159,738 to the 700 Block Investors, L.P. or related entity.
b. Make a grant (the "Partnership Grant") of $660,000 to the 700 Block, LLC. who will provide it to the 700 Block Investors, L.P.

5.2.2. **REPAYMENT OF PARTNERSHIP LOAN:** Agency, Grantee and other lender staff have worked with the Partnership to underwrite the Project and perform the associated due diligence. The Partnership Loan shall be made, based on the following terms:

a. **TERM OF PARTNERSHIP LOAN:** The Partnership Loan shall mature in Month 684 following the date of the effective date of the Partnership Loan.

b. **INTEREST RATE:** The Partnership Loan will bear interest at one percent (1%) interest

c. **MONTHLY PAYMENTS:** Repayments of the Partnership Loan to Grantee shall be made according to the following schedule: no payment shall be due in Months 1 through 540 (Year 45) following the effective date of the Partnership Loan. Starting in month 541, annual (Year 46) Residual Receipts payments will be made. Payments shall be applied first to outstanding interest accrued and unpaid and then to principal. All outstanding principal and interest is due and payable on the maturity date. This schedule is predicated on the repayment of the $6,280,262 Partnership loan obligation to the Grantor ("Agency Loan"). If the Agency Loan is retired before its scheduled maturity date, the Partnership Loan payments would begin immediately in the month following the retirement of the Agency Loan using the Residual Receipt formula. Correspondingly, if the Agency Loan is retired after its scheduled maturity date, the Partnership Loan payments would not begin until after the retirement of the Agency Loan and the maturity date would be 684 months following the effective date of the loan.

d. **LOAN PAYMENTS:** Grantee will allow the Partnership to repay loan to Grantee at any time during the term of the loan without penalty.

5.3. **GRANT TERMS.** The Grant is made pursuant to the Grant Program and is subject to the laws, rules and regulations of the Grant Program. Grantor agrees to disburse the Grant Proceeds in the manner and subject to the limitations stated in this Grant Agreement.

5.4. **REGULATORY AGREEMENT.** The funding for this Grant is from Grantor's Merged Downtown Redevelopment Project Area Low/Mod Fund. Grantor and the Partnership are entering into a Residential Regulatory Agreement (Regulatory Agreement) to be recorded against the Property. The Regulatory Agreement imposing covenants, conditions and restrictions running with the land is a material consideration for the making of the Grant. The Borrower shall ensure that the Partnership execute the Regulatory Agreement prior to Close of Escrow and deliver it to Escrow for recordation as a condition precedent to the Grant disbursement.

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

5.5. 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.

5.6. COMMISSIONS. Grantor is not responsible, by this Grant Agreement or otherwise, to pay commissions in relation to this transaction.

6. **PERFORMANCE CONDITIONS.** The following are conditions precedent to performance under this Grant Agreement:

6.1. **CONDITION OF TITLE.** Grantor shall cause Escrow Agent to issue to Grantee (with a copy to Grantor) the Preliminary Report, together with copies of all documents relating to title exceptions referred to in the Preliminary Report. At Close of Escrow, Grantor's Regulatory Agreement executed by the Partnership shall be a valid lien against the Property securing the Grant 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 GRANTOR'S PERFORMANCE.** Grantor's obligation to perform under this Grant Agreement is subject to all of the following conditions: (a) Grantee has performed all of its obligations then to be performed pursuant to this Grant Agreement (b) the closing conditions as defined in the Escrow Instructions have been fulfilled as of Close of Escrow; (c) Grantee's representations and warranties in this Grant Agreement are true and correct as of the Close of Escrow, (d) this Grant Agreement continues to be in full force and effect, no default on the part of Grantee has occurred under the Grant Agreement, and no event has occurred that, with the giving of notice or the passage of time, will constitute a default by Grantee under the Grant Agreement; and (e) Grantor's governing board has approved this document.

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

7. **CONSTRUCTION.** As a condition of the Partnership Loan, Grantee will obligate the Partnership to diligently proceed with construction in accordance with the Scope of Development as approved by Grantor. Grantee shall obligate the Partnership to complete such work on or before the Completion Date, subject to Unavoidable Delay, and all in compliance with the Construction and Permanent Loan Agreement to be entered into between Grantor and the Partnership.

8. **GRANT DISBURSEMENT PROCEDURES.** The Grant disbursement will be a disbursement of the full grant amount for the Grantee to use for the Partnership Loan and the Partnership Grant at Close of Escrow.

8.1. **CONDITIONS PRECEDENT TO GRANT DISBURSEMENT.** The obligation of Grantor to make or approve any disbursements under this Grant Agreement shall be subject to the following conditions precedent:

8.1.1. The Grantee and the Partnership have established a construction escrow account requiring the disbursement of these Grant Funds in accordance with and pursuant to the terms and conditions of this Grant to and for the Project.

8.1.2. No Event of Default or Potential Default of Grantee has occurred and is continuing.

8.1.3. If requested by Grantor, Grantee has furnished or required the Partnership to furnish to Grantor, 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 Grantor.

8.1.4. The representations and warranties in the Grant Documents are correct as of the date of the requested disbursement.

8.1.5. Grantee has submitted or required the Partnership to submit to Grantor all documents, records, statements, certificates, reports, and other materials and information then required to be submitted to Grantor for approval under this Grant Agreement.

8.1.6. Grantee has delivered or required the Partnership to deliver to Grantor all documents, instruments, policies, evidence of satisfaction of conditions, and other materials then due or otherwise requested by Grantor under the Grant Documents.

8.1.7. There is no legal action threatened or pending against Grantee or affecting the Property.

8.1.8. All conditions to Close of Escrow have been satisfied in accordance with this Grant Agreement.

8.1.9. The Grantee has required the Partnership to obtain and Partnership has obtained and Grantor has approved a loan approval from a financial institution or other Grantor approved by Grantor in its sole discretion, to make the permanent financing obtained by the Partnership, or the Partnership has obtained commitments to issue bonds, which repay after completion of the Project all construction and other loans secured by the Project and which are 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 Grantor will have notice of, and a reasonable opportunity to cure, any Grantee defaults.

8.1.10. The Partnership has provided proof of all insurance required by the OPA.

8.1.11. The Grantee has obtained from the Partnership documentation verifying that all of the Partnership's commitments for construction financing are in full force, have 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, and has provided such documentation to Grantor. Grantee has obtained from the Partnership documentation verifying that nothing in the Partnership's construction loan commitments, or submissions and approvals made under it, conflicts with this Grant Agreement and the Partnership has done all things necessary to keep unimpaired its rights under the loan commitments for the loans, and has provided such documentation to Grantor.

8.2. **CONDITIONS PRECEDENT TO DISBURSEMENT FROM GRANTEE TO PARTNERSHIP.** Grantee shall place proceeds of this Grant into a construction escrow account with the senior construction lender. Grantee shall authorize the disbursement under this Grant Agreement when the following conditions precedent and the conditions precedent stated in Section 8.1 have been met:

8.2.1. As applicable, the Project Architect and the Partnership's designated agent will have certified to Grantee, on AIA Form G704 and in a manner satisfactory to Grantee:

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.

8.2.2. The Grantee has obtained from the Partnership documentation verifying that the Partnership has filed all tax returns required to be filed and paid all taxes due, which, if unfiled or unpaid, might adversely affect Grantor's security under the Security Documents, and has provided such documentation to Grantor.

8.2.3. Grantee has furnished evidence, in form and substance satisfactory to Grantor, that:

a. The General Contractor and subcontractors and material suppliers and their subcontractors and material suppliers have been paid in full;

b. The Partnership 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 Grantor, 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 the Partnership in favor of Grantor.

8.2.4. Grantor has received written approval from the surety on any bond required by Grantor.

8.3. **COMPLIANCE.** To the best of Grantee'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 loans secured by real property in the general area of the Property, to the extent available as of the date of this Grant Agreement, have been given or taken, or the Partnership is entitled to have them given or taken as the ministerial act of the applicable Governmental Authority.

9. **PROPERTY MANAGEMENT COMPANY.** For the life of the Grant, Grantee shall obligate the Partnership to 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 obligate the compliance of the property management with such agreement. Grantor shall not disburse any funds under this Grant Agreement unless and until it has reviewed and approved the agreement as adequate and the property management company as top quality and duly accredited. Grantor 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 the Partnership's making such changes, and Grantee shall cause the Partnership to request such approval. Any such changes made without Grantor approval shall be a default of the Grant. Grantor has approved CFY Development, Inc., as a qualified property management company for the Project.

10. **EVENTS OF DEFAULT.** At the option of Grantor, each of the following events will constitute an "Event of Default", subject to applicable cure rights, if any as provided in the loan documents between Grantor and the Partnership if said event occurs before the Satisfaction of Condition as defined above:

10.1.1. Default by the Partnership, or its related persons or entities, under the Disposition and Development Agreement with the City of Sacramento.

10.1.2. Default by the Partnership, or related persons or entities, under the OPA with the Housing Authority of the City of Sacramento.

10.1.3. Default by the Partnership under (1) the loan from Grantee to the Partnership in the amount of $3,159,738, as evidenced by that certain Construction and Permanent Loan Agreement and Promissory Note, (2) the loan from Grantee to the Partnership in the amount of $1,760,000, as evidenced by a second Construction and Permanent Loan Agreement and Promissory Note, and (3) the Conditional Grant Agreement from Grantee to the Partnership in the amount of $900,000.

10.1.4. The Partnership's failure to comply with any Governmental Requirements with respect to the Project.

10.1.5. The Partnership's failure to keep in full force any permit, license, consent, or approval with respect to the Project.

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

10.1.7. Making of any unauthorized payment from Grant Proceeds or other funds of Grantor.

11. REMEDIES

11.1.1. **OPTION TO ACT.** On the occurrence of any Event of Default should it occur before the Satisfaction of Condition as defined above, in addition to its other rights in this Grant Agreement or in any of the other Grant Documents, at law, or in equity, Grantor may, without prior demand, exercise any one or more of the following rights and remedies:

11.1.2. Withhold any additional payments not yet disbursed under the Grant.

11.1.3. Make disbursement after the happening of any one or more of the Events of Default, without waiving its right to demand from the Partnership repayment of the Grant and all other sums that may then be owing to Grantor or any other rights or remedies, regardless of Grantor's previous exercise of any rights and remedies.

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

11.1.5. Recover from the Partnership its funds expended in exercising or enforcing any of its rights or remedies under any of the Grant Documents, together with interest at the maximum amount allowed by law from the date the funds were spent until repaid. In the event of default by the Partnership, Grantee shall not be liable to Grantor for Grant Proceeds actually disbursed to the Partnership under the terms and conditions of this Grant Agreement for purposes of developing, rehabilitating and constructing the Project in a manner required under the OPA.

11.1.6. Grantee shall only be liable to Grantor in the event that Grantee grants or loans Grant proceeds in a manner, or for a purpose, which violates the terms of this Grant Agreement.

11.2. **RIGHTS CUMULATIVE, NO WAIVER.** All of Grantor's rights and remedies provided in this Grant Agreement or in any of the other Grant Documents are cumulative and may be exercised by Grantor at any time. Grantor's exercise of any right or remedy will not constitute a cure of any Event of Default unless Grantee has cured all other Events of Default. No waiver will be implied from Grantor'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 Grant Documents must be in writing and will be limited to its specific terms.

11.3. **DISCLAIMER.** Whether Grantor elects to employ any of the remedies available to it in connection with an Event of Default, Grantor will not be liable to perform any obligation of Grantee.

11.4. INSURANCE. With regard to this Grant Agreement, the Grantee shall cause the Partnership to obtain and maintain, and as applicable cause others to obtain and maintain, until the Satisfaction of Conditions, all insurance required under the OPA.

11.5. NONRECOURSE. Grantee's obligations to repay the Grant upon the occurrence of an Event of Default shall be nonrecourse except as stated in 11.1.6 above. Grantor may only look to the Property and any other collateral provided by the Partnership securing Grantee's obligations under this Grant Agreement, and in no event shall Grantor look to the assets of the Grantee as a source of repayment.

12. MISCELLANEOUS

12.1. **NATURE OF REPRESENTATIONS AND WARRANTIES.** Grantee certifies to Grantor that all representations and warranties by Grantee made in this Grant Agreement and all other Grant 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 Grantee's obligations have not been satisfied or the Grant or any part of it remains outstanding, and for any applicable statute of limitations period.

12.2. **NO WAIVER.** No failure or delay on the part of Grantor in exercising any right or remedy under the Grant Documents will operate as a waiver nor will Grantor 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 Grant Agreement will not be construed to waive any subsequent breach of the same covenant, term, or condition.

12.3. **NO THIRD PARTIES BENEFITED.** This Grant 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 Grant funds, except as expressly designated in this Grant Agreement.

12.4. **NOTICES.** Grantee irrevocably appoints Grantor 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 Grantor deems necessary or desirable to protect its interests under this Grant Agreement or under the Grant Documents. Grantor shall give copies of notices required to be delivered to Grantee to the following parties at the following addresses; provided, however that Grantee acknowledges that such notice is an accommodation and the failure of the Grantor to properly deliver any such notice shall not give rise to any claims or defenses of Grantee or any third party:

If to Grantee:

Downtown Sacramento Revitalization Corporation
c/o Economic Development Department of the City of Sacramento
915 I Street, Fourth Floor
Sacramento, CA 95814

If to the Investor Limited Partner:
700 Block Investors, L.P.
1006 Fourth Street, Suite 701
Sacramento, CA 95814
ATTN: Ali Youssefi

700 Block Commercial, L. P.
1011 10th Street,
Sacramento, CA 95814
ATTN: Bay Miry

with a copy to:

RBC Tax Credit Equity, LLC
600 Superior Avenue, Suite 2300
Cleveland, OH 44114
ATTN: President and General Counsel

And

Grantor: Housing Authority of the City of Sacramento
801 12th Street
Sacramento, CA 95814
ATTN: La Shelle Dozier

12.4.1. **METHOD.** All notices to be given under this Grant 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; or

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.

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 Grantee or Agency may respectively designate by written notice to the other.

12.4.2. 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 Grant Agreement for action.

12.5. **ACTIONS**. Grantor 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 Grant Agreement. In connection with that, Grantor may incur and pay costs and expenses, including, without limitation, reasonable attorney fees. Grantee agrees to pay to Grantor on demand all these expenses. This Section does not apply to actions or proceedings between the parties.

12.6. **ASSIGNMENT**. The terms of this Grant Agreement will be binding on and inure to the benefit of successors and assigns of the parties. However, Grantee shall not assign this Grant Agreement or any interest it may have in the monies due without the prior written consent of Grantor to a party other than a general partner or managing member of Grantee or a single asset entity wholly owned and controlled by Grantee or a general partner or managing member of Grantee.

12.7. **NONLIABILITY FOR NEGLIGENCE, LOSS, OR DAMAGE**. The relationship between Grantee and Grantor is, and will at all times remain, solely that of Grantee and Grantor, and Grantor neither undertakes nor assumes any responsibility for or duty to Grantee, except as to matters which are within the intent and purpose of the Grant.

12.8. **CONTROLLING LAW; VENUE**. The Grant 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

12.9. **CONSENTS AND APPROVALS.** All consents and approvals by Grantor required or permitted by any provision of this Grant Agreement will be in writing. Grantor's consent to or approval of any act by Grantee 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.

12.10. **SURVIVAL OF WARRANTIES AND COVENANTS**. The warranties, representations, conditions, covenants, and agreements in this Grant Agreement and in the other Grant Documents will survive the making of the Grant and will continue in full force. Nothing in this Section is intended to limit any other provision of the Grant Documents that by their stated terms survive the termination of any Grant Document.

12.11. **AMENDMENT**. The Grant 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.

12.12. **TERMINATION**. Upon termination of this Grant, all rights and obligations under this Grant Agreement will terminate with no further rights or obligations.

12.13. **COUNTERPARTS**. The Grant 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.

12.14. **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.

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

12.16. **INDEMNITY.** Grantee agrees to defend, indemnify, and hold Grantor harmless from all losses, damages, liabilities, claims, actions, judgments, costs, and reasonable attorney fees that Grantor may reasonably incur as a direct or indirect consequence of the making of the Grant, Grantee's failure to perform any obligations as and when required by this Grant Agreement or any of the other Grant Documents, the failure at any time of any of Grantee's representations or warranties to be true and correct, or any act or omission by Grantee.

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

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

12.19. **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 GRANT AGREEMENT in Sacramento, California as of the Effective Date.

GRANTEE :
Downtown Sacramento Revitalization Corporation

By:_____
Angelique Ashby, Board President

Approved as to form:

_____
Grantee Counsel

GRANTOR:
HOUSING AUTHORITY OF THE CITY OF SACRAMENTO

By: _____
La Shelle Dozier, Executive Director

Approved as to form:

_____
Grantor Counsel

EXHIBIT 1
LEGAL DESCRIPTION

EXHIBIT 2

SCHEDULE OF PERFORMANCES

Tentative Dates	Activity
June 2011	Redevelopment Agency of the City of Sacramento approve the Prior Disposition and Development Agreement and Funding Commitment with DSRC
September 2014	Redevelopment Agency Successor Agency assigns to the City of Sacramento the Property and bond funds for the Project per the terms of the Settlement Agreement
October 2014	City of Sacramento approves the Amended and Restated Disposition and Development Agreement
February 2015	Secures funding for the Project and Developer closes on construction financing
April 2015	Construction begins
December 2016	Construction completed
June 2017	Project units placed in service

EXHIBIT 3
NOTE FORM

PROMISSORY NOTE
FOR 700 BLOCK OF K
CONDITIONAL GRANT AGREEMENT

GRANTEE HAS MADE THIS PROMISSORY NOTE ("NOTE") AS OF THE EFFECTIVE DATE. The Grantor is making the Grant pursuant to the terms and conditions of the Grant 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 Grantor is making the Grant to Grantee in consideration of Grantee making this Note and delivering it to Grantor.

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

DEFINED TERM:	DEFINITION:	
"Effective Date"	December ___ , 2014	
"Grantor"	Housing Authority of the City of Sacramento	
"Grantee"	Downtown Sacramento Revitalization Corporation	
"Grantee Legal Status"	A California not for profit public benefit corporation	
"Grant Agreement"	The Grant Agreement between the Grantee and Grantor as of the Effective Date for making of the Grant ("Grant") evidenced by this Note.	
"Principal Amount"	Three Million Eight Hundred Nineteen Thousand Seven Hundred Thirty-Eight Dollars and No Cents ($3,819,738.00)	
"Interest Rate"	The interest rate is 0% per year, simple interest.	
"Accrual Date"	Interest shall accrue starting on the following "Accrual Date":	The Effective Date
"Special Terms"	The Grant shall be shall be satisfied upon the purchase of the Property by 700 Block Investors, L.P. (the "Partnership"), origination and execution of Grantee Loan and Grant Documents to the Partnership, recordation of a regulatory agreement and Grantee's Deed of Trust against the Property, and disbursement of 100% of the Grant Funding to the Partnership as outlined in Section 8 of the Conditional Grant Agreement for Project related costs as included in the Owner Participation Agreement by and between Grantor and Partnership dated December ___ , 2014 (the "OPA"). Once notified in writing by the Grantor of the satisfaction of these Special Terms, Grantee's obligations under this Note shall terminate and Grantee shall not be required to make any payments under this Note or the Grant.	
PAYMENT SCHEDULE. Repayment of this Note shall be made the following amounts:		
"Maturity Date"	The first day of the 24th calendar month following the Effective Date.	
"Payment Start Date"	The first day of the 24th calendar month following the Effective Date.	
"Payment Amount(s)"	Failure by Grantee to both grant a portion of the Grant proceeds and loan a portion of the Grant proceeds to the Partnership or place the grant proceeds into the construction escrow account within thirty days of the making of this Note shall require full and immediate repayment of this Note by Grantee to Grantor. Grant proceeds not disbursed to the Partnership or the construction escrow account will be recaptured.	

FOR VALUE RECEIVED, THE UNDERSIGNED, JOINTLY AND SEVERALLY, PROMISES TO PAY to Grantor, or its successors or assigns, the Principal Amount or such lesser amount as may be endorsed on this Note on behalf of Grantor.

1. This Note evidences the obligation of Grantee to Grantor for repayment of funds Granted to Grantee under a Grant agreement between Grantee and Grantor dated as of the Grant Date ("Grant Agreement"). The terms and covenants of the Grant Agreement are incorporated in this Note by reference. The Grant Agreement requires that Grantee enter into both a grant agreement and loan agreement with the Partnership to provide the funds under this Grant to the Partnership for construction of its housing project. The funds will be placed in a construction escrow account for disbursement upon Grantee's approval. This Note evidences Grantor's requirement that Grantee repay any portion of the Grant proceeds misapplied by Grantee under the terms of the Grant Agreement.

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

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

3. Grantor and Grantee shall comply with and fulfill the Special Terms.

4. Upon occurrence of any one or more of the following, Grantor may, at its sole discretion, declare all misapplied principal immediately due and payable, subject to applicable cure periods, if any:

a. Grantee defaults or breaches any of the terms of Grant Agreement or this Note.

5. No waiver of any default or breach by Grantee under this Note shall be implied from any omission by Grantor 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.

6. Grantee may prepay this Note in full or in part at any time, without any prepayment penalty being charged by Grantor.

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

7. This Grant is a nonrecourse Grant, and notwithstanding any provision of this Note or any document evidencing or securing this Grant, Grantee, and Grantee's principals, members, partners, agents, officers, and successors in interest shall not be personally liable for the payment of the Grant or any obligation of the Grant. Grantee shall only be liable to Grantor in the event that Grantee violates the terms of the Grant Agreement.

8. Grantee shall pay to Grantor all costs of enforcement of all or any portion of this Note, including attorney's fees, witness fees, investigator fees and court costs, incurred by Grantor, whether or not litigation is commenced.

IN WITNESS WHEREOF, Grantee has executed this Note as of the Grant Date.

GRANTEE:
Downtown Sacramento Revitalization Corporation

By:_____
Angelique Ashby, Board President

EXHIBIT 4
ESCROW INSTRUCTIONS FORM

SAMPLE
JOINT ESCROW INSTRUCTIONS
AGENCY LOAN AND CONDITIONAL GRANT AGREEMENT FOR DEVELOPMENT OF REAL PROPERTY

"Effective Date"	

Agency, Grantee and Partnership execute these Escrow Instructions as of the Effective Date. This document, including attachments and any amendments and additions, shall constitute the joint escrow instructions of Agency, Grantee and Partnership for the Agency conditional grant and the Agency loan which is secured by the Property.

ARTICLE I. GENERAL TERMS.

1. **GENERAL.** These Escrow Instructions, in addition to items listed below includes Article II General Provisions, which is attached to and incorporated in these Escrow Instructions by this reference.

2. **DEFINITIONS.** The capitalized terms in these Escrow Instructions shall have the meanings assigned in Article I General Terms and as defined in Article II Instructions. (Terms being defined are indicated by quotation marks.)

"Title Company"	Placer Title Company			
	Address:	301 University Avenue, Suite #120, Sacramento, CA 95825		
"Escrow" with Title Company	**Escrow Number:**	404-9400.2	**Attention:**	Jenny Vega
"Agency"	Housing Authority of the City of Sacramento			
	Address:	801 – 12th Street, Sacramento, CA 95814		
	Attention:	Christine Weichert		
"Partnership"	700 Block Investors, L.P.			
	Address:	1006 Fourth Street, Suite 701, Sacramento, CA 95814		
	Attention:	Ali Youssefi		
"Grantee"	The Downtown Sacramento Revitalization Corporation (DSRC), Inc.			
	Address:	c/o Economic Development Department of the City of Sacramento, 915 I Street , Sacramento, CA 95814		
"Closing Date"				
"Property"	**Address:**	700 K Street 704 K Street 708 K Street 710 K Street 712 K Street 716 K Street 718 K Street 722 K Street 724 K Street 726 K Street 730 K Street 1111 7th Street 1113 7th Street 1110 8th Street 1114 8th Street	**APN:**	006-0096-002 006-0096-003 006-0096-004 006-0096-005 006-0096-006 006-0096-007 006-0096-008 006-0096-009 006-0096-010 006-0096-018 006-0096-019
"Transaction Document"	The document that details the obligations of the parties for the contemplated transaction			
	Owner Participation Agreement			Dated: December ___ , 2014

Description of the transaction	Pursuant to the OPA by and between Grantor and Partnership, the Project is the creation of 137 mixed-income rental units, including 15 units in the rehabilitated buildings and 122 units in a newly constructed mid-rise building located on the south side of K Street between 7th and 8th Streets in Downtown Sacramento.

"Recorded Documents"- The following documents are to be recorded in the order listed (top being first in priority). Copies of the Recorded documents are attached.	**Documents:**	**Marked for return to:**
	1.	1.
"Agency Items"		
"Partnership Items"		

"Special Provisions":

"Agency Title Policy" in the form of an ALTA Lender's Policy insuring that the following are valid liens against the property:	**Documents:**	**Coverage amount (purchase price):**	
		1	
"Partnership Title Policy" insuring fee title in Developer.	**Type of Policy:**		
	☐CLTA ☐ALTA standard owner's policy		
The title policies shall be subject only to the following "Conditions of Title":	Named items of Title Company's Preliminary Report for the Escrow, to remain after Close of Escrow	**Dated:**	
		Report Number:	
		Items remaining:	

THE PARTIES HAVE EXECUTED THESE ESCROW INSTRUCTIONS in Sacramento, California as of the Effective Date.

DEVELOPER:

By: _____
Name:
Title:

AGENCY:

By: _____
Name:
Title:

GRANTEE:

By: _____
Name:
Title:

ARTICLE II. INSTRUCTIONS

1. **CLOSING DATE.** Escrow shall close on or before the Closing Date as it may be changed from time to time by written agreement of Developer and Agency.

2. **CONDITIONS TO CLOSE OF ESCROW.** "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 The following are conditions to the Close of Escrow:

2.1.1. The conditions precedent to performance stated in the Transaction Document and Recorded Documents are satisfied as of the Closing Date.

2.1.2. Simultaneously with the Close of Escrow, Title Company shall issue the Agency Title Insurance to Agency (at Developer's cost) in the amount stated. The Agency Title Insurance shall include all usual and customary endorsements and any endorsements and other commitments as Agency may reasonably require. The Agency Title Insurance shall show the Recorded Documents marked for return to Agency as valid liens against the Property in favor of the Agency, subject only to the Conditions of Title, and securing, as applicable, Developer's performance of it obligations and repayment of Agency Funding.

2.1.3. Simultaneously with the Close of Escrow, Title Company shall issue the Developer Title Insurance to Agency (at Agency's cost) in the amount stated. The Developer Title Insurance shall include all usual and customary endorsements and any endorsements and other commitments as Developer may reasonably require. The Developer Title Insurance shall insure Developer's fee simple title to the Property subject only to the Conditions of Title.

2.1.4. Prior to the Closing Date, the parties shall duly execute (in Escrow or prior to deposit in Escrow) each such document and shall execute those to be recorded in a manner suitable for recording.

2.1.5. On or before the Closing Date, Agency shall also deposit with Title Company the Developer Items and any Loan Amount then to be disbursed under this Agreement, but not less than closing costs, fees and charges required for Close of Escrow.

2.1.6. On or before the Close of Escrow, Developer shall also deposit with Title Company the Agency Items and Developer's share of closing costs and fees.

2.1.7. Title Company is satisfied that all required funds have been deposited in Title Company's account for the Escrow, have cleared the originating bank and are available for transfer by Title Company's check or wire transfer to the appropriate party.

2.2. **TRUST DEED FORM.** If a Trust Deed is included in the Recorded Documents and no exhibit setting out the form of the Trust Deed form is attached, the Title Company shall draw the Trust Deed on the Title Company's Long Form Deed of Trust. Title Company shall assure that the Trust Deed includes a standard clause giving Agency the option to accelerate the Loan upon the sale, conveyance, transfer or further encumbrance of the Property, whether voluntary or involuntary. Title Company shall also affix the following provision to the Trust Deed and incorporate it in the Trust Deed by reference:

> *"The Loan Agreement requires the filing of the "Regulatory Agreement" that is defined in the Loan Agreement. The Regulatory Agreement contains covenants running with the land and is recorded against the Property. If Developer 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 Agency's written notice to Developer of such failure, the principal balance of the Loan shall, at Agency's option, be immediately due and payable, together with all unpaid interest at the stated rate from the date of the advancement of the Loan's proceeds."*

2.3. **UPON CLOSE OF ESCROW.** The Close of Escrow shall take place on the Closing Date. On the Closing Date, Title Company shall complete the Close of Escrow as follows and in the following order (unless otherwise stated, all recorded documents are recorded with the Sacramento County Recorder):

2.3.1. Assure fulfillment of the Special Provisions;

2.3.2. Obtain full execution of all unexecuted documents;

2.3.3. Date all undated documents as of the Closing Date;

2.3.4. Record the Recorded Documents in the priority listed;

2.3.5. Determine all closing costs and fees; including without limitation, all charges, fees, taxes and title insurance premiums payable under this Agreement on Close of Escrow and any other fees and charges approved for payment from Escrow by both parties and deduct such fees from the Loan proceeds deposited by Agency in Escrow;

2.3.6. Deliver the Agency Items to Agency and the Developer Items to Developer; and

2.3.7. Prepare and deliver to Developer and Agency, respectively, signed originals of all documents included for delivery to either party and not delivered for recording, one signed original of Title Company's closing statement showing all receipts and disbursements of the Escrow, and one conformed copy of each of the recorded documents.

2.4. **INABILITY TO CLOSE.** If Title Company is unable to simultaneously perform all of the preceding instructions, Title Company shall notify Developer and Agency, and upon each of their directions return to each party all documents, items and funds deposited in Escrow by such party (less fees and expenses incurred by the respective party) and bill the respective parties for any unpaid fees and expenses incurred in Escrow. If Escrow fails to close on the Closing Date because Developer has not complied with Developer's obligations under this Loan Agreement, then Developer shall pay the costs incurred through Escrow to the date the Escrow is terminated, including the cost of any preliminary title report and any cancellation fees or other costs of this Escrow. If Escrow fails to close on or before the Closing Date because Agency has not complied with Agency's obligations under this Loan Agreement, such costs shall be paid by Agency. If Escrow fails to close on or before the Closing Date for any other reason, such costs shall be divided equally between the parties.

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

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ACCEPTANCE OF ESCROW INSTRUCTIONS

Your acceptance of this escrow shall create a contractual obligation by you with Agency and Developer for complete compliance with these instructions. Agency and Developer reserve the right to jointly revoke this escrow at any time upon their payment to you of your fees and reimbursement to you of your expenses in accordance with the terms of these escrow instructions. Your obligations as Escrow Holder under these escrow instructions shall be subject to the following provisions:

You are not responsible as to the sufficiency or correctness as to form, manner of execution, or validity of any instrument deposited in this escrow nor as to the authority or rights of any person executing such instrument. Except as otherwise provided in these escrow instructions, your duties as Escrow Holder are limited to the proper handling of monies and the proper safekeeping of instruments and other items received by you as Escrow Holder, and for the performance of your obligations as specifically provided under these escrow instructions. You are responsible for the sufficiency of any instruments or documents prepared by you for this escrow.

Developer agrees to indemnify and hold you harmless from damages incurred as a result of your good faith and diligent performance of your duties under these escrow instructions.

Upon your acceptance of these escrow instructions return the executed counterparts of these escrow instructions to Agency and Developer, respectively.

Escrow Holder acknowledges receipt of the foregoing escrow instructions and agrees to act as Escrow Holder and to comply with the terms and conditions of said escrow instructions.

Dated: _____

TITLE COMPANY

_____

By: _____
Name:_____
Title:_____
Its authorized agent and signatory

EXHIBIT 5
FUNDING REQUIREMENTS

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

These "TI Funding Requirements" are attached to a Regulatory Agreement between Agency and Partnership, and are incorporated in that Regulatory Agreement. In turn, the Regulatory Agreement is incorporated in the financing document that is described in the Regulatory Agreement. [The capitalized terms used shall have the meanings below. Terms being defined are indicated by quotation marks. Capitalized terms in these TI Funding Requirements that are not defined below are defined in the Regulatory Agreement and in such financing document.] As used in this exhibit, "Agency" refers to "Grantor" and "Owner" refers to "Partnership", as these terms are defined in the Conditional Grant Agreement.

1. **RECITALS.** Agency is a Housing Authority organized and operating under the California Redevelopment Law (commencing at Health & Safety Code Section 33000). The Agency Funding is funded by the Agency with proceeds of the Low and Moderate Income Housing Fund (as defined in Health & Safety Code Section 33334.3) and made in accordance with the Aggregation of Agency Funding that occurred pursuant to Resolution 2009-57 adopted by the Redevelopment of the City of Sacramento or Resolution 0896 adopted by the County of Sacramento Redevelopment Area in accordance with Health and Safety Code Sections 33334.2(g) and 33413, the provisions of the redevelopment plans for the Agency's Project Areas ("Redevelopment Plans"), and the California Redevelopment Law. The Agency has approved the Agency Funding on condition that the property securing the Agency Funding ("Property") is rehabilitated or developed as residential rental property ("Project") with certain units regulated in accordance with Health & Safety Code Section 33487 ("TI Restricted Units") by recordation of these TI Funding Restrictions as covenants running with the land, in accordance with Health & Safety Code Section 33334.3(f). TI Restricted Units are made affordable by such regulation to persons and households that qualify as moderate-income, low-income or very low-income as indicated in Article I of the Regulatory Agreement. The development of the Project will benefit the Project Areas because the Project will provide housing for persons who work within the Project Areas.

2. **AFFORDABILITY REQUIREMENTS.** Owner shall assure that the TI Restricted Units shall be rented or sold at or below the following rates to households whose incomes are at or below the respective income limits for the rental rate:

   a. Moderate-Income TI Restricted Units shall be rented for amounts that do not exceed payments of thirty percent (30%) of one hundred and ten percent (110%) of the Sacramento Metropolitan Statistical Area median income ("Median Income"), as determined annually by the federal Department of Housing and Urban Development, as adjusted for family size appropriate to the size and number of bedrooms in the respective TI Restricted Unit.

   b. Low-Income TI Restricted Units shall be rented for amounts that do not exceed payments of thirty percent (30%) of sixty percent (60%) of the Median Income as adjusted for family size appropriate to the size and number of bedrooms in the respective TI Restricted Unit.

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

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

3. **TERM.** These covenants shall burden and regulate the TI Restricted Units for a term of fifty-five (55) years, unless a longer term is specified in the body of the document to which this attached.