Meeting Date: **6/16/2015**

Report Type: Consent

Report ID: 2015-00596

City of SACRAMENTO **17**

City Council Report
915 I Street, 1st Floor
www.CityofSacramento.org

Title: (Housing Authority) Authorization to Execute the Disposition and Development Agreement and Related Loan Agreements for the Del Paso Nuevo Phase V Project

Location: Del Paso Nuevo Development between Ford Road and Fairbanks Avenue off Norwood Avenue, District 2

Recommendation: Pass a Housing Authority Resolution that a) finds that the Housing Authority's sale of the Property for construction and sale of new single-family homes is consistent with the Implementation Plan for the Del Paso Heights Redevelopment Plan and will assist in the elimination of blight and increase the supply of affordable housing, b) finds that an economically feasible method of alternative financing is not available, c) authorizes the Executive Director to execute the Disposition and Development Agreement (DDA) with the Developer and $1,137,500 in the form of a Seller Carry-back Loan for the fair market value of the property with terms as required by the DDA and Grant Deed, and d) authorized the Executive Director enter into and execute the DDA, Seller Carry-back Loans, and all other documents and agreements as approved to form by Agency Counsel as well as perform other actions necessary to ensure property repayment of the Housing Authority funds.

Contact: Christine Weichert, Assistant Director, (916) 440-1353, Sacramento Housing and Redevelopment Agency

Presenter: None

Department: Sacramento Housing & Redevelopment Agency
Division: Sacramento Housing & Redevelopment Agency
Dept ID: 99991011
Attachments:
1-Description/Analysis
2-Housing Authority Resolution
3-Exhibit A DDA
4-Exhibit B Loan Agreement

Attorney Review

Approved as to Form
David Levin
6/10/2015 4:22:18 PM

Approvals/Acknowledgements

Department Director or Designee: LaShelle Dozier - 6/10/2015 3:29:11 PM

Back to Report Table of Contents

Description/Analysis

Issue: The Agency's remaining housing obligation to the U.S. Department of Housing and Urban Development (HUD) for the Del Paso Nuevo Homeownership Zone in Phase V is to construct 91 single-family homes with at least 51 percent sold at affordable prices to low-income buyers (Project). A Request for Qualifications for development of these 91 vacant lots was issued on January 6, 2014. On March 25, 2014, Pacific Housing, Inc., a nonprofit public benefit corporation (Developer), was recommended by a selection committee to complete the 91 single-family homes, known as Del Paso Nuevo Phase V. This report requests approval of the Disposition and Development Agreement (DDA) and related Seller Carry-back loans for the phased sale and transfer of the 91 lots (Property) to a limited liability company formed by the Developer for the phased construction of new for-sale homes to complete the Project.

Del Paso Nuevo is a 154-acre master planned community formed to provide a minimum of 300 new single-family homes in the former Del Paso Heights Redevelopment Area. To date, a total of 137 new single-family homes have been completed, including 64 sold at affordable prices to low-income families. Approval of this phase will add an additional 91 homes, 46 of which will be affordable to low-income families.

On June 9, 2015, a properly noticed public hearing pursuant to Health and Safety Code Section 33431 was held by the City Council and the Housing Authority of the City of Sacramento at which the Health and Safety Code Section 33433 report and sale of the property was approved. The sale is to be at market value less demolition and subdivision repair costs. The property will be financed with seller carry back loans of varying amounts based on the value of each lot multiplied by the number of lots transferred in each phase. All loans will carry a four percent interest rate.

Policy Considerations: The recommended actions are consistent with the Implementation Plan for the Del Paso Heights Redevelopment Plan and will assist in the elimination of blight and increase the community's supply of low and moderate income housing available at affordable housing cost. The recommended actions are also consistent with the requirements of the Del Paso Nuevo Homeownership Zone.

Economic Impacts: This residential new construction project is expected to create approximately 227.9 total jobs (127.9 direct jobs and 100 jobs through indirect and induced activities) and result in approximately $31.6 million in total economic output ($19.4 million direct output and another $12.2 million of output through indirect and induced activities).

The indicated economic impacts are estimates calculated using a calculation tool developed by the Center for Strategic Economic Research (CSER). CSER utilized the IMPLAN input-output model (2009 coefficients) to quantify the economic impacts of a hypothetical $1 million of spending in various construction categories within the City of Sacramento in an average one-year period. Actual impacts could differ significantly from the estimates and neither the City of Sacramento nor CSER shall be held responsible for consequences resulting from such differences.

Environmental Considerations:

California Environmental Quality Act (CEQA): The impacts of the entire Del Paso Nuevo project were evaluated in accordance with the CEQA and a Mitigated Negative Declaration was adopted for the project on January 11, 2005, by Resolution 2005-002. The recommended actions herein do not constitute a new project or substantive changes or modifications to the project as previously analyzed. Because there is neither any new information of substantial importance nor any substantial changes to the circumstances under which the project will be undertaken that would require the preparation of supplemental environmental documentation. The recommended actions do not require further environmental review under CEQA Guidelines Sections 15162 or 15163.

Sustainability Considerations: The recommended actions will provide a wide array of housing choices and transportation options near jobs reducing long commutes for a balanced, healthy City. New home construction will conform to current building codes incorporating improved energy efficiency and enhanced green building standards above base Title 24 standards. In addition, each of the 91 homes in Phase V is planned to have its own solar photovoltaic panels to further reduce its energy requirements and cost. The goal is to create a neighborhood of quality, affordable, energy efficient homes.

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

Commission Action: At its meeting on April 1, 2015, the Sacramento Housing and Redevelopment Commission considered the staff recommendation for this project. The votes were as follows:

AYES: Alcalay, Creswell, Griffin, Macedo, Morgan, Raab

NOES: none

ABSENT: Johnson

Rationale for Recommendation: The Developer is purchasing the remaining 91 vacant parcels of land in Del Paso Nuevo Phase V from the Housing Authority of the City of Sacramento. All public infrastructure and street improvements have been completed. Using Developer equity, existing park fee credits, possible energy credits, and private financing, the Developer will complete the phased construction of 91 additional for-sale homes located within Phase V. Construction of these homes will complete Phase V and assist in meeting the HUD requirement for developing a sustainable, mixed income homeownership community in Del Paso Nuevo.

Financial Considerations: The Agency will transfer the Property to the Developer's limited liability company for market value in phases and finance the purchase through a series of Seller Carry-back loans totaling $1,137,500. Each loan will carry a four percent simple interest rate. The loans will be repaid incrementally from net proceeds upon the sale of each newly constructed home. No additional public financing will be required as construction will be financed using Developer equity, park fee credits, possible energy credits, and private/bank construction loan(s).

M/WBE/Section 3 and First Source Considerations: The activities recommended in this staff report do not involve new federal funding; therefore, there are no M/WBE or Section 3 requirements. However, the Developer will instruct its General Contractor and its subcontractors to utilize lower income area residents as employees to the greatest extent feasible. This will include both direct outreach and by using the First Source Program which incorporates referral and training sources that include, but are not limited to, Mutual Assistance Network, SETA, and the Greater Sacramento Urban League. Monthly local hire reporting will be required.

Back to Report Table of Contents

RESOLUTION NO. 2015 –

Adopted by the Housing Authority of the City of Sacramento

on the date of

June 16, 2015

DEL PASO NUEVO PHASE V: APPROVING THE SALE OF HOUSING AUTHORITY PROPERTY TO PACH DPN-5 HOUSING PARTNERS LLC; EXECUTION OF DISPOSITION AND DEVELOPMENT AGREEMENT, SELLER CARRY BACK LOAN AGREEMENTS, AND RELATED DOCUMENTS AND AGREEMENTS; ENVIRONMENTAL AND RELATED OTHER FINDINGS

BACKGROUND

A. The Housing Authority of the City of Sacramento, as successor to the Redevelopment Agency of the City of Sacramento, owns 91 finished lots located in Del Paso Nuevo Phase V (APNs 250-0470-005 through 072 and 250-0480-001 through 023).

B. On June 9, 2015, a properly noticed public hearing in accordance with California Health & Safety Code §33431 was held by the Sacramento City Council and the Housing Authority of the City of Sacramento meeting at which the 33433 Report and the sale of the property were approved.

C. On behalf of the Housing Authority of the City of Sacramento (Housing Authority), the Sacramento Housing and Redevelopment Agency (Agency) issued a Request for Qualifications on January 6, 2014 for a Single-Family Home Developer to complete Phase V of Del Paso Nuevo by constructing 91 homes on the remaining lots in that phase (Project). On March 25, 2014, a development team led by Pacific Housing, Inc. (Developer) was awarded the Project.

D. The Housing Authority of the City of Sacramento and Developer desire to enter into Disposition and Development Agreement (DDA) to convey the Property in phases to the Developer for the phased construction of a minimum of 91 single-family homes. A minimum of 51 percent of the new homes are to be sold at affordable prices to low-income families earning 80 percent or less Area Median Income, as more specifically described in the DDA increasing the community's supply of affordable housing and consistent with the former Redevelopment Agency of the City of Sacramento Housing Authority Implementation Plan housing production requirements for the Del Paso Heights Redevelopment Project Area.

E. Property will be transferred to the Developer or a related entity in phases. Each phase will require a separate Seller Carry-back Loans payable to the Housing Authority. The total purchase price and loan amount for all 91 lots will be One Million One Hundred Thirty-Seven Thousand Five Hundred Dollars ($1,137,500), the fair market value of the Property with the covenants, conditions, restrictions

required by the DDA and Grant Deed less additional demolition and subdivision repair costs incurred by the Developer. The prorated purchase price per lot will be Twelve Thousand Five Hundred Dollars ($12,500.00). The Developer will use a combination of cash equity, and private financing to complete the phased construction of these homes over a period of three to five years.

F. The impacts of the entire Del Paso Nuevo project were evaluated in accordance with the California Environmental Quality Act (CEQA) and a Mitigated Negative Declaration was adopted for the project on January 11, 2005, by Resolution 2005-002. The recommended actions herein do not constitute a new project or substantive changes or modifications to the project as previously analyzed. The recommended actions do not require further environmental review under CEQA Guidelines Sections 15162 or 15163 as there is neither any new information of substantial importance, nor any substantial changes to the circumstances under which the project will be undertaken.

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

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

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

Section 2. The Housing Authority's sale of the Property for construction and sale of new single-family homes is found to be consistent with the Implementation Plan for Del Paso Heights Redevelopment Plan and will assist in the elimination of blight and increase the community's supply of low- and moderate income housing available at affordable housing cost, as stated in the previously approved 33433 Report.

Section 3. As established in the previously approved 33433 Report, the consideration for the Housing Authority's conveyance of the Property to Developer is the Developer's obligations under the Disposition and Development Agreement (DDA) and the fair market value of the Property as is One Million One Hundred Thirty-Seven Thousand Five Hundred Dollars ($1,137,500.00) in the form of separate Seller Carry-back Loans of

differing amounts corresponding to each phase of lots transferred as established in the DDA and 33433 Report.

Section 4. The Executive Director is authorized to enter into and execute the DDA, Seller Carry-back Loans, all other documents and agreements as approved to form by Agency Counsel, as well as perform other actions necessary to ensure proper repayment of the Housing Authority funds including without limitation, extensions, and restructuring of such a loan consistent with the Housing Authority adopted policy and with this resolution.

Section 5. The Housing Authority finds that an economically feasible alternative method of financing on substantially comparable terms and conditions, without subordination is not available. Therefore, the Executive Director is authorized to subordinate the Housing Authority loans to the senior construction loan.

Table of Contents:

Exhibit A – Disposition and Development Agreement
Exhibit B – Acquisition Loan Agreement

Back to Report Table of Contents

Exhibit A

NO FEE DOCUMENT:
Entitled to free recording
per Government Code §§27383 and 6103.
When recorded, return to:
SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY
801 12th Street
Sacramento, CA 95814

DISPOSITION AND DEVELOPMENT AGREEMENT

DEL PASO NUEVO PHASE V
91 FINISHED LOTS

FORMER DEL PASO HEIGHTS NEIGHBORHOOD REDEVELOPMENT PROJECT AREA

HOUSING AUTHORITY OF THE CITY OF SACRAMENTO

PACH DPN-5 HOUSING PARTNERS LLC

June 9, 2015

DISPOSITION AND DEVELOPMENT AGREEMENT

Del Paso Nuevo Phase V
91 Finished Lots

THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO, a public body, corporate and politic (Agency) and PACH DPN-5 HOUSING PARTNERS LLC, a California limited liability company (Developer) enter into this Disposition and Development Agreement (DDA) as of June 9, 2015. For purposes of this Agreement, the capitalized terms shall have the meanings assigned in Section 16.

RECITALS

A. Agency is the owner of 91 vacant lots located in the former Del Paso Heights Neighborhood Redevelopment Project Area in the City of Sacramento, State of California, commonly referred to as Del Paso Nuevo Phase V and more particularly described in Exhibit 1 – Legal Description (Property).

B. The Property is subject to the redevelopment plan for the Project Area. Further, Developer acknowledges that Developer is purchasing from the Housing Authority of the City of Sacramento which has assumed the housing assets and housing functions of the former Redevelopment Agency of the City of Sacramento and is acting pursuant to Community Redevelopment Law (California Health & Safety Code Sections 33000 *et seq.*) and that this document is governed by the Community Redevelopment Law. This DDA is consistent with, and furthers, the Redevelopment Plan and the "Implementation Plan" adopted for the Project Area in that it meets the following implementation plan goals: elimination of blight and the provision of affordable housing.

C. The primary purpose of this DDA is the elimination of the following blighting influences: low values and impaired investment, high vacancy rates and vacant parcels, low property values, low lease rates, inadequate public infrastructure and improper parcelization. In order to accomplish such purpose, the DDA provides that the Agency will transfer the Agency's interests in the Property in phases to Developer upon the express condition that Developer will redevelop the Property in phases for the uses described in this DDA. This DDA is intended to assure that the Developer will redevelop the Property and that the Developer is not merely speculating in land.

D. Developer desires to purchase and develop the Property on a phased basis, and Agency desires to sell the Property in phases for development of 91 new single-family homes, on the terms and conditions in this DDA. The first phase to be developed by Developer is comprised of the sixteen (16) lots identified on EXHIBIT 2 hereto as the Phase 1 Lots (together with all improvements now or hereafter located or constructed thereon, the "Phase 1 Lots").

E. HomeStreet Bank (and any subsequent assignee of HomeStreet's interest in the HomeStreet Loans described below, "HomeStreet") has agreed to make a construction loan to Developer in the sum of up to $835,500.00 in connection with Developer's construction of

model homes on five (5) of the Phase 1 Lots, and a separate construction loan in the amount of up to $1,671,500,00 in connection with Developer's construction of single family residences on ten (10) of the Phase 1 Lots (collectively, the "HomeStreet Loans"). The remaining Phase 1 Lot will be acquired by Developer using its own funds and will be used by Developer as a staging area.

F. The HomeStreet Loans are evidenced by, among other things, a Short Form Loan Agreement, together with the Standard Conditions to closing and General Loan Terms incorporated therein, evidencing and governing each of the Loans (the "HomeStreet Loan Agreements") and a Promissory Note for each of the HomeStreet Loans (the "HomeStreet Notes"), and are secured by, among other things, a Construction Deed of Trust (with Fixture Filing) (the "HomeStreet Deed of Trust"), executed by Developer in favor of HomeStreet, and recorded in the Official Records of Sacramento County, California, substantially concurrently herewith, and a related UCC-1 Financing Statement. The HomeStreet Loan Agreements, HomeStreet Notes, HomeStreet Deed of Trust, UCC-1, and all other documents evidencing, securing, or otherwise governing the Loan, are collectively referred to herein as the "HomeStreet Loan Documents".

AGREEMENT

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

1. **PERFORMANCE**. The parties shall perform their obligations at the times and in the manner specified in this DDA. The time for performance is stated in this DDA and in the Schedule of Performances; provided, however that such times shall be extended for periods of Unavoidable Delay and/or as mutually agreed upon in writing by both parties to the agreement.

2. **PROJECT DESCRIPTION**. Agency is entering into this DDA and conveying the Property to Developer in phases solely for the purposes of developing the Project. The Project shall be the following: the phased construction of 91 new single family homes on 91 finished parcels in accordance with Exhibit 2 – Scope of Development. A minimum of fifty-one percent (51%) of the completed homes shall be affordable to households earning no more than 80% of the area median income (AMI).

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

3.1. **PURCHASE PRICE**. The Purchase Price for the Property shall be One Million One Hundred Thirty Seven Thousand Five Hundred Dollars ($1,137,500.00), which is the bulk fair market value of the 91 finished lots less slab demolition on 11 lots and subdivision repair costs to be paid by the Developer necessary to complete construction of the Project. The total purchase price will be prorated in equal installments of $12,500.00 per lot. The Agency will finance the phased purchase through separate Seller Carry-back Loans for each phase transferred. The total amount due under each separate note will correspond to the number of lots transferred for that phase of construction multiplied by the prorated lot purchase price. The notes are to be repaid on a prorated basis including principal plus accrued interest per lot upon the sale of each newly constructed home in accordance with the terms of the Seller Carry-back Promissory Notes executed as a condition precedent to conveyance of the Property in each phase.

3.1.1. Conveyence of the individual parcels shall be in phases as outlined in **Exhibit 2 - Scope of Development** and the **Exhibit 3 - Schedule of Performances**, attached hereto and incorporated herein.

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

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

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

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

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

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

3.3.5. The conditions precedent in this section are required for each successive phase. Prior to conveyance of Property for a successive phase, Developer shall be 100% completed and 80% sold to eligible buyers consistent with Exhibit 2 - Scope of Development and Exhibit 3 – Schedule of Performances.

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

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

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

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

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

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

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

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

b) To the best of Agency's knowledge, there are no hazardous substances known to be on or near the Property that would affect the Property or its proposed use.

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

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

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

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

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

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

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

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

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

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

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

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

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

e) Developer has the financial capacity, the equity and the financing necessary to fulfill its obligations under this DDA and acquire the Property. Developer represents that any equity and funding commitments represented by Developer to Agency as available to the Project are unencumbered and that Developer has not represented to any other party that it will use such

funds for any purpose other than the Project (and covenants that it will not use them for any other purpose) without prior written Agency consent.

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

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

a) Developer covenants by and for itself and assigns, and all persons claiming under or through it, that it shall not discriminate on the basis of race, color, ancestry, religion, creed, sex, sexual orientation or gender identity, marital status, or national origin in the sale, lease or rental or in the use or occupancy of the Property and the Project.

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

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

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

e) Developer shall be solely responsible for the cost and acquisition of all 91 parcels of the Project Site.

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

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

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

3.6. **DAMAGE, DESTRUCTION AND CONDEMNATION BEFORE CLOSE OF ESCROW**. If, prior to the Close of Escrow: (a) damage occurs to any portion of the Property by earthquake, mudslide, fire, release of or exposure to any Hazardous Substances, or any other casualty (other than any damage caused by Developer or its employees, agents, Contractor or subcontractors) resulting in repairs or remediation costs that will exceed twenty percent (20%) of the Purchase Price; or (b)

any portion of the Property is taken by eminent domain or otherwise, or is the subject of a threatened or pending taking action resulting in a twenty percent (20%) or more decrease in the after-taking value of the Property, Agency shall notify Developer in writing of the damage, destruction or condemnation. Developer may, within fifteen (15) days after such notice, elect to terminate this DDA by written notice to Agency.

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

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

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

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

4. **AGENCY FUNDING**. The Agency shall provide funding for the Project as provided in the Funding Agreement. All terms regarding Agency funding are in the Funding Agreements, including without limitation, the source and use of funds.

5. **TERM**. The Term of this DDA shall be five (5) years from the date of this DDA with the option to extend the DDA by one (1) year if both parties mutually agree. Any extension beyond the combined six (6) years shall require the approval of the Agency's governing board at its sole discretion. Any phase or parcel upon which the construction of the home has not commenced shall revert to the Agency in accordance with Section 12.1 below.

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

6.1. **EXTENT AND CHARACTER OF PLAN REVIEW**. Agency's right of review includes, without limitation, the right to review architectural and engineering plans and specifications, off-site plans and specifications, and landscaping designs and specifications. Agency's approval of Plans is neither a representation of nor an assurance of their adequacy or correctness. Agency has reserved approval rights solely (a) to assure that the Plans further the Redevelopment Plan; (b) to assure that the Final Plans conform to the Plans; and (c) to assure that Agency's purposes

are fulfilled and any Agency funds which may be obligated under this DDA are used as intended by the Agency. This DDA is a financing document and not a land use or planning document. Approval of the Project and Plans under this DDA is only an approval by Agency of the Project design "concept"as presented in this DDA. Such approval by Agency is not and shall not be considered an approval of land use entitlements, structural design of the Project, or the aesthetic design of the Project. Developer shall comply with all applicable land use, planning and design laws, rules and regulations of each governmental agency acting in proper exercise of its respective jurisdiction, including without limitation, departments, staff, boards and commissions of the City.

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

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

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

6.5. **DELIVERY**. Developer shall deliver the Final Plans or changes to the Final Plans for Agency review as soon as available. Said delivery shall be made to the office of the Agency Clerk at the address for notices and shall have clearly marked on its exterior "URGENT: Del Paso Nuevo V PROJECT PLAN REVIEW" or the equivalent.

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

6.5.2. **AGENCY DISAPPROVAL**. If Agency disapproves, in whole or in part, the Final Plans or any change to the Final Plans, Agency shall state, specifically and in writing, at the time

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

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

6.7. **APPROVAL OF SUBSTANTIAL CHANGES TO FINAL PLANS**. If the Developer desires to make any substantial changes in the Final Plans, Developer shall submit such proposed changes, in writing, to the Agency for its approval. The Agency shall approve or disapprove the proposed change as soon as practicable but in no instance later than 15 business days from receipt of the substantial changes. The Final Plans shall be construed to include any changes approved in the same manner as for approval of the original Final Plans under this section. The Final Plans shall be construed to include any such changes. Nothing in this Section shall be construed to relieve Developer of its obligations under all applicable laws regarding such changes.

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

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

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

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

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

e) Material changes in the type, location, visibility, accessibility, size, design or artist for any artwork shown in the Final Plans or otherwise accepted by the Agency under the Art in Public Places Program.

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

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

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

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

6.7.2. **MISREPRESENTATION**. If the Agency's approval of the Final Plans is reasonably based upon a material misrepresentation to Agency by Developer or by anyone on Developer's behalf, the Agency may, within a reasonable time after discovery of the misrepresentation, take any action permitted by law with regard to any such misrepresentation, notwithstanding Agency's prior approval, including without limitation, rescission of the approval or such other equitable remedies as may then be appropriate to such rescission.

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

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

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

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

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

7.5. **SUBSTANTIAL CHANGES**. Developer covenants and agrees that Developer shall not make or permit to be made any construction of the Project which incorporates a substantial change in the Final Plans, as described in Section 5.7, without Agency approval of such changes as provided in Section 6.7.

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

7.7. **PREVAILING WAGES**. Agency is conveying the Property to Developer at the Property's appraised fair market value. The Project is not subject to prevailing wages. Developer represents to the Agency that Developer has obtained no public subsidy for the Project that does not meet the criteria for exemption. If Developer obtains other non-qualifying public subsidy, Developer shall pay prevailing wages for the Project. Therefore, Developer indemnifies, holds harmless and defends the Agency from all additional wages, benefits, fees, penalties, fines, legal fees, court costs, arbitration costs, and other costs arising from the improper application of California prevailing wage laws to the Project by Developer or Developer's General Contractor or both of them. Developer 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. Developer and Contractor have made their own independent determinations of the applicability of prevailing wage laws and have independently implemented such determinations. Developer indemnifies, holds harmless and defends the Agency from all additional wages, benefits, fees, penalties, fines, legal fees, court costs, arbitration costs, and other costs arising from the improper application of California prevailing wage laws to the Project by Developer or Contractor or both of them.

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

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

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

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

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

(a) 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;

(b) 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;

(c) 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;

(d) 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

(e) 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.

7.9.4. **MONITORING PROVISIONS**. Developer, Contractor and subcontractors shall comply with the requirements of the Agency for monitoring the anti-discrimination and all applicable labor requirements including but not limited to the Economic Opportunity Employment Requirements.

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

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

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

7.13. **CERTIFICATE OF COMPLETION**. After the Agency has determined that Developer has completed the construction of each phase of the Project in accordance with the Final Plans and Developer's obligations under this DDA, the Agency will furnish the Developer with the Certificate of Completion certifying such completion as to the completed phase. The Agency’s issuance of the Certificate of Completion shall be a conclusive determination of satisfaction and termination of the agreements and covenants in the DDA with respect to the obligations of the Developer to construct the Project as of the Completion Date specified in the Schedules of Performances, subject to any qualifications or limitations stated in such certification. Agency

shall prepare and execute the Certificate of Completion in a form suitable for recording in the Official Records of Sacramento County. In addition to Agency's issuance of a Certificate of Completion in accordance with this Section 6.14, Agency shall issue Certificates of Partial Completion as to each specific parcel on which Developer has constructed a residential unit ("Completed Parcel") and Agency's issuance of a Certificate of Partial Completion shall be a conclusive determination of satisfaction and termination of the agreements and covenants in this DDA with respect to the obligations of the Developer as to the Completed Parcel to which it applies. Agency shall prepare and execute a Certificate of Partial Completion in a form suitable for recording in the Official Records of Sacramento County with respect to each Completed Parcel.

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

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

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

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

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

development in accordance with the construction plans and drawings approved by Agency. Agency shall not be responsible for removing any surface or subsurface obstructions, or structures of any kind on or under the Property.

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

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

6.19. **CONTINGENCY PERIOD**. The Contingency Period shall begin on the date of this DDA and terminated forty five (45) days from that date during which the Developer shall undertake at Developer's expense an inspection of the Property which may include a review of the physical condition of the Property, including but not limited to, inspection and examination of soils, environmental factors, Hazardous Substances, if any, and archeological information relating to the Property; and a review and investigation of the effect of any zoning, maps, permits, reports, engineering data, regulations, ordinances, and laws affecting the Property. The Contingency Period shall not be tolled or extended for any reason, except by written extension signed by the Agency.

6.19.1 Within five (5) days following the full execution of this DDA by both parties, Agency shall make available to Developer copies of all available documents pertaining to the physical condition of the Property that are owned and possessed by Agency.

6.19.2 If Developer disapproves of the results of the inspection and review, Developer may elect, prior to the last day of the Contingency Period, to terminate this DDA by giving Agency written notification prior to the last day of the Contingency Period, and the Deposit together with all interest shall be returned to Developer. If Developer fails to properly notify Agency of the intent to terminate this DDA, Developer shall be deemed to be satisfied with the results of the inspection and shall be deemed to have waived the right to terminate this DDA pursuant to this provision.

6.19.3 Developer's access to the property during this contingency period shall be subject to requirement of Section 6.20 below.

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

7. **RELOCATION**. Agency is required by law to provide relocation services and make relocation payments to eligible tenants that are displaced as a result of the Project. Agency and Developer acknowledge and agree that Developer this Project consists of new construction of homes on vacant parcels and there are no tenants or occupants to be relocated related to this Project.

8. **DEVELOPMENT FINANCING**. Except as specifically provided in this DDA, Developer shall be responsible for and shall pay all costs of developing the Project in accordance with this DDA. As a condition precedent to Agency's conveyance of each phase of parcels to Developer, Developer shall provide the Agency with a complete and firm budget covering each phase of the Project being conveyed 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. In addition, prior to conveyance of each phase the Developer shall provide evidence, satisfactory to the Agency, of the required construction and permanent financing to complete the phase being conveyed. Except as expressly provided in this DDA, no party shall have the right of reimbursement for any funds expended by them for any phase of the Project, whether prior to execution of this DDA or

otherwise. Agency is not obligated by this DDA or otherwise to make any contribution beyond its obligations stated in this DDA.

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

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

8.3. **EVIDENCE OF DEVELOPER EQUITY**. Unless otherwise agreed in writing by the Agency, Developer may provide evidence of cash equity in the minimum amount required by Agency and construction lender to complete each phase by any one of the following actions: (a) deposit of the required equity in a joint account with the Agency, which funds shall be released only upon the joint signatures of the Agency and the Developer; (b) delivery to Agency of an unconditional, irrevocable letter of credit in the amount of the required equity, in form and content as provided by the Agency, which letter of credit shall provide that the Agency may draw to fulfill any Developer obligation related to the development of the Project and necessary to assure its timely and proper completion; or (c) Developer's provision of financial statements prepared by a certified public accountant which show liquid assets available to the Project (and not subject to other existing or contingent claims) in the amount of One Hundred and Fifty Percent (150%) of the amount of the required equity. 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.

8.4. **APPROVAL OF HOMESTREET LOANS.** The Agency hereby confirms that: (i) it has received copies of the HomeStreet Loan Documents, (ii) it approves all of the terms and conditions of the HomeStreet Loans, (iii) it approves the HomeStreet Deed of Trust as a security interest permitted under this Agreement against the fifteen Phase 1 Lots subject to the HomeStreet Deed of Trust (the "HomeStreet Lots"), and (iv) HomeStreet Bank, a Washington state chartered savings bank, is an "Approved Lender" hereunder. Agency further clarifies the application of various provisions hereof to HomeStreet as set forth in Section 13 below and Agency and Developer acknowledge and understand that HomeStreet is entering into the HomeStreet Loans in reliance on the provisions of Section 13 below, would not enter into the Loans in the absence of these provisions, and the provisions of Section 13 shall be fully enforceable by HomeStreet against Agency and Developer in accordance with their terms. Approval of the HomeStreet Loans and the related documents is not an approval of these loans and related documents for HomeStreet, or any other lender, on any subsequent phase under this DDA.

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

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

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

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

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

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

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

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

11.5. PROPERTY INSURANCE. For the duration of the Regulatory Agreements, Developer shall obtain and maintain property insurance in ISO policy form CP 10 30 - Building and Personal Property Coverage - Causes of Loss - Special Form, to the full insurable value of the Property with no coinsurance penalty (and with endorsements of Builder's Risk until completion

of construction of the Project), Boiler and Machine to the extent necessary to obtain full insurance coverage, and with such other endorsements and in such amounts as the Agency may reasonably require to protect the Project and the Property. In the event of damage to the Project and subject to the requirements of Lender, Developer shall use the proceeds of such insurance to reconstruct the Project and the public improvements.

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

11.6.1. ADDITIONAL INSURED. Developer shall obtain an endorsement to the policy in ISO form CG 20 33 or better, naming Agency as a named additional insured under the Commercial General Liability Policy. The insurance afforded to such additional insured shall apply to the fullest extent permitted by law and shall be at least as broad as as the afforded to the named insured.

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

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

11.6.4. CANCELLATION. Developer will provide the Agency with the cancellation clause and/or any amendatory endorsements that modify or change the policy cancellation clause of the insurance policies in force. It is the Developer’s responsibility to notify the Agency of any notice of cancellation, non-renewal or non-payment of premium in accordance with your policy provisions. In the event insurance is cancelled or not renewed, the Developer shall notify the Agency within forty eight **(48)** hours of such cancellation or non-renewal.

11.6.5 Developer is in material breach of this DDA for so long as Developer fails to maintain all of the required insurance. Agency has the right, but not the obligation, to pay any delinquent insurance premiums and any other charges to reinstate or maintain the required insurance policies and coverage. Upon Agency's demand, Developer must immediately reimburse Agency for any and all costs incurred by Agency in so obtaining or maintaining insurance. If Agency does incur such costs, Agency shall have the right to withhold such amount from any payment due to Developer under this DDA and to reduce the compensation payable to Developer under this DDA by such amount.

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

11.6.7 **BLANKET COVERAGE**. Developer's obligation to carry insurance as required under this Section 11 may be satisfied by coverage under a "blanket" policy or policies of insurance (as the term is customarily used in the insurance industry); provided, however, that the Agency shall nevertheless be named as an additional insured under such blanket policy or policies to the extent required by this Section, the coverage afforded the Agency will not be reduced or diminished thereby, and all of the other requirements of this Section 11 with respect to such insurance shall otherwise be satisfied by such blanket policy.

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

12.1. REVESTING TITLE IN AGENCY. Notwithstanding any other provisions of this DDA and in addition to any other rights and remedies of the Agency, after conveyance of any phase of the

Project to Developer and prior to issuance of Certificate of Completion, if Developer defaults in its obligations related to the Project development, abandons or unreasonably suspends Project construction work, permits any unauthorized encumbrance or lien (including tax liens) and fails to discharge any such unauthorized lien or encumbrance, or permits any transfer of all or any part of the Property, then the Agency shall have, for a period of ten years following the Effective Date, the right to re-enter and take possession of the specific phase of the Project in which the default has occurred, or any part of the specific phase of the Property conveyed to Developer in which the default has occurred, and to terminate and revest in the Agency the estate in that phase so conveyed. It is the intent of this DDA that the conveyance of the Property to Developer shall be made upon, and that the Grant Deed shall contain, a condition subsequent to the effect that in the event of any default, failure, violation, or other action or inaction by the Developer specified in this Section, failure on the part of Developer to remedy, end, or abrogate such default, failure, violation, or other action or inaction, within the period and in the manner stated in the DDA, the Agency at its option may declare a termination in favor of the Agency of the title, and of all the rights and interest in the phase of the Property conveyed by the Grant Deed to Developer, and that such title and all rights and interests of Developer, and any assigns or successors in interest to and in the Property, shall revert to the Agency. Such condition subsequent and any such revesting of title in the Agency shall always be subject to and limited by the lien or security interest authorized by the DDA, and any rights or interests provided in the DDA for the protection of the Lenders; and shall not apply to individual parts or parcels of the phase of Property under which the default has occurred which have been completed in accordance with the DDA, or to portions of prior phases for which new home construction has been completed but have not yet been sold. Such conditions subsequent shall conform to the provisions of Civil Code Sections 885.010 through 885.070.

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

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

defaults, or acts of the Developer; any expenditures made or obligations incurred with respect to completion of the Project; and any amounts otherwise owing the Agency by the Developer.

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

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

12.2. LIQUIDATED DAMAGES. IF DEVELOPER FAILS TO COMPLETE THE PURCHASE OF THE PROPERTY AS PROVIDED IN THIS AGREEMENT BY REASON OF ANY DEFAULT OF DEVELOPER, AGENCY SHALL BE RELEASED FROM AGENCY'S OBLIGATION TO SELL THE PROPERTY TO DEVELOPER, AND AGENCY MAY ALSO PROCEED AGAINST DEVELOPER UPON ANY CLAIM OR REMEDY THAT AGENCY MAY HAVE IN LAW. IF THE PROPERTY HAS BEEN CONVEYED TO DEVELOPER, DEVELOPER HAS COMMITED A DEFAULT SUFFICIENT FOR REVESTMENT OF THE PROPERTY UNDER SECTION 12.1, AND DEVELOPER HAS NOT VOLUNTARILY RECONVEYED THE PROPERTY TO AGENCY, AGENCY MAY REVEST THE PROPERTY OR TAKE ANY AVAILABLE ACTION TO RECONVEY THE PROPERTY TO THE AGENCY. IN SUCH EVENT, AGENCY MAY ALSO PROCEED AGAINST DEVELOPER UPON ANY CLAIM OR REMEDY THAT AGENCY MAY HAVE IN LAW OR EQUITY; PROVIDED, HOWEVER, THAT, BY INITIALING THIS SECTION, DEVELOPER AND AGENCY AGREE THAT IN THE EVENT THAT DEVELOPER FAILS TO PURCHASE THE PROPERTY: (A) IT WOULD BE IMPRACTICAL OR EXTREMELY DIFFICULT TO FIX ACTUAL DAMAGES RELATED TO THE FAILURE TO PURCHASE THE PROPERTY; COSTS TO OBTAIN RECONVEYANCE OF THE PROPERTY TO AGENCY; (B) AN AMOUNT EQUAL TO THE DEPOSIT SHALL CONSTITUTE LIQUIDATED DAMAGES PAYABLE TO AGENCY ON ACCOUNT OF THE FAILURE TO PURCHASE THE PROPERTY AND FOR AGENCY COSTS TO OBTAIN RECONVEYANCE OF THE PROPERTY (WITHOUT LIMITING AGENCY'S RIGHTS TO RECOVERY DAMAGES OR SEEK ANY OTHER REMEDY FOR ANY OTHER DEFAULT UNDER THIS DDA OR ITS CONSTITUENT DOCUMENTS); (C) THE PAYMENT OF THE LIQUIDATED DAMAGES TO AGENCY SHALL CONSTITUTE THE EXCLUSIVE REMEDY OF AGENCY FOR THE FAILURE OF DEVELOPER TO PURCHASE THE PROPERTY; (D) AGENCY MAY RETAIN THE DEPOSIT AS LIQUIDATED DAMAGES; AND (E) PAYMENT OF THOSE SUMS TO AGENCY AS LIQUIDATED DAMAGES IS NOT INTENDED AS A FORFEITURE OR PENALTY WITHIN THE MEANING OF CALIFORNIA CIVIL CODE SECTIONS 3275 OR 3369, BUT INSTEAD, IS INTENDED TO CONSTITUTE LIQUIDATED DAMAGES TO AGENCY PURSUANT TO SECTIONS 1671, 1676 AND 1677 OF THE CALIFORNIA CIVIL CODE.

_____ Developer's Initials
_____ Agency's Initials

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

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

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

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

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

[Date]

The undersigned, whose address for notices is stated immediately below its signature, does hereby certify that it is the Lender as such term is defined in that certain Disposition and Development Agreement dated March 24, 2015 between the HOUSING AUTHORITY OF THE CITY OF SACRAMENTO and PACH DPN-5 HOUSING PARTNERS LLC ("DDA"). Lender requests, in accordance with the DDA, that if any default notice shall be given to Developer under the DDA, a copy of such default notice shall be given to Lender.

[Lender Name and Address for Notice]

The parties hereto agree that HomeStreet has provided Agency with the requisite request for notice under this Section and the Agency shall deliver a copy of all notices of default issued hereunder, under any Grant Deed for the HomeStreet Lots, or under the Regulatory Agreement with respect to the HomeStreet Lots to HomeStreet at the following address:

HOMESTREET BANK
601 Union Street, Suite 2000
Seattle, WA 98101-2326
Attention: Residential Construction

13.2. ASSIGNMENTS AND TRANSFERS OF THE LOAN. Agency shall not be bound to recognize any assignment of Lender's Loan or related encumbrance of the 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 DDA. Thereafter, such assignee shall be considered a Lender with respect to the Loan and the related encumbrance on the Property.

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

13.4. LENDER'S OPTION TO CURE DEFAULTS. After any default of Developer's obligations under the DDA, each Lender shall have the right, at its option, to cure or remedy such default, within the time for cure allowed to Developer, and to add the cost of such cure to the debt and the lien secured by the 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 DDA. Any Lender who properly completes the Project as provided in the DDA shall be entitled, upon written request made to the Agency, to a Certificate of Completion from the Agency in a manner provided in the DDA. Such certification shall mean that any remedies or rights with respect to the Property that the Agency may have because of Developer's failure to cure any default with respect to the

construction of the Project on other parts of the Property, or because of any other default of the DDA by the Developer shall not apply to the part of the Property to which such Certification relates. Nothing in this Section shall be deemed to limit, modify or release any claim or remedy that the Agency may have against the Developer for such default.

13.4.1. HOMESTREET CURE PERIOD. Agency further agrees that, notwithstanding any provision hereof to the contrary, if Developer fails to cure a default with respect to the HomeStreet Lots within the cure period afforded hereunder, HomeStreet shall have a period of at least ninety (90) days thereafter to remedy or cure such default, and Agency shall accept any such cure by HomeStreet.

13.4.2. HOMESTREET LOTS ONLY. Agency acknowledges that, notwithstanding any contrary provisions of this Agreement, at any time that the HomeStreet Deed of Trust encumbers the HomeStreet Lots and/or any time that either HomeStreet or any subsidiary or affiliate thereof holds an interest in the HomeStreet Lots, the Agency shall have no right or remedy with respect to the HomeStreet Lots in connection with any breach or default hereunder with respect to any other portion of the Property nor shall this Agreement, any Grant Deed relating to the HomeStreet Lots, the Regulatory Agreement, or any other covenants (collectively, the "Development Covenants") to which HomeStreet or any purchaser of the HomeStreet Lots at a foreclosure sale may be subject include any obligations or other matters with respect to any portion of the Property other than the HomeStreet Lots.

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

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

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

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

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

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

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

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

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

14.1. REGULATORY AGREEMENT - PROJECT. A regulatory agreement containing among other things affordability and re-sale restrictions in the form of **Exhibit 4 – Regulatory Agreement**. The Regulatory Agreement sets out certain provisions of this DDA which shall survive the completion of the Improvements.

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

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

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

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

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

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

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

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

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

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

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

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

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

15.12.1. Addresses for notices are as follows:

a) Agency: Housing Authority of the City of Sacramento, 801 12th Street, Sacramento, California 95814 Attention: Bern Wikhammer.

b) Developer: PACH DPN-5 HOUSING PARTNERS LLC, 2115 J Street, Suite 201, Sacramento, CA 95816 Attention: Mark Wiese.

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

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

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

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

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

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

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

16.1. "Agency" is the 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 Housing Authority 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 DDA 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 Redevelopment Agency is a joint powers agency which provides staffing for the operation of the Agency.

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

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

16.4. “City” is the City of Sacramento in the State of California.

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

16.6. “Contractor” is the contractor or contractors with whom Developer has contracted for the construction of the Project.

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

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

16.9. “Developer” is PACH DPN-5 HOUSING PARTNERS LLC, a California limited liability company . The principal office of the Developer is located at 2115 J Street, Suite 201, Sacramento, CA 95816. The managing member of the Developer is Pacific Housing, Inc., a nonprofit, public benefit corporation. The principal of the managing member is Mark A. Wiese.

16.10. “Escrow” is the escrow for the transfer of the Property and for all requirements related to the transfer. The Title Company is the holder of the Escrow.

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

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

16.13. “Funding Agreement” is the document that states the terms of Agency Funding for the seller carry back loan to Developer for the purchase of the Property.

16.14. "Grant Deed" is the grant deed for the transfer of the Property to Developer under this DDA. The Grant Deed contains covenants that run with the land, easements and a reverter provision. The Grant Deed is attached as **Exhibit 5: Grant Deed**.

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

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

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

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

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

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

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

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

16.23. "Redevelopment Plan" is the former redevelopment plan for the Project Area.

16.24. "Regulatory Agreement" is the agreement that sets out the certain provisions of this DDA that shall survive the completion of the Project. The Regulatory Agreement is attached as **Exhibit 4: Regulatory Agreement**.

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

16.26. "Scope of Development" is the detailed description of the construction parameters for the Project. The Scope of Development is attached as **Exhibit 2: Scope of Development**.

16.27. "Title Company" is Placer Title Company. Title Company is the insurer of title under this DDA and the Escrow holder. The Title Company address is 301 University Avenue, Suite 120, Sacramento, CA 95825.

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

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

DEVELOPER : PACH DPN-5 HOUSING PARTNERS LLC, a California limited liability company

By: PacH Sustainable, LLC
a California limited liability company
its managing member

By: Pacific Housing, Inc.
a nonprofit public benefit corporation
its sole member

By:_____ _____
Mark A. Wiese, President Date

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

By: _____
La Shelle Dozier, Executive Director

Date: _____

Approved as to form:

_____
Developer Counsel

Approved as to form:

_____
Agency Counsel

EXHIBIT 1

Legal Description

THE LAND SITUATED IN THE STATE OF CALIFORNIA, COUNTY OF SACRAMENTO, CITY OF SACRAMENTO MORE PARTICULARLY DESCRIBED AS FOLLOWS:

LOTS 5 THROUGH 95, INCLUSIVE, AS SHOWN ON THE FINAL MAP ENTITLED "DEL PASO NUEVO UNIT 5", FILED FOR RECORD IN BOOK 360 OF MAPS, MAP NO. 4, SACRAMENTO COUNTY RECORDS.

A.P.N. 250-0470-005 THROUGH 072
A.P.N. 250-0480-001 THROUGH 023

EXHIBIT 2

Scope of Development

Developer has submitted and the City has approved plans for single family homes consistent with the Del Paso Nuevo Design Guidelines. Housing mix will consist of three and four bedroom homes ranging in size from approximately 1,550 square feet to 2,160 square feet. A minimum of five floor plans, two elevations and four color schemes will be provided. All homes are to include two-car garages, a minimum of two full bathrooms, and other features and amenities as provided in Developer's proposal for the Project. The City has determined that the homes meet Special Planning District Development Guidelines for Del Paso Nuevo. Developer will construct and shall maintain a model home complex with five model homes that represent each floor plans being constructed. Developer will also construct a parking lot adjacent to and for use by the model home complex until no longer needed at which time it will be replaced by construction of a new home.

A minimum of 51% of all of the units shall be sold at affordable prices to families earning no more than 80% of the Sacramento Metropolitan Statistical Area median income (AMI), as determined annually by the federal Department of Housing and Urban Development. For purposes of this agreement, an affordable housing price shall be deemed to be a price for which the monthly payments for principal, interest, taxes, and insurance do not exceed thirty-five percent (35%) of the income of a family earning not more than 80% of the AMI as previously defined, as adjusted for family size appropriate to the size and number of bedrooms in the unit.

Developer will construct a minimum of 91 homes, including the five model homes, on the 91 finished lots in Del Paso Nuevo Phase 5. Of the 91 homes constructed, a minimum of 51% (46 homes) will be sold as affordable homes previously described. Of these 46 affordable homes, a total of 10 will be regulated for 45-years and 36 will be regulated for 20-years. With the exception of the model homes which will eventually be sold at market prices as non-regulated units, regulated and market rate homes will at all times be constructed in proportion to each other. Lots will be transferred and homes will be constructed in phases. Construction of each successive phase will not begin until 100% of the homes in the previous phase have been completed and at least 80% of those homes have been sold. The two phases are described as follows:

Phase 1: Lots 5 – 10 and 66 - 75.
This phase will include 15 or 16 parcels which will contain five model homes, 10 for-sale homes, and one lot currently planned for temporary use as construction staging. A minimum of eight (8) of the 15 homes constructed will be affordable to low-income families. Of these eight a minimum of two (2) must be regulated for 45-years and the balance will be regulated for 20 years.

Phase 2: Lots 11 – 20 and 61 – 65.
This phase includes 15 for-sale homes. There will be a minimum of eight (8) homes affordable to low-income families. Of these eight, a minimum of two (2) must be regulated for 45-years and the balance regulated for 20-years.

Subsequent lots will released in phases of up to 15 parcels per phase as described above depending on market conditions (demand and absorption) at the time of release and as mutually agreed upon by Agency and Developer. Upon written request by Developer, additional parcels may be released per phase in subsequent phases subject to review and written approval by Agency.

EXHIBIT 3

Schedule of Performance

	Task	Target Dates
1.	Approval of Building Permits	07/15/15
2.	Construction Start – Five Models, 10 For-Sale, Parking Lot	07/30/15
3.	Construction Completion	01/31/16
4.	Sale of All 10 For-sale Homes in 1st Phase	02/28/16
5.	Construction Start – Next 15 homes	03/01/16
6.	Construction Completion – 2nd Phase	09/30/16
7.	Sale of All Homes in 2nd Phase	10/30/16

- Mutually acceptable Schedules of Performances will be established for all subsequent phases prior to release of each subsequent phase.

- Target Dates represent the dates by which each task is anticipated to be completed and assumes prompt execution of loan documents and no unanticipated delays in the permit or construction processes. These dates may be extended at the discretion of the Agency upon mutual written agreement.

- Construction of all 91 homes in Del Paso Nuevo Phase V must be completed within five years of the effective date of the Disposition and Development Agreement at which time the agreement will be terminated, unless the term is extended an additional year upon mutual written agreement between the Agency and Developer and prior to the termination date.

EXHIBIT 4

Regulatory Agreement

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

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

INCLUDING CONDITIONS PRECEDENT TO RESALE

PROJECT NAME:	Del Paso Nuevo Phase V **Phase 1** (Lots 5 - 10 and 66 - 75)
PROJECT ADDRESSES:	3357 Auntie Burney St., 3363 Auntie Burney St., 3369 Auntie Burney St., 3375 Auntie Burney St., 3381 Auntie Burney St., 641 Dora Huntzing Ave., 653 Dora Huntzing Ave., 661 Dora Huntzing Ave., 667 Dora Huntzing Ave., 673 Dora Huntzing Ave., 612 Ford Rd, 640 Ford Rd, 654 Ford Rd, 660 Ford Rd, 668 Ford Rd, 674 Ford Rd, Sacramento, CA
EFFECTIVE DATE:	
APNS:	250-0470-005, 250-0470-006, 250-0470-007, 250-0470-008, 250-0470-009, 250-0470-010, 250-0470-043, 250-0470-044, 250-0470-045, 250-0470-046, 250-0470-047, 250-0470-048, 250-0470-049, 250-0470-050, 250-0470-051, and 250-0470-052.

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

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

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

1. **GENERAL.** This Regulatory Agreement incorporates the Exhibits listed below, which are attached to this Regulatory Agreement.

2. **DEFINITIONS.** The capitalized terms in this Regulatory Agreement shall have the meanings assigned in the following Definitions Table and as defined in the body of the Regulatory agreement, which terms being defined are indicated by quotation marks.

TERM	DEFINITION	
"Effective Date"	This Regulatory Agreement shall be effective as of the following date:	
"Agency"	Housing Authority of the City of Sacramento	
	A public body, corporate and politic	

"Owner" and "Developer"	PacH DPN-5 Housing Partners LLC A California limited liability company	
"Agency Address"	Agency's business address is as follows:	801 12th Street, Sacramento, CA 95814
"Owner Address"	Owner's business address is as follows:	2115 J Street Suite 201, Sacramento, CA 95816
"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**.	
"Funding Agreement"	The Funding Agreement between Agency and Owner, named and dated as follows:	Disposition and Development Agreement dated
"Agency Funding"	The Agency Funding made by Agency to Owner under the Funding Agreement for development of the Property	
"Agency Funding Amount"	The total amount of the Agency Funding, as follows:	$200,000.00 seller carry-back land loan from Agency for these 16 lots.
"Funding Requirements"	The legal restrictions on the use of the funds that Agency has used to make the Agency Funding, as applicable to and restricting the Property. The Funding Requirements are set out in **Exhibit 2 – Funding Requirements**.	
"Project Development Funds"	The total of all funds expended to develop the Project (and for a mixed use project, for the residential portion of the Project only), including without limitation payments for land acquisition, costs of financing, costs of predevelopment, and, as applicable, the costs of development or rehabilitation.	Approximately $19,565,000 for development of all 91 lots in Del Paso Nuevo Phase V. Approximately $3,100,000 for development of the first 15 lots.
"Unit Development Funds"	Project Development Funds expended for each unit as indicated in Section 3.b below. [Generally, for units which are substantially equivalent, the Unit Development Funds are equal to the Project Development Funds divided by the number of residential units in the Project. However, for Projects with significant variations in unit square footage, the number may be determined on a relative square footage basis)	
"Restricted Units"	The individual housing parcels within the Property that are to be subject, by this Regulatory Agreement to affordability restrictions that limit the price for which they may be sold and resold. The units shall be restricted for the period of years stated in the Funding Requirements.	
"Individual Regulatory Agreement"	The agreement containing conditions, covenants and restrictions running with the land and restricting the use and resale of the Restricted Units as provided in this Regulatory Agreement, the form of which is attached as **Exhibit 3 – Individual Regulatory Agreement**.	
"Approved Use"	The only permitted use of the Property, which is as a residential property available for sale to the general public and containing not less than the following number of units:	Property to be used for construction of 16 for-sale residential homes.

3. **RESTRICTED UNITS:** All 16 finished parcels shall be restricted by this regulatory agreement. Agency and Developer agree that as homes are constructed and sold this regulatory agreement will be partially released as to each home sold. Of the 16 parcels covered by this agreement, five (5) will be used for construction of model homes for the entire 91-lot Del Paso Nuevo Phase V project. Of the 15 new homes constructed, seven (7) will be sold without restrictions and eight (8) will be sold to low to moderate income owner-occupants earning 80% or less of Sacramento Metropolitan Statistical Area median income and an Individual Regulatory Agreement shall be recorded against those properties. Of these eight (8) regulated homes, a minimum of two will be restricted for a term of forty-five (45) years and the remainder the regulated homes will be restricted for a term of twenty (20) years.

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

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

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

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

6. **RECAPTURE.** If Developer rents a Restricted Unit without Agency authorization or sells a Restricted Unit at a price that exceeds the Affordable Price, Developer shall repay to Agency, as "Recapture", all of the Agency Funding allocable to the Restricted Unit, plus interest from the date of this Regulatory Agreement until paid, at then market rate for construction loans for projects similar to the Project, as reasonably determined by the Agency.

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

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

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

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

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

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

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

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

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

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

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

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

11. TERM. The term of this Regulatory Agreement shall commence on the Effective Date and continue until the terms of all of the covenants, including without limitation, the terms stated in the Funding Requirements, have expired or otherwise been terminated. Of the eight regulated homes in this phase, a minimum of two will be restricted for a term of forty-five (45) years and the remainder of the regulated homes will be restricted for a term of twenty (20) years.

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

13. **AUDIT AND INSPECTION**. The Property and all related equipment, buildings, plans, offices, books, contracts, records, documents and other related items shall at all times be maintained in reasonable condition for audit and

shall be subject to examination by the Agency or its agents. The books and accounts of the operations of the Property and of the Property shall be kept in accordance with generally accepted accounting principles. Owner shall provide Agency access to the Property and its tenants during reasonable hours for the purpose of reviewing Owner's compliance with this Regulatory Agreement.

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

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

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

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

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

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

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

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

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

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

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

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

OWNER :
PACH DPN-5 HOUSING PARTNERS LLC, a California limited liability company

By: PacH Sustainable, LLC
a California limited liability company
its managing member

By: Pacific Housing, Inc.
a nonprofit public benefit corporation
its sole member

By:_____
Mark A. Wiese, President

Date:_____

Approved as to form:_____
Developer Counsel

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

By: _____
La Shelle Dozier, Executive Director

Date: _____

Approved as to form:_____
Agency Counsel

EXHIBIT 5

Grant Deed
Phase 1

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

Mail Tax Statements to:
PacH DPN-5 Housing Partners LLC
2115 J Street Suite 201
Sacramento, CA 95816

GRANT DEED

(WITH REVESTMENT PROVISIONS, COVENANTS, RESTRICTIONS AND RESERVATIONS)

For valuable consideration, receipt of which is hereby acknowledged,

The Housing Authority of the City of Sacramento, a public body, corporate and politic, successor to the Redevelopment Agency of the City of Sacramento (the "Grantor"), acting to carry out the Redevelopment Plan, (the "Redevelopment Plan"), for the Redevelopment Project known as the Del Paso Heights Project Area, the ("Project"), under the Community Redevelopment Law of California, hereby grants to PacH DPN-5 Housing Partners LLC (the "Grantee"), the real property, (the "Property"), described in Exhibit 1- Legal Description which is attached to, and incorporated in this Deed by this reference, subject to the covenants, restrictions and reservations set forth below which covenants, restrictions and reservations shall inure to the benefit of, and bind, each and every successor, assign or successor in interest of the parties, including any heirs, executors, administrators, transferees or any other person or entity claiming through the parties.

The Property is conveyed in accordance with, and subject to, (i) the Del Paso Heights Redevelopment Plan which was adopted by the City Council of the City and duly recorded in the Office of the County Recorder of Sacramento County, California; and (ii) the Disposition and Development Agreement (the "Disposition and Development Agreement") entered into by and between Grantor and Grantee on June 9, 2015.

The Grantee covenants and agrees that the Property shall be devoted only to the uses specified in the applicable provisions of the Redevelopment Plan for the Project (including all Redevelopment Plan amendments, except amendments from which Grantee may be exempt by the doctrine of vested rights), this Deed and any and all instruments recorded pursuant to the Disposition and Development Agreement, including such Agreement, duly recorded by Grantor and affecting the Property. The Property is conveyed to Grantee at a purchase price (the "Purchase Price") determined in accordance with the uses permitted. Therefore, Grantee hereby covenants and agrees that the Grantee, such successors and such assigns shall develop, use, and maintain the Property as follows: new construction of single family homes, 51% of which are to be sold to households with incomes not exceeding eighty percent (80%) of the Area Median Income (AMI).

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

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

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

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

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

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

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

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

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

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

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

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

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

2.4. In the event title to all or any part of the Property is revested in the Grantor as provided in this Section 2, the Grantor shall, pursuant to its responsibilities under California Law, use its best efforts to resell the Property or part as soon and in such manner as the Grantor shall find feasible and consistent with the objectives of such law and

of the Redevelopment Plan to a qualified and responsible party or parties (as determined by the Grantor) who will assume the obligation of making or completing the Improvements or such other improvements in their stead as shall be satisfactory to the Grantor and in accordance with the uses specified for such Property or part in the Redevelopment Plan. Upon such resale of the Property the proceeds thereof shall be applied as follows:

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

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

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

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

3. The Grantee covenants and agrees that:

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

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

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

5. All covenants contained in this Deed shall be covenants running with the land and equitable servitudes thereon. The covenants contained in Section 2 of this Deed shall terminate upon issuance of a Certificate of Completion for

the Property. Every covenant contained in this Deed not previously terminated shall terminate thirty (30) years from the date of recordation in the official records of Sacramento County, except that the covenants against discrimination contained in Section 3 of this Grant Deed shall remain in perpetuity.

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

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

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

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

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

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

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

IN WITNESS WHEREOF, the Grantor and the Grantee have caused this instrument to be executed on their behalf by their respective and duly authorized officers, on the following dates, effective as of _____, 2015.

Housing Authority of the City of Sacramento
a public body, corporate and politic

By:_____
La Shelle Dozier, Executive Director

Date:_____

APPROVED:_____
Agency Counsel

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

PacH DPN-5 Housing Partners LLC,
a California limited liability company

By: PacH Sustainable, LLC
a California limited liability company
its managing member

By: Pacific Housing , Inc.
a nonprofit public benefit corporation
its sole member

By: _____
Mark A. Wiese, President

Date: _____

EXHIBIT 1

LEGAL DESCRIPTION

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

LOTS 5 THROUGH 10, INCLUSIVE, AND LOTS 66 THROUGH 75, INCLUSIVE, AS SHOWN ON THE FINAL MAP ENTITLED "DEL PASO NUEVO UNIT 5", FILED FOR RECORD IN BOOK 360 OF MAPS, MAP NO. 4, SACRAMENTO COUNTY RECORDS.

A.P.N. 250-0470-006 THROUGH 010
A.P.N. 250-0470-043 THROUGH 052

Back to Report Table of Contents

Exhibit B

ACQUISITION LOAN AGREEMENT
SELLER CARRY-BACK LOANS

DEL PASO NUEVO PHASE V
91 LOTS

ARTICLE I TERMS AND DEFINITIONS:

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

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

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

A. "Loan Information" The general loan provisions of the Loans		
"LENDER"	The following public agency that is making the Loans, 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	PacH DPN-5 Housing Partners LLC	
Legal Status	A California limited liability company	
Principal Address	2115 J Street Suite 201 , Sacramento, CA 95816	
"LOAN"	The Loans made by this Loan Agreement.	
"LOAN COMMITMENT"	Lender's loan commitment made by letter dated as of	n/a
"LOAN PROGRAM"	Lender's Loan Program	Seller Carry-back Loans
"LOAN AMOUNT"	One Million One Hundred Thirty Seven Thousand dollars ($1,137,500.00) total loan amount, which is the bulk fair market value of the 91 finished lots less slab demolition on 11 lots and subdivision repair costs to be paid by the Developer necessary to complete construction of the Project. The total purchase price will be prorated in equal installments of $12,500.00 per lot. The Agency will finance the phased purchase through separate Seller Carry-back Promissory Notes for each phase transferred. The total amount due under each separate note will correspond to the number of lots transferred for that phase of construction multiplied by the per lot purchase price. The notes are to be repaid on a prorated basis including principal plus accrued interest upon the sale of each newly constructed home in accordance with the terms of the Seller Carry-back Promissory Notes are to be executed as a condition precedent to conveyance of the Property.	
"INTEREST RATE"	The interest rate is Four Percent (4.0%) per year, simple interest.	
"MATURITY DATE"	The maturity date of the first phase that includes model homes will be the last day of the 36th month following the effective date of the note. The maturity dates for the remaining phases will be the last day of the 12th calendar month following the Effective Date of each Promissory Note but in no instance later than the last day of the 60th calendar month following the effective date of the Disposition and Development Agreement entered into by and between the Lender and Borrower concurrently with this Loan Agreement..	
"PAYMENT START DATE"	The payment shall be made as each newly constructed home sells to a qualified and eligible owner occupant household pursuant to the Disposition and Development Agreement entered into by and between the Lender and Borrower concurrently with this Loan Agreement	

"PAYMENT AMOUNT"	Twelve Thousand Five Hundred Dollars and no cent ($12,500.00) plus accrued interest per lot payable from close of escrow upon completion of construction and sale of each home.	
"PAYMENT SCHEDULE"	The unpaid balance of each Note is due and payable on its Maturity Date, including without limitation all unpaid principal, interest, fees and charges.	
"BORROWER EQUITY"	Approximately Eighteen Million Nine Hundred Sixty Thousand Two Hundred and Eighty-Eight Dollars ($18,960,288)	This amount consists of anticipated utility rebates, Borrower equity as required by the construction lender, and Bank construction financing.
"SPECIAL TERMS"	100% of the homes in each phase must be complete and a minimum of 80% of those homes sold prior to release of the next phase. Unpaid principal and interest are due in full upon refinance, sale or maturity.	

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 each Loan as specified:
Addresses	3271 Auntie Burney St., 3272 Auntie Burney St., 3277 Auntie Burney St., 3278 Auntie Burney St., 3283 Auntie Burney St., 3284 Auntie Burney St., 3289 Auntie Burney St., 3290 Auntie Burney St., 3295 Auntie Burney St., 3296 Auntie Burney St., 593 Carroll Ave, 608 Carroll Ave, 614 Carroll Ave, 565 Charles Bradley Way, 569 Charles Bradley Way, 573 Charles Bradley Way, 607 Charles Bradley Way, 611 Charles Bradley Way, 640 Ford Rd, 654 Ford Rd, 660 Ford Rd, 668 Ford Rd, 674 Ford Rd, 3272 Taylor St, 3278 Taylor St, 3279 Taylor St, 3284 Taylor St, 3290 Taylor St, 3296 Taylor St, 3301 Taylor St, and 3311 Taylor St...3300 Auntie Burney St., 3308 Auntie Burney St., 3316 Auntie Burney St., 639 Carroll Ave, 3340 Dorothy Hill St., 3346 Dorothy Hill St., 3354 Dorothy Hill St., 3360 Dorothy Hill St., 641 Wendell Echols Way, 653 Wendell Echols Way, 660 Wendell Echols Way, 661 Wendell Echols Way, 667 Wendell Echols Way, 671 Wendell Echols Way, 701 Wendell Echols Way, 707 Wendell Echols Way, 715 Wendell Echols Way, 721 Wendell Echols Way, 727 Wendell Echols Way, 733 Wendell Echols Way, 739 Wendell Echols Way, 744 Wendell Echols Way, 745 Wendell Echols Way, 750 Wendell Echols Way, 756 Wendell Echols Way, 2 Weott Ct, 3 Weott Ct, 9 Weott Ct, 14 Weott Ct, and 15 Weott Ct., 3301 Auntie Burney St., 3307 Auntie Burney St., 3315 Auntie Burney St., 3321 Auntie Burney St., 3327 Auntie Burney St., 3333 Auntie Burney St., 3339 Auntie Burney St., 3345 Auntie Burney St., 3351 Auntie Burney St., 3357 Auntie Burney St., 3363 Auntie Burney St., 3369 Auntie Burney St., 3375 Auntie Burney St., 3381 Auntie Burney St., 609 Carroll Ave, 615 Carroll Ave, 640 Dora Huntzing Ave, 641 Dora Huntzing Ave, 653 Dora Huntzing Ave, 654 Dora Huntzing Ave, 660 Dora Huntzing Ave, 661 Dora Huntzing Ave, 667 Dora Huntzing Ave, 668 Dora Huntzing Ave, 672 Dora Huntzing Ave, 673 Dora Huntzing Ave, 612 Ford Rd, 3300 Taylor St, 3308 Taylor St, and 3316 Taylor St, all in Sacramento, CA.
Assessor's Parcel Numbers	250-0470-005 through 072 and 250-480-001 through 023.
"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.

C. "ESCROW INFORMATION":		
"Title Company" and "Escrow Agent"	Placer Title Company	Which is the title company that will issue the Title Policy and that will act as Escrow Agent for the Escrow
"Escrow"	The escrow with Escrow Agent	
"Closing Date"	June 19, 2015	Which is the estimated date for close of the Escrow, as it may be extended by mutual consent of Lender and Borrower.

D. "LIST OF EXHIBITS" (The following are attached and incorporated in this Loan Agreement):	
EXHIBIT	DEFINED TERM
Exhibit 1: Legal Description	"Legal Description"

Exhibit 2: Note Form	"Note"
Exhibit 3: Trust Deed Form	"Trust Deed"
Exhibit 4: Escrow Instructions	"Escrow Instructions

D. "APPROVAL DOCUMENTS" Borrower shall submit the following documents for Lender approval
Construction Agreement(s) for the Project
Architectural Agreement for the Project
Borrower's organizational documents, such as partnership agreements or corporate articles and by-laws
Evidence of construction financing

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

G."SPECIAL PROVISIONS" The following special provisions shall be in addition to the provisions of this Loan Agreement.
Each loan will be made pursuant to the Disposition and Development Agreement by and between Borrower and the Housing Authority of the City of Sacramento ("Agency") dated June 9, 2015 ("DDA"). This Loan Agreement is subject to the DDA including without limitation, conditions precedent to funding nor entering into this Loan or making disbursements of the Loan Proceeds. Lender, herein, has delegated its approval authority to the Agency pursuant to and consistent with the DDA.
This loan is a seller carry-back loan. No loan funds will be disbursed. Loan shall be used solely for Property acquisition.

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

BORROWER:
PACH DPN-5 HOUSING PARTNERS LLC, a California limited liability company

By: PacH Sustainable, LLC
a California limited liability company
its managing member

By: Pacific Housing, Inc.
a nonprofit public benefit corporation
its sole member

By:_____
Mark A. Wiese, President

Date:_____

Approved as to form:_____
Developer Counsel

AGENCY:
HOUSING AUTHORITY OF THE CITY OF SACRAMENTO, A PUBLIC BODY, CORPORATE AND POLITIC

By: _____
La Shelle Dozier, Executive Director

Approved as to form:

_____
Agency Counsel

ARTICLE II LOAN PROVISIONS

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

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

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

1.1. "Approved Loans" means the bank loan to Developer for construction of the homes.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1.16. “Permanent Lender” is the lender for the Permanent Loan.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3.2. **USE OF LOAN FUNDS**. Loan funds shall be used only for acquisition financing and for other purposes specified in the Loan Agreement.

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

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

3.5. **REGULATORY AGREEMENT.** The Regulatory Agreement imposing covenants, conditions and restrictions running with the land is a material consideration for the making of the Loan. Borrower shall execute the Regulatory Agreement prior to Close of Escrow and deliver it to Escrow for recordation.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

7.8.2. The Permanent Lender's commitment to make the Permanent Loan is in full force, has not been modified and no event has occurred that with notice or the passage of time or both could result in the termination of it. Nothing in the Permanent Loan commitment, or submissions and approvals made under it, conflicts with this Loan agreement. Borrower has done all things necessary to keep unimpaired its rights under the Loan Commitment

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

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

7.8.5. One hundred percent (100%) of the homes must be constructed and a minimum of Eighty Percent (80%) of the homes in the each phase sold prior to beginning construction on the next successive phase.

8. **DEFAULTS**

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

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

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

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

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

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

9. REMEDIES

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

9.1.1. Terminate its obligation to make disbursements.

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

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

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

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

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

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

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

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

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

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

11. MISCELLANEOUS.

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

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

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

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

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

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

11.7. **NOTICES**. Borrower irrevocably appoints Lender as its agent (the agency being coupled with an interest) to file for record any notices of completion, cessation of labor, or any other notice that Lender deems necessary or desirable to protect its interests under this Loan Agreement or under the Loan Documents. All notices to be given under this Loan Agreement shall be in writing and sent to the addresses stated above. as well as to those Parties listed in the definition of "Additional Notices" in the Trust Deed by one or more of the following methods. Lender shall give copies of notices required to be delivered to Borrower to those Parties listed in the definition of "Additional Notices" in the Trust Deed provided, however that Borrower acknowledges that such notice is an accommodation and the failure of the Lender to properly deliver any such notice shall not give rise to any claims or defenses of Borrower or any third party.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Exhibit 1
Legal Description

The land situated in the State of California, County of Sacramento, City of Sacramento more particularly described as follows:

LOTS 5 THROUGH 95, INCLUSIVE, AS SHOWN ON THE FINAL MAP ENTITLED "DEL PASO NUEVO UNIT 5", FILED FOR RECORD IN BOOK 360 OF MAPS, MAP NO. 4, SACRAMENTO COUNTY RECORDS.

A.P.N. 250-0470-005 THROUGH 072
A.P.N. 250-0480-001 THROUGH 023

Exhibit 2
Note Form

SELLER CARRY-BACK PROMISSORY NOTE

DEL PASO NUEVO PHASE V
LAND LOAN

PHASE 1

(LOTS 5 – 10 AND 66 – 75)

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, if any, which are attached to and incorporated in this Note by this reference. The capitalized terms in this Note shall have the meanings assigned in the following table of definitions and as defined in the body of the Note. (Terms being defined are indicated by quotation marks. If an item in the table is marked "None, Not Applicable, N/A or equivalent or is left blank, that defined term is not applicable to this Note or the referenced item is not required or is not included in this Note as the context may indicate.) The Lender is making the Loan to Borrower in consideration of Borrower making this Note and delivering it to Lender.

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

DEFINED TERM:	DEFINITION:	
"Effective Date"		
"Lender"	Housing Authority of the City of Sacramento	
"Lender Legal Status	A public body, corporate and politic	
"Borrower"	PacH DPN-5 Housing Partners LLC	
"Borrower Legal Status"	A California limited liability company	
"Loan Agreement"	Seller Carry-back Loan Agreement dated March 18, 2015.	
"Principal Amount"	Two Hundred Thousand Dollars and no Cents ($200,000.00)	
"Interest Rate"	Four percent (4.0%) simple interest	
"Accrual Date"	Interest shall accrue starting on the following "Accrual Date":	Effective Date.
"Special Terms"	Payments will be due on a per lot basis from net sales proceeds paid out of escrow upon the sale of each newly constructed home.	
PAYMENT SCHEDULE. Repayment of this Note shall be made the following amounts:		
"Maturity Date"	The last day of the 36th calendar month following the Effective Date of this Promissory Note.	
"Payment Start Date"	The close of escrow date on the sale of the first newly constructed home sold and on the close date of each new home sale thereafter.	
"Payment Amount(s)"	Twelve Thousand Five Hundred Dollars and no Cents ($12,500.00) plus accrued interest per lot payable from close of escrow upon sale of each newly constructed home.	

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 Seller Carry-back Loan Agreement between Borrower and Lender dated as of the Loan Date ("Loan Agreement"). The terms and covenants of the Loan Agreement are incorporated in this Note by reference. The Loan Agreement provides for and incorporates the Regulatory Agreement ("Regulatory Agreement"), the making of which is further consideration for this Note. All payments on this Note shall be applied first to fees and charges due under the Loan Agreement, if any, then interest and then to the principal

due on this Note. Borrower shall make the payments to the Lender at 801 12th Street, Sacramento, CA 95814, or to such other person or organization as may be designated by Lender to Borrower and noticed as provided in the Loan Agreement.

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

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

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

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

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

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

c. Lender discovers that Borrower has made any misrepresentations or has intentionally withheld any fact in the making of this Loan, the knowledge of which could have affected the decision of Lender to make the Loan.

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

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

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

g. The occurrence of any of the following:

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

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

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

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

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

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

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

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

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

Borrower:

PACH DPN-5 HOUSING PARTNERS LLC, a California limited liability company

By: PacH Sustainable, LLC
a California limited liability company
its managing member

By: Pacific Housing, Inc.
a nonprofit public benefit corporation
its sole member

By:_____
Mark A. Wiese, President

Date:_____

Exhibit 3
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

Del Paso Nuevo Phase V
Phase 1
(Lots 6 – 10 and 66 – 75)

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

TERM	DEFINITION	
"Effective Date"		
"Trustor" and "Borrower"	PacH DPN-5 Housing Partners LLC, a California limited liability company	
"Borrower Address"	2115 J Street Suite 201, Sacramento, CA 95816	
"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, CA 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.	
	Addresses	3357 Auntie Burney St., 3363 Auntie Burney St., 3369 Auntie Burney St., 3375 Auntie Burney St., 3381 Auntie Burney St., 641 Dora Huntzing Ave., 653 Dora Huntzing Ave., 661 Dora Huntzing Ave., 667 Dora Huntzing Ave., 673 Dora Huntzing Ave., 612 Ford Rd, 640 Ford Rd, 654 Ford Rd, 660 Ford Rd, 668 Ford Rd, 674 Ford Rd, Sacramento, CA
	Assessor's Parcel Numbers	250-0470-005, 250-0470-006, 250-0470-007, 250-0470-008, 250-0470-009, 250-0470-010, 250-0470-043, 250-0470-044, 250-0470-045, 250-0470-046, 250-0470-047, 250-0470-048, 250-0470-049, 250-0470-050, 250-0470-051, and 250-0470-052.
"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:	June 9, 2015

"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:	
	None.	
"Note"	Which is Borrower's note made in accordance with the Loan Agreement securing the following principal sum or such lesser amount as shall equal the aggregate amount disbursed to Borrower by Lender, with interest.	
	Which has a principal sum of	Two Hundred Thousand Dollars and No Cents ($200,000.00)

THIS DEED OF TRUST is made as of the Effective Date between the Trustor also referenced as the Borrower, the Trustee, and the Beneficiary also referenced as Lender. Borrower, in consideration of the indebtedness described below and the trust created by this Deed of Trust, irrevocably grants and conveys the Property to Trustee, in trust with power of sale.

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

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

Borrower and Lender covenant and agree as follows:

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

2. Charges; Liens. Borrower shall pay all taxes, assessments and other charges, fines and impositions attributable to the Property and leasehold payments or ground rents, if any by Borrower making payment, when due, directly to the appropriate payee. Borrower shall promptly furnish to Lender all notices of amounts due under this paragraph, and in the event that Borrower makes payment directly, Borrower shall promptly furnish to Lender receipts evidencing such payments. Borrower shall pay when due any encumbrance, charge and lien, with interest in accordance with its terms, on the Property or any portion which is inferior or superior to this Deed of Trust.

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

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

4. Liability Insurance. In addition to the casualty insurance required under the Loan Agreement during the course of construction, Borrower shall keep comprehensive general liability insurance for the Property in a form and coverage consistent with the provisions of the Loan Agreement and reasonably approved by Lender.

5. Preservation and Maintenance of Property. Borrower shall keep the Property in good repair and shall not commit waste or permit impairment, demolition, or deterioration of the Property.

6. Protection of Lender's Security. Borrower shall appear and defend any action or proceeding purporting to affect the security under this Deed of Trust or the rights of the Lender. If Borrower fails to perform the covenants and agreements contained in this Deed of Trust, or if any action or proceeding is commenced which materially affects Lender's interest in the Property, including, but not limited to, foreclosure, involuntary sale, eminent domain, insolvency, code enforcement, or arrangements or proceedings involving a bankrupt or decedant, then Lender may, upon notice to Borrower, make such appearances, disburse such sums and take such actions as are necessary to protect Lender's interest, including, but not limited to, disbursement of judgments, costs or reasonable attorney's fees and entry upon the Property to make repairs. Any amounts disbursed by Lender pursuant to this Section 6, with interest, shall become additional indebtedness of Borrower secured by this Deed of Trust. Unless Borrower and Lender agree to other terms of payment, such amounts shall be payable upon notice from Lender to Borrower requesting payment, and shall bear interest from the date of disbursement at the highest rate permissible under applicable law. In any event, this Section shall be construed as a right and an option of Lender and shall not be construed to require Lender to incur any expense or take any action.

7. Inspection. Lender, by its designated representative, may make reasonable entries upon and inspections of the Property, provided that Lender shall give Borrower and any occupant of the Property reasonable prior notice of any such inspection.

8. Condemnation. The proceeds of any award or claim for damages, direct or consequential, in connection with any condemnation or other taking of all or any part of the Property, or for conveyance in lieu of condemnation, shall be applied as provided in the Loan Agreement. If the Property is abandoned by Borrower, or if, after notice by Lender to Borrower that the condemnor offers to make an award or settle a claim for damages, Borrower fails to respond to Lender within 30 days after the date such notice is mailed, Lender is authorized to collect and apply the proceeds, at Lender's option, either to restoration or repair of the Property or to the sums secured by this Deed of Trust. Unless Lender and Borrower otherwise agree in writing, any such application of proceeds to principal shall not extend or postpone the due date of any payment or change the amount of such payment.

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

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

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

12. Successors and Assigns Bound; Joint and Several Liability Captions. The covenants and agreements contained in this Deed of Trust shall bind, and the rights under this Deed of Trust shall inure to, the respective successors and assigns of

Lender and Borrower, subject to the provisions of Section 15. All covenants and agreements of Borrower shall be joint and several. The captions and headings of the paragraphs of this Deed of Trust are for convenience only and are not to be used to interpret or to define its provisions.

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

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

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

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

16. Acceleration on Breach; Remedies. Except as provided in Section 15, upon Borrower's breach of any covenant or agreement of Borrower in this Deed of Trust, the Note, (including the covenants to pay when due any sums secured by this Deed of Trust and restricting transfer of the Property) or Loan Agreement, Lender shall mail notice to Borrower specifying: (1) the breach; (2) the action required to cure such breach; (3) a date, no less than 30 days from the date the notice is mailed to Borrower, by which breach must be cured; and (4) that failure to cure such breach on or before the date specified in the notice may result in acceleration of the sums secured by this Deed of Trust and sale of the Property. If the breach is not cured on or before the date specified in the notice, Lender at Lender's option may declare all of the sums secured by this Deed of Trust to be immediately due and payable without further demand and may invoke the power of sale and any other remedies permitted by applicable law. Lender shall be entitled to collect from the Borrower, or sale proceeds, if any, all reasonable costs and expenses incurred in pursuing the remedies provided in this Section, including, but not limited to reasonable attorney's fees.

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

Trustee shall deliver to the purchaser a Trustee's deed conveying the Property so sold without any covenant or warranty, expressed or implied. The recitals in the Trustee's deed shall be prima facie evidence of the truth of the statements it contains. Trustee shall apply the proceeds of the sale in the following order: (a) to all reasonable costs and expenses of the sale, including, but not limited to, reasonable Trustee's and attorney's fees and costs of title evidence; (b) to all sums secured by this Deed of Trust; and (c) the excess, if any, to the person or persons legally entitled thereto as determined by

Lender. In the event of a dispute regarding the excess funds, either Lender or Trustee may file an action in interpleader to determine who shall receive the funds and may then deposit the excess funds with the court.

17. Assignment of Rents; Appointment of Receiver; Lender in Possession. As additional security, Borrower assigns to Lender the rents of the Property, provided that Borrower shall, prior to an acceleration for breach as provided above or abandonment of the Property, have the right to collect such rents as they become due. Upon acceleration for breach or abandonment of the Property, Lender, in person, by agent or by judicially appointed receiver shall be entitled to enter upon, take possession of and manage the Property and to collect the rents of the Property including those past due. All rents collected by Lender, its agent, or the receiver shall be applied first to payment of the costs of management of the Property and collection of rents, including, but not limited to receiver's fees, premiums on receiver's bonds and reasonable attorney's fees, and then to the sums secured by this Deed of Trust. Lender, its agent and the receiver shall be liable to account only for those rents actually received.

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

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

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

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

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

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

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

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

BORROWER (Trustor):
PACH DPN-5 HOUSING PARTNERS LLC, a California limited liability company

By: PacH Sustainable, LLC
a California limited liability company
its managing member

By: Pacific Housing, Inc.
a nonprofit public benefit corporation
its sole member

By:_____
Mark A. Wiese, President

Date:_____

[NOTARIZED ACKNOWLEDGEMENTS]

Exhibit 4

Escrow Instructions

JOINT ESCROW INSTRUCTIONS
FOR PURCHASE AND SALE OF LAND AND RELATED AGENCY LOAN

DEL PASO NUEVO PHASE V
Phase 1

"Effective Date"	June 9, 2015

Agency and Borrower 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 and Borrower for the sale of the property by Agency, related Agency Seller Carry-back Loan secured by the Property, and the purchase of the Property by Borrower as buyer.

ARTICLE I. GENERAL TERMS.

1. **GENERAL**. These Escrow Instructions, in addition to items listed below, include Article II Instructions, 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:**	404-11141	**Attention:**	Jenny M. Vega
"Agency"	Sacramento Housing and Redevelopment Agency			
	Address:	801 12th Street, Sacramento, CA 95814		
	Attention:	Bern Wikhammer		
"Borrower"	PacH DPN-5 Housing Partners LLC			
	Address:	2115 J Street Suite 201, Sacramento, CA 95816		
	Attention:	Mark Wiese		
"Closing Date"	June 19, 2015or as may be extended by mutual agreement.			
"Property" Lots 5 – 10 and 66 – 75.	**Address:**	3357 Auntie Burney St., 3363 Auntie Burney St., 3369 Auntie Burney St., 3375 Auntie Burney St., 3381 Auntie Burney St., 641 Dora Huntzing Ave., 653 Dora Huntzing Ave., 661 Dora Huntzing Ave., 667 Dora Huntzing Ave., 673 Dora Huntzing Ave., 612 Ford Rd, 640 Ford Rd, 654 Ford Rd, 660 Ford Rd, 668 Ford Rd, 674 Ford Rd, Sacramento, CA	**APN:**	250-0470-005, 250-0470-006, 250-0470-007, 250-0470-008, 250-0470-009, 250-0470-010, 250-0470-043, 250-0470-044, 250-0470-045, 250-0470-046, 250-0470-047, 250-0470-048, 250-0470-049, 250-0470-050, 250-0470-051, 250-0470-052.
Description of the transaction	This transaction consists of the first phase of transfer of land from Agency to Borrower (16 out of 91 total), and the entry by Borrower into a seller carry back loan with the Agency secured by the Property, as well as related development and regulatory agreements. Purchase is being financed by the Borrower's entry into a new loan ("SHRA Land Loan") for the purchase of 16 parcels in Del Paso Nuevo Phase V, as described in the Disposition and Development Agreement (DDA). The SHRA Land Loan will be subordinate to a loan from HomeStreet Bank on 15 parcels but senior on the remaining lot to be used for construction staging. The SHRA Land Loan is a seller carry-back loan by the Housing Authority of the City of Sacramento to the Borrower for the land in the amount of $200,000. There are deeds of trust to be recorded for the SHRA Land Loan and Bank Construction Loan on 16 parcels. Additionally, there is a Regulatory Agreement to be recorded against these 16 parcels as specified. The DDA is to be recorded against all 91 parcels .			
"Recorded	**Documents:**		**Marked for return to:**	

Documents"- recorded in the order listed (top being first in priority).	1. Grant Deed 2. Deed of Trust – Bank Construction Loan 3. DDA 4. Regulatory Agreement 5. Deed of Trust – SHRA Land Loan	Sacramento Housing and Redevelopment Agency (Documents 1, 3, 4 and 5)	
"Agency Items"	Promissory Note for Seller Carry-back Land Loan		
	Loan Agreement for the Seller Carry-back Land loan		
	Disposition and Development Agreement		
	Regulatory Agreement		
	Use of Fee Credit Certificate		
	Grant Deed and Deed of Trust		
"Borrower Items"	Promissory Note for Bank Construction Loan		
"Special Provisions":	Agency Title Policy shall, in addition to customary endorsements, bear the following endorsements: • ALTA 102.5 Foundation Endorsement • ALTA Rewrite upon project completion CLTA 124.1		
"Agency Title Policy" in the form of an ALTA Policy:	**Documents**:	**Coverage amount:**	
	Regulatory Agreement and Trust Deed – 16 lots Disposition and Development Agreement – 91 lots	In the amount of the secured SHRA Land loan ($200,000.00)	
"Borrower Title Policy":	CLTA Standard Owner Policy insuring title to the Property is held in the Borrower's name	**Coverage amount:** Purchase price of land ($200,000.00)	
The title policies shall be subject to the following	Items 1 – 11 of Title Company's Preliminary Report for the Escrow. All other items no longer apply and are to be removed from title.	**Dated:**	May 1, 2015 Version 2
		Number:	404-11141

THE PARTIES HAVE EXECUTED THESE ESCROW INSTRUCTIONS in Sacramento, California as of the date first written above.

BORROWER:

PACH DPN-5 HOUSING PARTNERS LLC
A CALIFORNIA LIMITED LIABILITY COMPANY

By: PacH Sustainable, LLC
a California limited liability company
its managing member

By: Pacific Housing, Inc.
a nonprofit public benefit corporation
its sole member

By:_____
Mark A. Wiese, President

AGENCY:

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

By:_____
La Shelle Dozier, Executive Director

ARTICLE II. INSTRUCTIONS

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

13. **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.

13.1. **CONDITIONS**. The following are conditions to the Close of Escrow:

13.1.1. The conditions precedent to performance stated in the Recorded Documents are satisfied as of the Closing Date.

13.1.2. Simultaneously with the Close of Escrow, Title Company shall issue the Agency Title Insurance to Agency (at Borrower'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, Borrower's performance of its obligations and repayment of Agency Funding.

13.1.3. 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.

13.1.4. On or before the Closing Date, Agency shall also deposit with Title Company the Borrower 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.

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

13.1.6. 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.

13.2. **TRUST DEED FORM.** If 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."*

13.3. **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):

13.3.1. Assure fulfillment of the Special Provisions;

13.3.2. Assure all documents are complete and affix legal descriptions of the Property as necessary to complete them;

13.3.3. Obtain full execution of all unexecuted documents;

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

13.3.5. Record the Recorded Documents in the priority listed;

13.3.6. 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;

13.3.7. Deliver the Agency Items to Agency and the Borrower Items to Borrower; and

13.3.8. Prepare and deliver to Borrower and Agency, respectively, one signed original 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.

13.4. **INABILITY TO CLOSE.** If Title Company is unable to simultaneously perform all of the preceding instructions, Title Company shall notify Borrower 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 Borrower has not complied with Borrower's obligations under this Loan Agreement, then Borrower 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.

13.5. **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 Borrower for complete compliance with these instructions. Agency and Borrower 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.

Borrower 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 Borrower, 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 the escrow instructions.

Dated: _____

TITLE COMPANY
FIRST AMERICAN TITLE COMPANY

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