Sacramento Housing & Redevelopment Agency

REPORT TO CITY COUNCIL AND HOUSING AUTHORITY

City of Sacramento
915 I Street, Sacramento, CA 95814-2671
www.CityofSacramento.org

PUBLIC HEARING
January 17, 2006

Honorable Mayor and
Members of the City Council

Subject: APPROVAL OF ISSUANCE OF TAX-EXEMPT BONDS AND AGENCY LOAN FOR WESTVIEW RANCH APARTMENTS (FORMERLY NATOMAS ELKHORN APARTMENTS)

Location/Council District: Bound by Picasso Circle, Bankside Way and Macon Drive, District 1

Recommendation: Staff recommends adoption of the attached resolutions which:

- approve City HOME funds for an Agency loan of up to $1,540,000 for Westview Ranch Apartments;
- approves a budget transfer of $1,540,000 from City HOME Funds to the Westview Ranch Apartments;
- indicate the willingness of the Housing Authority of the City of Sacramento (Housing Authority) to issue up to $13,000,000 million in tax-exempt mortgage revenue bonds to provide construction and permanent financing for the Westview Ranch Apartments;
- authorize an application to the California Debt Limit Allocation Committee (CDLAC) for authority to issue the bonds;
- indicate that the City Council has conducted a Tax Equity and Fiscal Responsibility Act (TEFRA) public hearing related to the proposed acquisition, construction, and permanent financing of the project; and
- authorize the Executive Director to execute all necessary documents associated with the transaction.

Contact: Christine Weichert, Housing Finance Program Manager, 440-1353
Jeree Glasser, Housing Finance Analyst, 440-1399 x1421

Presenters: Christine Weichert, Housing Finance Program Manager
Jeree Glasser, Housing Finance Analyst

Department: Sacramento Housing and Redevelopment Agency

ISSUANCE OF TAX-EXEMPT BONDS AND AGENCY LOAN FOR NATOMAS ELKHORN APARTMENTS

Summary: This report recommends an Agency loan and the use of tax-exempt mortgage revenue bonds to provide construction and permanent financing for the Westview Ranch Apartments. Issuance of the bonds requires: 1) adoption of an inducement resolution to indicate the Housing Authority's intent to issue the bonds, 2) authorization of an application to CDLAC for authority to issue the bonds, and 3) holding a TEFRA public hearing. These actions will not commit the Housing Authority to issuing bonds until and unless all other necessary actions and approvals are taken or received in accordance with all applicable laws and to the satisfaction of the City Council. The hearing of this report by the City Council shall serve as the public hearing required under TEFRA.

Commission Action: At its January 4, 2006 meeting the Sacramento Housing and Redevelopment Commission adopted a motion recommending approval of the attached resolutions. The votes were as follows:

AYES: Burns, Burruss, Coriano, Fowler, Gore, Hoag, Piatkowski, Shah, Simon.

NOES: None.

ABSENT: Gale, Stivers.

Background Information: St. Anton Capital, LLC a local affordable housing developer ("Developer"), has requested the issuance of up to $13,000,000 million in tax-exempt mortgage revenue bonds and $1,540,000 loan of City HOME Funds for acquisition and construction of the 128-unit Westview Ranch Apartments. A vicinity map is included as Attachment A.

Description of Development: Westview Ranch Apartments is proposed to be newly constructed128-unit, family apartment complex located within the Reynen and Bardis master planned community of JMA North Natomas. The apartment complex will satisfy the mixed income housing requirements of the JMA North Natomas development as well as the Village Greens development (being development by Winncrest Homes). The project is located on a 5.6 acre parcel bounded by Picasso Circle, Bankside Way, and Macon Drive.

The project will include 85 very low-income and 42 low-income units in eleven two-and three- story residential buildings. The units will be a mix of one-, two-, and three-bedrooms ranging in size from 599 square feet to 1,144 square feet. Buildings will be wood frame construction with a stucco siding and clay shingle roof tiles. The site will also include a 3,650 square foot club house which will contain a leasing office, kitchen, library with computer lab, fitness center, laundry facility, meeting and conference rooms, and mail center. The site will be professionally landscaped and include a swimming pool. There will be 126 covered parking spaces including 20 garage spaces on site for residents, plus an additional 98 spaces of uncovered parking. A site plan and sample floor plans are included as Attachments B and C, respectively.

Developer: The owner of the project will be Elkhorn Sacramento L.P, a California Limited Partnership. Pacific Housing, Inc. a California non-profit benefit corporation will be the managing general partner an Anton Elkhorn, LLC, an affiliate of St. Anton Capital LLC will be the co-general partner. St. Anton Capital, LLC is a privately owned real estate and development organization based in Sacramento which has owned and operated affordable housing since 1996. The developer has developed and constructed 15 multi-family projects including 2,200 units and has four projects under construction including 533 units. Recent projects completed or under construction by the Developer in the Sacramento region, including the St. Anton Building at 21st and L Streets (65 units), Sierra Creek (144 units), and Natomas Park Apartments (212 units). St. Anton Capital has a demonstrated knowledge and experience in the delivery of quality projects.

Pacific Housing Corporation, based in Sacramento, California, will provide on-site resident services. Pacific Housing is an experienced operator of on-site resident services, and is a partner in several affordable projects in Sacramento. As a condition of this financing, Pacific Housing Corporation has submitted a complete social services plan for Agency approval detailing the scope and schedule of services provided.

Property Management: This project will be managed by St. Anton Management, Inc., an affiliate of St. Anton Partners, LLC. St. Anton Management, Inc. is owned equally by Steven Eggert and Peter Geremia and manages the properties owned or developed by St. Anton. St. Anton Management, Inc. currently manages all St. Anton's properties through a contract with Jon Berkley Management, a local property management company. In March of 2006, St. Anton Management Inc. will cease to contract with Jon Berkely for management services and self manage the St. Anton portfolio. St. Anton Management, Inc. currently has ten employees and plan to have a staff of between 60-75 by the March transition. St. Anton Management Inc. will employ on-site leasing and maintenance staff, asset managers, and administrative staff. Agency staff has reviewed the management plan, including daily operations, leasing procedures, maintenance, and eviction procedures, and has found that the proposed management company meets the Agency's requirements for property management.

Project Financing: The developer has proposed to finance the Westview Ranch Apartments through the issuance of tax-exempt mortgage revenue bonds, low income housing tax credits, Agency loan and a developer contribution in the form of a deferred fee note. In addition, the master developer, Reynen and Bardis, is contributing the land at a cost of $1 and the Winncrest Homes Village Greens developer will be providing an additional $1.8 million in subsidy for construction of the project. A project summary, including a proposed sources and uses of funds, is included as Attachment D, and a project cash flow proforma is included as Attachment E. A schedule of maximum rents and incomes is included as Attachment F.

This report recommends the approval of issuance of up to $13,000,000 million in tax-exempt mortgage revenue bonds and an Agency loan of City HOME Funds in the amount of $1,540,000 to be used in conjunction with four percent low income housing tax credits, to finance the acquisition and construction of the Westview Ranch

Apartments. The bonds will be credit enhanced and publicly offered. The Agency will report back to the Housing Authority on the actual bond amounts with the request for final approval of the bond documents. The law firm of Jones Hall will serve as bond counsel to the Agency.

Bond Financing: As a public entity, the Housing Authority can issue tax-exempt bonds, the proceeds of which can provide acquisition, construction, and permanent financing for multi-family housing projects. Interest paid on the bonds is exempt from federal and state income tax, so bondholders will accept a below-market yield from the bonds. These savings are, in turn, passed on to the project owner in the form of a below-market rate loan, with interest rates approximately one to two percent below prevailing market rates.

Low-income Set-aside Requirements: As a condition of receiving the tax-exempt bond financing benefits of below-market rates, federal law requires that project units be set aside for targeted income groups. The following chart summarizes the proposed affordability restrictions for the project.

Unit Type	% of Units	Affordability Restrictions	Units	Regulatory Requirements
Agency Loan & Tax-exempt Bonds & LIHTC &Inclusionary	66%	Very Low (50% AMI)	85	55 years
Agency Loan & LIHTC & Inclusionary	33%	Low (60% AMI)	42	55 years
Manager Units	1%	None	1	None
Total	**100%**		**128**	

Maximum rent and income limits for the mortgage revenue bond and HOME programs can be found in Attachment F. The project's affordability restrictions will be specified in two regulatory agreements with the Agency and the developer.

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

Project Inducement: Prior to granting bond allocation, CDLAC requires that an "inducement" resolution be adopted by the entity proposing to issue the bonds. Inducement at this time will also allow the developer to be reimbursed from bond issue proceeds for acquisition expenses that it has incurred already and will incur in the future. Staff thus recommends that the Housing Authority adopt a resolution to indicate its intent to issue bonds to finance the purchase and construction of the project. Adoption of the resolution will not bind the Authority to issue bonds until and unless all other necessary actions are taken in accordance with all applicable laws. The Inducement and TEFRA Resolutions are included as Attachments H and I, respectively.

Financial Considerations: The developer will be responsible for payment of the CDLAC processing fee and posting of a one-half percent performance deposit as required by CDLAC. Staff will report back at the time of final bond issuance on collection of fees both upon sale of the additional bonds and semi-annually for the term of the low-income set-aside requirements.

The Agency HOME Loan of $1,540,000 will be made consistent with standard Agency underwriting guidelines. The loan will be made at a four percent simple interest rate. A draft commitment letter is included as Exhibit A of Attachment G.

Environmental Considerations: The potential environmental impacts of the development project were evaluated by the City of Sacramento, which prepared an Initial Study and issued a Negative Declaration, finding that the project will not have a significant adverse impact on the environment.

The proposed actions set out in this staff report are exempt from further environmental review in reliance on the City's environmental determination as allowed under the CEQA Guidelines Section 15096. In addition, CEQA Guidelines Section 15310 and the Agency's Environmental Procedures provide that approval of loans and bond financing funding mechanisms are exempt from environmental review. An Environmental Review Record and Environmental Assessment is being prepared that will qualify the project as categorically excluded per NEPA requirements prior to drawdown of the HOME funding pursuant to 24 CFR Part 58. Therefore, no further environmental review is required.

Policy Considerations: The recommended actions are consistent with the Agency's previously approved mortgage revenue bond policy and multifamily lending policy. Regulatory restrictions on the property are specified in a Regulatory Agreement between the Developer and the Housing Authority. Compliance with the Regulatory Agreement will be monitored by the Agency on a regular basis.

The recommended actions are also consistent with the City Inclusionary Housing Ordinance. The project will meet the mixed income housing requirements for the Reynen and Bardis developed community of JMA North Natomas as well and the Winncrest developed community of Village Greens, subject to Sacramento City Code 17.190. The inclusionary housing requirements will be detailed in an Inclusionary Housing Regulatory Agreement recorded on the underlying land. Compliance with the Inclusionary Housing Regulatory Agreement will be monitored by the Agency on a regular basis.

M/WBE Considerations: Minority and Women's Business Enterprise requirements will be applied to all activities to the extent required by federal funding.

Respectfully Submitted by: _____
ANNE M. MOORE
Executive Director

Recommendation Approved:

for Cassandra A. B. Jennings
RAY KERRIDGE
Interim City Manager

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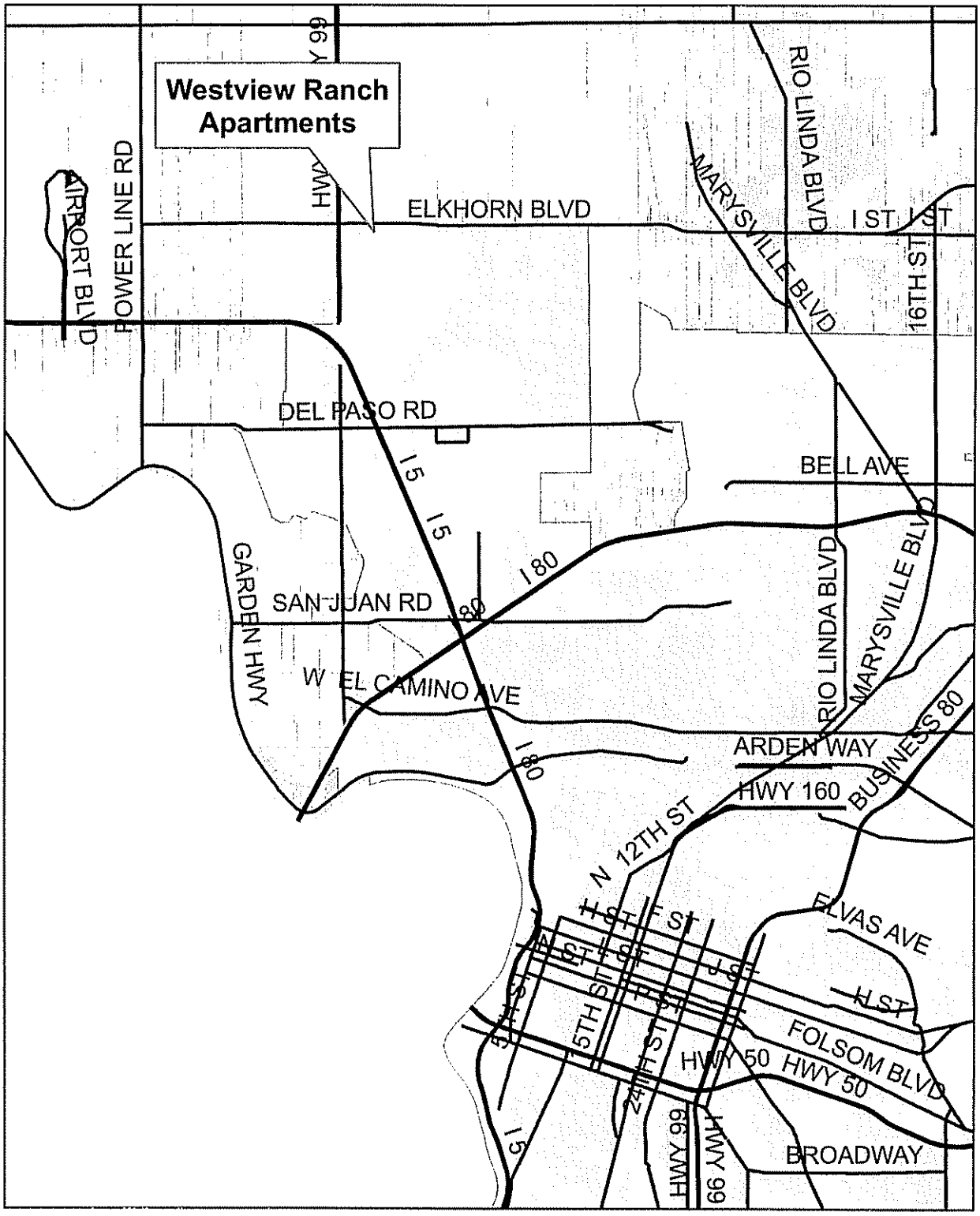
Vicinity Map
Westview Ranch Apartments



N
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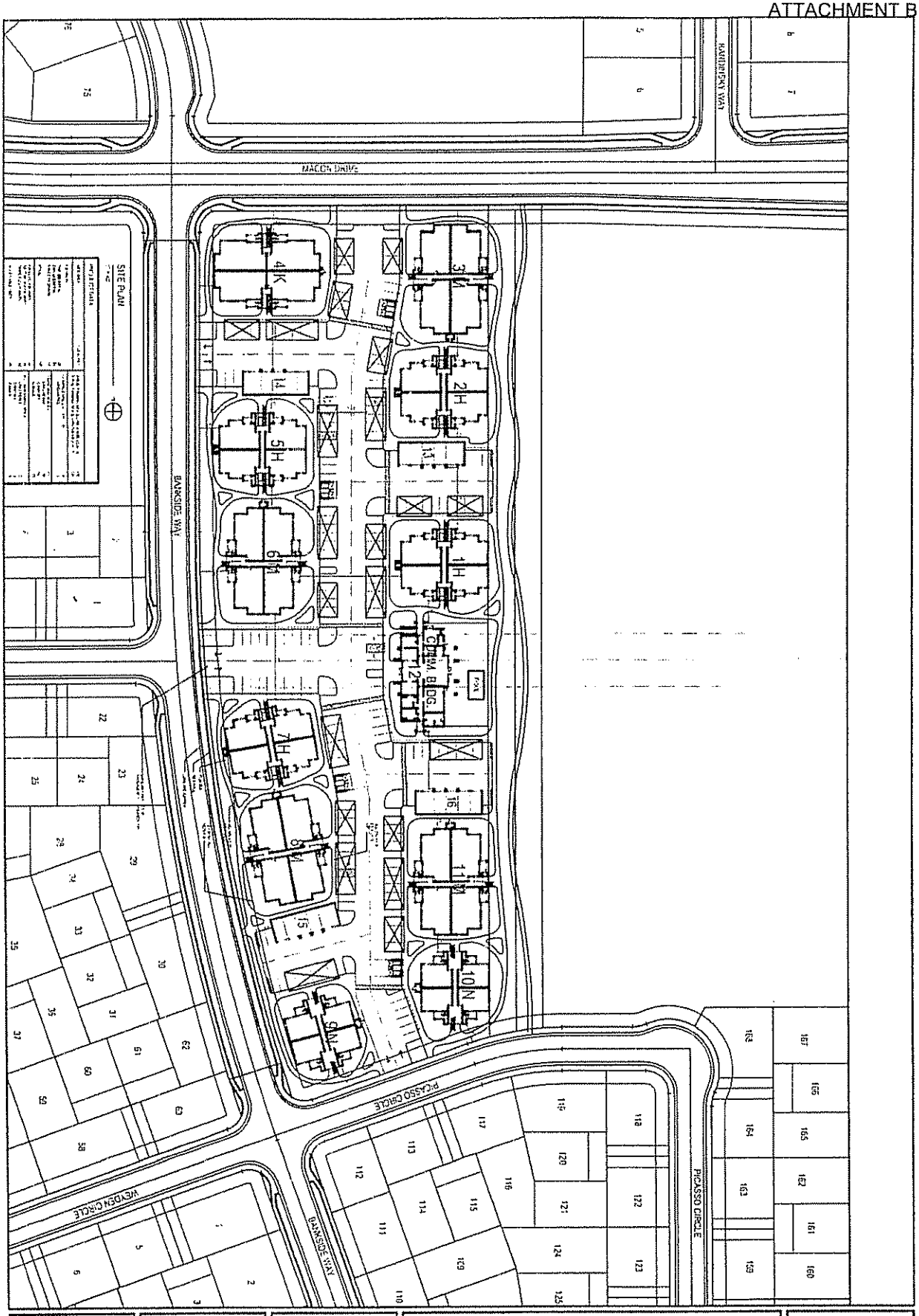
0 0.5 1 2 3 4 Miles

Legend
- Major Roads
- Parcels
- City of Sacramento



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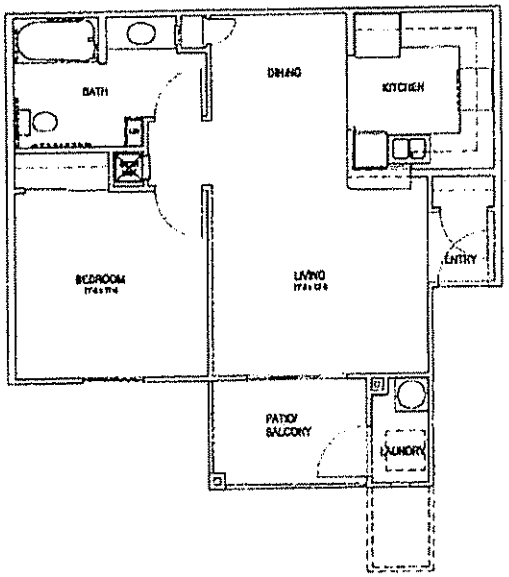
NATOMAS ELKHORN APARTMENTS
128 UNIT APARTMENT COMPLEX

ELKHORN BLVD.
SACRAMENTO CALIFORNIA

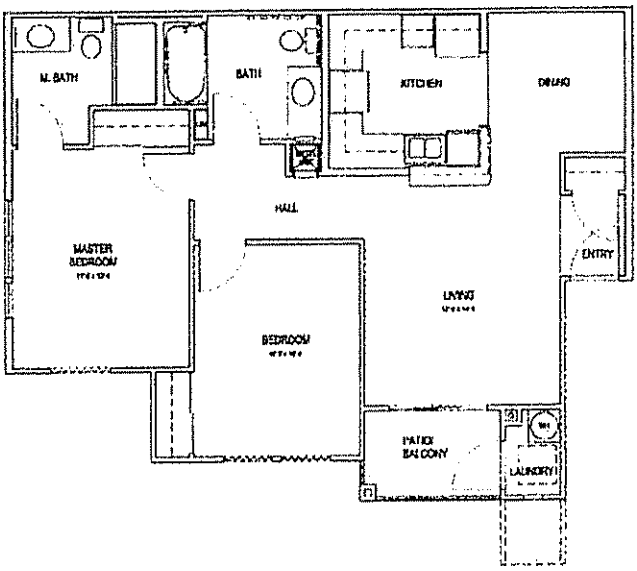
GRAUER - RASMUSSEN

Westview Ranch Apartments

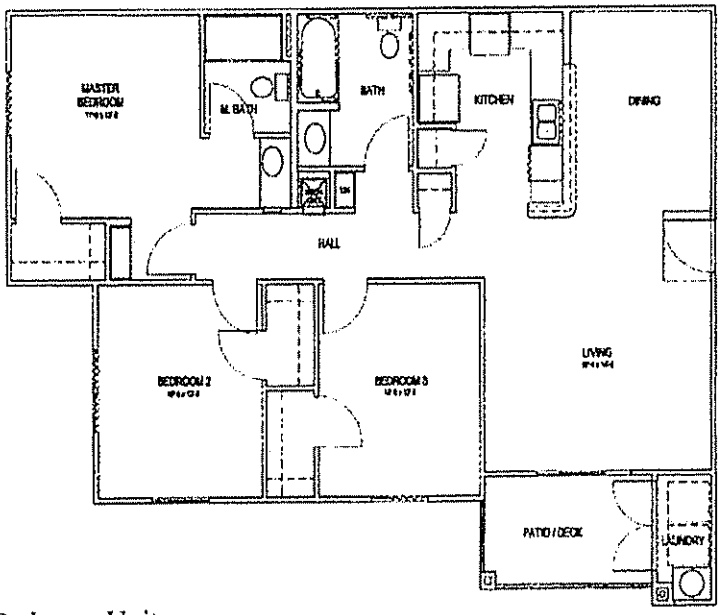
Unit Floor Plans



1-Bedroom Unit
599 sf



2-Bedroom Unit
893 sf



3-Bedroom Unit
1,144 sf

	Westview Ranch Apartments
Address	Bound by Picasso Circle. Bankside Way and Macon Drive
Number of Units	128
Year Built	New Construction
Acreage	5 6 gross acres
Affordability	85 units (66%) at or below 50% of median 42 units (33%) at or below 60% of median

Unit Mix and Gross Rents

	(50% AMI)	(60% AMI)
1-Bedroom / 1-Bath	24 @ $601	12 @ $721
2-Bedroom / 2-Bath	32 @ $721	15 @ $865
3-Bedroom / 2-Bath	29 @ $833	15 @ $999
Total	85	42

Square Footage

1-Bedroom / 1-Bath	599	s f (average)
2-Bedroom / 2-Bath	893	s f (average)
3-Bedroom / 2-Bath	1,144	s f (average)
Total	114,763	Excluding Common Areas
	3,650	Including Common Areas

Resident Facilities

Community room with laundry facilities, kitchen. computer lab and mail room Site amenities include a pool.

Permanent Sources and Uses

Sources	Total	Per Unit	Per Sq. Ft.
Tax-Exempt Bonds:	$ 7,840,000	$ 61,250	$ 45.22
Tax Credit Equity:	$ 8,758,005	$ 68.422	$ 50.51
Agency HOME Loan	$ 1,540,000	$ 12,031	$ 8 88
Land Seller Contribution	$ 1.800.000	$ 14,063	$ 10 38
GIC Interest Income	$ 197,612	$ 1,544	$ 1 14
NOI During Construction/Lease-up	$ 453,991	$ 3,547	$ 2 62
Deferred Developer Fee:	$ 1,472,544	$ 11,504	$ 8.49
Total Sources of Funds:	**$ 22,062,152**	**$ 172,361**	**$ 127.25**

Uses	Total	Per Unit	Per Sq. Ft.
Propoerty Acquisition	$ 1	$ 0	$ 0 00
Construction Costs	$ 11,641,606	$ 90,950	$ 67 15
Contractor Overhead & Profit	$ 1,119,385	$ 8,745	$ 6 46
Architecture and Engineering	$ 280,380	$ 2,190	$ 1 62
Financing Costs, Taxes & Insurance	$ 1,945,820	$ 15,202	$ 11 22
Rent and Operating Reserves	$ 302,740	$ 2,365	$ 1 75
Development Impact Fees	$ 3.175,000	$ 24,805	$ 18 31
Contingency	$ 679,693	$ 5,310	$ 3 92
Other Costs	$ 417,527	$ 3,262	$ 2 41
Developer Fee:	$ 2,500,000	$ 19,531	$ 14.42
Total Uses of Funds:	**$ 22,062,152**	**$ 172,361**	**$ 127.25**

Management - Operations

Proposed Developer:	St Anton Capital. LLC		
Property Management Company:	St Anton Management		
Operations Budget:	$ 391,346	$ 3,057	(Stabilized, excl taxes and reserves)
Replacement Reserves:	$ 32,000	$ 250	(Set-aside per year)

Cash Flow Proforma
Westview Ranch Apartments

			Units		Sq. Feet	Rent	Allowance	Rent	Rent
1 BRx1BA	50%	85	24	599	14,376	$601	($48)	$553	$159,264
	60%	42	12	599	7,188	721	(48)	673	96,912
2 BRx1BA	50%		32	893	28,576	721	(64)	657	252,288
	60%		15	893	13,395	865	(64)	801	144,180
Manager Unit			1	893	893	865	(64)	801	9,612
3 BRx2BA	50%		29	1,144	33,176	833	(81)	752	261,696
	60%		15	1,144	17,160	999	(81)	918	165,240
Total			128		114,764				$1,089,192

			Annual Increase		Per Unit		Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 15	Year 16	Year 20	Year 25	Year 30
Rental Income			2.50%				$1,089,192	$1,116,422	$1,144,332	$1,172,941	$1,202,264	$1,360,252	$1,539,000	$1,577,475	$1,741,237	$1,970,050	$2,228,931
Less Vacancy						5%	$54,460	$55,821	$57,217	$58,647	$60,113	$68,013	$76,950	$78,874	$87,062	$98,502	$111,447
Net Rental Income							$1,034,732	$1,060,601	$1,087,116	$1,114,294	$1,142,151	$1,292,239	$1,462,050	$1,498,601	$1,654,175	$1,871,547	$2,117,484
Other Income			2.50%		$58	/month	89,428	91,664	93,955	95,051	97,428	106,081	117,078	118,552	127,769	141,229	154,476
Total Income							$1,124,160	$1,152,264	$1,181,071	$1,209,345	$1,239,579	$1,398,320	$1,579,128	$1,617,153	$1,781,944	$2,012,777	$2,271,960
Operating Expenses			3.50%		$3,057		$391,346	$405,043	$419,220	$433,892	$449,079	$533,364	$633,470	$655,641	$752,363	$893,571	$1,061,283
Assessments			2.00%	$	136		17,408	17,756	18,111	18,474	18,843	20,804	22,969	23,429	25,360	28,000	30,914
Replacement Reserves			2.00%		250		32,000	32,640	33,293	33,293	33,959	35,331	37,493	37,493	39,008	41,395	43,068
Total Expenses					$3,443		$440,754	$455,439	$470,624	$485,659	$501,880	$589,499	$693,932	$716,563	$816,731	$962,967	$1,135,264
Net Operating Income							**$683,406**	**$696,825**	**$710,447**	**$723,686**	**$737,698**	**$808,821**	**$885,196**	**$900,590**	**$965,212**	**$1,049,810**	**$1,136,696**
Debt Service																	
Bonds	A	30 6.09%	$7,840,000				$569,512	$569,512	$569,512	$569,512	$569,512	$569,512	$569,512	$569,512	$569,512	$569,512	$569,512
Interest Rate Cap Escrow		0.10%					$7,840	$7,840	$7,840	$7,840	$7,840	$7,840	$7,840	$7,840	$7,840	$7,840	$7,840
Agency Admin. Fee		0.15%	$10,795,000				16,193	16,193	16,193	16,193	16,193	16,193	16,193	16,193	16,193	16,193	16,193
Totals							$593,545	$593,545	$593,545	$593,545	$593,545	$593,545	$593,545	$593,545	$593,545	$593,545	$593,545
DSCR							1.20	1.22	1.25	1.27	1.30	1.42	1.55	1.58	1.69	1.84	1.92
Cash Available for Distribution							$89,862	$103,280	$116,902	$130,141	$144,154	$215,276	$291,651	$307,046	$371,668	$456,265	$543,151
Distribution to L.P.		3.00%					5,000	5,150	5,305	5,464	5,628	6,524	7,563	7,790	8,768	10,164	11,783
Fee to Non-profit		3.00%					11,450	11,794	12,147	12,147	12,512	13,274	14,505	14,505	15,388	16,815	17,839
Totals							$16,450	$16,944	$17,452	$17,611	$18,139	$19,798	$22,067	$22,294	$24,155	$26,979	$29,622
Taxes (Payment In Lieu of Taxes)			2.00%		171		21,860	22,297	22,743	23,198	23,662	26,125	28,844	29,421	31,846	35,160	38,820
Cash After Distributions							$51,552	$64,040	$76,708	$89,333	$102,352	$169,353	$240,740	$255,331	$315,666	$394,126	$474,710
Deferred Developer Fee		4.00%	$1,472,544	15 years			$1,472,544	$1,479,894	$1,479,894	$1,462,382	$1,431,545	$1,049,655	$224,897				
	Less Payment						(51,552)	(64,040)	(76,708)	(89,333)	(102,352)	(169,353)	(233,893)				
Agency Debt Service		4.00%	$1,540,000	27 years			$1,540,000	$1,601,600	$1,663,200	$1,724,800	$1,786,400	$2,094,400	$2,402,400	$2,464,000	$1,905,400	$873,768	
	Less Payment						0	0	0	0	0	0	0	(180,000)	(235,000)	(300,000)	
Combined DSCR														1.20	1.20	1.21	
Cash Flow After Debt and Distributions							0	0	0	0	0	0	6,847	75,331	80,666	94,126	474,710

Attachment E

MAXIMUM RENT AND INCOME LEVELS

Mortgage Revenue Bond Program

(Rents @ 50% of AMI)

Maximum Income Limits:		
		50% AMI
Family Size		Max. Income
1 person	$	22,450
2 person	$	25,650
3 person	$	28,850
4 person	$	32,050
5 person	$	34,600
Maximum Rent Limits:		
Unit Size		Gross Rent
1 Bedroom	$	601
2 Bedroom	$	721
3 Bedroom	$	833

4% Low-Income Housing Tax Credit Program

(Rents @ 50% and 60% of AMI)

Maximum Income Limits:		
		60% AMI
Family Size		Max. Income
1 person	$	26,940
2 person	$	30,780
3 person	$	34,620
4 person	$	38,460
5 person	$	41,520
Maximum Rent Limits:		
Unit Size		Gross Rent
1 Bedroom	$	721
2 Bedroom	$	865
3 Bedroom	$	999

Inclusionary Housing

(Rents @ 50% and 80% of AMI)

Maximum Income Limits:				
		50% AMI		80% AMI
Family Size		Max. Income		Max. Income
1 person	$	22,450	$	35,900
2 person	$	25,650	$	41,000
3 person	$	28,850	$	46,150
4 person	$	32,050	$	51,300
5 person	$	34,600	$	55,400
Maximum Rent Limits:				
Unit Size		Gross Rent		Gross Rent
1 Bedroom	$	641	$	1,025
2 Bedroom	$	721	$	1,154
3 Bedroom	$	801	$	1,283

RESOLUTION NO. 2006 -

Adopted by the Sacramento City Council

On Date of

WESTVIEW RANCH APARTMENTS: APPROVAL OF $1,540,000 LOAN; EXECUTION OF LOAN AGREEMENT AND RELATED DOCUMENTS WITH ELKHORN SACRAMENTO, L.P.; RELATED BUDGET AMENDMENT

BACKGROUND

A. Elkhorn Sacramento, L.P. has requested allocation of One Million Five Hundred and Forty Thousand Dollars ($1,540,000) from City HOME Funds to the Westview Ranch Apartments Project to assist in funding the costs of acquisition and construction of a 128 unit multi-family housing project that will include 85 very low income and 42 low income units.

B. The Westview Ranch Apartments Project qualifies for HOME funding under the applicable HUD regulations.

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

Section 1. All of the evidence presented having duly considered, the findings, including the environmental findings regarding this action are approved.

Section 2. The Sacramento Housing and Redevelopment Agency ("Agency") is authorized to amend the Agency Budget to decrease the HOME Loan Fund by $1,540,000 and to allocate those funds to the Westview Ranch Apartments Project.

Section 3. The Loan Commitment, attached to and incorporated in this resolution by this reference, for financing of the Westview Ranch Apartments Project in HOME Loan Funds in the amount of $1,540,000 ("Loan") is approved and the Agency is authorized to execute and transmit the Loan Commitment to Elkhorn Sacramento, L.P.

Section 4. Subject to the satisfaction of conditions in the Loan Commitment, the Agency is authorized to prepare and execute all Loan documents required for making the $1,540,000 Loan for a term of 27 years, with an interest rate of 4% (simple), and a Loan repayment deferral until the beginning of the 16th year with Elkhorn

Sacramento, L.P. to fund the acquisition and construction of Westview Ranch Apartments.

Section 5. The Agency is authorized to enter into and execute other documents and perform other actions necessary to fulfill the intent of the staff report that accompanies this resolution, the Loan Commitment, in accordance with their respective terms, and to ensure proper repayment of the Agency funds including without limitation, subordination, extensions and restructuring of payments, all as approved by Agency Counsel.

Section 6. The Agency is authorized to make technical amendments to said agreements and documents with approval of Agency Counsel, which amendments are in accordance with the Loan Commitment, with Agency policy, with this resolution, with good legal practices for making of such a loan, and with the staff report that accompanies this resolution.

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Exhibit A: Loan Commitment Letter – 39 pages

Exhibit A

January 17, 2005

Steve Eggert
Elkhorn Sacramento, L.P.
1801 I Street, Suite 202
Sacramento, CA 95814

RE: Conditional funding commitment, Natomas Elkhorn Apartments

Dear Mr. Eggert:

On behalf of the Sacramento Housing and Redevelopment Agency ("Agency"), we are pleased to advise you of its commitment of acquisition, construction and permanent loan funds ("Loan") from City HOME funds for the purpose of financing the construction of that certain real property bound by Picasso Circle, Bankside Way, and Macon Drive, Sacramento California ("Property"). The Agency's decision is based on your application, and all representations and information supplied by you to it. If these representations and information change in a material manner without written approval of Agency, this commitment is void. Agency's obligation to make the Loan is subject to satisfaction of all the following terms and conditions and Borrower's execution of documentation that is in a form and in substance satisfactory to the Agency.

The Loan shall be made on standard Agency loan documents. No loan terms not in this funding commitment and the attached loan document forms shall be included in the final loan documents without additional environmental review and governing board approval. In the event of any discrepancies between terms stated in this commitment and the loan documents, the terms stated in the loan commitment letter shall be deemed to be terms of this commitment.

Unless otherwise agreed in writing by the Agency in exercise of its absolute discretion, the following shall be considered conditions to Agency approval of a financing commitment. The Agency may, in exercise of its absolute discretion, modify its requirements upon written notice to Borrower given at least 60 days prior to close of escrow for the Property.

This commitment will expire February 28, 2005.

1. PROJECT DESCRIPTION: The project is the new construction of a 128-unit family apartment complex. A total of 85 units will be affordable to families earning less than 50 percent Area Median Income (AMI), and 42 units will be affordable at 60 percent AMI. One unit will remain unrestricted manager units.

2. BORROWER: The name of the Borrower for the Loan is Elkhorn Sacramento, Limited Partnership.

3. PURPOSE OF LOAN: The Loan is to be used by Borrower solely to pay the costs of acquisition, construction, and permanent financing or for such other purposes as Agency

expressly agrees to in the loan agreement for the Loan, and such other agreements as may be generally required by the Agency for the use of funding source for the Loan.

4. PRINCIPAL AMOUNT: The combined principal amount of the Loan will be the lesser of (a) One Million Five Hundred Forty Thousand Dollars ($1,540,000), or (b) an amount to be determined prior to close of the Loan based on a project budget approved by Agency. However, the combined indebtedness of the Property must not exceed 90 percent of the appraised value.

5. TERM OF LOAN: The unpaid balance of the Loan will be all due and payable in month 324.

6. INTEREST RATE: The Loan will bear simple interest at Four Percent (4%) per annum. Interest shall be calculated on the basis of a 365-day year and actual days elapsed.

7. AMORTIZATION: The Loan shall be amortized over 324 months.

8. MONTHLY PAYMENT: Payments shall be applied first to outstanding interest accrued and unpaid and then to principal. Interest and principal payments shall be deferred from the date of the loan for the first 180 months. Beginning in the 191th month, monthly installments shall be made according to the following schedule:

Months 181-192	$15,000 monthly
Months 193-204	$16,250 monthly
Months 205-216	$17,500 monthly
Months 217-228	$18,333 monthly
Months 229-240	$19,583 monthly
Months 241-252	$20,833 monthly
Months 253-264	$21,666 monthly
Months 265-276	$23,333 monthly
Months 277-288	$24,166 monthly
Months 289-300	$25,000 monthly
Months 301-312	$26,666 monthly
Months 313-324	$27,132 monthly

9. SOURCE OF LOAN FUNDS: Agency is making the Loan from the following sources of funds, and the Loan is subject to all requirements related to the use of such, whether Agency requirements or otherwise: $1,540,000 in County HOME funds. This Loan is conditioned upon Borrower's acceptance of Agency's requirements and conditions related to such lending programs and funding sources, including among others, the required forms of agreements for the Loan; the requirements for covenants, conditions and restrictions upon the Property; and insurance and indemnity requirements.

Borrower acknowledges that, as a condition of the Agency's making of the Loan, the Property will be subject to restrictions on future sales and rentals which may result

in less income to Borrower than could otherwise be realized, and that such restrictions run with the land, and during their operational term, will bind all successors in interest.

_____ (Borrower Initial)

Borrower acknowledges that every contract for new construction or rehabilitation construction of housing that includes 12 or more units assisted with HOME funds will contain a provision requiring the payment of not less than the wages prevailing in the locality, as predetermined by the Secretary of Labor pursuant to the Davis-Bacon Act (40 U.S.C. 276a-5), to all laborers and mechanics employed in the development of any part of the housing. Such contracts must also be subject to the overtime provisions, as applicable, of the Contract Work Hours and Safety standards Act (40 U.S.C. 327-332). (24 C.F.R. 92.354). Borrower also acknowledges that any project containing a "subsidy" may be subject to state prevailing wages, which are the responsibility of the Borrower and Borrower's contractor.

_____ (Borrower Initial)

10. ACCELERATION: Agency shall have the right to accelerate repayment of the Loan in the event of a default under any Loan Document or upon sale, transfer or alienation of the Property except as specifically provided for in the Loan documents.

11. SECURITY: The Loan shall be evidenced by promissory note(s) secured by a deed of trust with assignment of rents against the fee and/or leasehold interest in the Property and Improvements, which shall be a second lien upon the Property and Improvements subject only to senior and subordinate bond debt and such other items as the Agency may approve in writing. The Loan shall also be secured by security agreements. The Agency may subordinate said deeds of trust in order to accommodate completion of construction of the Property.

12. LEASE AND RENTAL SCHEDULE: All leases of the Property and Improvements shall be subject to Agency's approval prior to execution. Borrower shall not deviate from the rental schedule presented in Borrower's application for the Loan without Agency's prior written approval.

13. PROOF OF EQUITY: Borrower shall provide proof of equity for the Property and Improvements in the amount of no less than $8,758,005 in Low Income Housing Tax Credits and $1,472,544 in deferred developer fee.

14. OTHER FINANCING: Borrower, as a requirement of the Loan, shall procure and deliver to Agency evidence satisfactory to Agency that Borrower has obtained the following described financing which may be secured by a lien upon the Property and

Improvements superior or subordinate to Agency's liens, and which shall be otherwise on terms and conditions acceptable to Agency:

Construction Financing from a private lender(s) in an amount(s) sufficient to complete rehabilitation of the Property according to a scope of work as approved by Agency and made for a term not less than that specified in the Schedule of Performances for completion of construction, and in any event not less than the time necessary to fulfill all conditions precedent to funding of the permanent financing.

Commitments for permanent financing sufficient to "take out" all liens senior to the Agency's lien and for a term of not less than 30 years and fully amortized.

Such commitments for financing shall not require modification of Agency loan documents, or any term of this commitment letter.

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

15. EVIDENCE OF FUNDS: Prior to the first disbursement of the Loan, Borrower must demonstrate evidence of adequate and assured funding to complete the development of the Project in accordance with the Agency's requirements. Borrower's evidence of available funds must include only one or more of the following: a) Borrower equity; b) firm and binding commitments for the Project from financial institution(s) or from other lender(s) approved by Agency in its absolute discretion; and c) Agency's contribution, provided, however, that Agency is not obligated by this letter to make any contribution not stated in the terms of the letter.

16. SOILS AND TOXIC REPORTS: Borrower must submit to Agency a soils report prepared by a licensed soils engineer and a hazardous substances report made in accordance with the American Society for Testing and Materials "Standard Practice for Environmental Site Assessments; Phase I Environmental Site Assessment Process" (Designation E1527-93) prepared by a licensed or registered environmental engineer or other qualified party prior to Loan closing. Borrower must, as a condition of disbursement of Loan funds, give assurances satisfactory to the Agency that hazardous materials are not present on the Property or that any hazardous materials on the Property have been remediated and that no further remediation is then required by the environmental agency having responsibility for monitoring such remediation.

17. LOAN IN BALANCE: Borrower will be required to maintain the Loan "in balance". The Loan is "in balance" whenever the amount of the undisbursed Loan funds, the remaining sums to be provided by the Borrower and the loan funds from other project lenders are sufficient, in the sole judgment of the Agency, to pay for the remainder of the work to be done on the project as required by written agreement with the Agency.

Should the Agency determine that the Loan is not "in balance", the Agency may declare the Loan to be in default.

18. PLANS AND SPECIFICATION: Final plans and specifications for the project must be in accord with the proposal approved as part of the Loan application. Final plans and specifications will be subject to Agency's final approval prior to the disbursal of Agency Loan funds. Borrower must obtain Agency's prior written consent to any change in the approved plans and specifications or any material deviation in construction of the project.

19. ARCHITECTURAL AGREEMENT: The architectural agreement ("Agreement") for the preparation of the plans and specifications and other services shall be subject to Agency's approval. Agency may require an assignment of Borrower's interest in and to the Agreement as security for the Loan.

20. CONSTRUCTION CONTRACT: The construction contract ("Contract"), and any change orders issued thereunder, and the contractor ("Contractor") to be retained by Borrower to construct the Improvements shall be subject to Agency's approval. Agency may require an assignment of Borrower's interest in and to the Contract as security for the Loan. Agency shall require Contractor to provide a performance and payment bond in a form acceptable to Agency for the amount of the Contract.

21. RETENTION AMOUNT: The Agency shall retain ten percent (10%) as retention from each disbursement, not to exceed a total of ten percent (10%) of the total amount of the Loan.

22. COST BREAKDOWN: Borrower shall deliver to Agency for Agency's approval prior to commencement of work a detailed cost breakdown of the cost of constructing, financing and other costs of developing the Improvements, which breakdown conforms to the project plans and specification and the budget approved with this commitment. Borrower shall also deliver a list of all contractors and subcontractors to be employed in connection with the construction of the Improvements. If required by the Agency, Borrower shall also submit copies of all bids received for each item of work to be performed as well as copies of executed contracts and subcontracts with acceptable bidders.

All contracts, subcontracts, contractors, and subcontractors shall be subject to Agency's approval prior to close of the Loan. Agency also reserves the right to require performance and material payment bonds on any or all contractors, or in lieu of bond a letter of credit acceptable to Agency.

Agency shall make disbursements of the Loan based on a cost breakdown that lists line items in cost categories. Agency shall require that Borrower provide documentation supporting all requests for disbursement of Loan funds, including proof of work done and actual expenditure. Agency shall conduct inspections of the Property to assure that the work was done before making a disbursement.

23. APPROVAL OF DISBURSEMENTS: Borrower shall submit all disbursement requests to the Agency simultaneous to lender, tax credit investor, and/or any other funding source for the project for approval. Agency shall have five business days from the date of a complete disbursement request to approve or deny, in whole or part, such disbursement request. Borrower shall ensure that appropriate language to this effect is included in lender and partnership documents.

Agency shall only approve disbursements of the Loan based on a cost breakdown that restricts disbursements to line items in cost categories in Agency approved budget. Agency shall require that Borrower provide documentation supporting all requests for disbursement of Loan funds. Agency shall conduct inspections of the Property prior to disbursing, or approving disbursement requests, of Loan funds.

If the Agency does not approve a draw request, in whole or part, or the Borrower fails to submit a draw request to the Agency for approval, the Agency loan shall be reduced by the same amount of the disallowed draw item(s).

At completion of construction, Borrower shall submit to Agency a cost certification prepared by a qualified, independent auditor acceptable to Agency, which cost certification shall indicate the amounts actually spent for each item in the cost breakdown. If there is an aggregate savings in the total of all such cost breakdown items based on the original approved budget for the project, the Agency shall withhold for itself, as loan repayment, one-half of such savings from the amount of retention then held by the Agency, and the loan balance shall be reduced by the amount so withheld. The Agency, in its sole discretion, shall determine any reduction and/or repayment of the Agency loan based upon this cost certification and the original approved budget for the project.

24. CONSTRUCTION CONTIGENCY: Within the Development Budget there will be 5% construction contingency. This contingency can only be spent by change order request with Agency approval. Any unspent funds will be split between the Developer (50%) and the Agency (50%).

25. START OF CONSTRUCTION: Borrower shall commence construction at the earliest possible date subject to the conditions of this Agency and other involved lenders, but no later than May 1, 2006.

26. COMPLETION OF CONSTRUCTION: Borrower shall complete the construction of the Improvements no later than August 31, 2007.

27. HAZARD INSURANCE: Borrower shall procure and maintain fire and extended coverage insurance or in lieu such insurance, Builder's Risk completed value insurance in a form and substance approved by Agency. Coverage shall be for protection against loss of, or damage to the Improvements or materials for their construction to their full

insurable value. Borrower shall also procure and maintain insurance against specific hazards affecting Agency's security for the Loan as may be required by Agency, governmental regulations, or any permanent lender. All such policies shall contain a standard mortgagee loss payable clause in favor of Agency. The insurance required shall be written with a deductible of not more than TEN THOUSAND DOLLARS ($10,000.00)

28. PUBLIC LIABILITY AND OTHER INSURANCE: Borrower must procure and maintain public liability and property damage insurance (with Agency named as additional insured) in a form approved by Agency. Coverage must be approved by Agency and must be in at least the following limits of liability: Bodily injury liability of $1,000,000 each occurrence and $1,000,000 Aggregate, Products and Completed Operations; Property damage liability of $1,000,000 each occurrence, $1,000,000 single limit and $1,000,000 aggregate; Contractual liability for Bodily Injury of $1,000,000 each occurrence, for Property Damage of $1,000,000 each occurrence and $1,000,000 aggregate, and Personal Injury with Employment Exclusion Deleted of $1,000,000 aggregate; and Comprehensive Automobile Liability for any vehicle used for or in connection with the Work of $1,000,000. The insurance required shall be written with a deductible of not more than TEN THOUSAND DOLLARS ($10,000). Borrower must also procure and maintain workers' compensation and all other insurance required under applicable law, as required by law and as approved by Agency.

29. TITLE INSURANCE: Borrower must procure and deliver to Agency a 1970 or 1987 ALTA LP-10 Lender's Policy of Title Insurance, together with such endorsements as Agency may require, including but not limited to CLTA endorsement nos. 100, 116, and 102.5/102.7 insuring Agency in an amount equal to the principal amount of the Loan, that Agency's Deeds of Trust constitutes a second lien or charge upon the Property and Improvements subject only to such items as shall have been approved by Agency. There must be no exceptions permitted for mechanics liens. Title insurance for the Loan must be issued by a title insurer approved by Agency.

30. ORGANIZATIONAL AGREEMENTS: Borrower must submit to Agency certified copies of all of Borrower's organizational documents, including all amendments, modifications or terminations: if a corporation, Borrower's Articles of Incorporation and By-Laws; if a partnership, its Partnership Agreement and, as applicable, Certificate of Limited Partnership or Statement of Partnership; if a Limited Liability Company, its Articles of Organization and its Operating Agreement; and in all cases with all exhibits and amendments to such documents, fictitious business name statements, other related filings or recorded documents and such related documents as Agency may request. If it is a corporation, Borrower must submit a corporate borrowing resolution referencing this Loan. If Borrower is other than a corporation, Borrower must submit such proof of authority to enter this Loan as may be required under the organizational documents.

31. PURCHASE OF PROPERTY: Borrower shall provide Agency with copies of all documents relating to Borrower's purchase of the Property.

32. FINANCIAL INFORMATION: During the term of the Loan, Borrower shall deliver to Agency within 120 days of the end of each fiscal year an audited income and expense statement, a balance sheet, and a statement of all changes in financial position signed by authorized officers of Borrower. Prior to close of the Loan and during its term, Borrower must deliver to Agency such additional financial information as may be requested by Agency. Agency reserves the right to review and approve financial statements and other credit information and references prior to closing. During the term of the Loan, Borrower must deliver to Agency a monthly rent-roll including household composition information, and operating statements with respect to the Property and Improvements, as Agency may request.

33. MANAGEMENT AGREEMENT: Prior to execution, Borrower must submit to Agency any agreement providing for the management or operation of the Property or Improvements by a third party which agreement is subject to Agency Approval. In addition, Borrower must submit an organizational chart indicating the number of employees currently employed by the management company that will operate the project and an organizational chart of the management organization.

34. LOW INCOME HOUSING TAX CREDITS("LIHTC"): Borrower represents that as a condition of closing this Loan it is applying for an allocation of LIHTCs and agrees to perform all actions and to meet all requirements to maintain the LIHTC allocation if granted.

35. TENANT SERVICES PLAN: Prior to the closing of the Loan the Borrower will submit to the Agency for approval a Tenant Services Plan. The Tenant Services Plan must provide a description of the services or activities to be provided as well as their goals and objectives. Additional information such as the name of the service provider, the number of staff persons facilitating the services, and how regularly the services will be offered must be included.

36. SECURITY AND LIGHTING: Project shall include a security camera system approved by the Agency and lighting adequate to properly the parking area and all common spaces

37. DOCUMENTATION: This letter is not intended to describe all of the requirements, terms, conditions and documents for the Loan, which shall also include customary provisions and documents for an Agency transaction of this type. All documents to be delivered to or approved by Agency must be satisfactory to Agency in all respects. Borrower must promptly deliver to Agency any further documentation that may be required by Agency.

38. CONSISTENCY OF DOCUMENTS: As a material obligation under this commitment letter, Borrower shall assure that the loan documents for the Project are consistent with

lender's commitment approved by the Agency and comply, in all respects, with this commitment letter.

39. CHANGES OR AMENDMENTS: No documents or contracts which are to be delivered to Agency or are subject to Agency's review or approval shall be modified or terminated without the prior written approval of Agency.

40. ACCEPTANCE OF THIS COMMITMENT: Borrower's acceptance of this Commitment shall be evidenced by signing and delivering to Agency the enclosed copy of this letter. Until receipt of such acceptance by Agency, Agency shall have no obligation under this letter. Agency may withdraw this commitment at any time prior to Borrower's acceptance.

Yours truly,

Anne M. Moore
Executive Director

The undersigned acknowledges and accepts the foregoing Commitment and its terms and conditions.

Dated:

BORROWER:

By:_____
[Name, Title]

Construction and Permanent Loan Agreement
(Not for use with Tax Increment Funding or for Predevelopment Loans)

Project Name	

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

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

A. "Loan Information" The general loan provisions of the Loan				
"LENDER"		The following public agency that is making the Loan, and whose legal status and address are:		
	Name	Select one:		
			Sacramento Housing and Redevelopment Agency	
			Redevelopment Agency of the City of Sacramento	
			Redevelopment Agency of the County of Sacramento	
			Housing Authority of the City of Sacramento	
			Housing Authority of the County of Sacramento	
	Legal Status	A public body, corporate and politic		
	Principal Address	630 "I" Street, City of Sacramento, Sacramento County, California 95814		
"BORROWER"		The borrower of the Loan funds whose name, legal status and address are:		
	Name			
	Legal Status	Select one:		
			Corporation	Limited Liability Company
			General Partnership	Limited Partnership

		Individual(s)	
			As his or her sole and separate property
			As tenants in common
			As community property
			As community property with rights of survivorship
			As joint tenants
	Principal Address		
	Name(s) of Borrower's principal(s)		
"PROJECT"	Which is the Project to be developed on the Property with the Loan funds, described as:		
"LOAN"	The Loan made by this Loan Agreement.		
	"LOAN COMMITMENT"	Lender's loan commitment, made by letter dated as of	
	"LOAN PROGRAM"	Lender's Loan Program, commonly known as the following (excluding tax increment funding sources):	Select all that apply:
			City Housing Trust Fund
			County Housing Trust Fund
			HOME Funds
			HELP Funds
			Mortgage Revenue Bond Funds
			Other:
	"LOAN AMOUNT"	_____ Dollars ($ _____)	
	"INTEREST RATE"	_____ Percent (_____%) annually	Simple interest
			Compounded: Daily
			Compounded: Monthly
			Compounded: Annually
	"INTEREST START DATE"	Interest will commence to accrue on the following date:	
	"PAYMENT START DATE"	The first Loan payment shall be due on the following date:	
	"MATURITY DATE"	The first day of the [Number, e.g. 25th] calendar month following the Payment Start Date.	
	"PAYMENT SCHEDULE"	Payments shall be made:	Select one:
			In one lump sum on the Maturity Date in the amount of the entire unpaid balance of the Loan, including without limitation, all unpaid principal and interest.
			In monthly installments as follows on the first day of each of the following respective calendar months in the following respective amounts:
			In months:
			o

	"BORROWER EQUITY"	_____ _____ _____ Dollars ($ _____)			Which is the amount of cash, cash equivalent (excluding land equity or other non-cash investment in the Project) to be expended by Borrower in the Project before Agency's making of any distribution of Loan proceeds.		
	"RESERVES"	Borrower shall maintain reserves for replacement and repairs required to be made to the Property, fixtures on the Property or personal property used on the Property, or otherwise as approved by Lender, in an amount, at all times, not less than the following amount.			_____ _____ _____ Dollars ($ _____)		
	"SPECIAL TERMS"	Special Terms are attached to this Agreement as the **Attachment: Special Terms** and incorporated in this Agreement by this reference. No Attachment: Special Terms is valid unless approved by Agency Counsel as indicated thereon.					

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

"PROPERTY"	The following described real property, which is security for the Loan and the site of the Project:		
	Address		Assessor's Parcel Number:
	"Legal Description"	The Property is situated in the State of California, County of Sacramento, and is more particularly described in **Exhibit: Legal Description** attached and incorporated by reference.	
	Borrower's Title Interest	Borrower has fee interest in the Property or, if the Additional Escrow Instructions so indicate, Borrower will acquire fee interest in the Property at Close of Escrow.	
"ADDITIONAL COLLATERAL"	The Additional Collateral securing repayment of the Loan is any additional security required by Lender under this Loan Agreement, including without limitation the following items, if any		
	"PERSONAL PROPERTY"	Borrower's interest in the following personal property, tangible and intangible, and all other such property listed as security in this Loan Agreement	Materials and supplies for the Project
	"ADDITIONAL REAL PROPERTY"	None	

C. "ESCROW INFORMATION":

"Title Company" and "Escrow Agent"		Which is the title company that will issue the Title Policy and that will act as Escrow Agent for the Escrow
"Escrow"	The escrow with Escrow Agent	
"Closing Date"		Which is the date for close of the Escrow, as it may be extended

D. "List of Exhibits" (THE FOLLOWING ARE ATTACHED AND INCORPORATED IN THIS LOAN AGREEMENT):	
EXHIBIT	DEFINED TERM
Exhibit 1: Legal Description	"Legal Description"
Exhibit 2: Scope of Development	"Scope of Development"
Exhibit 3: Note Form	"Note"
Exhibit 4: Trust Deed Form	"Trust Deed"
Exhibit 5: Regulatory Agreement	"Regulatory Agreement"
Exhibit 6: Escrow Instructions	"Escrow Instructions
If federal funds are a source of Loan Program funds **Exhibit 7: Federal Requirements**	"Federal Requirements"

E. "Approval Documents" BORROWER SHALL SUBMIT THE FOLLOWING DOCUMENTS FOR LENDER APPROVAL	
Select all that apply:	
	Construction Agreements for the Project
	Architectural Agreement for the Project
	Leases and rental agreements for the Project, the lease revenues of which were considered in underwriting the Loan
	Borrower's organizational documents, such as partnership agreements or corporate articles and by-laws
	Budget, which is the budget or operating pro forma for the Project
	Evidence of financing as described in Article II of this Loan Agreement
	Plans and Specifications as defined in Article II of this Loan Agreement
	Relocation Plan (must be selected if anyone will be displaced by the Project)

F. "Assigned Documents" BORROWER SHALL ASSIGN THE FOLLOWING DOCUMENTS TO LENDER	
Select all that apply	
	Construction Contract
	Architectural Contract

G. "CONSTRUCTION INFORMATION":		
"Completion Date"		Which is the date on or before which the Completion of the Project must occur.
"General Contractor"		Which is the general contractor for construction of the Project

"Project Architect"		Which is the architect for design of the Project	
"Retention"	The following percentage of each disbursement made for construction work, in aggregate not to exceed the following percentage of the Loan Amount, which shall be retained by Lender for disbursement with the final disbursement of the Loan:	Percentage of disbursement:	_____ Percent (_____%)
		Percentage of Loan:	_____ Percent (_____%)

H. "Special Provisions" THE FOLLOWING SPECIAL PROVISIONS SHALL BE IN ADDITION TO THE PROVISIONS OF THIS LOAN AGREEMENT		
Select all that Apply		
	Special Provisions in addition to those contained in this Article I Section I are attached to this Agreement as the **Attachment: Special Provisions** and incorporated in this Agreement by this reference. No Attachment: Special Provisions is valid unless approved by Agency Counsel as indicated thereon.	
	Loan funds shall be used solely for actual costs of Property acquisition (but not to exceed the following amount) and for Project construction. No Loan funds shall be used for predevelopment costs, except as provided in the Budget. Unless otherwise noted in said budget, predevelopment costs are not subject to the withholding as Retention.	_____ Dollars ($ _____)

[SIGNATURES FOLLOW:]

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

BORROWER :
DEVELOPER NAME:

_____

By:

_____

SIGNATORY NAME:_____

SIGNATORY TITLE:_____

Approved as to form:

_____

Borrower Counsel

AGENCY:

- [ ] Sacramento Housing and Redevelopment Agency
- [ ] Redevelopment Agency of the City of Sacramento
- [ ] Redevelopment Agency of the County of Sacramento
- [ ] Housing Authority of the City of Sacramento
- [ ] Housing Authority of the County of Sacramento

By:

_____

Anne M. Moore, 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 Terms and Definitions and as defined in Section 1 of these 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 an attached 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. "Budget" is the budget approved by Lender for the development of the Project.

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

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

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 which is incorporated in this Loan Agreement or which otherwise secures the repayment of the Loan.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.2. **BORROWER'S POWERS.** Borrower has full authority to execute this Loan Agreement, the Note, the Trust Deed, and all of the other Loan Documents, to undertake and consummate the

contemplated transactions, and to pay, perform, and observe all of the conditions, covenants, agreements, and obligations.

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

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

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

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

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

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

2.9. **TITLE OF PERSONALTY**. All Personalty is vested solely in Borrower, free of all claims, liens, and encumbrances, and the security interest of Lender in the Personalty is a first lien, unless otherwise provided in the Escrow Instructions.

2.10. **USE OF PROCEEDS**. All Loan Proceeds will be disbursed as provided in this Loan Agreement and used only for payment of the costs of construction of the Project in accordance with the Plans and Specifications and for other purposes specified in the Loan.

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

2.12. **PLANS AND SPECIFICATIONS**. The Plans and Specifications are satisfactory to Borrower and the General Contractor and have been approved by the Lender and all other

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

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

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

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

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

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

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.

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

3.7. **BEFORE SENIOR LOAN; SUBORDINATION**. Borrower may elect to close the Loan in advance of closing of the senior loan, provided that the senior loan meets all requirements of this Loan Agreement. Agency will subordinate this Loan to the senior loan, provided that the senior loan does not require that the Lender modify of this Loan Agreement or otherwise, to pay commissions in relation to this transaction.

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) the closing conditions as defined in the Escrow Instructions have been fulfilled as of Close of Escrow; (c) Borrower's representations and warranties in this Loan Agreement are true and correct as of the Close of Escrow, (d) the Agreement continues to be in full force and effect, no default on the part of Borrower has occurred under the Loan Agreement, and no event has occurred that, with the giving of notice or the passage of time, will constitute a default by Borrower under the Loan Agreement; and (e) Lender has approved the Approval Documents.

4.3. **CONDITIONS TO BORROWER'S PERFORMANCE**. Borrower's obligation to perform under this Loan Agreement is subject to satisfaction of all of the following conditions: (a) Lender has performed all of its obligations then to be performed pursuant to this Loan Agreement; (b) the closing conditions as defined in the Escrow Instructions have been fulfilled as of Close of Escrow; (c) Borrower 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 that are displaced as a result of the Project. Borrower shall comply fully with all relocation laws that are the obligation of Lender or are otherwise applicable to the Project. Borrower's compliance with the relocation requirements as stated in this Section 5 is a material element of this Loan. Borrower's failure to comply with the relocation requirements as stated in this Section 5 is an Event of Default, subject to Borrower's opportunity to cure in accordance with applicable law.

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

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

5.3. **BORROWER AS RELOCATION AGENT.** With the approval of Lender, Borrower may act as Lender's agent in accomplishing such relocation. Lender and Borrower by memorandum in writing shall establish their respective duties related to such relocation. If Lender and Borrower agree that Borrower will act as Lender's agent for purposes of this Loan, Borrower may enter into agreements for the provision of relocation services, or Borrower may perform such services directly. Borrower shall, by provisions in its agreements or by direction to its staff, assure that the entity performing the relocation services (a) shall comply with all applicable law, (b) shall fully inform Lender of all relocation activities, (c) shall make all requests for direction or clarification to Lender, (d) and 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 Project and all other property of any kind owned by Borrower and used primarily in connection with the Property. Lender may, at any time and from time to time may reasonably 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. **CONSTRUCTION.** As a condition of the Loan, Borrower will diligently proceed with construction in accordance with the Scope of Development as approved by Lender. Borrower shall complete such work on or before the Completion Date.

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

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

7.3. **INSPECTION**. Lender may, at any time and without notice to Borrower, enter on the Property and inspect the Project; and, during regular business hours, examine the books, records, accounting data, plans, shop drawings, specifications, and other documents of Borrower pertaining to the Project and to make extracts or copies. Borrower shall make all such documents available to Lender promptly on demand. Borrower agrees to cooperate fully (and to cause the General Contractor to cooperate fully) with the Lender and its Lender's designated agent and to permit all appropriate access to the Property and to all relevant books and records. Borrower shall bear the cost of reasonable inspections.

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

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

General Contractor and subcontractor for whose account the payment is to be made, as joint payees.

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

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

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

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

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

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

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

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

7.9. **PREVAILING WAGES**. Unless Lender makes a written representation otherwise to Borrower, contractors and subcontractors for the Project shall pay prevailing wages under state law, and if any Loan Program is federally funded, under federal law. It is the responsibility and obligation of the Borrower to maintain all records required for prevailing wages and to make the required payments without recourse for further funding from Lender.

8. **LOAN DISBURSEMENT PROCEDURES.**

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

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

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

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

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

8.1.5. Borrower has paid Lender all commitment, loan, and other fees then due, and Borrower has submitted to Lender all documents, records, statements, certificates, reports, and

other materials and information then required to be submitted to Lender for approval under this Loan Agreement.

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

8.2. **CONDITIONS PRECEDENT TO FIRST DISBURSEMENT**. Borrower's request for the first Loan disbursement is a representation and warranty by Borrower that there has been no material adverse change in Borrower's financial capacity or in any representation made to Lender in Borrower's application for the Loan or Borrower's supporting documentation. Lender shall make the first loan disbursement under this Loan Agreement when the following conditions precedent and the conditions precedent stated in Section 8.1 have been met:

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

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

8.2.3. Borrower has obtained and Lender has approved a loan approval from a financial institution (or other lender approved by Lender in its sole discretion) to make the permanentfinancing obtained by Borrower which repays after completion of the Project all construction and other loans secured by the Project and which is secured by a senior lien against the Property. Such permanent financing approval must provides (a) that it is subject only to those conditions that are usual and customary in the industry and that can be satisfied by the proposed closing date of the permanent financing; (b) that it is in full force with no default by any party; and (c) that Lender will have notice of, and a reasonable opportunity to cure, any Borrower defaults.

8.2.4. Lender has provided proof of all insurance required by the Loan Documents.

8.2.5. The construction lender's commitment to make a construction loan for the Project 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.

8.2.6. Nothing in the permanent loan commitment, or submissions and approvals made under it, conflicts with this Loan agreement. Borrower has done all things necessary to keep unimpaired its rights under the loan commitment for the construction lender's construction loan.

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

8.3. **CONDITIONS PRECEDENT TO FINAL DISBURSEMENT**. Lender shall make the final loan disbursement under this Loan Agreement when the following conditions precedent and the conditions precedent stated in Section 8.1 have been met:

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

8.3.1.1. That the Project has been duly completed in a good and proper manner using sound, new materials;

8.3.1.2. That the Project complies with the Plans and Specifications, the requirements of all Governmental

8.3.1.3. Authorities and any other party having enforceable rights regarding the construction of the Project; and

8.3.1.4. That the Project is structurally sound.

8.3.2. Borrower has provided to Lender a true, accurate and complete copy of the final draw request to all other lenders for the Project.

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

8.3.4. Title policy endorsements in form and amount satisfactory to Lender (including an endorsement insuring lien-free completion of the Project) have been furnished to Lender.

8.3.5. Borrower has furnished evidence, in form and substance satisfactory to Lender, that:

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

8.3.5.2. Borrower has obtained final certificates of occupancy for all of the Project;

8.3.5.3. All other permits and approvals necessary for the construction, equipping, management, operation, use, or ownership of the Project have been obtained, subject only to those conditions approved by Lender, and

8.3.5.4. The completed Project complies with all applicable zoning regulations, subdivision map acts, building code provisions, and similar governmental laws and regulations, and has all utilities and adequate ingress and egress from public streets, that evidence to be in the form of a certificate executed by Borrower in favor of Lender.

8.3.6. That Borrower has provided to Lender an inventory showing make, model, value, cost, and location of all furniture, fixtures, and equipment and other personal property used in the

management, maintenance, and operation of the Project, that are included in the collateral for the Loan.

8.3.7. Borrower has filed a notice of completion of the Project necessary to establish the commencement of the shortest statutory period for filing of mechanics' and materialmen's liens.

8.3.8. Lender has received written approval from the surety on any bond required by Lender.

8.3.9. Borrower has submitted to Lender a final cost certification prepared by a CPA.

8.4. **MAKING DISBURSEMENT.** Lender shall pay each disbursement request within twenty (20) business days after the disbursement request is submitted to Lender, subject to fulfillment of the conditions precedent as stated in Section 8.1. Lender shall disburse the actual cost of the work represented in the disbursement request by Borrower, reduced by the cost of work included in the request and not satisfactorily completed and by the amount of the Retention to be withheld.

8.5. **DISBURSEMENT OF LESS THAN FULL REQUEST.** If Lender makes a disbursement which is less than the full amount of the disbursement requested, Lender shall inform Borrower of the items disallowed for disbursement and the reason for disallowing them. Lender shall disburse the Loan in the following order of priority, except as expressly provided and unless paid by Borrower from other funds: (a) first, to pay Lender's Loan fees and expenses due; (b) second, to pay Lender the interest due on the Loan; (c) third, at Lender's option to pay all impositions due; (d) fourth, at Lender's option, to make any other payments that Lender may in its sole discretion deem necessary or advisable to protect Lender's security under the Loan Documents; and (e) fifth, to make the disbursement of funds then due in response to Borrower's current request for disbursement. For purposes of this section, impositions means all real estate and personal property taxes and other taxes and assessments, water and sewer rates and charges, and all other charges of a Governmental Authority and any interest or costs or penalties with respect to them, ground rent and charges for any easement or agreement maintained for the benefit of the Property, of every nature and any kind that at any time may be assessed, levied, imposed, or become a lien on the Property, Fixtures or income received from the Property or Fixtures, or any use or occupancy of the Property; and any charges, expenses, payments, or assessments of any nature that are or may become a lien on the Property or the income received from it.

8.6. **NO WAIVER BY DISBURSEMENT.** Regardless of the failure of any condition precedent to Lender's obligation to make disbursements to the Construction Account, Lender may make a disbursement if Lender, in its sole discretion, determines it to be advisable. The making of any disbursement shall not be deemed to constitute an approval or acceptance by Lender of the work completed or a waiver of the condition with respect to a subsequent disbursement.

8.7. **APPROVAL OF OTHER LENDER DISBURSEMENTS.** Borrower shall concurrently submit to the Lender complete disbursement requests, including without limitation all attachments and supporting evidence, made to any other lender, investor of other funding source for the Project.

Lender shall have five (5) business days from receipt of such disbursement request to approve or deny such request, in whole or in part. Lender's approval of such disbursements shall be a condition precedent to such other lender's disbursement of funds pursuant to such disbursement request.

8.7.1. Borrower warrants and covenants to the Lender that the foregoing Lender review and approval process shall be acknowledged and accepted in all other loans and funding agreements for the Project.

8.7.2. Lender may deny all or any part of such disbursement request if it fails to provide line-item specification of each of the items for which the disbursement is sought and if such line-item specification fails to match like items in the Budget for the Project.

8.7.3. The disbursement of funds made pursuant to such other disbursement request which has not been reviewed and approved by Lender is a material breach of this Loan.

8.7.4. Notwithstanding any agreement to the contrary, this Section 8.7 regarding such other disbursements shall not be subordinated to any other interest unless such instrument of subordination specifically refers to the subordination of this Section 8.7 and is duly executed by Lender.

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

9. RESIDENTIAL OPERATIONS. PROPERTY MAINTENANCE.

9.1. **MAINTENANCE.** Borrower shall maintain the Property in condition that is as good as or better than the condition of all other properties within the immediate neighborhood. Borrower shall not permit any activity or condition of the Property that has a significant negative impact on the value or the use and enjoyment of adjacent properties.

9.2. **MANAGEMENT COMPANY.** For the life of the Loan, Borrower shall obtain and maintain a property management agreement with a top quality and duly accredited real estate property management company for the management of the Property, and shall assure the compliance of the property management with such agreement. Agency shall not disburse any funds under this Loan Agreement unless and until it has reviewed and approved the agreement as adequate and the property management company as top quality and duly accredited. Agency shall have the

right to review and approve any proposed changes to scope of said agreement and to changes in the real estate property management company, prior to Borrower's making such changes. Any such changes made without Agency approval shall be a default of the loan.

9.3. **RESERVES.** Borrower shall maintain reserves for replacement and repairs required to be made to the Property, fixtures on the Property or personal property used on the Property, or otherwise as approved by Lender, in an amount, at all times, not less than Two Hundred Dollars ($200) for each residential unit in the Project

9.4. **VERIFICATION OF NET INCOME.** When requested by Lender, Borrower shall provide certified financial statements and such other evidence as the Lender may deem necessary to verify the Project net income, including without limitation copies of certified rent roles, bank statements, billing statements and invoices.
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10. DEFAULT

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

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

10.1.2. Borrower's failure to comply with any Governmental Requirements.

10.1.3. Borrower's failure to keep in full force any permit, license, consent, or approval with respect to the construction, occupancy, or use of the Project.

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

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

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

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

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

11. REMEDIES

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

11.1.1. Terminate its obligation to make disbursements.

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

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

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

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

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

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

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

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

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

12.2. **WORKER'S COMPENSATION.** Borrower shall obtain and maintain worker's compensation coverage shall be written for the statutory limits as required byArticle 1

(commencing with Section 3700) of Chapter 4 of Part 1 of Division 4 of the California Labor Code (as it may, from time to time, be amended) and having an employer's liability of not less than $1,000,000.

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

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

12.5. **PROPERTY INSURANCE.** For the duration of the Regulatory Agreements, Borrower shall obtain and maintain property insurancein ISO policy form CP 10 30 - Building and Personal Property Coverage - Causes of Loss - Special Form, to the full insurable value of the Property withno coinsurance penalty (and with endorsements ofBuilder's Risk until completion of construction of the Project), Boiler and Machine to the extent necessary to obtain full insurance covereage, and with such other endorsements and in such amounts as the Lender may reasonably require to protect the Project and the Property. In the event of damage to the Project and subject to the requirements of Lender, Borrower shall use the proceeds of such insurance to reconstruct the Project and the public improvements.

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

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

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

12.6.3. **CERTIFIED POLICY COPY**. Borrower shall provide Lender with a certified copy of each required policy of insurance. Pending delivery of the certified policy, Borrower shall provide Lender with a Certificate of Insurance of Insurance for each policy on the applicable ACCORD form. The ACCORD form shall not substitute for the policy. ACCORD 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."

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

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

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

13. MISCELLANEOUS

13.1. **NONRECOURSE.** Nothwithstanding any provision of this Loan Agreement or any document evidencing or securing this Loan, Borrower, an Borrower's principals, agent, officer, and successors in interest shall not be personally liable for the payment of the Loan or any obligation of the Loan.

13.2. **SUBORDINATION.** Borrower may elect to close the Loan in advance of closing of the senior loan, provided that the senior loan meets all requirements of this Loan Agreement. Agency will subordinate this Loan to the senior loan, provided that the senior loan does not require modification of this Loan Agreement or Agency's execution of any agreements containing new or modified Loan terms.

13.3. **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, as outlined in the Federal Requirements. Lender shall fully cooperate with, and assist, Borrower in fulfillment of such obligations. If the Loan Program is the HOME Program, and more that eleven (11) units will be assisted with HOME funds, Borrower shall comply with Davis-Bacon wage requirements as described in the Federal Requirements.

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

13.5. **FINANCIAL STATEMENTS.** Borrower shall provide Financial Statements when requested by Lender, but in any event not more often than quarterly during construction of the Project or annually, thereafter. Borrower shall assure that Financial Statements are prepared in accordance with generally accepted accounting principles. If requested by Lender as reasonably necessary to assure the security of its Loan, Borrower shall provide Financial Statements prepared or reviewed by a licensed Certified Public Accountant or Public Accountant and fully reflecting the assets and liabilities of the party concerning whom they were prepared. When requested by Lender, Borrower shall provide certified financial statements and such other evidence as the Lender may deem necessary to verify the Project net income, including without limitation copies of certified rent roles, bank statements, billing statements and invoices.

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

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

13.8. **NOTICES**. Borrower irrevocably appoints Lender as its agent (the agency being coupled with an interest) to file for record any notices of completion, cessation of labor, or any other notice that Lender deems necessary or desirable to protect its interests under this Loan Agreement or under the Loan Documents. All notices to be given under this Loan Agreement shall be in writing and sent to the addresses stated above by one or more of the following methods.

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

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

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

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

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

13.10. **SIGNS**. Borrower agrees that on the request of Lender, Borrower will erect and place on or in the immediate vicinity of the Property a sign indicating that Lender has provided construction financing for the Project. The sign will remain the property of Lender and will be required to be removed only after construction has been completed. Lender may also arrange for publicity of the Loan in its sole discretion.

13.11. **ASSIGNMENT**. The terms of this Loan Agreement will be binding on and inure to the benefit of successors and assigns of the parties. However, Borrower shall not assign this Loan Agreement or any interest it may have in the monies due or, except as otherwise provided, convey or encumber the Property without the prior written consent of Lender. However, if there is an assignment, conveyance, or encumbrance, Lender may nevertheless at its option continue to make disbursements under this Loan Agreement to Borrower or to those who succeed to Borrower's title, and all sums so disbursed will be deemed to be disbursements under this Loan

Agreement and not modifications, and will be secured by the Trust Deed. Lender may at any time assign the Loan Documents to any affiliate of Lender or to a national bank or other lender having experience with construction lending, and the assignee will assume the obligations of Lender, and Lender will have no further obligation of any nature. In that case, the provisions of this Loan Agreement will continue to apply to the Loan, and the assignee will be substituted in the place and stead of Lender, with all rights, obligations, and remedies of Lender, including, without limitation, the right to further assign the Loan Documents. In addition, Lender may at any time assign a participation in the Loan to any other party, provided that Lender continues to be primarily obligated under this Loan Agreement.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

13.26. **Indemnity**. Borrower agrees to defend, indemnify, and hold Lender harmless from all losses, damages, liabilities, claims, actions, judgments, costs, and reasonable attorney fees that Lender may reasonably incur as a direct or indirect consequence of the making of the Loan, Borrower's failure to perform any obligations as and when required by this Loan Agreement or any of the other Loan Documents, the failure at any time of any of Borrower's representations or warranties to be true and correct, or any act or omission by Borrower, any contractor, subcontractor, engineer, architect, or other Person with respect to the Property, the Project, or any portion of them. 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.

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

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

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

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

13.31. **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.

RESOLUTION NO. 2006 -

Adopted by the Housing Authority of the City of Sacramento

INTENT TO ISSUE TAX EXEMPT BONDS FOR THE WESTVIEW RANCH APARTMENTS PROJECT

BACKGROUND

A. The Housing Authority of the City of Sacramento (the "Authority") intends to issue tax-exempt obligations in an principal amount not to exceed $13,000,000 (the "Obligations") for the purpose, among other things, of making a loan to Elkhorn Sacramento, L.P., a California limited partnership, or a limited partnership or limited liability company related to or formed by St. Anton Capital LLC (the "Developer"), the proceeds of which shall be used by the Developer to finance the acquisition and construction of a 128-unit multifamily housing facility to be located in the area bound by Picasso Circle, Bankside Way and Macon Drive Sacramento, California and to be commonly known as the Westview Ranch Apartments (the "Project");

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

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

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

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

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

Section 3. The maximum amount of proceeds of the Obligations to be used for reimbursement of expenditures for the acquisition and construction of the Project that are paid before the date of initial execution and delivery of the Obligations is not to exceed $13,000,000.

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

any public entity controlled by the Authority, for the expenditures for the acquisition and construction of the Project that are expected to be reimbursed from the proceeds of the Obligations.

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

Section 6. The law firm of Jones Hall, A Professional Law Corporation, is hereby named as bond counsel to the Authority in connection with the issuance of the Obligations. The fees and expense of bond counsel and any financial advisor employed by the Authority in connection with the issuance of the Obligations are to be paid solely from the proceeds of the Obligations or directly by the Developer.

Section 7. The appropriate officers or staff of the Authority are hereby authorized, for and in the name of and on behalf of the Authority, to make an application to the California Debt Limit Allocation Committee for an allocation of private activity bonds for the financing of the Project.

Section 8. The adoption of this Resolution shall not obligate (i) the Authority to provide financing to the Developer for the acquisition and construction of the Project or to issue the Obligations for purposes of such financing; or (ii) the Authority, of or any department of the Authority or the City of Sacramento to approve any application or request for, or take any other action in connection with, any environmental, General Plan, zoning or any other permit or other action necessary for the acquisition, construction or operation of the Project.

Section 9. This resolution shall take effect immediately upon its adoption.

RESOLUTION NO. 2006 -

Adopted by the Sacramento City Council

APPROVING THE ISSUANCE OF TAX-EXEMPT OBLIGATIONS AND DIRECTING CERTAIN ACTIONS

BACKGROUND

A. The Housing Authority of the City of Sacramento (the "Issuer") intends to issue tax-exempt obligations in an principal amount not to exceed $11,000,000 (the "Obligations") for the purpose, among other things, of making a loan to Elkhorn Sacramento, L.P., a California limited partnership, or a limited partnership or limited liability company related to or formed by St. Anton Capital LLC ("Developer"), the proceeds of which shall be used by the Developer to finance the acquisition and construction of a 128-unit multifamily housing facility to be located in the area bound by Picasso Circle, Bankside Way and Macon Drive, Sacramento, California and to be commonly known as the Westview Ranch Apartments (the "Project"); and

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

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

D. This City Council is the elected legislative body of the City of Sacramento (the "City"); and

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

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

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

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

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

Section 1. All of the evidence presented having duly considered, the findings, including the environmental findings are approved and the foregoing recitals are true and correct.

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

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