Title: (City Council/Redevelopment Agency Successor Agency) Administrative Matter: Rescind City Council Resolution No. 2019-0034 and Correct Funding - Acquisition of 3739 and 3801 Marysville Boulevard and Predevelopment Loan to Sacramento Economic and Employment Development Corporation

Location: District 2

Recommendation: Adopt a City Council Resolution: a) authorizing the purchase of the Properties for $291,400, b) transfer $75,000 from the 2006 TARB DP Heights TA Fund (Fund 3809) available fund balance to the Marysville Boulevard Investment Initiative Project (I02180700; Fund 3809) and allocate $291,400 for the purchase of the properties, c) authorizing the City Manager or his designee to execute the Certificate of Acceptance for the Properties, d) authorizing the City Manager or City Manager’s designee to execute a $300,000 forgivable loan agreement and related documents with the Sacramento Economic and Employment Development (SEED) Corporation for predevelopment activities related to the development of the Properties into the Marysville Boulevard and Grand Affordable Housing and Retail Development Project to be funded from the Marysville Boulevard Investment Initiative Project (I02180700, Fund 3805,3806, and 3807); e) authorizing the City Manager or City Manager’s designee to execute any amendment to the forgivable loan agreement if the amendment does not change the total loan amount, term of the loan, loan repayment terms, or conditions for loan forgiveness, and if the amendment is approved as to form by the City Attorney; and f) rescinding City Council Resolution No. 2019-0034.

Contact: Veronica Smith, Economic Development Senior Project Manager, (916) 808-1046; Leslie Fritzsche, Economic Investment Manager, (916) 808-5450, Office of Innovation and Economic Development

Presenter: None
Attachments:
1-Description/Analysis
2-Property Descriptions
3-Site Location
4-Parcel Map
5-City Resolution
6-Exhibit A - Loan Agreement
7-Exhibit B - Promissory Note
8-Exhibit C – Project Schedule
Description/Analysis

**Issue Detail:** On February 5, 2019, the City Council approved Resolution No. 2019-0034 which included the approval to execute a $300,000 forgivable loan agreement and related documents with the Sacramento Economic and Employment Development (SEED) Corporation for predevelopment activities related to the development of the Properties into the Marysville Boulevard and Grand Affordable Housing and Retail Development Project. The funding should come from the Marysville Boulevard Investment Initiative Project (I02180700, Fund 3805, 3806, and 3807) and not the Forgivable Loan Project (I02180400, Fund 2031). As such, the resolution action was incorrect. This report recommends establishing the correct funding from the Marysville Boulevard Investment Initiative Project (I02180700, Funds 3805, 3806 and 3807) and rescinding Resolution 2019-0034.

**Property Acquisition:** Starting in the mid-1970s, the Redevelopment Agency of the City of Sacramento (Agency) acquired several properties in Del Paso Heights, retaining 3739 and 3801 Marysville Boulevard for the benefit of a “Town Center” concept.

There were 18 parcels previously owned by the Agency located throughout the Del Paso Heights Redevelopment Project Area. As part of the dissolution process, these properties became assets of the Redevelopment Agency Successor Agency (RASA). In September 2013, RASA sought the State of California’s Department of Finance (DOF) approval to consider the 3801 Marysville parcel as a property to be “Retained for Future Development”, allowing the City to retain the property for future use. In order to do so the City is required to purchase the property at its fair market value as of June 2011 (the date of the dissolution legislation), as set out in the statute. Appraisals were ordered with 3801 Marysville Boulevard appraising at $191,400. The second parcel, 3739 Marysville, was not in the same “Retain for Future Development” category so must be purchased at current market value, which is $100,000. The total proposed purchase price for the Properties is $291,400.

Brief descriptions of each of these parcels are included as Attachment 2 and location maps for the parcels are included as Attachments 3 and 4.

The action proposed would support predevelopment activities, as described below, that could assist in meeting affordable housing needs in the community. The eventual project is intended to address the dire need for affordable housing for seniors and families in the City of Sacramento, with the goal of helping some of the most vulnerable in the community. At the same time, the eventual project would support neighborhood revitalization, helping to facilitate increased investment into the community by constructing new facilities on blighted vacant lots.
Predevelopment Loan/Project Background: On April 16, 2016, the City posted an RFP for developer interest for 3801 Marysville Boulevard, but did not receive any proposal responses. The City reposted the RFP on January 19, 2017, and still did not receive any responses. In February of 2017, the Sacramento Economic and Employment Development (SEED) Corporation met with City staff to discuss the organization’s vision and interest in spearheading a development project at 3801 Marysville Boulevard. With support from the City, the SEED Corporation worked with SM2 Design Inc. to develop architectural schematics that would meet the requirements of the California Tax Credit Program and conduct a site capacity study for the Properties for the purpose of determining whether further actions would be worthwhile.

Since the reactivation of SEED Corp, several milestones have been completed as it relates to focusing on Del Paso Heights, including partnering with a developer and architect to develop conceptual designs for a catalyst project, developing a proforma and preliminary budgets, conducting a community meeting and workshops in partnership with the California Air Resources Board to discuss the possibilities and vision for new development, and securing a brownfield grant to conduct phase 1 environmental assessment for the Properties.

This report requests the approval of a Forgivable Loan with SEED for the furtherance of predevelopment activities for an affordable housing development on the Properties. Predevelopment activities will be limited to only those activities that support the advancement and development of the Properties including activities such as legal services, City planning, review under the California Environmental Quality Act (CEQA), environmental assessment and cleanup, appraisals, market studies, syndication or financial consultants, architects (including sub-consultants for landscaping and civil engineering), feasibility studies, construction pre-development, surveying and engineering. The proposed development project will consist of the construction of an affordable housing and retail development consistent with the “Town Center” concept since the site is located at the intersection of two of the Del Paso Heights’ main corridors, Grand and Marysville. The eventual development is envisioned to include 63 permanently affordable apartments for families and supportive housing for seniors. Site A (3801 Marysville Boulevard) is located on the north side of Grand Avenue and is projected at 47 units of affordable housing, 3,000 square feet of open space, and 3,000 square feet of community serving retail. Site B (3739 Marysville Boulevard) is located on the south side of Grand Avenue and is currently projected at 16 units of senior housing, 3,000 square feet of open space, and 1,200 square feet of community space. A site map is included as Attachment 3.
Policy Considerations: The recommendations in this report are in accordance with the state laws dissolving redevelopment agencies and specifying the obligations of successor agencies (AB 1x 26, AB 1484 and SB 107). The uses contemplated for the 3739 and 3801 Marysville Boulevard is in keeping with the goals of Del Paso Heights Redevelopment Plan, and the Implementation Plan.

Economic Impacts: Not applicable.

Environmental Considerations: The actions proposed constitute steps in the predevelopment process relating to preliminary determination of feasibility for a proposed affordable housing project. No commitment to the eventual project has been made, and no commitment would occur until predevelopment activities, including CEQA review, as described above, have been completed. The actions requested are not considered a project under CEQA. The actions would create a funding mechanism that does not involve a commitment to any specific project. CEQA guidelines section 15378(b)(4).

Sustainability: This action is consistent with the City’s Sustainability goals as it will facilitate the development of the infill areas of Del Paso Heights and promotes the development of Marysville Boulevard into a walkable pedestrian corridor.

Commission/Committee Action: On December 15, 2015, the Oversight Board approved the Long-Range Property Management Plan which included designation of the 3801 Marysville Boulevard property for retention by the City for future development. This Plan was approved by DOF on December 31, 2015. On January 25, 2016, the Oversight Board authorized RASA to implement the Plan.

Rationale for Recommendation: Since the purchase of the Properties by the Agency almost twenty years ago, they have been idle waiting for the opportunity for a new infusion of investment. The purchase of the Properties by the City is envisioned to lead to a public-private partnership and ultimate purchase and sale of the sites for the development of an affordable housing development project as currently being proposed by the SEED Corporation.

Financial Considerations: Pursuant to the requirements of the dissolution law, the City may purchase RASA properties based on their fair market value as of June 2011, if it reaches a compensation agreement with the taxing entities. The compensation agreement provides that each entity would receive its share of the sales proceeds at the same rate as their share of the property tax distribution, as determined by the County Auditor-Controller. 3801 Marysville Boulevard was included in a previous Compensation Agreement on August 3, 2017. The second property, 3739 Marysville is proposed to be purchased at current market value of $100,000.
$291,400 will be allocated from the Marysville Boulevard Investment Initiative Project (I02180700; Fund 3809) for the purchase of the properties. There are sufficient resources in the project with a $75,400 transfer from the 2006 TARB DP Heights TA Fund (Fund 3809) available fund balance to make the purchase.

The forgivable loan for $300,000 will be funded by the Marysville Boulevard Initiative Project (I02180700, Funds 3805, 3806, and 3807).

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<td>1999 ML DP Heights TE</td>
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<td>2003 DP Heights TE TABS</td>
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Local Business Enterprise (LBE): Not Applicable.
**Project Name:** Del Paso Heights Town Center Project

**Former Redevelopment Area:** Del Paso Heights

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<td>5.</td>
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<td><strong>Total</strong></td>
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**Redevelopment History and Current Condition:**

Marysville Boulevard is the historic focus of retail and commercial land use in the Del Paso Heights area. It is the major arterial linking Del Paso Heights to Del Paso Boulevard, Highway 160 and Downtown Sacramento. Revitalization of this corridor has been a major focus since the initiation of redevelopment in the area and was most recently featured in the 2009 - 2014 Del Paso Heights Implementation Plan.
The key component of the Marysville Boulevard revitalization strategy was to create a “Town Center” at the intersection of Marysville and Grand Avenue, the traditional nucleus of commercial and social life in Del Paso Heights. This location contains the greatest concentration of existing retail businesses and services as well as potential for parcel consolidation for new development. The ultimate goal was to stimulate a complete revitalization of the area through the elimination of vacant parcels, improvement of parking and traffic, enhancement of lighting, and expansion and recruitment of businesses. The effort included a comprehensive 1998 Marysville Urban Design Plan which cited the predominance of small fragmented parcels that don’t lend themselves to reuse and the existence of numerous blighted deteriorated buildings.

3801 Marysville Boulevard

The parcel at the northeast corner of Marysville and Grand was the first property purchased by the Redevelopment Agency at this intersection. Once an abandoned gas station, the site was first offered for sale by the owner, Shell Oil, and received no offers. It was then placed up for auction along with other properties nationwide, but Shell did not receive their minimum bid. The Agency provided an offer and consummated the purchase in 1997 with the goal of using the property to attract an anchor retail use. This property then formed the basis to further the Town Center concept.

The site is approximately ¾ acre and is improved with frontage curb, gutter and sidewalk.

Environmental remediation was completed by Shell prior to the Redevelopment Agency’s purchase.

3739 Marysville – Indus Gas

This site is located on the southwest corner of Marysville and Grand Avenue, across Grand Avenue from 3801 Marysville and north of the home of the Greater Sacramento Urban League. The property was acquired as part of the Del Paso Heights Town Center project to eliminate a blighting condition on the most visible commercial corner in Del Paso Heights. A small gas station and mini-mart known as Indus Gas was located on the site and for many years was the source of code enforcement and police issues. The Agency began its acquisition efforts in 2000 and after numerous attempts to purchase the site, the Agency obtained the property by eminent domain in 2007.

The property is approximately 10,000 square feet and improved with curb, gutter and sidewalks. A chain link fence surrounds the site.
The property is currently vacant and subject to regulatory agency orders to clean-up both soil and groundwater contamination. Funds are being provided by the Underground Storage Tank Fund.

3/11-3/21 Marysville

These parcels were purchased in 2000 and 2001 to stimulate additional commercial development to complement the newly completed Greater Sacramento Urban League Building at 3723 Marysville and further the Town Center concept. The uses of the property at the time of purchase were: 3713-3717 Marysville, an automobile repair shop and storage; 3711 Marysville, a vacant paved lot, and 3721 a vacant restaurant. The properties were purchased and the structures demolished. Currently all of the parcels are vacant lots. A portion of the parcel at 3721 Marysville Blvd. is paved.

Phase I and II environmental investigations were conducted for the properties and did not show significant environmental concerns. Potential groundwater contamination from 3701-3705 Marysville to the south of these properties may impact development.

The parcels are finished with curb, gutter, and sidewalks.

The parcels offer a commercial development opportunity. Their visibility, access and configuration are desirable but those advantages are tempered by historically poor market conditions. In addition, there are a number of similar sites and buildings available in the surrounding area.

Disposition Strategy:

These properties are proposed to be sold with consideration given to the interest to complete the Del Paso Heights town center commercial development concept. The sales proceeds would be distributed to the taxing entities.
3739 & 3801 Marysville Boulevard
Vicinity Map
RESOLUTION NO. 2019-

Adopted by

Sacramento City Council

April 23, 2019

APPROVING ACQUISITION OF 3739 MARYSVILLE BOULEVARD (APN: 251-0084-017-0000) AND 3801 MARYSVILLE BOULEVARD (APN: 251-0084-018-0000) AND PREDEVELOPMENT LOAN TO SACRAMENTO ECONOMIC AND EMPLOYMENT DEVELOPMENT CORPORATION

BACKGROUND:

A. Under Health and Safety Code Section 34181(a), the Redevelopment Agency Successor Agency (RASA) is to dispose all of the property interests of the former Redevelopment Agency.

B. On December 15, 2015, the Oversight Board for RASA approved the Long-Range Property Management Plan ("Plan") for the RASA-owned properties. Included in the Plan was the sale of 3801 Marysville Blvd to the City of Sacramento (City) to allow the City to retain the property for future development. The Plan included 3739 Marysville property as a property to be sold. The State of California Department of Finance (DOF) approved the Plan on December 31, 2015.

C. Health and Safety Code Section 34180(f) allows the City to retain Redevelopment Agency properties that are designated for future development by paying taxing entities their share of the value of the property under the terms of a compensation agreement. If the market value is disputed and an agreement cannot be reached, the Oversight Board has the authority to set the value as of June 2011, when the dissolution law was enacted, based on an appraisal. Properties not in that category must be sold at current fair market value.

D. An appraisal of the value of 3801 Marysville Boulevard (APN: 251-0084-018-0000) Parcels as of June 2011 and for 3739 Marysville (APN: 251-0084-017-0000) has been prepared by an independent appraiser approved by the Oversight Board. The appraiser selected is on the City’s on-call list of appraisers.
E. On April 16, 2016, the City posted an RFP for developer interest for 3801 Marysville Boulevard, but did not receive any responses. The City reposted the RFP on January 19, 2017, and still did not receive any responses.

F. In February of 2017, the Sacramento Economic and Employment Development Corporation met with City staff to discuss the organization’s vision and interest in a public/private partnership for a development project at 3739 and 3801 Marysville Boulevard. This included initial discussions around the request for assistance for predevelopment support for the Properties.

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

Section 1. The sale of 3739 Marysville Boulevard (APN: 251-0084-017-0000) for $100,000, and 3801 Marysville Boulevard (APN: 251-0084-018-0000) for $191,400 to the City of Sacramento is hereby approved.

Section 2. The City Manager or his designee is authorized to transfer $75,400 from the 2006 TARB DP Heights TA Fund (Fund 3809) available fund balance to the Marysville Boulevard Investment Initiative (I02180700).

Section 3. The City Manager or his designee is authorized to transfer and disburse the balance after closing costs from $291,400, from the Marysville Boulevard Investment Initiative (I02180700, Fund 3809) to the County Auditor-Controller for the purchase of the Properties and distribution to the taxing entities, and to execute the Certificate of Acceptance.

Section 4. The acceptance and transfer of RASA-owned properties at 3739 Marysville Boulevard (APN: 251-0084-017-0000) and 3801 Marysville Boulevard (APN: 251-0084-018-0000) is hereby approved.

Section 5. The City Manager or City Manager’s designee is authorized to execute the $300,000 forgivable loan agreement with the SEED Corporation from the Marysville Boulevard Investment Initiative Project (I02180700; Fund 3805, 3806, and 3807). The forgivable loan agreement is attached as Exhibit A and is a part of this resolution.

Section 6. The City Manager or City Manager's designee is authorized to execute any amendment to the forgivable loan agreement if the amendment does not change the total loan amount, term of the loan, loan repayment terms, or conditions for loan forgiveness, and if the amendment is approved as to form by the City Attorney.

Section 7. Resolution Number 2019-0034 is hereby rescinded.
Attachment:
Exhibit A - Forgivable Loan Agreement for 3739 and 3801 Marysville Boulevard
CITY OF SACRAMENTO
FORGIVABLE LOAN AGREEMENT
Sacramento Employment and Economic Development Corporation

This FORGIVABLE LOAN AGREEMENT, dated __________, 2019, for purposes of identification, is between the CITY OF SACRAMENTO (the “City”), a California municipal corporation, and the SACRAMENTO EMPLOYMENT AND ECONOMIC DEVELOPMENT CORPORATION (“Borrower”), a California non-profit public benefit corporation.

Background

The City in its adopted Economic Development Plan has established strategic investments and initiatives that lead to economic development as a priority. Such investments will enhance the quality of life for residents and increase economic diversification in the city of Sacramento and the surrounding region.

As an element of its Economic Development Plan, the City has assigned importance to investing in its commercial corridors. Commercial corridors are vital assets to the City and offer tremendous revitalization opportunities, including retail, commercial, and housing.

The City now desires to enter into a contract with Borrower to provide it with financial assistance for predevelopment activities related to a potential affordable housing and retail development project (the “Project”) on property that the City intends to acquire at 3739 Marysville Boulevard and 3801 Marysville Boulevard, Sacramento, California 95838 (the “Property”). The parties intend that Borrower’s predevelopment activities will culminate with Borrower presenting the City with a proposal for its consideration for the development of the Project (the “Project Proposal”). The assistance will be structured as a forgivable loan, in an amount not to exceed $300,000. The City chooses to advance this loan for the purpose of stimulating economic activity, by supporting the predevelopment activities of the Borrower.

With these background facts in mind, the City and Borrower agree as follows:

1. Loan. The City shall lend to Borrower, and Borrower shall borrow from the City, the principal amount of $300,000 (the “Loan”). The City shall make an initial disbursement of $50,000 by February 28, 2019 and shall make subsequent disbursements as Borrower achieves the milestones set forth in the project schedule attached as Exhibit C. Borrower shall provide the City with sufficient documentation for the City to determine that Borrower has achieved each milestone and the costs Borrower incurred in achieving each milestone.

2. Interest. This is a non-interest bearing loan.
3. **Promissory Note.** Borrower shall evidence the Loan by executing a promissory note (the “Note”) in the form attached as Exhibit B. This agreement and the Note may be referred to collectively as the “Loan Documents.”

4. **Repayment.** Borrower shall repay the Loan in accordance with the Note, without demand of the City, as follows:

   (a) No payment is due until February 28, 2021.

   (b) The Loan shall be paid in full on February 28, 2021, unless the Loan is forgiven as provided in this Section 4.

   (c) If Borrower fails to enter into a purchase and sale agreement for the Property (the “PSA”), or if Borrower enters into a PSA, but the PSA, including all related extension periods, terminates without Borrower acquiring fee title to the Property, then Borrower shall assign all its rights to all the work product, including reports, drawings, and plans, paid for in whole or in part with the loan proceeds to the City. Upon Borrower’s assignment of all its rights in the work product paid for in whole or in part with the loan proceeds to the City, the Loan shall be deemed paid in full and Borrower, and its officers, directors employees and agents will have no further obligations under this agreement.

   (d) All or a portion of the Loan will be forgiven if the City Council determines that Borrower has completed the Project Proposal. “Completed the Project Proposal” means that, in the City’s sole judgment, that Borrower has presented the City with a Project Proposal that demonstrates that the predevelopment activities related to the Project have been completed in a good and proper manner in accordance with the plans and specifications and the scope of development that have been provided to the City.

5. **Use of Loan Proceeds.** Use of the Loan proceeds is subject to the following conditions:

   (a) Borrower shall use the Loan proceeds only to pay for the following related to the Project: legal services, City planning, environmental assessment and cleanup, appraisals, market studies, and rent comparisons, community outreach and engagement, printing, green building evaluation, soft cost contingency, syndication or financial consultants, architects (including sub-consultants for landscaping and civil engineering), feasibility studies, construction pre-development, surveying and engineering. If Borrower determines that there are additional services that are directly related to the Project that are not set forth in this section, Borrower shall seek advance written approval from the City to use the Loan proceeds for the additional services, which approval shall not be unreasonably withheld. Borrower shall complete all work that is funded in whole or in part with the Loan proceeds by February 28, 2021 (the “Completion Date”), subject to unavoidable delay.
“Unavoidable Delay” is a delay in the performance by a party of any obligation which delay is unforeseeable and beyond the control of such party and without its fault or negligence. Unavoidable Delay includes acts of God, acts of the public enemy, acts of the federal government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, a general moratorium on financing for projects of the same type, and unusually severe weather (as for example, floods, tornadoes, or hurricanes) or delays of subcontractors due to such causes. In the event of the occurrence of any such enforced delay, the time or times for performance of such obligations of the parties shall be extended for the period of the enforced delay, as determined by the City, provided that the party seeking the benefit of the provisions of this section shall, within 30 days after it has or should have knowledge of any such enforced delay, have first notified the other party, in writing, of the delay and its cause, and requested an extension for the period of the enforced delay.

(b) Borrower shall provide the City, upon demand, with written evidence sufficient for the City to determine that Borrower has used the Loan proceeds for only purposes authorized under this Section 5.

6. **Representations.** To induce the City to enter into this agreement and make the Loan, Borrower represents that the following are true as of the effective date of this agreement and will remain true until the Loan has been paid in full:

(a) Borrower is a non-profit corporation authorized to do business in California.

(b) Borrower has the power to execute, deliver, and perform this agreement.

(c) Borrower’s making and performance of this agreement does not violate any provision of federal or state law, or City ordinance, or result in a breach of or constitute a default under any agreement, indenture, or other instrument to which Borrower is a party or by which Borrower may be bound.

7. **Loan Closing.** The closing of the Loan is subject to the condition that Borrower deliver evidence satisfactory to the City that Borrower is a non-profit corporation authorized to do business in California.

8. **Events of Default.** The occurrence of one or more of the following events is an **“Event of Default”** and, at the option of the City, makes the entire unpaid principal sum and all obligations of Borrower to the City under the Loan Documents immediately due and payable without notice, presentment, or demand, all of which Borrower hereby waives:

(a) Borrower assigns any interest in this agreement or any Loan proceeds to a third party without the prior written consent of the City.
(b) Any representation made by Borrower in this agreement or any of the Loan Documents proves to be false or misleading in any material respect.

(c) Borrower does not cure a default in its performance of any of its obligations under this agreement or any of the Loan Documents within 30 days from the date of the default, or if such cure cannot be completed within 30 days, then if Borrower commences a cure within 30 days and diligently completes such cure within 90 days.

(d) Borrower is adjudicated as bankrupt or insolvent, or consents to or applies for the appointment of a receiver, trustee, or liquidator of itself or any of its property, or admits in writing its inability to pay its debts generally as they become due, or makes a general assessment for the benefit of creditors, or files a voluntary petition in bankruptcy or a voluntary petition or an answer seeking reorganization or arrangement in a proceeding under any bankruptcy law, or borrower or its directors or majority stockholders take action looking into the dissolution, liquidation, or reorganization of Borrower.

(e) Borrower uses the Loan proceeds for a purpose not authorized under Section 5.

9. Inspection of Records. The City or its designated representative may inspect, audit, and copy Borrower’s records and books related to the Loan Documents at any time during normal business after providing Borrower with reasonable notice.

10. Taxes and Other Liabilities. Borrower shall pay when due all indebted obligations, assessments, taxes real and personal, including federal and state payroll and income taxes, except those that Borrower in good faith contests or as to which a bona fide dispute exists. For those obligations, assessments, or taxes that Borrower in good faith contests or as to which a bona fide dispute exists, Borrower must pay them if the federal or state government, or a court with jurisdiction, determines that they are an obligation of Borrower.

11. Litigation. Borrower shall promptly notify the City of any litigation pending or threatened against Borrower in excess of $25,000.

12. Indemnity. Borrower shall defend, hold harmless and indemnify the City, its officers and employees, and each and every one of them, from and against any and all actions, damages, costs, liabilities, claims, demands, losses, judgments, penalties, costs and expenses of every type and description, including, but not limited to, any fees and/or costs reasonably incurred by the City’s staff attorneys or outside attorneys and any fees and expenses incurred in enforcing this provision (collectively, “Liabilities”), including but not limited to Liabilities arising from contractual or other economic damages, or regulatory penalties, arising out of or in any way connected with Borrower’s breach of the Loan Documents, Borrower’s use of the Loan Funds, or Borrower’s performance or failure to perform this agreement, whether or not (i) such Liabilities are caused in part
by a party indemnified hereunder or (ii) such Liabilities are litigated, settled or reduced to judgment; provided that the foregoing indemnity does not apply to liability for any damage or expense for death or bodily injury to persons or damage to property to the extent arising from the sole negligence or willful misconduct of the City, its agents, servants, or independent contractors who are directly responsible to the City.

13. **Notices.** Any notice or other communication under this agreement must be in writing and is considered properly given and effective only when mailed or delivered in the manner provided by this Section to the persons identified below. A notice or other communication that is mailed is effective or considered to have been given on the third day after it is deposited in the U.S. Mail (certified mail and return receipt requested), addressed as set forth below, with postage prepaid. A notice or other communication sent in any other manner is effective or considered properly given when actually delivered. A party may change its address for these purposes by giving written notice of the change to the other party in the manner provided in this Section 16.

*If to the City:*

City of Sacramento  
Economic Development Department  
915 I Street, 4th Floor  
Sacramento, California 95814  
Attn: Economic Development Manager

*If to Borrower:*

SEED Corporation  
Angelia Dickens  
Counsel for SEED Corporation  
1801 L. Street #236  
Sacramento, CA 95811

14. **Assignment.** Borrower may not assign or otherwise transfer this agreement or any interest in it without the City’s prior written consent, which the City may withhold in its sole discretion. An assignment or other transfer made contrary to this Section 19 is void.

15. **Severability.** If a court with jurisdiction rules that any nonmaterial part of this agreement is invalid, unenforceable, or contrary to law or public policy, then the rest of this agreement remains valid and fully enforceable.

16. **Waiver.** The City’s failure to insist on strict performance of this agreement or to exercise any right or remedy upon breach of this agreement is not a waiver of the performance, right, or remedy. The City’s waiver of Borrower’s breach of any provision in this agreement will not constitute a continuing waiver or a waiver of any later breach of the same or any other provision. A waiver is binding only if set forth in a writing signed by the City.

17. **Interpretation; Venue.** This agreement is to be interpreted and applied in accordance with California law, except that that the rule of interpretation in California Civil Code section 1654 will not apply. The venue for any legal action or proceeding will be in the County of Sacramento, California.
18. **Attorneys' fees.** Except as provided in Section 12, the parties must bear their own costs and attorneys' fees incurred in connection with this agreement.

19. **No Third-Party Beneficiaries.** This agreement is solely for the benefit of the City and Borrower. It is not intended to benefit any third parties, and no other Person will have any right of action or any rights to funds at any time on deposit.

20. **Agency.** The parties do not intend for this agreement to create a partnership or joint venture between the City and Borrower. The City is not an agent or representative of Borrower.

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.

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 The City.

23. **Effective date.** This agreement is effective on the date both parties have signed it, as indicated by the dates in the signature blocks below.

24. **Counterparts.** The parties may sign this agreement in counterparts, each of which is considered an original, but all of which constitute the same agreement. Facsimiles, pdfs, and photocopies of signature pages of the agreement have the same binding effect as originals.

25. **Integration and modification.** This agreement, together with the other Loan Documents, sets forth the parties' entire understanding regarding the matters set forth above and is intended to be their final, complete, and exclusive expression of those matters. It, along with the other Loan Documents, supersedes all prior or contemporaneous agreements, representations, and negotiations—written, oral, express, or implied—and may be modified only by another written agreement signed by both parties.

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[Signature Page Follows]
City of Sacramento

By: __________________________
Howard Chan
City Manager
Date: __________, 2019

Approved as to Form
Sacramento City Attorney

By: __________________________
Michael Sparks
Senior Deputy City Attorney

Attest:

By: __________________________
Assistant City Clerk

Sacramento Employment and Economic Development Corporation

By: __________________________
Monét R. Crowley
President
Date: Jan 22, 2019

By: __________________________
Name
Title
Date: __________, 2019

[Signature Page to Forgivable Loan Agreement]
PROMISSORY NOTE

$300,000.00

Sacramento, California
Date: As of __________, 2019

1. **Promise to Pay.** For value received, SACRAMENTO EMPLOYMENT AND ECONOMIC DEVELOPMENT CORPORATION ("Borrower"), a California non-profit public benefit corporation, promises to pay to the CITY OF SACRAMENTO ("Lender"), a California municipal corporation, or order, at the office of its Economic Development Department at 915 I Street, 4th Floor, Sacramento, CA 95814, the principal sum of Three Hundred Thousand Dollars ($300,000.00), or so much as is disbursed and not forgiven or repaid pursuant to the Loan Agreement.

2. **Loan Agreement.** This note is the “Note” referred to in the forgivable loan agreement (the "Loan Agreement") between Lender and Borrower dated __________, 2019, for purposes of identification only, as the Loan Agreement may be amended from time to time. All capitalized terms used in this Note but not expressly defined in this Note shall have the meanings ascribed to them in the Loan Agreement. This Note is subject to the terms of the Loan Agreement; however, in the event of a conflict between the terms of this Note and the Loan Agreement, the terms of this Note shall prevail.

3. **Interest Rate.** This is a non-interest bearing note.

4. **Payments.** Borrower shall pay the Lender, without demand, principal in the amount of $300,000 or as much principal as has been disbursed under the loan agreement on February 28, 2021, unless the repayment is forgiven in accordance with sections 4.1. or 4.2 of this Note. Borrower shall pay a late charge of 5.0% of any payment not paid within five days after the due date of that payment in addition to any other amounts due under this Note. Each payment under this Note will be credited in the following order: first, to any late charges and costs or expenses Lender incurs in collecting the payment; second, to the unpaid principal.

4.1 if Borrower fails to enter into a PSA for the Property, or if Borrower enters into a PSA, but the PSA, including all related extension periods, terminates without Borrower acquiring fee title to the Property, then Borrower shall assign all its rights to all the work product, including reports, drawings, and plans, paid for in whole or in part with the loan proceeds to Lender. Upon Borrower’s assignment of all its rights in the work product paid for in whole or in part with the loan proceeds to Lender, the Loan shall be deemed paid in full and Borrower, and its officers, directors employees and agents will have no further obligations under this Note.

4.2 All or a portion of the Loan will be forgiven if Lender’s City Council determines that Borrower has completed the Project Proposal. “Completed the Project Proposal”
means that, in Lender's sole judgment, that Borrower has presented Lender with a Project Proposal that demonstrates that the predevelopment activities related to the Project have been completed in a good and proper manner in accordance with the plans and specifications and the scope of development that have been provided to Lender.

5. **Immediately Due and Payable.** The occurrence of one or more of the following events is an "Event of Default" and, at Lender's option, makes the entire unpaid principal sum and all obligations of Borrower to Lender under the Loan Documents immediately due and payable without notice, presentment, or demand, all of which Borrower hereby waives:

5.1 Borrower assigns any interest in the Loan Agreement or any Loan proceeds to a third party without the prior written consent of Lender.

5.2 Any representation made by Borrower in any of the Loan Documents proves to be false or misleading in any material respect.

5.3 Borrower does not cure a default in its performance of any of its obligations under any of the Loan Documents within 30 days after the date of the default, or if such cure cannot be completed within 30 days, then Borrower will not be in default if Borrower commences a cure within 30 days after the default and diligently completes such cure within 90 days after the default.

5.4 Borrower defaults under the terms of any agreement or instrument pursuant to which Borrower has borrowed money from any person or entity that results in the acceleration of the maturity of the indebtedness under the agreement or instrument.

5.5 Borrower is adjudicated as bankrupt or insolvent, or consents to or applies for the appointment of a receiver, trustee, or liquidator of itself or any of its property, or admits in writing its inability to pay its debts generally as they become due, or makes a general assessment for the benefit of creditors, or files a voluntary petition in bankruptcy or a voluntary petition or an answer seeking reorganization or arrangement in a proceeding under any bankruptcy law, or borrower or its directors or majority stockholders take action looking into the dissolution, liquidation, or reorganization of Borrower.

5.6 Borrower uses the Loan proceeds for a purpose not authorized under the Loan Documents.

6. **Prepayment.** This Note may be prepaid at any time without penalty.

7. **Loan Documents.** This Note is issued under the Loan Agreement.

8. **Collection Costs.** If this Note is not paid when due, whether on February 28, 2021, or by acceleration, Borrower, and every guarantor and endorser of this Note, and every
person who assumes the obligations of this Note, agrees to pay all costs of collection when incurred, including reasonable attorney’s fees, whether or not suit is filed. Additionally, the holder of this Note will be entitled to reimbursement for all attorney’s fees and costs incurred in enforcing any judgment arising from or out of this Note. These fees and costs do not merge into the judgment and may be added to the judgment and substantiated by supplemental cost bill.

9. Presentment; Demand, Protest; Notice. Borrower, every guarantor and endorser of this Note, and every person who assumes the obligations of this Note, waives presentment, demand, protest, and notice of dishonor, notice of protest, notice of nonpayment, and notice of any kind with respect to this Note or any guarantee of it.

10. Directors and Officers. In no event should any director or officer of the Borrower be liable for any amounts due and payable pursuant to this Note.

11. Other Obligations. Borrower agrees to perform all of its obligations under the Loan Agreement.

12. Modification and Waiver. This Note may not be changed or terminated orally, but only by an agreement in writing signed by the party against who enforcement of the change or termination is sought. No alteration, amendment or waiver of any provision of this Note, the Loan Agreement, or the Security Agreement, made by agreement of the holder of this Note or any other person or party, shall constitute a waiver of any other term of this Note, or otherwise release or discharge the liability of Borrower under this Note.

13. Acceleration. If an Event of Default occurs, Lender may, in its sole discretion, declare the entire unpaid principal balance of this Note, together with all other amounts due under this Note, immediately due and payable without notice or demand.

14. Interpretation. This Note is to be interpreted and applied in accordance with California law.

BORROWER:

SACRAMENTO EMPLOYMENT AND ECONOMIC DEVELOPMENT CORPORATION, a California non-profit public benefit corporation

By: [Signature]

By: [Signature]
### SEED Corporation: Forgivable Loan/Project Timeline

#### Project Timeline

<table>
<thead>
<tr>
<th>Task Name</th>
<th>Duration</th>
<th>Start</th>
<th>Finish</th>
</tr>
</thead>
<tbody>
<tr>
<td>Predevelopment Due Diligence</td>
<td>81 Days</td>
<td>3/1/2019</td>
<td>5/21/2019</td>
</tr>
<tr>
<td>Order Survey</td>
<td>7 Days</td>
<td>3/1/2019</td>
<td>3/7/2019</td>
</tr>
<tr>
<td>Review of Existing Docs &amp; Correspondence</td>
<td>7 Days</td>
<td>3/11/2019</td>
<td>3/18/2019</td>
</tr>
<tr>
<td>Order updated reports: Phase 1 Reports</td>
<td>25 Days</td>
<td>3/18/2019</td>
<td>4/1/2019</td>
</tr>
<tr>
<td>Order Phase 2 Reports (if needed)</td>
<td>25 Days</td>
<td>4/15/2019</td>
<td>5/10/2019</td>
</tr>
<tr>
<td>Meet with the Sac County EMD</td>
<td>1 Day</td>
<td>5/13/2019</td>
<td>5/14/2019</td>
</tr>
<tr>
<td>Obtain Estimates if Add'l Clean Up Necessary</td>
<td>10 Days</td>
<td>5/14/2019</td>
<td>5/27/2019</td>
</tr>
<tr>
<td>Planning &amp; Entitlement Approvals</td>
<td>200 Days</td>
<td>5/27/2019</td>
<td>12/13/2019</td>
</tr>
<tr>
<td>Execute MOU with Developer</td>
<td>15 Days</td>
<td>6/20/2019</td>
<td>7/5/2019</td>
</tr>
<tr>
<td>Architect Selection</td>
<td>20 Days</td>
<td>6/20/2019</td>
<td>7/25/2019</td>
</tr>
<tr>
<td>Execute Contract with Architect</td>
<td>6 Days</td>
<td>7/25/2019</td>
<td>7/31/2019</td>
</tr>
<tr>
<td>Select &amp; Engage Consultant Team</td>
<td>15 Days</td>
<td>8/1/2019</td>
<td>8/15/2019</td>
</tr>
<tr>
<td>Preparation of Entitlement Package</td>
<td>30 Days</td>
<td>15-Aug</td>
<td>9/14/2019</td>
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<td>Submission of Entitlement Package</td>
<td>0 Days</td>
<td>9/16/2019</td>
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<tr>
<td>Public Hearing Process</td>
<td>15 Days</td>
<td>9/16/2019</td>
<td>10/1/2019</td>
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<tr>
<td>Entitlement Approvals</td>
<td>75 Days</td>
<td>10/1/2019</td>
<td>12/13/2019</td>
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