



INVESTING IN COMMUNITIES

NOTICE OF REGULAR MEETING MEETING
**Sacramento Housing and Redevelopment
Commission**

Wednesday, March 18, 2015 – 6:00 pm
801 12th Street
2nd Floor Commission Room
Sacramento CA

ROLL CALL

APPROVAL OF AGENDA

1. APPROVAL OF MINUTES – February 18, 2015 and March 4, 2015 meetings

CITIZENS COMMENTS

2. While the Commission welcomes and encourages participation in the Commission meetings, it would be appreciated if you would limit your comments to three minutes so that everyone may be heard. Please fill out a speaker card and present it to the Agency Clerk if you wish to speak under Citizen Comments or on a posted agenda item. Matters under the jurisdiction of the Commission, and not on the posted agenda, may be addressed by the general public at this time. Commission attendees are requested to silence any electronic devices that they have in their possession.

SPECIAL PRESENTATION

3. Housing Authority Resident Spotlight

BUSINESS

4. Housing Authority Participation in the Renewal of the Downtown Sacramento Property and Business Improvement District (PBID)
5. Riverview Plaza Associates Participation In The Renewal Of The Downtown Sacramento Property And Business Improvement District (PBID)
6. Authorization To Enter Into Loan Agreements With The County Of Sacramento And Mercy Housing California Related To Predevelopment Activities At Courtyard Inn

EXECUTIVE DIRECTOR REPORT

COMMISSION CHAIR REPORT

ITEMS AND QUESTIONS OF COMMISSION MEMBERS

ADJOURNMENT

REPORTS: Copies of documents relating to agenda items are available for review in the Agency Clerk's office at 801 12th Street, Sacramento CA 95814. Agendas and reports are also posted online at www.shra.org. Materials related to an item on this agenda submitted to after distribution of the agenda packet are available for public inspection in the Agency Clerk's office located at during normal business hours and will also be available at the meeting.

AMERICANS WITH DISABILITIES ACT: Meeting facilities are accessible to persons with disabilities. If you require special assistance to participate in the meeting, notify the Agency Clerk at (916) 440-1363 at least 48 hours prior to the meeting.



MINUTES

Sacramento Housing and Redevelopment Commission (SHRC) Regular Meeting February 18, 2015

Meeting noticed on February 13, 2015

ROLL CALL

The Sacramento Housing and Redevelopment Commission meeting was called to order at 6:00 p.m. by Chair Griffin. A quorum of members was present.

MEMBERS PRESENT: Alcalay, Creswell, Griffin, Johnson, Macedo, Morgan, Morton, Raab

MEMBERS ABSENT: None (three vacancies)

STAFF PRESENT: Vickie Smith, LaShelle Dozier, David Levin, Christine Weichert, Tashica McIntyre, MaryLiz Paulson, Tyrone Williams, Steve Lierly, Kyle Flood

APPROVAL OF AGENDA – the Chair announced that items 3 and 4 would be heard together.

1. January 21, 2015 minutes were approved as submitted.

CITIZENS COMMENTS

2. none

BUSINESS

3. Authorization To Execute Amended And Restated Sacramento Housing And Redevelopment Agency Joint Exercise Of Powers Agreement And Agreement With Redevelopment Agency Successor Agency Regarding Redevelopment Agency Debts - City
4. Authorization To Execute Amended And Restated Sacramento Housing And Redevelopment Agency Joint Exercise Of Powers Agreement And Agreement With Redevelopment Agency Successor Agency Regarding Redevelopment Agency Debts - County

David Levin, General Counsel, presented the item.

On a motion by Commissioner Morgan, seconded by Commissioner Alcalay, the Commission recommended approval of the staff recommendation for the items listed above. The votes were as follows

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

NOES: none

ABSTAIN: none

ABSENT: none

5. Tax Equity And Fiscal Responsibility Act (TEFRA) Hearing And Approval Of Bond Issuance For The Mutual Housing At Foothill Farms

Steve Lierly, Housing Finance Analyst, presented the item.

On a motion by Commissioner Creswell, seconded by Commissioner Johnson, the Commission recommended approval of the staff recommendation for the item listed above. The votes were as follows

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

NOES: none

ABSTAIN: none

ABSENT: none

PRESENTATION

6. Presentation for outgoing Chair Michael Alcalay

Chair Griffin presented a plaque to outgoing Chair Michael Alcalay and thanked him for his service.

EXECUTIVE DIRECTOR REPORT

LaShelle Dozier reviewed the following:

- Next meeting will be on February 18th
- Upcoming event – Washington Plaza reopening – March 4th
- Upcoming event – 700 block of K Street groundbreaking – March 5th

COMMISSION CHAIR REPORT

Chair Griffin encouraged members to attend Board and Council meetings to support items as needed or requested.

Chair Griffin appointed the following individuals to the Executive and Engagement committees.

Engagement Committee

Cathy Creswell – chair
Jayne Raab
Michael Alcalay
Tawny Macedo

Executive Committee

Mel Griffin – Chair
Michael Alcalay
Gale Morgan
Jayne Raab
Cathy Creswell

ITEMS AND QUESTIONS OF COMMISSION MEMBERS

Commissioner Alcalay thanked staff for their participation at the MLK Celebration dinner.

ADJOURNMENT

As there was no further business to be conducted, Chair Griffin adjourned the meeting at 6:35 p.m.

AGENCY CLERK



MINUTES

Sacramento Housing and Redevelopment Commission (SHRC) Regular Meeting March 4, 2015

Meeting noticed on February 27, 2015

ROLL CALL

The Sacramento Housing and Redevelopment Commission meeting was called to order at 6:00 p.m. by Chair Griffin. A quorum of members was not present.

MEMBERS PRESENT: Creswell, Griffin, Macedo, Morgan

MEMBERS ABSENT: Alcalay, Johnson, Morton, Raab (three vacancies)

STAFF PRESENT: Vickie Smith, LaShelle Dozier, David Levin, Christine Weichert, Tashica McIntyre, MaryLiz Paulson, Tyrone Williams, Steve Lierly, Geoff Ross, Cecette Hawkins, Lira Goff, Monique Pierre

APPROVAL OF AGENDA

The Chair announced that the Del Paso Nuevo Phase V project approval report was being dropped from the agenda.

Due to lack of a quorum, the Chair announced that all items requiring Commission action (approval of minutes and Housing Authority participation in the Downtown Property and Business Improvement District) would be rescheduled for a future meeting.

Staff presented two brief informational presentations (requiring no action) which were: Fair Housing Overview and the Olivewood Apartments loan.

CITIZEN COMMENT – None

EXECUTIVE DIRECTOR REPORT

LaShelle Dozier reviewed the following:

- Next meeting will be on March 18th
- Thanked commissioners for their participation at the Washington Plaza reopening which was held on March 4th
- Upcoming event – 700 block of K Street groundbreaking – March 5th

LaShelle Dozier also stated that she would follow up with elected officials currently on the Human Rights Fair Housing Board and request that they hold a meeting so that concerned citizens could discuss policy issues with them.

COMMISSION CHAIR REPORT

None

ITEMS AND QUESTIONS OF COMMISSION MEMBERS

Commissioner Creswell requested that staff report back regularly on Fair Housing compliance activities particularly in the City of Sacramento.

Commissioner Creswell commented that the residents at Washington Plaza seemed very appreciative of the renovation work and complemented staff on their efforts.

ADJOURNMENT

As there was no further business to be conducted, Chair Griffin adjourned the meeting at 6:35 p.m.

AGENCY CLERK



March 13, 2015

Sacramento Housing and
Redevelopment Commission
Sacramento, CA

Honorable Members in Session:

SUBJECT:

Housing Authority Participation in the Renewal of the Downtown Sacramento Property
and Business Improvement District (PBID)

SUMMARY

The attached report is submitted to you for review prior to consideration by the City of
Sacramento.

RECOMMENDATION

Staff recommends approval of the recommendations outlined in this report.

Respectfully submitted,


LA SHELLE DOZIER
Executive Director

Attachment



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

Consent
April 7, 2015

Honorable Mayor and Members of the City Council

Title: Housing Authority Participation in the Renewal of the Downtown Sacramento Property and Business Improvement District (PBID)

Location/Council District: Downtown Sacramento - Council District 4

Recommendation: Adopt a **Housing Authority Resolution** authorizing the Executive Director or her designee to: a) sign petitions, cast a vote via an assessment ballot, and execute other related documents to further the renewal of the Downtown Sacramento PBID on behalf of the Housing Authority for conventional public housing and Housing Successor Agency site; b) pay the annual PBID assessment utilizing Conventional Public Housing funds for conventional public housing properties; and c) pay the annual PBID assessment utilizing Housing Successor Agency funds for the Housing Successor Agency property.

Contact: MaryLiz Paulson, Assistant Director, 440-1334, Cecette Hawkins, Management Analyst, 449-6218

Presenters: None

Department: Sacramento Housing and Redevelopment Agency

Description/Analysis

Issue: The Downtown Sacramento Property and Business Improvement District (PBID) was originally approved in 1995 as the first in the state under PBID Area Law of 1994. The PBID has since been renewed twice with the last renewal approved by City Council on June 14, 2005, for a ten-year term.

The Housing Authority of the City owns a total of five parcels located within the PBID boundary. Conventional Public Housing Developments are located on four of those parcels. The fifth parcel was transferred to the Housing Authority on February 1, 2012, when the Redevelopment Agency was eliminated and the Housing Authority of the City of Sacramento was designated the Housing Successor Agency (HSA). By operation of law, all redevelopment housing assets and agreements were transferred to the HSA.

Housing Authority Participation in the PBID Renewals

This report recommends that the Housing Authority, as a property owner of five parcels, participate in renewing the PBID by signing petitions and voting during the renewal process. Should the PBID be renewed, the report also recommends authorizing the Executive Director to allocate funds and pay the annual assessment fees from the Conventional Public Housing and Housing Successor Agency funds.

Policy Considerations: The proposed renewal of the Downtown PBID is consistent with the Public Housing Authority's Annual Plan as it supports the following Goals and Objectives: 1) increase the availability of decent, safe, and affordable housing, and 2) improve community quality of life and economic vitality.

Economic Impacts: Not applicable.

Environmental Considerations:

California Environmental Quality Act (CEQA): The renewal of a PBID does not constitute a project under CEQA and is therefore exempt from review pursuant to Guidelines Section 15378(b).

Sustainability Considerations: There are no sustainability considerations applicable to the formation process and administration of a special district.

Other: As an administrative activity, this activity has been determined to be exempt under the National Environmental Policy Act (NEPA) Code of Federal Regulations sections 58.34(a)(1) and (a)(3).

Commission Action: *Sacramento Housing and Redevelopment Commission:* At its meeting of March 18, 2015, the Sacramento Housing and Redevelopment Commission considered the staff recommendation for this item. The votes were as follows:

AYES:

NOES:

ABSENT:

Rationale for Recommendation: In 1995, it was determined that formation of a PBID could enhance the viability of Downtown Sacramento. The PBID services benefit approximately 460 parcels with 198 parcel owners and numerous businesses. The approximate District boundaries are the Sacramento River on the west, H Street on the north, 16th Street on the east, and portions of N Street and L Street on the south. The proposed services for the PBID include 1) Maintenance, Safety, and Nuisance Abatement; 2) Business Development; and 3) Administration and Contingency. These

Housing Authority Participation in the PBID Renewals

services and activities will improve district cleanliness and safety, increase building occupancy and lease rates, and encourage new business development and services for properties. Overall, they support a safer and more economically vital Downtown area which benefits Housing Authority residents. The Resolution of Intention to form the District was approved on Feb. 10, 2015. The Public Hearing where the Ballots will be counted is scheduled for April 14, 2015. The Ballot Results will be made Public on April 23, 2015.

Financial Considerations: This report recommends authorizing the Housing Authority to allocate and utilize Conventional Public Housing funds to annually pay approximately \$21,249 for the Downtown Sacramento PBID assessment for the four conventional public housing properties within the PBID boundary, and approximately \$3,053 in Housing Successor Agency funds on behalf of the Shasta Hotel Investors Partnership (Partnership) for the Shasta Hotel property. Assessment payments made on behalf of the Partnership will be charged back to the Partnership as additional rent. Upon approval of the attached resolution and renewal of the PBIDs, the Housing Authority will be participating as a property owner with respect to the public housing sites. Assessment rates may be subject to an increase of no more than five percent annually.

M/WBE/Section 3 and First Source Considerations: Minority and Women's Business Enterprise requirements will be applied to all activities to the extent required by federal funding to maintain that federal funding. Section 3 requirements will be applied to the extent as may be applicable. The First Source Program is not applicable to this report.


Respectfully Submitted by: 
LA SHELLE DOZIER
Executive Director

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RESOLUTION NO. 2015 -

Adopted by the Housing Authority of the City of Sacramento

on date of

**AUTHORIZATION TO PARTICIPATE IN THE RENEWAL OF THE DOWNTOWN
SACRAMENTO PROPERTY AND BUSINESS IMPROVEMENT DISTRICT**

BACKGROUND

- A. The boundaries of the Downtown Sacramento Property and Business Improvement District (PBID) include five Housing Authority Properties. In compliance with Property and Business Improvement District Law of 1994, owners of properties and businesses within the PBID boundaries have proposed to renew the Downtown Sacramento PBID for an additional ten years to provide funding for: 1) Maintenance, Safety, and Nuisance Abatement; 2) Business Development; and 3) Administration and Contingency.
- B. On January 31, 2012 the City designated the Housing Authority of the City of Sacramento as the Housing Successor for the housing functions of the former Redevelopment Agency of the City of Sacramento.
- C. The proposed renewal of the Downtown PBID is consistent with the Public Housing Authority's Annual Plan as it supports the following Goals and Objectives: increase the availability of decent, safe, and affordable housing; and Improve community quality of life and economic vitality.
- D. Within the Downtown Sacramento PBID the City Housing Authority owns the following properties:
- 006 0032 029 0001 - 600 I Street (Riverview Plaza)
 - 006 0032 029 0003 - 600 I Street (Riverview Plaza)
 - 006 0032 029 0004 - 600 I Street (Riverview Plaza)
 - 006 0032 030 0000 - 630 I Street (Edgewater Apartments/Housing Choice Voucher Offices)
- E. The Housing Authority of the City, as the Housing Successor to the former Redevelopment Agency of the City of Sacramento, owns the following land within the Downtown Sacramento PBID, which is leased to the Shasta Hotel Investors Partnership via a ground lease:
- 006 0103 021 000 - 1017-10th Street (Shasta Hotel)
- F. The renewal of a PBID does not constitute a project under the California Environmental Quality Act (CEQA) and is therefore exempt from review pursuant to Guidelines Section 15378(b). As an administrative activity, this activity has

been determined to be exempt under the National Environmental Policy Act (NEPA) Code of Federal Regulations sections 58.34(a)(1) and (a)(3).

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

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

Section 2. The Executive Director, or her designee, is authorized to sign petitions, cast a vote via an assessment ballot and execute other related documents to further the renewal of the Downtown Sacramento PBID on behalf of the Housing Authority for conventional housing owned sites and the Housing Successor Agency.

Section 3. The Executive Director, or her designee, is authorized to pay the annual PBID assessment utilizing Conventional Housing funds, for the following properties:

- 006 0032 029 0001 - 600 I Street (Riverview Plaza)
- 006 0032 029 0003 - 600 I Street (Riverview Plaza)
- 006 0032 029 0004 - 600 I Street (Riverview Plaza)
- 006 0032 030 0000 - 630 I Street (Edgewater Apartments/Housing Choice Voucher Offices)

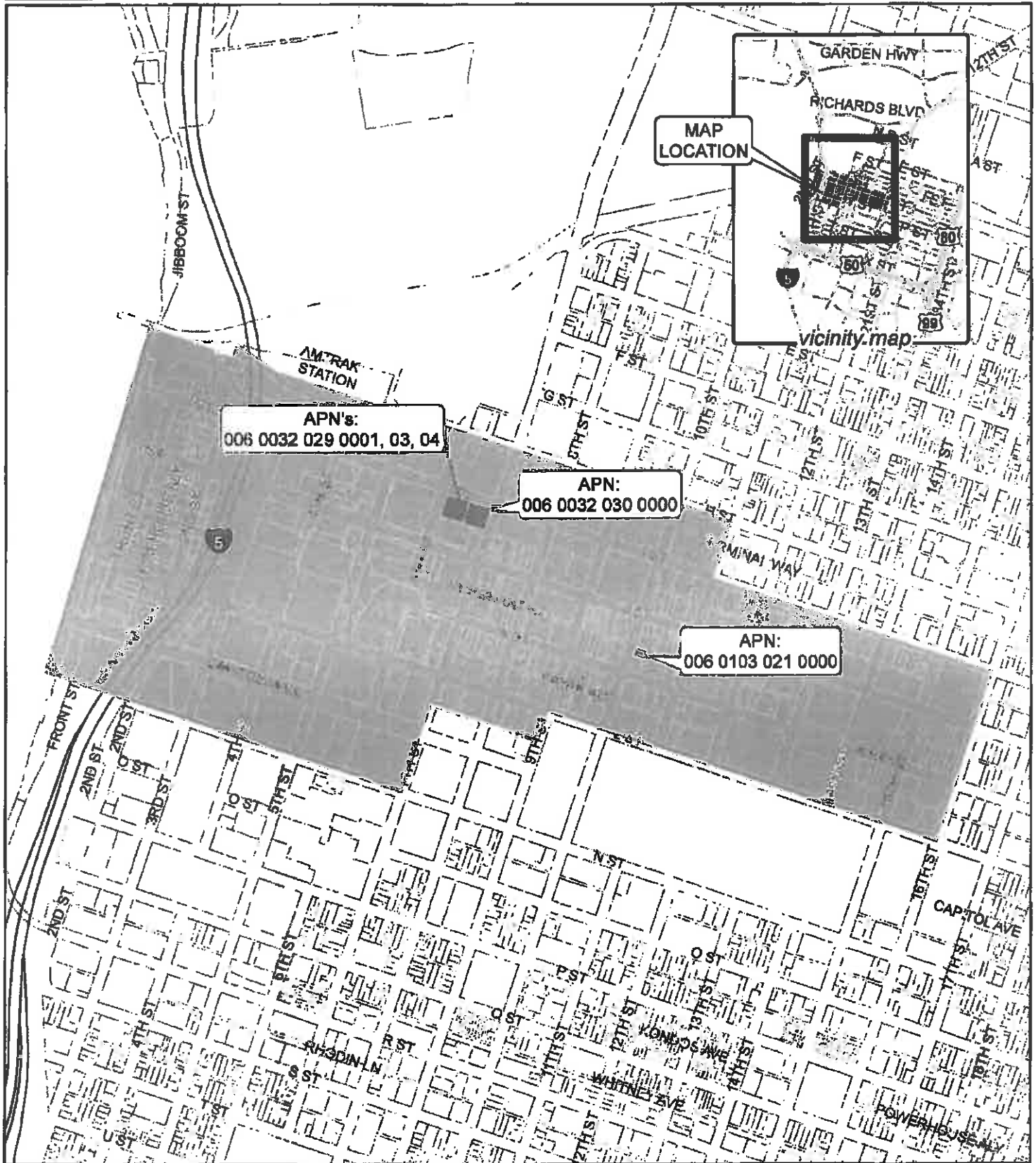
Section 4. The Executive Director, or her designee, is authorized to pay the annual PBID assessment utilizing Housing Successor Agency funds for the following property:

- 006 0103 021 000 – 1017-10th Street (on behalf of the Shasta Hotel Investors Partnership)



Downtown Sacramento

PBID (Property Based Improvement District) Renewal



APN's:
006 0032 029 0001, 03, 04

APN:
006 0032 030 0000

APN:
006 0103 021 0000

 Downtown Sacramento PBID
 Parcel



SHRA GIS
February 17, 2015



March 13, 2015

Sacramento Housing and
Redevelopment Commission
Sacramento, CA

Honorable Members in Session:

SUBJECT:

Riverview Plaza Associates Participation in the Renewal of the Downtown Sacramento
Property and Business Improvement District (PBID)

SUMMARY

The attached report is submitted to you for review prior to consideration by the County
of Sacramento.

RECOMMENDATION

Staff recommends approval of the recommendations outlined in this report.

Respectfully submitted,


LA SHELLE DOZIER
Executive Director

Attachment

**COUNTY OF SACRAMENTO
CALIFORNIA**

For the Agenda of:
April 7, 2015

To: Sacramento Housing Development Corporation

From: Sacramento Housing and Redevelopment Agency

Subject: Riverview Plaza Associates Participation In The Renewal Of The Downtown Sacramento Property And Business Improvement District (PBID)

Supervisory
District: Serna

Contact: MaryLiz Paulson, Assistant Director, 916-440-1334
Cecette Hawkins, Management Analyst, 916-449-6218

Overview

This report recommends that Riverview Plaza Associates, as a property owner of a parcel within the Downtown Sacramento PBID, participate in renewing the PBID by signing petitions and voting during the renewal process. Should the PBID be renewed, the report also recommends authorizing the Executive Director to allocate funds and pay the annual assessment fees from the Riverview Plaza Residential funds.

Recommendations

Approve the attached **Sacramento Housing Development Corporation** Resolution authorizing the Executive Director or her designee to 1) sign petitions, cast a vote via an assessment ballot, and execute other related documents to further the renewal of the Downtown Sacramento PBID on behalf of Riverview Plaza Associates for the Riverview Plaza housing site and, 2) pay the annual PBID assessment utilizing Riverview Plaza Residential funds for this housing site.

Measures/Evaluation

The PBID will provide programs and advocacy that will improve the safety and security of the district for both residents and business owners and will enhance the economic vitality of the business districts by improving safety, litter and debris removal, graffiti abatement, and business development activities.

Fiscal Impact

This report recommends authorizing Riverview Plaza Residential Funds to pay the annual PBID assessments.

BACKGROUND

Built in 1988, Riverview Plaza is a 16-story commercial and senior housing development located at 600 I Street in Downtown Sacramento. The residential portion is owned by Riverview Plaza Associates, a California Limited Partnership comprised of the Housing Authority of the City of

Sacramento as a limited partner and the Sacramento Housing Development Corporation (SHDC) as the non-profit general partner. The County Board of Supervisors serves as the Board of Directors of SHDC. The commercial portion is owned and managed by the Housing Authority of the City of Sacramento (Housing Authority) which provided valuable and needed retail stores and services to support and enhance the livability for residents in this mixed-use building.

Sacramento Housing and Redevelopment Agency (SHRA) staff occupies an office of approximately 1,000 square feet at Riverview Plaza while retail tenants occupy the balance of the approximately 16,718 square feet on the first two floors. Retail tenants include a day-care center, hair salon, deli market and vacant retail space. The residential portion of the building (floors 3-16) consists of 123 affordable one-bedroom senior apartments, a two-bedroom manager's apartment, and common areas including a large commercial kitchen, dining area, and swimming pool.

DISCUSSION

The Downtown Sacramento Property and Business Improvement District (PBID) was originally approved in 1995 as the first in the state under PBID Area Law of 1994. The PBID has since been renewed twice with the last renewal approved by City Council on June 14, 2005, for a ten-year term. This report recommends that Riverview Plaza Associates, as the property owner of the Riverview Plaza residential parcel located within the PBID boundary, participate in renewing the PBID by signing petitions and voting during the renewal process. Should the PBID be renewed, the report also recommends authorizing the Executive Director to allocate funds and pay the annual assessment fees from available Riverview Plaza Residential funds.

The Downtown Sacramento PBID services benefit approximately 460 parcels with 198 parcel owners and numerous businesses included. The approximate District boundaries are the Sacramento River on the west, H Street on the north, 16th Street on the east, and portions of N Street and L Street on the south. The proposed services for the PBID include 1) maintenance, safety, and nuisance abatement; 2) business development; and 3) administration/contingency. Overall, the PBID supports a safer and more economically vital Downtown area which benefits Riverview Plaza residents. The Resolution of Intention to form the District was approved by the Sacramento City Council on Feb. 10, 2015. The Public Hearing where the Ballots will be counted is scheduled for April 14, 2015. The Ballot Results will be made public on April 23, 2015.

COMMISSION ACTION

It is anticipated that, at its meeting of March 18, 2015, the Sacramento Housing and Redevelopment Commission will approve the staff recommendation for this item. Staff will notify the Board in the event this does not occur.

MEASURES/EVALUATIONS

The PBID will provide programs and advocacy that will improve the safety and security of the district for both residents and business owners and will enhance the economic vitality of the business districts by improving safety, litter and debris removal, graffiti abatement, and business development activities.

FINANCIAL ANALYSIS

This report recommends authorizing the Sacramento Housing Development Corporation (on behalf of Riverview Plaza Associates) to allocate and utilize Riverview Plaza Residential funds to annually pay approximately \$5,990 for the Downtown Sacramento PBID assessment for the Riverview Plaza property.

POLICY CONSIDERATIONS

The proposed renewal of the Downtown PBID is consistent with both Sacramento Housing Development Corporation and Riverview Plaza Associates goals as it improves community quality of life and economic vitality.

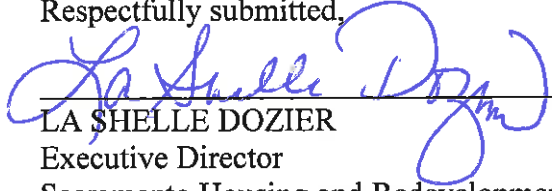
ENVIRONMENTAL REVIEW

The renewal of a PBID does not constitute a project under the California Environmental Quality Act (CEQA) and is therefore exempt from review pursuant to Guidelines Section 15378(b). As an administrative activity, this activity has been determined to be exempt under the National Environmental Policy Act (NEPA) Code of Federal Regulations sections 58.34(a)(1) and (a)(3).

M/WBE/SECTION 3 AND FIRST SOURCE CONSIDERATIONS

Minority and Women's Business Enterprise requirements will be applied to all activities to the extent required by federal funding to maintain that federal funding. Section 3 requirements will be applied to the extent as may be applicable. The First Source Program is not applicable to this report.

Respectfully submitted,



LA SHELLE DOZIER
Executive Director
Sacramento Housing and Redevelopment Agency

APPROVED

BRADLEY J. HUDSON
County Executive

Attachments:

RES – SHDC Resolution

ATT I – Map: Downtown Sacramento PBID Renewal

RESOLUTION NO. SHDC _____

ADOPTED BY THE SACRAMENTO HOUSING DEVELOPMENT CORPORATION

on date of

AUTHORIZATION AND APPROVAL OF PARTICIPATION IN THE RENEWAL OF THE DOWNTOWN SACRAMENTO PROPERTY AND BUSINESS IMPROVEMENT DISTRICT (PBID)

WHEREAS, the Downtown Sacramento Property and Business Improvement District (PBID) boundary includes Riverview Plaza which is owned by Riverview Plaza Associates. Riverview Plaza Associates is a California Limited Partnership (Partnership) comprised of the Housing Authority of the City of Sacramento as a limited partner and the Sacramento Housing Development Corporation (SHDC) as a non-profit general partner. The County Board of Supervisors serves as the Board of Directors of SHDC.

WHEREAS, in compliance with Property and Business Improvement District Law of 1994, owners of properties and businesses within the PBID boundaries have proposed the renew the Downtown Sacramento PBID for an additional ten years to provide funding for: 1) Maintenance, Safety, and Nuisance Abatement; 2) Business Development; and 3) Administration and Contingency; and

WHEREAS, the PBID will provide programs and advocacy that will improve the safety and security of the district for both residents and business owners and will enhance the economic vitality of the business district by improving safety, litter and debris removal, graffiti abatement, and business development; and

WHEREAS, Riverview Plaza is located at the following location: 600 I Street , Sacramento, CA - APN # - 006 0032 029 0002; and

WHEREAS, the renewal of a PBID does not constitute a project under the California Environmental Quality Act (CEQA) and is therefore exempt from review pursuant to Guidelines Section 15378(b). As an administrative activity, this activity has been determined to be exempt under the National Environmental Policy Act (NEPA) Code of Federal Regulations sections 58.34(a)(1) and (a)(3).

NOW THEREFORE BE IT RESOLVED AND ORDERED BY THE BOARD OF DIRECTORS OF THE SACRAMENTO HOUSING DEVELOPMENT CORPORATION:

Section 1. All evidence presented having been duly considered, the background facts, as stated above, including the environmental facts, are found to true and correct.

Section 2. The Executive Director, or her designee, is authorized to sign petitions, cast a vote for an assessment ballot and execute other related documents to further the renewal of the Downtown Sacramento PBID on behalf of the Riverview Plaza Associates for the Riverview Plaza site.

Section 3. The Executive Director, or her designee, is authorized to pay the annual PBID assessment utilizing Riverview Plaza Residential funds, for the following property: 006 0032 029 0002 - 600 I Street (Riverview Plaza).

On a motion by Director _____, seconded by Director _____, the foregoing Resolution was passed and adopted by the Sacramento Housing Development Corporation, State of California, this 7th day of April, 2015, by the following vote, to wit:

AYES: Directors,

NOES: Directors,

ABSTAIN: Directors,

ABSENT: Directors,

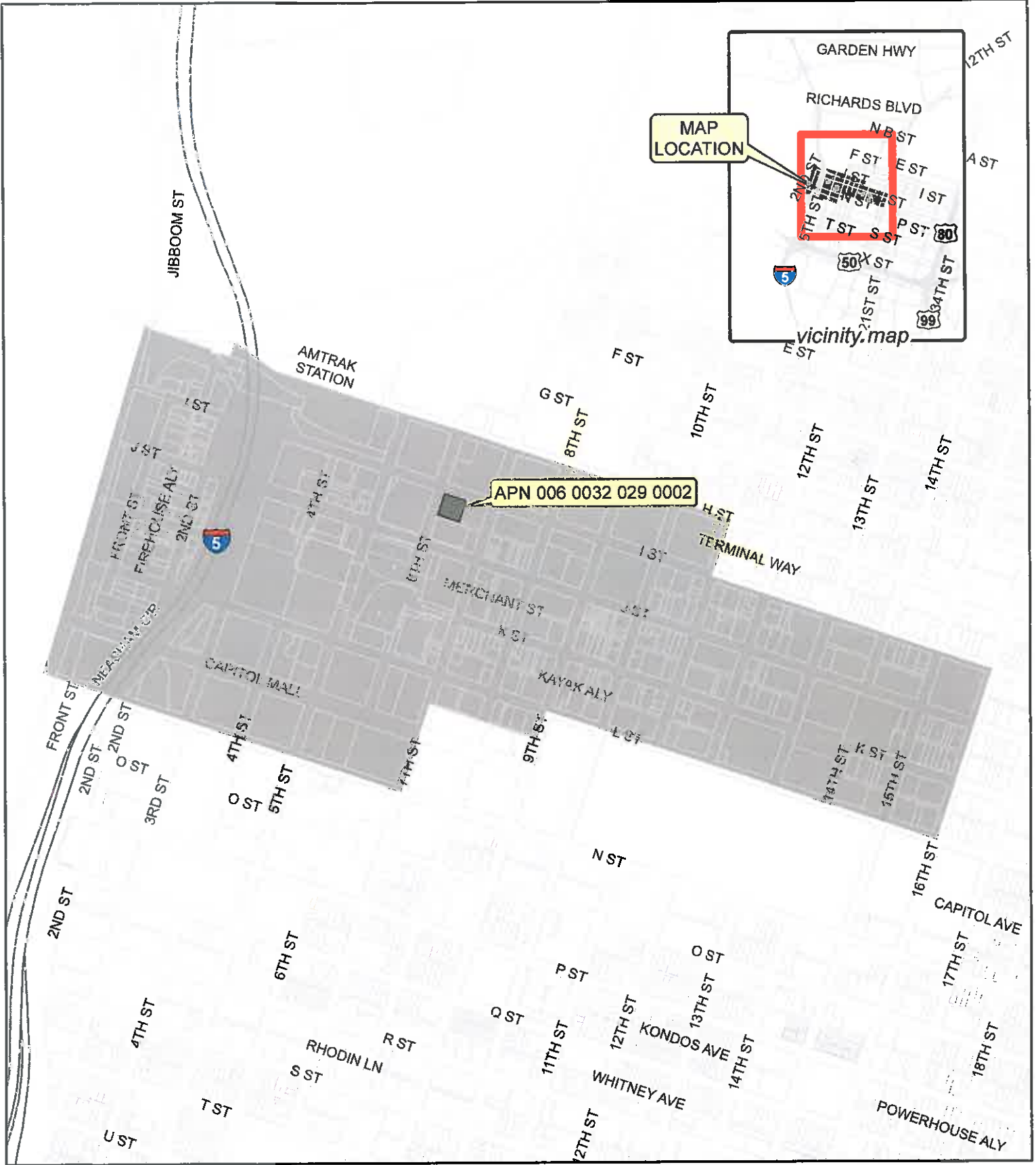
Chair, Board of Directors
Sacramento Housing Development
Corporation

(SEAL)

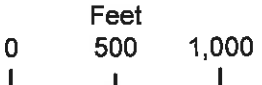
ATTEST: _____
Clerk



Downtown Sacramento PBID (Property Based Improvement District) Renewal



 Downtown Sacramento PBID
 Parcel



SHRA GIS
 March 2, 2015



March 13, 2015

Sacramento Housing and
Redevelopment Commission
Sacramento, CA

Honorable Members in Session:

SUBJECT:

Authorization to Enter into Loan Agreements with the County of Sacramento and Mercy Housing California Related to Predevelopment Activities at the Courtyard Inn

SUMMARY

The attached report is submitted to you for review prior to consideration by the County of Sacramento.

RECOMMENDATION

Staff recommends approval of the recommendations outlined in this report.

Respectfully submitted,


LA SHELLE DOZIER
Executive Director

Attachment

**COUNTY OF SACRAMENTO
CALIFORNIA**

For the Agenda of:
April 7, 2015

To: Housing Authority of the County of Sacramento

From: Sacramento Housing and Redevelopment Agency

Subject: Authorization To Enter Into Loan Agreements With The County Of Sacramento And Mercy Housing California Related To Predevelopment Activities At Courtyard Inn

Supervisorial
District: Peters

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

Overview

Mercy Housing California (MHC) has entered into a purchase and sale agreement with the owners of the Courtyard Inn located in North Highlands at 3425 Orange Grove Avenue. They are interested in repurposing the motel into affordable housing. MHC has requested a Predevelopment Loan of \$150,000 to make escrow deposits, complete an appraisal, architectural and engineering studies, environmental testing, market studies and to evaluate the scope of the project.

The Courtyard Inn has long been a burden on County resources, the neighborhood and surrounding business community. The County of Sacramento (County) agreed to finance approximately one-half of the predevelopment costs for the rehabilitation of the Courtyard Inn. On February 10, 2015, the Board of Supervisors approved the County entering into a \$150,000 Loan Agreement with the Housing Authority of the County of Sacramento (Housing Authority).

Staff recommends entering a loan agreement with the County and entering into a predevelopment loan agreement with MHC to ascertain the scope of the project.

Recommendations

Approve the attached Housing Authority resolution authorizing:

1. the Executive Director, or designee, to execute a \$150,000 Loan Agreement with the County to assist with the financing of predevelopment costs for the conversion of the Courtyard Inn to affordable housing.
2. the amendment of the Housing Authority budget to accept \$150,000 from the County of Sacramento's Problem Properties Revolving Trust Fund to the Housing Authority, which will be utilized to fund the predevelopment loan for the Courtyard Inn project.
3. the Executive Director, or designee, to execute a \$150,000 Predevelopment Loan Agreement with Mercy Housing California.
4. the Executive Director, or designee, to take all actions necessary to facilitate and determine the feasibility of financing for the conversion of the Courtyard Inn to affordable housing.

Authorization To Enter Into Loan Agreements With The County Of Sacramento
And Mercy Housing California Related To Predevelopment Activities At Courtyard Inn

5. Making related findings.

Measures/Evaluation

Approval of the predevelopment loan from the Housing Authority to MHC will assist MHC with predevelopment costs for the Courtyard Inn, which allows MHC to aggressively move forward with the conversion of the motel to affordable housing units, thereby contributing to the goals in the County 2013-2021 Housing Element, Subsection C-5: Convert older motels to permanent affordable housing.

Fiscal Impact

This report recommends that the Housing Authority enter into a loan agreement in the amount of \$150,000. This will be funded from the County Problem Properties Revolving Trust Fund. The loan will assist in the predevelopment expenses that MHC will incur related to the proposed renovation of the Courtyard Inn. In the event the development project does not proceed, the loan to the Housing Authority from the County and the predevelopment loan from the Housing Authority to MHC will both be forgiven. There is no impact on the general fund.

BACKGROUND

On May 19, 1998, the Board of Supervisors (Board) created the Problem Properties Revolving Trust Fund (PPRTF) to pay for tenant relocation, boarding, demolition and cleanup costs of problem properties for which no monies were budgeted in regular department budgets. On July 17, 2001, the Board also approved the use of the PPRTF for mediation services up to a maximum of \$20,000 and rehabilitation loans by the Board on a case-by-case basis. The PPRTF was seeded with Community Development Block Grant funds and \$1 million in General Fund.

Most activities funded by the PPRTF are billed to the property owner and then the account is replenished when collected. As part of the 2014-15 Budget deliberations, the Board augmented the PPRTF budget by \$750,000 and discussed using the resources to address neighborhood revitalization activities.

In addition to being a burden on the County, the Courtyard Inn has long been a problem property for the neighborhood and surrounding business community. MHC is interested in repurposing the motel into affordable housing and has requested a Predevelopment Loan of \$150,000.

On February 10, 2015, the Board approved the County of Sacramento using \$150,000 from the PPRTF as a loan to the Housing Authority to assist with the financing of predevelopment costs for the conversion of the Courtyard Inn to affordable housing.

A predevelopment loan to MHC is consistent with the Sacramento Housing and Redevelopment Agency's Multifamily Lending and Mortgage Revenue Bond Policies (Policies) approved by the Board of Supervisors on March 10, 2009. The Policies state predevelopment expenses to nonprofit housing corporations are eligible.

Authorization To Enter Into Loan Agreements With The County Of Sacramento
And Mercy Housing California Related To Predevelopment Activities At Courtyard Inn

DISCUSSION

The Courtyard Inn site is located north of Interstate 80, west of Watt Avenue at 3425 Orange Grove Avenue (Attachment 1 – Map). The site is approximately four acres and contains a 150-unit motel with offices, a pool, and a recently vacated 8,000 square foot restaurant.

The Courtyard Inn is located approximately 500 feet from Sacramento Regional Transit's Watt Avenue Light Rail Station, 1,000 feet from a Wal-Mart Supercenter, one mile from McClellan Business Park and the Veteran's Administration Clinic and is in close proximity to the many other services and amenities along the Watt Avenue corridor.

In 2014, the Housing Authority and County contacted Mercy Housing California (MHC) to see if they would be interested in repurposing the site given their experience with similar type projects in the Sacramento region.

MHC is a nonprofit housing developer that has significant experience in developing affordable housing. Locally, MHC has constructed and manages over 1,800 units ranging from the 53 units at the Ardenaire Apartments to the 150-unit 7th and H Street development. MHC is qualified to repurpose the Courtyard Inn given their experience in the rehabilitation of the Budget Inn on Stockton Boulevard into the 74-unit Boulevard Court Apartments, a permanent supportive housing development.

Since September 2014, MHC has been working with the Courtyard Inn owners to negotiate a purchase and sale agreement, which was executed in December 2014 and provides MHC with a 20-month escrow period. During this time, MHC must conduct due diligence, develop plans and specifications, secure entitlements, and assemble necessary financing to complete the project. Given the complexity of the project, MHC's nonprofit status and limited financial resources, MHC requested a predevelopment loan.

The loan agreement between the County and the Housing Authority will have the following terms: 1) interest charged is equal to the U.S. Prime Interest Rate on the effective date of the loan agreement; 2) if and when permanent financing is secured, the principal and interest is due; alternatively, if the project does not proceed, the loan principal and interest will be forgiven without penalty.

The predevelopment loan agreement between the Housing Authority and MHC will have the following terms: 1) interest charged is equal to the U.S. Prime Interest Rate on the effective date of the loan agreement; 2) if and when permanent financing is secured, the principal and interest is due; alternatively, if the project does not proceed, the loan principal and interest will be forgiven without penalty. The loan shall only be used for predevelopment costs and escrow deposit payments toward the purchase of the Courtyard Inn site.

Authorization To Enter Into Loan Agreements With The County Of Sacramento
And Mercy Housing California Related To Predevelopment Activities At Courtyard Inn

The goal is to have entitlements finalized in time for MHC to apply for tax credits, local funding, Affordable Housing and Sustainable Communities Program, and Veterans Housing and Homelessness Prevention Program. Depending on success in securing these competitive funds, the project could begin construction in late 2016.

COMMISSION ACTION

At its meeting of March 18, 2015, the Sacramento Housing and Redevelopment Commission considered the staff recommendation for this item. The votes were as follows:

AYES:

NOES:

ABSENT:

MEASURES/EVALUATIONS

Approval of the loan from the County to the Housing Authority, and the predevelopment loan from the Housing Authority to MHC, will assist MHC with the predevelopment costs for the Courtyard Inn, which allows MHC to aggressively move forward with the repurposing of a problem property that has proven to be a drain on scarce County resources. These actions will position the project to be able to compete for competitive funding sources and allow for new permanent supportive housing.

FINANCIAL ANALYSIS

The \$150,000 will be funded from the County Problem Properties Revolving Trust Fund and will be repaid at the time the MHC's financing for the project is secured. In the event the development project does not proceed, the loan will be forgiven.

POLICY CONSIDERATIONS

In 2009, the Board adopted the Sacramento Housing and Redevelopment Agency's Multifamily Lending and Mortgage Revenue Bond Policies, which allows predevelopment expenses to nonprofit housing corporations. The recommended action is also consistent with the County of Sacramento 2013-2021 Housing Element, Subsection C-5: Convert older motels to permanent affordable housing.

ENVIRONMENTAL REVIEW

The proposed action has been analyzed in accordance with the California Environmental Quality Act (CEQA) and is Exempt per Guideline Sections 15061(b)(3) and 15262 for feasibility and planning studies. This project does not include federal funds; therefore, review under the National Environmental Policy Act (NEPA) is not required.

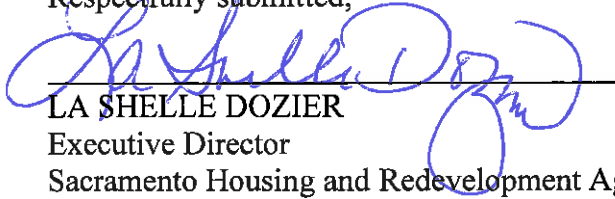
Authorization To Enter Into Loan Agreements With The County Of Sacramento
And Mercy Housing California Related To Predevelopment Activities At Courtyard Inn

M/WBE/SECTION 3 AND FIRST SOURCE CONSIDERATIONS

The items discussed in this staff report do not involve federal funding; therefore, there are no M/WBE or Section 3 requirements. The First Source Program is not applicable to this report.

Respectfully submitted,

APPROVED


LA SHELLE DOZIER
Executive Director
Sacramento Housing and Redevelopment Agency

BRADLEY J. HUDSON
County Executive

Attachments:

RES – County BOS Resolution

RES – HACOS Resolution

ATT 1 – Vicinity Map

ATT 2 – Loan Agreement and Promissory Note with the County of Sacramento

ATT 3 – Predevelopment Loan Agreement and Promissory Note with Mercy Housing California

RESOLUTION NO. _____

**ADOPTED BY THE HOUSING AUTHORITY OF THE
COUNTY OF SACRAMENTO**

**COURTYARD INN PROJECT:
AUTHORIZATION TO ENTER INTO A LOAN AGREEMENT WITH THE COUNTY
OF SACRAMENTO, AMEND THE BUDGET OF THE HOUSING AUTHORITY OF
THE COUNTY OF SACRAMENTO, ENTER INTO A PREDEVELOPMENT LOAN
AGREEMENT WITH MERCY HOUSING CALIFORNIA FOR
3425-3427 ORANGE GROVE AVENUE**

WHEREAS, on March 10, 2009, the Board of Supervisors (Board) adopted Resolution No. 2009-0135 which approved the Sacramento Housing and Redevelopment Agency's Multifamily Lending and Mortgage Revenue Bond Policies, including the financing of predevelopment expenses to nonprofit housing corporations; and

WHEREAS, the Courtyard Inn located at 3425-3427 Orange Grove Avenue, North Highlands (Project), has long been burden on the County resources and a problem property for the surrounding businesses and property owners; and

WHEREAS, the County of Sacramento (County) and Housing Authority of the County of Sacramento (Housing Authority) desire to have the problem property rehabilitated into an affordable housing site; and

WHEREAS, Mercy Housing California, an experienced nonprofit housing developer of affordable housing, has entered into a purchase and sale agreement with Royal Hospitality Group, Inc. dated November 21, 2014; and

WHEREAS, Mercy Housing California has requested a predevelopment loan to pay for expenses such as appraisals, architectural, engineering, environmental testing and reports and market studies necessary to obtain financial commitments (Predevelopment Costs); and

WHEREAS, due to limited developer resources, the County agreed to finance approximately one-half of the predevelopment costs for the rehabilitation of Courtyard Inn. On February 10, 2015, the Board adopted Resolution No. 2015-0096 which authorized the County to use \$150,000 from the County Problem Properties Revolving Trust Fund as a loan to the Housing Authority to assist with the financing of the Predevelopment Costs for the conversion of the Project to affordable housing; and

WHEREAS, the proposed action has been analyzed in accordance with the California Environmental Quality Act (CEQA) and is exempt per Guideline Sections 15061(b)(3) and 15262 for the feasibility and planning studies. This project does not include federal funds; therefore, review under the National Environmental Policy Act (NEPA) is not required.

NOW, THEREFORE, BE IT RESOLVED BY THE HOUSING AUTHORITY OF THE COUNTY OF SACRAMENTO

Section 1: All evidence presented having been duly considered, the recitals, including environmental recitals regarding this action, as stated above, are found to be true and correct.

Section 2: The Executive Director, or designee, is authorized to execute a \$150,000 Loan Agreement with the County of Sacramento (County), to assist with the financing of Predevelopment Costs for the conversion of the Courtyard Inn to affordable housing.

Section 3: The amendment of the Housing Authority of the County of Sacramento (Housing Authority) budget to transfer \$150,000 from the County of Sacramento's Problem Properties Revolving Trust Fund to the Housing Authority, which will be utilized to fund the predevelopment loan for the Courtyard Inn project, is hereby authorized.

Section 4: The Executive Director, or designee, is authorized to execute a \$150,000 Predevelopment Loan Agreement with Mercy Housing California.

Section 5: The Executive Director, or designee, is authorized to take all actions necessary to facilitate and determine the feasibility of financing for the conversion of the Courtyard Inn to affordable housing.

On a motion by Member _____, seconded by Member _____, the foregoing Resolution was passed and adopted by the Housing Authority of the County of Sacramento, State of California this 7th day of April 2015, by the following vote, to wit:

- AYES: Members,
- NOES: Members,
- ABSENT: Members,
- ABSTAIN: Members,

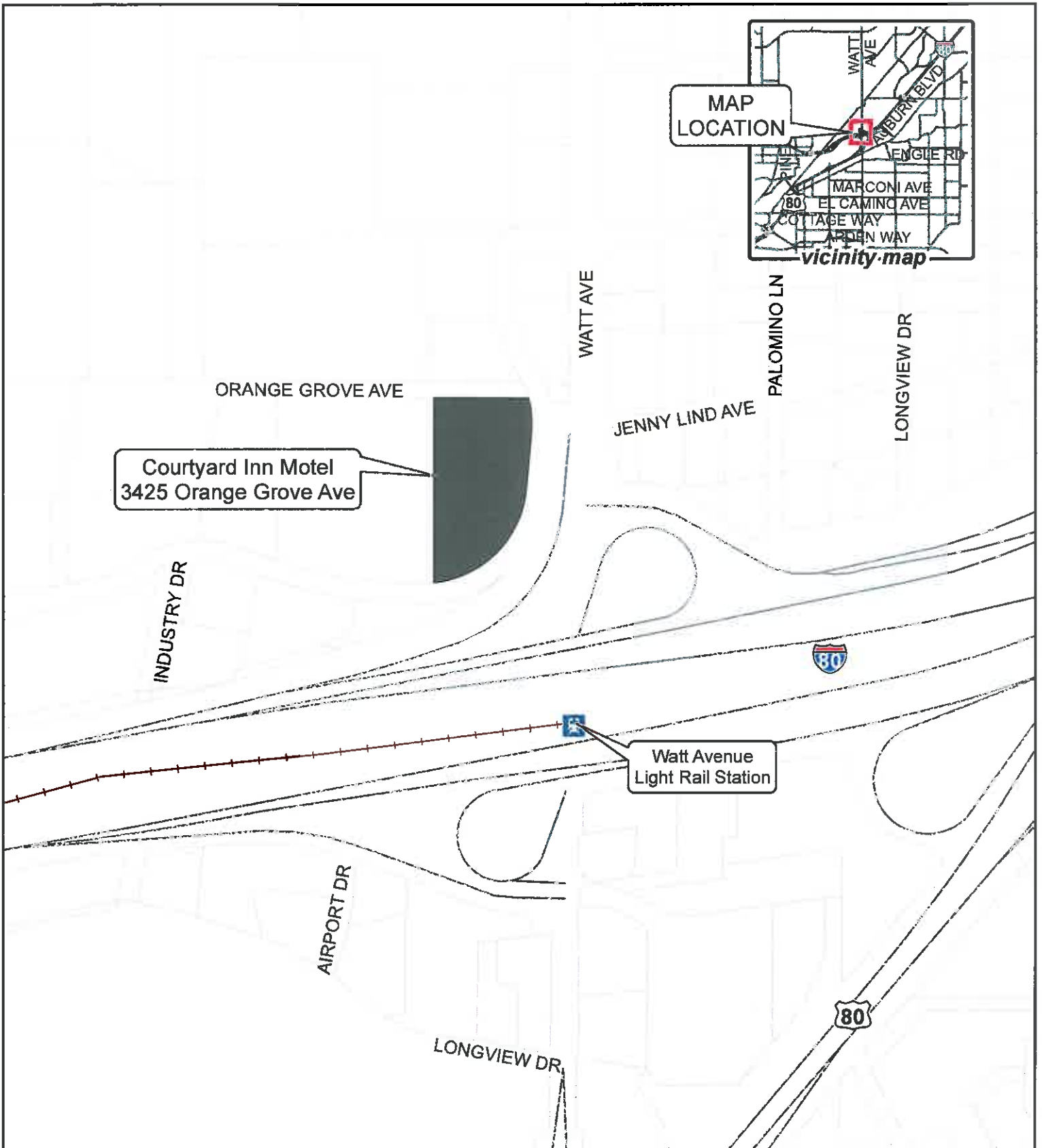
Chair of the Housing Authority
of Sacramento County, California

(SEAL)

ATTEST: _____
Clerk



Courtyard Inn Motel



Courtyard Inn Motel
 Light Rail Track
 Light Rail Stop

0 Feet 315 630

SHRA GIS
 March 4, 2015

LOAN AGREEMENT
(3425 Orange Grove Avenue Predevelopment Costs)

This Agreement is made and entered into on effective date _____, 2015, by and between the **HOUSING AUTHORITY OF THE COUNTY OF SACRAMENTO**, a joint powers authority (hereinafter "HACOS") and the **COUNTY OF SACRAMENTO**, a political subdivision of the State of California (hereinafter "County").

RECITALS

WHEREAS, Mercy and Housing California (Mercy") as Buyer and Royal Hospitality Group, Inc., as Seller, have entered in to a purchase and sale agreement for the Property dated November 21, 2014; and,

WHEREAS the County of Sacramento and the Housing Authority of the County of Sacramento desire to have the problem property rehabilitated into an affordable housing site; and,

WHEREAS, the County is willing to provide funding to HACOS, for HACOS to provide to Mercy Housing California ("Mercy") for predevelopment of the real property located at 3425-3427 Orange Grove Avenue, North Highlands, California, Assessor Parcel Number 240-0540-028 ("Property"); and,

WHEREAS, HACOS intends to loan the money to Mercy for predevelopment activities for the property; and

WHEREAS, the parties intend that the County's loan shall be repaid with accrued interest except as set forth below.

NOW, THEREFORE, the parties hereto agree as follows:

1. **Effective Date.** This Agreement shall be effective as of the day and year first above written.
2. **Loan.** County agrees to lend to HACOS and HACOS agrees to borrow from County, \$150,000 for HACOS to loan to Mercy for predevelopment of the Property, including architectural design, environmental review, market study, initial geotechnical, noise and utility scoping work, and initial planning fees, subject to the terms, conditions, representations, warranties and covenants of this Agreement.
3. **Disbursement.** Within fifteen (15) days from the effective date, County shall deliver to HACOS \$150,000, which amount shall be repaid, with interest in the manner and subject to the terms specified in the Promissory Note. Concurrently with the delivery of the funds hereunder, HACOS shall deliver to County a promissory note payable to County in the form of Exhibit 1, attached hereto and incorporated herein by this reference.

4. **Interest Rate.** The Loan shall bear interest from the date made at a fixed rate, and shall be equal to the U.S. Prime Interest Rate at the Effective Date. Interest amount charged shall be calculated on a 360 day basis over the actual number of days.
5. **Repayment.** The amount loaned hereunder shall be repaid, with interest. Such principal and interest payment shall be due at maturity at the closing of the Permanent Loan for the Property, but no later than **June 30, 2017** (“Payment Date”). County shall notify HACOS of any principal and interest due at least thirty (30) days prior to Payment Date. HACOS may prepay without penalty all or any portion payable hereunder at any time prior to the Payment Date.
6. **Limited Liability Obligation.** This loan is a limited liability obligation of the Borrower and Borrower shall not under any circumstances be obligated to pay the Note except in event Mercy proceeds with the Project. The repayment as stated in paragraph 5, above, shall occur when the Project receives permanent financing and then only to the amount or extent funds from such financing are actually received by the Borrower, herein.
7. **Forgiveness.** Notwithstanding paragraph 5, above, the loan shall be forgiven in full, including principal and interest, in the event Mercy does not proceed with development of the Property.
8. **Use of Funds.** The funds loaned hereunder shall be used only for HACOS to provide a loan to Mercy for predevelopment costs of the Property and for no other purpose. Until the funds are expended, HACOS shall keep such funds in a segregated account which shall be identified as a separate account pursuant to this Agreement. Any funds not expended for the purpose stated by **June 30, 2017**, shall be immediately returned, with interest, to the County.
9. **Priority.** HACOS agrees that repayment of this Loan shall take precedence and occur prior to repayment of any other financing incurred for the project to be developed on the Property.
10. **Remedies.** No delay, failure or discontinuance of County in exercising any right, power or remedy under this Agreement or any of the loan documents shall affect or operate as a waiver of such, power or remedy; nor shall any single or partial exercise of any such right, power or remedy preclude, waive or otherwise affect any other or further exercise thereof or the exercise of any other right, power or remedy. Any waiver, permit, consent or approval of any kind by County or any breach of or default under any of the loan documents must be in writing and shall be effective only to the extent set forth in such writing.
11. **Applicable Law.** This Agreement and note and other documents executed pursuant to this Agreement, shall be governed by and construed in accordance with the laws of the State of California.
12. **Notices.** All notices, requests and demands which either party is required or may desire to give to the other party must be in writing delivered to each party at the address set forth below or to such other address as any party may designate by written notice to the other party. Each notice, request or demand shall be deemed given or made as follows:
(a) if sent by hand delivery, upon delivery; (b) if sent by mail, upon the earlier date of

receipt or five days after deposit in the U.S. Post, first class and postage prepaid; and if sent by facsimile transmission or email, upon receipt. Notices shall be delivered to the following addresses:

County of Sacramento
County Budget Officer
700 H Street, Room 7650
Sacramento, CA 95814

Housing Authority of the County of Sacramento
Director of Finance
801 12th Street
Sacramento, CA 95814

13. **Mutual Indemnification.** HACOS shall defend, indemnify and hold harmless County, its Board of Supervisors, officers, directors, agents, employees and volunteers from and against all demands, claims, actions, liabilities, losses, damages, and costs, including reasonable attorneys' fees, arising out of or resulting from the performance of the Agreement, caused in whole or in part by the negligent or intentional acts or omissions of HACOS's officers, directors, agents, employees, or Commission.

County shall defend, indemnify, and hold harmless HACOS, its officers, directors, agents, employees, and Commission from and against all demands, claims, actions, liabilities, losses, damages and costs, including reasonable attorneys' fees, arising out of or resulting from the performance of the Agreement, caused in whole or in part by the negligent or intentional acts or omissions of County's Board of Supervisors, officers, directors, agents, employees, or volunteers.

It is the intention of County and HACOS that the provisions of this paragraph be interpreted to impose on each party responsibility to the other for the acts and omissions of their respective officers, directors, agents, employees, volunteers, County's Board of Supervisors, and HACOS's Commission. It is also the intention of County and HACOS that, where comparative fault is determined to have been contributory, principles of comparative fault will be followed and each party shall bear the proportionate cost of any damage attributable to the fault of that party, its officers, directors, agents, employees, volunteers, County's Board of Supervisors and HACOS's Board of Directors.

14. **Assigns.** This Agreement shall be binding upon and inure to the benefit of the legal representatives, successors and assigns of the parties; provided, however, that HACOS may not assign its interest hereunder without the prior written consent of the County.
15. **Third Parties.** This Agreement is made and entered into for the sole protection and benefit of the parties hereto and their respective successors and assigns, and no other person or entity shall be a third party beneficiary of, or have any direct or indirect cause of action or claim in connection with this Agreement or other of the loan documents to which it is not a party.

- 16. **Entire Agreement.** This Agreement, including Exhibit 1, inclusive, and each of the loan documents constitute the entire agreement between the County and HACOS with respect to the loan of funds from the County to HACOS and supersede all prior negotiations, communications, discussions, and correspondence concerning the subject matter hereof.
- 17. **Amendment.** This Agreement may be amended or modified only in writing executed by each of the parties hereto.

IN WITNESS WHEREOF, the parties have executed this Loan Agreement as of the day and year first written above.

**HOUSING AUTHORITY OF THE COUNTY
OF SACRAMENTO**

By: _____
La Shelle Dozier, Executive Director

Approved as to form

Agency Counsel

COUNTY OF SACRAMENTO

By: _____
Board of Supervisors, Chair

Approved as to Form:

Assistant County Counsel

Exhibit 1
PROMISSORY NOTE

\$150,000.00

**Housing Authority of the County
of Sacramento**

_____, 2015

FOR VALUE RECEIVED, the undersigned, the HOUSING AUTHORITY OF THE COUNTY OF SACRAMENTO, (“Borrower”) promises to pay to the COUNTY OF SACRAMENTO (“Lender”) at 700 H Street, Room 7650, Sacramento, California or such other place as the holder hereof may designate in writing, the principal sum of One Hundred Fifty Thousand Dollars (\$150,000) with interest on the unpaid principal balance from the date of this Note, until paid, at the Note Rate. This Promissory Note may be referred to herein as the “Note” and the loan evidenced hereby may be referred to herein as the “Loan”.

1. **Payments of Principal and Interest.** The entire outstanding Principal balance together with all accrued but unpaid interest shall be due and payable in full by Borrower to Lender at the date of the closing of Mercy Housing California’s Permanent Loan, but not later than **June 30, 2017** (the “Maturity Date”)
2. **Interest Rate.** Loan shall bear interest from the date made at a fixed rate, and shall be equal to the U.S. Prime Interest Rate at Effective Date. Interest amount charged shall be calculated on a 360 day basis over the actual number of days.
3. **Prepayment.** Borrower shall have the right to prepay all or any portion of the Loan at anytime during the term of the Loan without penalty.
4. **Receipt.** Borrower hereby acknowledges receipt by it of One Hundred Fifty Thousand Dollars (\$150,000.00).
5. **Loan Agreement.** Additional terms and conditions of the Loan, including but not limited to the limited obligation of Borrower and the terms of forgiveness, are set forth in the Loan Agreement, executed concurrently with this Note.

IN WITNESS WHEREOF, Borrower has executed and delivered this Promissory Note to be effective as of the day and year first written above.

**HOUSING AUTHORITY OF THE COUNTY
OF SACRAMENTO**

By: _____

Title: _____

**PREDEVELOPMENT LOAN AGREEMENT
COURTYARD INN**

"EFFECTIVE DATE"	
------------------	--

LENDER AND BORROWER HAVE ENTERED THIS LOAN AGREEMENT AS OF THE EFFECTIVE DATE. This Loan Agreement includes the Loan Provisions and the attachments and Exhibits listed below, all of which are incorporated in this Loan Agreement by this reference. The capitalized terms in this Loan Agreement shall have the meanings assigned in the General Terms and as defined in the Loan Provisions. (Terms being defined are indicated by quotation marks. If an item in this General Terms 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. "General Terms" 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	The Housing Authority of the County of Sacramento
Legal Status	A public body, corporate and politic
Principal Address	801 12 th Street, City of Sacramento, Sacramento County, California 95814
"BORROWER"	The borrower of the Loan funds whose name, legal status and address are:
Name	Mercy Housing California
Legal Status	a California nonprofit corporation
Principal Address	3120 Freeboard Drive, Suite 202, West Sacramento, CA 95691
"LOAN"	The Loan made by this Loan Agreement.
"LOAN PROGRAM"	Lender's Loan Program: This Loan is funded from proceeds that the Lender has borrowed from the County of Sacramento from its County of Sacramento Problem Properties Revolving Trust Fund.
"LOAN AMOUNT"	On Hundred and Fifty Thousand and No/100 Dollars (\$150,000.00)
"INTEREST RATE"	The Loan shall bear interest from the date made at a fixed rate equal to the U.S. Prime Interest Rate as of the Effective Date. Interest shall be calculated on 360 day basis over the actual number of days.
"DISBURSEMENT TERMS"	Lender shall make the loan disbursement under this Loan Agreement when the following conditions precedent and the conditions precedent stated in Section 6 have been met: Borrower has presented invoices or similar documentation from third party contractors for actual costs of the Project as stated in the Budget.
"MATURITY DATE"	The maturity date for the Loan shall be June 30, 2017 or the close of a construction and permanent loan to Borrower Courtyard Inn affordable housing project ("Construction Loan"), whichever event occurs first. Upon Borrower's satisfaction of all conditions precedent to the funding of that Construction Loan for the Property, all funds advanced by Lender pursuant to the Loan Agreement and this Note not yet repaid to Lender shall become part of the outstanding principal amount of such Construction Loan and secured by the security instruments, if any, executed by Borrower in connection therewith and shall be repaid pursuant to the terms of the documents evidencing such Construction Loan. Subject to the funding of the Construction Loan, this Note will be cancelled and all instruments securing this Loan will be reconveyed to Borrower.
"PAYMENT START DATE"	The payment shall be in lump sum on the Maturity Date.

"PAYMENT SCHEDULE"	The unpaid balance of the Note is due and payable on the Maturity Date, including without limitation all unpaid principal, interest, fees and charges.	
"BORROWER EQUITY"	None required as a condition of this Loan.	Which is the minimum amount of cash or cash equivalent (excluding land equity or other non-cash investment in the Project) that Borrower is investing in the Project.
"SPECIAL TERMS"	1. The Loan shall be unsecured.	
	2. The Loan is a predevelopment loan and the loan proceeds shall be used solely for the following:	Predevelopment activities including, but not limited to costs required to achieve building permit-ready plans and escrow deposits for the purchase of the Property.
	3. This Predevelopment Loan is being made by the Lender in conjunction with the County of Sacramento's Problem Properties Revolving Trust Fund. In the event that the proposed project does not proceed, the work product, including but not limited to reports, drawings and plans as paid for with the proceeds of this Predevelopment Loan shall be provided to and then owned by the Lender, subject to the terms and conditions of those third party contracts. In this event, upon assignment and delivery of the work product to the Lender, the Borrower's obligations under this Loan Agreement shall be satisfied, the Loan, including all accrued and unpaid interest, shall be deemed paid in full and this Loan Agreement shall be terminated.	
"PROJECT"	Which is the Project to be developed on the Property with the Loan funds, described as:	The predevelopment activities including, but not limited to, obtaining appraisals, architectural drawings, engineering, environmental testing and reports, relocation planning, and market studies necessary to determine the feasibility of the project and to obtain financial commitments.

B. "PROPERTY" The following described real property, which is the site of the Project:	
The Loan is unsecured, there is no collateral for repayment of the Loan, and the Property is not collateral for the Loan	
Address	3425 Orange Grove Avenue, North Highlands, CA 95660
Assessor's Parcel Numbers	240-0540-028
"Legal Description"	The Property is situated in the State of California, County of Sacramento, and is more particularly described in Exhibit 1: Legal Description attached and incorporated by reference.
Borrower's Title Interest	Borrower has entered in to a purchase and sale agreement with the owner of the proposed project site.

C. "LIST OF EXHIBITS" (The following are attached and incorporated in this Loan Agreement):	
EXHIBIT	DEFINED TERM
<u>Exhibit 1: Legal Description</u>	"Legal Description"
<u>Exhibit 2: Note Form</u>	"Note"

D. "APPROVAL DOCUMENTS" Borrower shall submit the following documents for Lender approval	
Borrower's organizational documents, such as partnership agreements or corporate articles and by-laws.	
Budget for use of the Loan proceeds.	

F. "ASSIGNED DOCUMENTS" Borrower assigns the following documents to Lender	
Subject to the interests of any senior lender, all lease and rental agreements for the Property, or any part of it.	

H. "SPECIAL PROVISIONS" The following special provisions shall be in addition to the provisions of this Loan Agreement	
N/A	

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 General Terms and as defined in Section 1 of this Loan Agreement. (Terms being defined are indicated by quotation marks.) 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:

1. **DEFINITIONS.** As used in this Loan Agreement, the following terms shall have the following meanings:

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

1.2. "Event of Default" is breach of or default in a party's obligations under this Loan Agreement, the Note and any other instrument that is incorporated in this Loan Agreement or that otherwise secures the repayment of the Loan.

1.3. "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.

1.4. "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.

1.5. "Governmental Requirement" means any law, ordinance, order, rule, regulation, plan, ruling, determination or requirement of a Governmental Authority, which affects the Project.

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

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

1.8. "Loan Documents" means the Note, this Loan Agreement, and all other documents evidencing, securing, or relating to the Loan.

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

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

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

1.12. "Project" means the Property as developed for the use stated in Loan Information, 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.

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 Effective Date, as follows:

2.1. **LEGAL ORGANIZATION.** Borrower is duly formed and validly exists in the form stated above, 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, 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, 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 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 VIOLATION. The consummation of the transactions covered by this Loan Agreement and the payment and performance of all of the obligations in the Loan Documents, will not result in any breach of, or constitute a default under, any mortgage, deed of trust, lease, contract, loan or credit agreement, corporate charter, bylaws, partnership agreement, trust agreement, or other instrument to which the Borrower or any of its general partners is a party or by which it or they or the Property may be bound or affected.

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

2.7. NO UNAPPROVED LOANS. Borrower has not received financing for the Project except as has been specifically disclosed to and approved by Lender in writing.

2.8. 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.

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

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

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

3.2. USE OF LOAN FUNDS. Loan funds shall be used only for purposes specified in the Loan Agreement.

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

3.4. NOTE. The Loan is to be evidenced by the Note executed by Borrower in favor of Lender and delivered to Lender upon Close of Escrow.

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

4.1. CONDITIONS TO LENDER'S PERFORMANCE. Lender's obligation to perform under this Loan Agreement is subject to all of the following conditions: (a) Borrower has performed all of its obligations then to be performed pursuant to this Loan Agreement; (b) Borrower's representations and warranties in this Loan Agreement are true and (c) 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 (d) Lender has approved the Approval Documents.

4.2. 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) 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) 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.

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

5.1. RELOCATION. Lender is required by law to provide relocation services and make relocation payments to eligible tenants displaced as a result of the Lender's involvement in the Project. Lender and Borrower agree and acknowledge that to the best of their knowledge there are no tenants and that there is no displacement that will result from the activities contemplated by this Loan Agreement.

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

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

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

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

6.4. 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.

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

6.6. If Borrower has obtained a loan commitment from a financial institution (or other lender approved by Lender in its sole discretion) to make a permanent loan for the Project, Lender has approved the loan commitment. For Lender to approve such commitment it must provide (a) that Lender will have notice of, and a reasonable opportunity to cure, any Borrower defaults, and (b) it does not require any change in the Loan or Loan Documents.

6.7. Lender has provided proof of all insurance required by this Loan Agreement.

7. MAKING DISBURSEMENT. Lender shall make disbursement as provided in the Disbursement Terms.

8. DEFAULTS. At the option of Lender, each of the following events will constitute a default (each an "Event of Default"):

8.1. Failure to comply with the terms of the Loan Documents, including without limitation, the failure to make any payment under the Loan when due.

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

8.3. Borrower's failure to keep in full force any permit, license, consent, or approval with respect to the Project, unless Borrower has renewed the same or otherwise cured the lapse prior to Lender's issuance of a notice of the default. Section 8.3 notwithstanding, if Borrower determines the Project to be infeasible it will be under no obligation to maintain Site Control on the Property.

9. REMEDIES

9.1. **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:

9.1.1. Terminate its obligation to make disbursements.

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

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

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

9.1.5. Make any unauthorized payment from Loan Proceeds or other funds of Lender that may be reasonably necessary to protect Lender's rights under the Loan Agreement.

9.1.6. Recover its funds expended in exercising or enforcing any of its rights or remedies under any of the Loan Documents, together with interest at the Default Rate from the date the funds were spent until repaid.

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

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

11. **LIABILITY INSURANCE.** With regard to this Loan Agreement, the Borrower shall obtain and maintain, and require the contractor and subcontractors for the Project to obtain and maintain such insurance as will protect them, respectively, from the following claims which may result from the operations of the Borrower, any contractor, subcontractor or anyone directly or indirectly employed by any of them, or by anyone for whose acts any of them may be liable: (a) claims under workers' compensation benefit acts; (b) claims for damages because of bodily injury, occupational sickness or disease, or death of 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.

11.1. **LIABILITY INSURANCE POLICY LIMITS.** Borrower shall assure that the insurance required by this Section shall be written with a deductible of not more than \$50,000.

11.2. **WORKER'S COMPENSATION.** Worker's compensation coverage shall be written for the statutory limits as required by the California Labor Code (commencing with Section 3700, as it may, from time to time, be amended).

11.3. COMPREHENSIVE GENERAL LIABILITY. Commercial general liability coverage shall include premises-operations, independent contractor's protective, products and completed operation (for four years), broad form property damage, and contractual liability coverage (or such other substantially similar coverage as may be approved by Lender Counsel). Such insurance shall have limits of liability which are not less than \$2,000,000, each occurrence, for bodily injury coverage; \$2,000,000 aggregate, for products and completed operations coverage; 2,000,000 each occurrence for property damage coverage, single limit and aggregate; and which is the same as the foregoing coverages.

11.4. COMPREHENSIVE AUTOMOBILE LIABILITY. Comprehensive automobile liability coverage for any vehicle used for, or in connection with, the Project (owned, nonowned, hired, leased) having not less than the statutory limits of liability.

11.5. FIRE, HAZARD AND EXTENDED COVERAGE INSURANCE. For the duration of Loan Agreement, Borrower shall obtain and maintain fire and hazard insurance to the full insurable value of the Property with endorsements of extended coverage, vandalism, and malicious mischief, and with such other endorsements and in such amounts as the Lender may reasonably require to protect the Project. 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.

11.6. 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, or such other equivalent rating, as may reasonably be approved by Lender's legal counsel. 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.

11.7. 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. MISCELLANEOUS

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

12.2. FEDERAL REQUIREMENTS. If any Loan Program is federally funded, Borrower shall comply with all laws, rules, regulations and funding requirements that govern the use of such funds. Lender shall fully cooperate with, and assist, Borrower in fulfillment of such obligations. If Lender, as a result of actions of the Borrower, shall be obligated to repay the Loan Program any amount of the Loan Proceeds, Borrower shall make such repayment on account of Lender and failure to do so shall be an Event of Default.

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

12.4. NO WAIVER. No failure or delay on the part of Lender in exercising any right or remedy under the Loan Documents will operate as a waiver nor will Lender be estopped to exercise any right or remedy at any future time because

of any such failure or delay. No express waiver will affect any matter other than the matter expressly waived and that waiver will be operative only for the time and to the extent stated. Waivers of any covenant, term, or condition in this Loan Agreement will not be construed to waive any subsequent breach of the same covenant, term, or condition.

12.5. 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 of the Lender or held by the Lender on account of this Loan.

12.6. NOTICES. Borrower irrevocably appoints Lender as its agent (the Lender being coupled with an interest) to file for record any notices that Lender deems necessary or desirable to protect its interests under this Loan Agreement or under the Loan Documents. All notices shall be given in accordance with law. 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, unless otherwise required by law.

(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 Developer or Lender may respectively designate by written notice to the other.

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

12.8. 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 without the prior written consent of Lender, in Lender's sole discretion. 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. Lender may at any time assign the Loan Documents and its interest in the Construction Account and the Impound Account to any political subdivisions or successor in interest to Lender, provided that 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.

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

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

12.10.1. 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 made mandatory on Lender by the Loan Documents.

12.10.2. 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.

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

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

12.13. **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 Loan has been paid in full. Nothing in this Section is intended to limit any other provision of the Loan Documents that by their stated terms survive the repayment of the Indebtedness or the termination of any Loan Document.

12.14. **LOAN EXPENSES.** Borrower will pay directly any expenses related to the Loan, 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, and all amendments to the Loan Documents requested by Borrower, and (ii) the enforcement of any rights or remedies under the Loan Documents. All costs and expenses, together with interest at Loan rate, will be added to the principal balance of the Loan.

12.15. **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, Lender will not be deemed to have warranted or represented the sufficiency, legality, effectiveness, or legal effect of it or of any particular term, provision, or condition of it, and any acceptance or approval will not be or constitute any warranty or representation by Lender.

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

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

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

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

12.20. **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.

12.21. **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.

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

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

12.24. **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.

12.25. **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 Lender, or any other entity, whether acting in an individual, fiduciary, or other capacity. When the context and construction so require, all words which indicate a gender will be deemed to have been used to indicate the gender as indicated by the context.

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

BORROWER : MERCY HOUSING CALIFORNIA, a California nonprofit corporation

LENDER: THE HOUSING AUTHORITY OF THE COUNTY OF SACRAMENTO, a public body corporate and politic

By: _____
Stephan Daues, Vice- President
Real Estate Development

By: _____
LaShelle Dozier, Executive Director

By : _____
Ed Holder, Regional Vice-President
Real Estate Development

Approved as to form:

Approved as to form:

Lender Counsel

Borrower Counsel

Exhibit 1: Legal Description

For APN/Parcel ID(s): 250-0540-028-0000

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE UNINCORPORATED AREA IN COUNTY OF SACRAMENTO, STATE OF CALIFORNIA AND IS DESCRIBED AS FOLLOWS:

All that portion of Lots 266 and 267 of "Arcade Park" according to the official plat thereof, filed in the Office of the Recorder of Sacramento County in Book 13 of Maps, Page 30, more particularly described as follows:

BEGINNING at a point on the northerly line of Orange Grove Avenue, as described in the deed to Sacramento County, recorded in the Office of said Recorder in Book 66-02-23, Official Records, Page 405, from which POINT OF BEGINNING the southwest corner of said Lot 267 bears the following two courses: (1) South 00°10'06" East 30.00 feet (formerly a record bearing of South 00°25'11" East); and (2) North 86°45'10" West 219.73 feet (formerly a record bearing of North 86°01'15" West); thence from said POINT OF BEGINNING along the northerly line of said Orange Grove Avenue, curving to the right on an arc of a 1402.69 foot radius (formerly a record radius of 1402.40 feet) curve, said arc having an interior angle of 01°09'23", an arc length of 28.31 feet and being subtended by a chord bearing North 89°54'53" West 28.31 feet (formerly a record bearing of North 89°50'30" West); thence North 00°22'23" East 561.42 feet (formerly a record bearing and distance of North 00°26'46" East 565.07 feet) to a point on the south line of that certain strip of land conveyed to Pacific Gas and Electric Company, described in deed recorded in the office of said Recorder in Book 1134 of Official Records, Page 398; thence along the south line of said Pacific Gas and Electric Company property South 89°37'29" East 347.59 feet (formerly a record bearing and distance of South 89°33'14" East 346.56 feet) to a point on the westerly line of that certain parcel of land described in the Notice of Lis Pendens recorded in the office of said Recorder in Book 68-03-12 of Official Records, Page 336; thence along the westerly and northwesterly line of the property last mentioned the following three (3) courses: (1) curving to the right on an arc of a 320.00 foot radius curve, said arc having an interior angle of 19°20'05", an arc length of 107.99 feet and being subtended by a chord bearing South 04°18'56" East 107.47 feet (formerly a record bearing and distance of South 04°34'46" East 111.19 feet), (2) South 05°21'07" West 162.57 feet (formerly a record bearing of South 05°25'30" West) and (3) curving to the right on an arc of a 320.00 foot radius curve, said arc having an interior angle of 84°09'19", an arc length of 470.01 feet and being subtended by a chord bearing South 47°25'46" West 428.89 feet (formerly a record bearing and distance of South 47°30'10" West 428.90 feet) to the POINT OF BEGINNING, as set forth on that Certain Alta Survey prepared by GW Consulting Engineers, Job No. 6003-134 dated May 2, 2005 last revised May ____, 2005.

The Record legal description of said land is described as follows:

ALL THAT PORTION OF LOTS 266 AND 267 OF "ARCADE PARK" ACCORDING TO THE OFFICIAL PLAT THEREOF, FILED IN THE OFFICE OF THE RECORDER OF SACRAMENTO COUNTY, CALIFORNIA IN BOOK 13 OF MAPS, MAP NO. 30, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE NORTHERLY LINE OF ORANGE GROVE AVENUE, AS DESCRIBED IN THE DEED TO SACRAMENTO COUNTY, RECORDED IN THE OFFICE OF SAID RECORDER IN BOOK 66-02-23, OFFICIAL RECORDS, PAGE 405, FROM WHICH POINT OF BEGINNING THE SOUTHWEST CORNER OF SAID LOT 267 BEARS THE FOLLOWING TWO COURSES: (1) SOUTH 00°10'06"EAST 30.00 FEET (FORMERLY A RECORD BEARING OF SOUTH 00° 25' 11" EAST); AND (2) NORTH 86°45'10" WEST 219.73 FEET (FORMERLY A RECORD BEARING OF NORTH 86° 01' 15" WEST); THENCE FROM SAID POINT OF BEGINNING ALONG THE NORTHERLY LINE OF SAID ORANGE GROVE AVENUE, CURVING TO THE RIGHT ON AN ARC OF 1402.69 FEET RADIUS (FORMERLY A RECORD RADIUS OF 1402.40 FEET) SAID ARC BEING SUBTENDED BY A CHORD BEARING NORTH 89°35'28" WEST 28.22 FEET (FORMERLY A RECORD BEARING OF NORTH 89°50'30" WEST) THENCE NORTH 00°41'51" EAST 560.38 FEET (FORMERLY A RECORD BEARING AND DISTANCE OF NORTH 00° 26' 46" EAST 565.07 FEET) TO A POINT ON THE SOUTH LINE OF THAT CERTAIN STRIP OF LAND CONVEYED TO PACIFIC GAS AND ELECTRIC COMPANY, DESCRIBED IN DEED RECORDED IN THE OFFICE OF SAID RECORDER IN BOOK 1134 OF OFFICIAL RECORDS, PAGE 398; THENCE ALONG THE SOUTH LINE OF SAID PACIFIC GAS AND

Exhibit 1: Legal Description (continued)

ELECTRIC COMPANY PROPERTY SOUTH 89°07'52" EAST 348.03 FEET (FORMERLY A RECORD BEARING AND DISTANCE OF SOUTH 89° 33' 14" EAST 346.56 FEET) TO A POINT ON THE WESTERLY LINE OF THAT CERTAIN PARCEL OF LAND DESCRIBED IN THE NOTICE OF LIS PENDENS RECORDED IN THE OFFICE OF SAID RECORDER IN BOOK 68-03-12 OF OFFICIAL RECORDS, PAGE 336; THENCE ALONG THE WESTERLY AND NORTHWESTERLY LINE OF THE LAST MENTIONED PARCEL OF LAND THE FOLLOWING THREE COURSES: (1) CURVING TO THE RIGHT ON AN ARC OF 320.00 FEET RADIUS, SAID ARC BEING SUBTENDED BY A CHORD BEARING SOUTH 03°48'01 EAST 105.37 FEET (FORMERLY A RECORD BEARING AND DISTANCE OF SOUTH 04°34'46" EAST 111.19 FEET; 2) SOUTH 05°30'45" WEST 162.57 FEET (FORMERLY A RECORD BEARING OF SOUTH 05°25'30" WEST); AND 3) CURVING TO THE RIGHT ON AN ARC OF 320.00 FEET, SAID ARC BEING SUBTENDED BY A CHORD BEARING SOUTH 47°45'15" WEST 428.89 FEET (FORMERLY A RECORD BEARING AND DISTANCE OF SOUTH 47°30'10" WEST 428.90 FEET) TO THE POINT OF BEGINNING.

Exhibit 2: Note

**PROMISSORY NOTE
FOR PREDEVELOPMENT LOAN AGREEMENT
COURTYARD INN PROJECT**

"EFFECTIVE DATE"	
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BORROWER HAS MADE THIS PROMISSORY NOTE ("NOTE") AS OF THE EFFECTIVE DATE. The capitalized terms in this Note shall have the meanings assigned in the Terms and Definitions. Terms being defined are indicated by quotation marks. If an item in the table is marked "None, Not Applicable, N/A or equivalent or is left blank, that defined term is not applicable to this Note or the referenced item is not required or is not included in this Note as the context may indicate. The Lender is making the Loan to Borrower in consideration of Borrower making this Note and delivering it to Lender.

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

DEFINED TERM:	DEFINITION:
"Loan Date"	The Effective Date
"Lender"	Housing Authority of the County of Sacramento
"Borrower"	Mercy Housing California
"Borrower Legal Status"	A California nonprofit corporation
"Loan Agreement"	The Predevelopment Loan Agreement between the Borrower and Lender as of the Loan Date for making of the loan ("Loan") evidenced by this Note
"Project"	Courtyard Inn
"Principal Amount"	One Hundred Fifty Thousand and No/100 Dollars (\$150,000.00)
"Interest Rate"	The Loan shall bear interest from the date made at a fixed rate equal to the U.S. Prime Interest Rate as of the Effective Date. Interest shall be calculated on 360 day basis over the actual number of days.
PAYMENT SCHEDULE. Repayment of this Note shall be made the following amounts:	
"Maturity Date"	The maturity date for the Loan shall be June 30, 2017 or the close of a construction and permanent loan to Borrower Courtyard Inn affordable housing project ("Construction Loan"), whichever event occurs first. Upon Borrower's satisfaction of all conditions precedent to the funding of that Construction Loan for the Property, all funds advanced by Lender pursuant to the Loan Agreement and this Note not yet repaid to Lender shall become part of the outstanding principal amount of such Construction Loan and secured by the security instruments, if any, executed by Borrower in connection therewith and shall be repaid pursuant to the terms of the documents evidencing such Construction Loan. Subject to the funding of the Construction Loan, this Note will be cancelled and all instruments securing this Loan will be reconveyed to Borrower.

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

1. This Note evidences the obligation of Borrower to Lender for repayment of funds loaned to Borrower under a loan agreement between Borrower and Lender dated as of the Loan Date ("Loan Agreement"). The terms and covenants of the Loan Agreement are incorporated in this Note by reference.
2. Borrower shall comply with and fulfill the Special Terms.

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

- a. Borrower defaults in the payment of any principal or interest when due.
- b. Lender discovers that Borrower, in any application to Lender in connection with the Loan, had failed to disclose or misrepresented any fact that would have prevented Borrower from being eligible for the Loan.
- c. Lender discovers that Borrower had made any misrepresentations or failed to disclose any fact in the Loan Agreement or this Note that would affect the interests of Lender.
- d. Borrower defaults or breaches any of the terms of Loan Agreement or this Note.
- e. The sale, transfer of title, conveyance or further encumbrance of the Property, whether by sale, exchange, gift, inheritance or other means, without prior written consent of Lender.
- f. The occurrence of any of the following:
 - 1) Borrower becoming insolvent or bankrupt or being unable or admitting, in writing, his/her inability to pay his/her debts as they mature or making a general assignment of or entering into any arrangement with creditors.
 - 2) Proceedings for the appointment of a receiver, trustee or liquidator of the assets of Borrower or a substantial part of such assets, being authorized or instituted by or against the Borrower.
 - 3) Proceedings under any bankruptcy, reorganization, readjustment of debt, insolvency, dissolution, liquidation or other similar law of any jurisdiction being authorized or instituted against Borrower.

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

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

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

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

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

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

BORROWER:

MERCY HOUSING CALIFORNIA, a California nonprofit corporation

By: _____
Stephan Daues, Vice-President
Real Estate Development

Date: _____

By: _____
Ed Holder, Regional Vice-President
Real Estate Development

Date: _____

Authorized Signatories