



**NOTICE OF REGULAR MEETING**  
**Sacramento Housing and  
Redevelopment Commission**  
**Wednesday, February 5, 2020 – 6:00 pm**  
**801 12<sup>th</sup> Street Commission Room**  
**Sacramento CA**

**ROLL CALL**

**APPROVAL OF AGENDA**

**CITIZENS COMMENTS**

While the Commission welcomes and encourages participation in the Commission meetings, please limit your comments to three minutes, so that everyone may be heard. If you wish to speak under Citizens Comments or on a posted agenda item, please fill out a speaker card and present it to the Agency Clerk. SHRA provides opportunities for the public to address the Commission at this time in order to listen to opinions regarding non-agendized matters within the subject matter jurisdiction of SHRA. Consistent with the Brown Act, the public comment periods on the agenda are not intended to be "question and answer" periods or conversations with Commission members. Members of the public with questions are encouraged to contact staff before or after the meeting. Commission attendees are requested to silence any electronic devices that they have in their possession during the meeting.

**APPROVAL OF MINUTES** – December 4, 2019

**CONSENT**

1. Mirasol Village Transit Oriented Development And Light Rail Station Project: Choice Neighborhoods Implementation Grant Funds For Phase 3 Housing In Support Of An Affordable Housing And Sustainable Communities Grant Application – City Report
2. Mirasol Village Transit Oriented Development and Light Rail Station – Application for Affordable Housing and Sustainable Communities Grant and Loan Commitment of Choice Neighborhoods Funds to Twin Rivers Block C - County Report
- .3. Rental Assistance Demonstration (RAD) Project Phase 1 Re-Tax Equity And Fiscal Responsibility Act Hearing, Approval Of Final Tax Exempt Bonds, RAD and Loan Documents, And Ground Lease – County Report
4. Approval of Final Rental Assistance Demonstration (RAD) and Loan Documents, and Ground Lease for the RAD Phase 1 Project – City Report

**DISCUSSION/BUSINESS**

5. Approval of the Withdrawal, Conversion Certificate and Replacement Housing Plan, Predevelopment and Permanent Loan Documents, and Loan Commitment for the Capitol Park Hotel Project
6. Approval Of Loan Commitment For Saybrook Apartments
7. Approval Of Loan Commitment For Sunrise Pointe Apartments

8. Election of SHRA Commission Chair for 2020
9. Election of SHRA Commission Vice-Chair for 2020

#### PRESENTATIONS

10. Mortgage Revenue Bond Fee Report for Construction of New Multifamily Affordable Housing
11. Sacramento Housing and Redevelopment Agency Anticipated Affordable Housing Projects in 2020

#### 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 located at 801 12<sup>th</sup> Street, Sacramento CA 95814. Agendas and reports are also posted online at [www.shra.org](http://www.shra.org). Materials related to an item on this agenda submitted after distribution of the agenda packet are available for public inspection in the Agency Clerk's office 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)**

#### **Meeting of December 4, 2019**

Meeting noticed on November 29, 2019

Meeting held at Marina Vista Community Room  
240 Seavey Circle Sacramento

#### ROLL CALL

The Sacramento Housing and Redevelopment Commission special meeting was called to order at 6:15 p.m. by Chair Morgan.

MEMBERS PRESENT: Alcalay, Boyd, Griffin, Macedo, Morgan, Stajabu, Starks

MEMBERS ABSENT: Nunley, Wedding (two vacancies)

STAFF PRESENT: La Shelle Dozier, David Levin, Brad Nakano, Mark Hamilton, Cecette Hawkins, Diana Pop, James Shields, Christine Weichert, Greg Potts, Tyrone Williams, Susana Jackson, Karen Wallace, LaTanna Jones, Sarah O'Daniel, Jennifer Carroll, Angela Jones, Maria Avdalas, Tanya Tran, Lira Goff, Vickie Smith

#### APPROVAL OF AGENDA

The Chair announced that item # 3 would be heard before item # 2.

#### CITIZENS COMMENTS

None

APPROVAL OF MINUTES – The November 20, 2019 minutes were approved as amended.

#### CONSENT

1. Authorize The Housing Authority Of The County Of Sacramento And The Department Of Child, Family And Adult Services To Enter Into A Tripartite Zero-Dollar Memorandum Of Understanding With Sacramento Steps Forward To Support The Family Unification Program Application, And Authorize The Housing Authority To Apply For The Family Unification Program Grant To Secure Housing Choice Vouchers For Child Welfare Involved Families And Youth

Commissioner Griffin motioned to approve the item listed above. Chair Morgan seconded the motion. The votes were as follows:

AYES: Alcalay, Griffin, Macedo, Morgan, Staajabu, Starks

NOES: None

ABSENT: Nunley, Wedding

ABSTAIN: None

Not present to Vote: Boyd

## PRESENTATIONS

### 2. Family Self Sufficiency (FSS) and Resident Opportunity for Self-Sufficiency (ROSS) Program Presentations

Karen Wallace presented awards to

- Angelina Reynolds (FSS Graduate)
- Elijah Daniels (Youth participant in Service Coordination Program and Odyssey of the Mind Competition)
- Marizza Villa (Service Coordination Program Participant)

Zera Demas presented an award to Keisha Green who recently graduated from HCV's FSS program.

### 3. Certificate of Appreciation to Pastor Mark Meeks

Karen Wallace presented an appreciation award to Pastor Mark Meeks and Gail Meeks for their work in serving food to Marina Vista and Alder Grove residents.

## EXECUTIVE DIRECTOR'S REPORT

La Shelle Dozier reviewed the following:

- Next meeting will be February 5, 2020.
- Mentioned that donations are being accepted for Fund Inc.
- Thanked the members for their hard work and support during 2019.

## COMMISSION CHAIR REPORT

Chair Morgan thanked the Commission and staff members for their service during the Year.

ITEMS AND QUESTIONS OF COMMISSION MEMBERS

None

ADJOURNMENT

As there was no further business to be conducted, Chair Morgan adjourned the meeting at 6:45 pm.

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Clerk



February 1, 2020

Sacramento Housing and  
Redevelopment Commission  
Sacramento, CA

Honorable Members in Session:

SUBJECT:

Mirasol Village Project– Application for Affordable Housing and Sustainable  
Communities Grant and Loan Commitment of Choice Neighborhoods Funds to Mirasol  
Village Block C

SUMMARY

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

Respectfully submitted,

  
LA SHELLIE DOZIER  
Executive Director

Attachment



## REPORT TO COUNCIL

City of Sacramento

915 I Street, Sacramento, CA 95814-2671

[www.CityofSacramento.org](http://www.CityofSacramento.org)

Consent

January 28, 2020

**Honorable Mayor and Members of the City Council**

**Title: Mirasol Village Project– Application for Affordable Housing and Sustainable Communities Grant and Loan Commitment of Choice Neighborhoods Funds to Mirasol Village Block C**

**Location/Council District:** 321 Eliza Street, Council District 3

**Recommendation:** Adopt a **City Council resolution** that (a) authorizes the Sacramento Housing and Redevelopment Agency (SHRA) as designated Project Manager for the Mirasol Village Project (Project), to apply to the State of California Strategic Growth Council and Department of Housing and Community Development in funding Round 5 for an Affordable Housing and Sustainable Communities (AHSC) grant of up to \$30,000,000 for Block C of the Project, (b) authorizes SHRA to execute all documents required for participation in the AHSC program, (c) as co-grantee on the Choice Neighborhoods Implementation (CNI) Grant, authorizes a loan commitment of up to \$2,000,000 of CNI funds for Block C of the Project

**Contact:** Tyrone Roderick Williams, Director of Development, 916-440-1316; Victoria Johnson, Program Manager 916-440-1388, Sacramento Housing and Redevelopment Agency

**Presenters:** Not applicable.

**Department:** Sacramento Housing and Redevelopment Agency

### **Description/Analysis**

**Issue Detail:** In 2015, the Housing Authority of the County of Sacramento (HACOS) and the City of Sacramento (City) were, as co-grantees, awarded a \$30 million Choice Neighborhoods Implementation (CNI) Grant from the US Department of Housing and Urban Development (HUD) for the Twin Rivers (Mirasol Village) Transit Oriented Development and Light Rail Station project (Project). The development was renamed as Mirasol Village in 2019. SHRA is managing the Project and McCormack Baron Salazar is the designated developer and Housing Lead (Developer) under the CNI grant.

The CNI grant supports the redevelopment of the Twin Rivers public housing project and the transformation of the River District/Railyards neighborhood. The CNI grant requires replacement of 218 Twin Rivers public housing units within a mixed-income development which will include at least 487 new housing units, common area and

community gathering spaces, and other amenities. A new light rail station will be constructed along 12<sup>th</sup> Street as part of the Project. The total Project area includes six residential blocks and encompasses approximately 26 acres. A Conceptual Site Plan map and vicinity map of the Project are shown in Attachment 3 and Attachment 4.

This report requests approval for SHRA and the Developer to apply to the State of California Strategic Growth Council and Department of Housing and Community Development (HCD) in funding Round 5 for an Affordable Housing and Sustainable Communities (AHSC) grant for Block C of the Project.

The purpose of the AHSC program is to promote projects that will achieve greenhouse gas emissions reductions, particularly through increasing accessibility to affordable housing and key destinations via low-carbon transportation, resulting in fewer vehicle miles traveled through shortened or reduced trip length or mode shift from Single Occupancy Vehicle use to transit, bicycling or walking. The goals and design of the Mirasol Village project are very compatible with the goals and purpose of the AHSC program.

The Round 5 Notice of Funding Availability was issued November 1, 2019. The application deadline is February 11, 2020 with awards to be made in summer 2020. Up to \$30,000,000 in grant funds will be requested to be used to support Block C of the Project for Affordable Housing Development, Housing-Related Infrastructure, Sustainable Transportation Infrastructure (STI), Transit-Related Amenities, and Program activities as defined in the AHSC program guidelines. To achieve maximum scoring, a total of 25 percent of the requested amount must be used for STI activities and five percent used for transit related activities, limiting the amount available for new housing construction.

If funds are awarded, approximately \$16,000,000 of the AHSC grant request will be available to construct Block C housing, in addition to the not to exceed amount of \$2,000,000 of CNI funds that this report recommends be committed to this phase. This report also requests approval of a commitment letter to Mirasol Village (Twin Rivers Phase 3, L.P.) for the CNI funds to be used as evidence of funding commitments required for the AHSC application. Staff will return to Council to request approval of additional underwriting for Block C, which is currently planned as a four percent tax-exempt bond and tax credit project.

All of the applicable state funding programs are over-subscribed and competitive. In order to ensure that CNI Project deadlines are met, MBS will continue to submit funding applications in 2020 until all phases of the Project are fully funded. As a back-up plan in case the AHSC funds are not awarded, MBS also plans to submit a Multifamily Housing Program (MHP) application on behalf of Block C in March 2020. The MHP application for Block C will include seven units that will be set aside for special needs households, in order to meet community need and to make the application more competitive.

Mirasol Village Block C will be a new construction, mixed-income housing development. Block C will include a mixture of multifamily apartment, townhome, and garden-style walk-up buildings. It will consist of a total of seven residential buildings that will include 84 rental housing units that range from one to four bedrooms in size and 74 on-grade

parking spaces. The unit mix will include 46 replacement units, 19 tax-credit units and 19 market-rate units. Block C residents will have access to all outdoor community amenities including the park, garden, barbecue areas, and electric car share. If awarded, construction is anticipated to begin in early 2021 and be completed in 2022. Proposed transit amenities will be installed in 2021 or 2022.

**Policy Considerations:** The recommended actions are consistent with a) SHRA's approved Multifamily Lending and Mortgage Revenue Bond Policies, adopted on December 3, 2019 b) the 2013-2021 Housing Element, which encourages the provision of a variety of quality housing types to encourage neighborhood stability, including options for extremely low-income households (Resolution No. 2013-415); c) the Sacramento Promise Zone Plans and Goals, Sustainably Built Community sub-goal to increase housing types and transit growth to promote livability and connectivity within the Promise Zone (Resolution No. 2015-263); d) the Downtown Housing Initiative and Initiation of the Downtown Specific Plan, to bring 10,000 places to live to Downtown Sacramento by year 2025 (Resolution No. 2015-282); e) the 2007 Asset Repositioning Strategy of the City and County Housing Authorities; f) the 2013-2019 Consolidated Plan; and g) the River District Specific Plan adopted February 15, 2011.

**Economic Impacts:** The construction of new multifamily housing in Mirasol Villages Block C is expected to create approximately 338 total jobs (approximately 190 direct jobs and 148 indirect jobs through indirect and induced activities) and create \$46,841,248 in total economic output (\$28,786,664 of direct output and another \$18,054,584 of economic output through indirect and induced activities). *The indicated economic impacts are estimates calculated using a calculation tool developed by the Center for Strategic Economic Research (CSER). CSER utilized the IMPLAN input-output model (2009 coefficients) to quantify the economic impacts of a hypothetical \$1 million of spending in various construction categories within the City of Sacramento in an average one-year period. Actual impacts could differ significantly from the estimates and neither the City of Sacramento nor CSER shall be held responsible for consequences resulting from such differences.*

**Environmental Considerations:** California Environmental Quality Act (CEQA) and the National Environmental Policy Act (NEPA): A combined Initial Study/Environmental Assessment (IS/EA) was prepared for the Project pursuant to CEQA requirements under Title 14, §15070 of the California Code of Regulations (CCR), and NEPA requirements under Title 24, Code of Federal Regulations (CFR) Part 58.36. The SHRC approved the final environmental document on behalf of SHRA at its meeting on July 19th. Along with site entitlements, the Planning and Design Commission for the City of Sacramento made findings pursuant to CEQA and adopted the Mitigated Negative Declaration (MND) and associated Mitigation Monitoring and Reporting Program (MMRP) on July 27, 2017, and subsequently issued a Notice of Determination (NOD) pursuant to CEQA and a Finding of No Significant Impact (FONSI) pursuant to NEPA. On August 22, 2017, the County Board of Supervisors adopted the MND and associated MMRP and approved the Project. On August 24, 2017, SHRA issued the NOD for the Project pursuant to CEQA. All activities for the Project are covered by this environmental review. No further environmental review is required for the proposed actions.

**Sustainability Considerations:** The Project has been reviewed for consistency with the goals, policies, and targets of the 2035 General Plan. If approved, the project will advance the following goals, policies, and targets that will directly or indirectly conserve energy resources and reduce greenhouse gas emissions, in part, from the 2035 General Plan: a) Housing Element – Strategies and Policies for Conserving Energy Resources – Climate Action Plan, subsection 7.2: improving the energy efficiency in new buildings; and b) Environmental Resources - Air Quality and Climate Change subsection 6.1.7: reduce greenhouse gas emissions from new development, promoting water conservation and recycling, promoting development that is compact, mixed use, pedestrian friendly, and transit oriented; and promoting energy-efficient building design and site planning.

**Commission Action:** The Sacramento Housing and Redevelopment Commission (Commission) will review this item in its meeting on February 5, 2020. At this meeting the Commission will be asked to adopt a motion recommending approval of the attached resolution. In the event the action is not approved by the Commission, staff will notify the Council.

**Rationale for Recommendation:** The actions recommended in this report enable SHRA to continue to fulfill its mission to provide a range of affordable housing opportunities in the City. In addition, the recommended actions support the City of Sacramento's 2013-2021 Housing Element, Promise Zone plans and goals, and the Downtown Housing Initiative and Initiation of the Downtown Specific Plan. Approval of the commitment of Phase 3 CNI funds attached to the resolution will provide evidence of committed funds required to support the AHSC application. Receipt of an award of AHSC funds will provide additional funds needed to complete Twin Rivers (Mirasol Village) Phase 3 of new mixed-income housing in the Project. The AHSC award will also assist with completion of City-supported projects consistent with the River District Specific Plan and the Twin Rivers Neighborhood Transformation Plan.

**Financial Considerations:** The proposed financing structure for Mirasol Village Block C includes tax-exempt bond financing, noncompetitive four-percent tax credits, AHSC funds (or MHP funds), CNI funds, Project-based Section 8 vouchers and a below-market ground lease from HACOS. If the AHSC funds are awarded, staff will return to the Council with detailed financial projections and a request to approve the issuance of tax-exempt mortgage revenue bonds.

**LBE - M/WBE and Section 3 requirements:** LBE considerations do not apply to this report. Minority and Women's Business Enterprise requirements and Section 3 will be applied to all activities to the greatest extent possible and as required by federal funding and in accordance with SHRA's Section 3 Economic Opportunity Plan. The Developer and General Contractor will work with the SHRA's Section 3 Coordinator, Sacramento Employment and Training Agency, the Greater Sacramento Urban League or similar programs, to promote employment opportunities.



January 28, 2020

Respectfully Submitted by:

  
LA SHELLE DOZIER  
Executive Director

**Attachments**

- 1-Description/Analysis
- 2-Resolution – AHSC Application
- 3-Resolution – CNI Commitment  
Exhibit A (to CNI Commitment Resolution) – Loan Commitment
- 4-Conceptual Site Plan
- 5-Vicinity Map

# **RESOLUTION NO. 2020 -**

**Adopted by the Sacramento City Council**

on date of

## **MIRASOL VILLAGE BLOCK C: AUTHORIZING THE SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY TO APPLY FOR THE AFFORDABLE HOUSING AND SUSTAINABLE COMMUNITIES PROGRAM GRANT (ROUND 5) FOR BLOCK C OF THE TWIN RIVERS (MIRASOL VILLAGE) TRANSIT ORIENTED DEVELOPMENT AND LIGHT RAIL STATION PROJECT; EXECUTE RELATED DOCUMENTS; ENVIRONMENTAL FINDINGS**

### **BACKGROUND**

- A. The State of California Strategic Growth Council (SGC) and the Department of Housing and Community Development (Department) have issued a Notice of Funding Availability dated November 1, 2019 (NOFA), under the Affordable Housing and Sustainable Communities (AHSC) Program established under Division 44, Part 1 of the Public Resources Code commencing with Section 75200.
- B. The SGC is authorized to approve funding allocations for the AHSC Program, subject to the terms and conditions of the NOFA, Program Guidelines, application package, and Standard Agreement. The Department is authorized to administer the approved funding allocations of the AHSC Program.
- C. The City Council supports the Sacramento Housing and Redevelopment Agency's (Agency/Applicant) application for AHSC Program funds for Block C of the Twin Rivers (Mirasol Village) Transit Oriented Development and Light Rail Station Project (Project).

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

- Section 1. The application for and administration of grant funds are not considered a project under the California Environmental Quality Act (CEQA) per CEQA Guidelines §15378, as this is a government administrative and fiscal activity which does not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment.
- Section 2. As the Lead Agency for the Project, the City of Sacramento prepared a combined Initial Study (IS)/Environmental Assessment (EA) for the Project and subsequently adopted a Mitigated Negative Declaration (MND) pursuant to CEQA requirements. No further review under CEQA is required for activities in furtherance of the Twin Rivers (Mirasol Village) Transit-Oriented Development and Light Rail Station Project.

- Section 3. For any projects identified for AHSC Program grant funding that require an action or commitment from the City that fall outside of the scope of the Twin Rivers (Mirasol Village) Transit-Oriented Development Project Initial Study (IS), CEQA review will be required prior to funding commitment or any other choice-limiting action.
- Section 4. The application for and administration of grant funds and related actions is considered an administrative activity and is exempt pursuant to the National Environmental Policy Act (NEPA) at 24 CFR 58.34(a)(3).
- Section 5. As the Certifying Officer for the Project, the City of Sacramento prepared a combined Initial Study (IS)/Environmental Assessment (EA) for the Project and subsequently issued a notice of Finding of No Significant Impact (FONSI) pursuant to NEPA on June 12, 2017.
- Section 6. No further review under NEPA is required for activities in furtherance of the Project.
- Section 7. If any federal funding sources or federal actions are required to match AHSC Program grant funding for projects that fall outside of the scope of the Twin Rivers (Mirasol Village) Transit-Oriented Development Project IS/EA, NEPA review will be required prior to funding commitment or any other choice-limiting action.
- Section 8. The Agency is hereby authorized and directed to apply for and submit to the Department the AHSC Program Application as detailed in the NOFA dated November 1, 2019, for Round 5 in a total amount up to \$30,000,000 for Affordable Housing Development, Housing-Related Infrastructure, Sustainable Transportation Infrastructure, Transit-Related Amenities or Program activities as defined in the AHSC Program guidelines adopted for Round 5 applications. If the application is approved, the Agency is hereby authorized and directed to enter into, execute, and deliver a State of California Standard Agreement (Standard Agreement) in a total amount not to exceed \$30,000,000 and any and all other documents required or deemed necessary or appropriate to secure the AHSC Program funds from the Department, and all amendments thereto (collectively, the AHSC Documents).
- Section 9. The Agency shall be subject to the terms and conditions as specified in the Standard Agreement. Funds are to be used for allowable capital asset project expenditures to be identified in the Standard Agreement. The application in full will be incorporated as part of the Standard Agreement. Any and all activities funded, information provided, and timelines represented in the application are enforceable through the Standard Agreement.
- Section 10. The Agency hereby agrees to use the funds for eligible capital asset(s) in the manner presented in the application as approved by the Department and in accordance with the NOFA, Program Guidelines and application package.

Section 11. The Agency is authorized to execute the AHSC Program application package and the AHSC Documents as required by the Department for participation in the AHSC Program.

# RESOLUTION NO. 2020 -

Adopted by the Sacramento City Council

On date of

## MIRASOL VILLAGE PHASE 3: AUTHORIZATION AS CO-GRANTEE TO ALLOCATE CHOICE NEIGHBORHOODS IMPLEMENTATION GRANT FUNDS; EXECUTION OF A \$2,000,000 LOAN COMMITMENT AND RELATED DOCUMENTS WITH TWIN RIVERS PHASE 3, LP OR RELATED ENTITY; ENVIRONMENTAL FINDINGS

### BACKGROUND

- A. On September 28, 2015, the US Department of Housing and Urban Development (HUD) awarded the Housing Authority of the County of Sacramento (HACOS), as Lead Applicant, and the City of Sacramento, as Co-Applicant, a \$30 million Choice Neighborhoods Implementation (CNI) Grant to implement the Twin Rivers-River District/Railyards Neighborhood Transformation Plan.
- B. On December 15, 2015, HACOS and the City of Sacramento executed the FYs 2014-2015 CNI Implementation Grant Agreement with HUD.
- C. McCormack Baron Salazar, Inc. as Housing Lead and Master Developer of the Twin Rivers (Mirasol Village) Transit Oriented Development and Light Rail Station Project (Project) has requested an allocation of up to \$2,000,000 in Choice Neighborhoods Implementation CNI funds as a loan to Twin Rivers Phase 3, LP to assist in funding the housing development and permanent financing of Twin Rivers (Mirasol Village) Phase 3.
- D. The recommended actions are consistent with a) the 2013-2021 Housing Element which encourages the provision of a variety of quality housing types to encourage neighborhood stability, including options for extremely low-income households (Resolution No. 2013-415); b) the Sacramento Promise Zone Plans and Goals, Sustainably Built Community sub-goal to increase housing types and transit growth to promote livability and connectivity within the Promise Zone (Resolution No. 2015-263); and c) the River District Specific Plan adopted February 15, 2011.
- E. A combined Initial Study/Environmental Assessment (IS/EA) was prepared for the Twin Rivers (Mirasol Village) Transit-Oriented Development Project pursuant to California Environmental Quality Act (CEQA) requirements under Title 14, §15070 of the California Code of Regulations CCR, and National Environmental Policy Act (NEPA) requirements under Title 24, Code of Federal Regulations (CFR) Part 58.36. A Finding of No Significant Impact (FONSI) pursuant to NEPA and a Notice of Determination (NOD) pursuant to CEQA have been filed for the project; no further environmental review is required for activities in furtherance of the Twin Rivers (Mirasol Village) Transit-Oriented Development and Light Rail Station Project.

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

- Section 1. All of the evidence having been duly considered, the facts as presented and stated above are found to be true and correct.
- Section 2. The City of Sacramento as co-grantee approves an amendment to the Choice Neighborhoods Implementation CNI grant budget to allocate up to \$2,000,000 of the CNI grant funds to be used as a loan for financing Twin Rivers (Mirasol Village) Phase 3 Housing.
- Section 3. The Loan Commitment attached hereto as Exhibit A for financing Phase 3 Housing of the Project with \$2,000,000 in CNI funds is approved and the Agency is authorized to execute and transmit the Loan Commitment to McCormack Baron Salazar, Inc. (Twin Rivers Phase 3, L.P. or related entity).

**Table of Contents:**

Exhibit A – Twin Rivers (Mirasol Village) Phase 3 Commitment Letter

January 28, 2020

Daniel Falcon, Vice President  
McCormack Baron Salazar, Inc.  
801 S. Grand Avenue Suite 801  
Los Angeles, CA 90017

Re: Conditional Funding Commitment for Twin Rivers (Mirasol Village)  
Phase 3

Dear Mr. Falcon:

On behalf of the Sacramento Housing and Redevelopment Agency (Agency), we are pleased to advise you of its commitment of permanent loan funds (Loan) in an amount not exceed \$2,000,000 in Choice Neighborhoods Implementation (CNI) funds for the purpose of financing the development of that certain real property known as Twin Rivers (Mirasol Village) Phase 3 located in the Twin Rivers development at 321 Eliza Way, Sacramento, California (Property). The Agency's decision is based on representations and information supplied by McCormack Baron Salazar, Inc. in its capacity as Housing Lead and Master Developer. If these representations and information change in a material manner without written approval of the Agency, this commitment is void. Agency's obligation to make the Loan is subject to the satisfaction of all the following terms and conditions and Borrower's execution of documentation that is in a form and in substance satisfactory to the Agency.

The Loan shall be made on standard Agency loan documents. Loan terms not included in this funding commitment shall be included in the final loan documents without additional environmental review and governing board approval. In the event of any discrepancies between terms stated in this commitment and the loan documents, the terms stated in the loan commitment letter shall be deemed to be terms of this commitment.

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

This commitment will expire December 31, 2021.

1. PROJECT DESCRIPTION: Twin Rivers (Mirasol Village) Phase 3 (Project) is a new construction, mixed-income housing development. The Project is the fourth phase of development for the multi-phased, Twin Rivers public housing redevelopment project. The Project will include multifamily apartment, townhome, and garden-style walk-up buildings located on a City block (Block C). In addition to a maximum of 74 on-grade parking spaces, the Project will consist of a total of seven residential buildings that will include a minimum of 84 rental housing units. The housing units will be 1-4 bedrooms in size and include a minimum of 46 replacement housing units in accordance with the HUD-approved replacement housing plan for the Project. The Project will also contain several outdoor amenities including tot lots, barbeque areas, bike and electric car share, etc.
2. BORROWER: The name of the Borrower for the Loan is Twin Rivers Phase 3, L.P., a California limited partnership with McCormack Baron Salazar, Inc., or related entity as the lead development partner.
3. PURPOSE OF LOAN: The Loan is to be used by Borrower solely to pay the costs of development of the Project and for such other purposes as Agency expressly agrees to in the loan agreement for the Loan, as well as in such other agreements as may be generally required by the Agency for the use of the funding source for the Loan.
4. PRINCIPAL AMOUNT: The principal amount of the Loan will be a maximum of Two Million Dollars (\$2,000,000) or such lesser amount as may be needed and as determined by Borrower and approved by Agency prior to close of the Loan.
5. TERM OF LOAN: The Loan shall mature up to 55 years from the date of completion of construction, at which point any and all unpaid principal and interest on the loan will be due and payable. Final maturity date will be determined by impact of terms and conditions of other sources of financing approved for the Project.
6. INTEREST RATE: The Loan will bear simple interest at four percent (4%) per annum. Interest shall be calculated on a 365-day year, actual days elapsed basis.
7. ANNUAL REPAYMENT: Annual principal and interest payments shall be made according to the structured payment schedule contained in the final Loan Agreement and as calculated to achieve a minimum annual debt service coverage ratio of 1.2:1. Payments shall be applied first to outstanding interest accrued and unpaid and then to principal. All outstanding principal and interest is due and payable on the maturity date. Notwithstanding the preceding payment schedule, no payments shall be required on this Loan until the full balance of principal and interest on the proposed capitalized ground lease made by the Housing Authority of the County of Sacramento to Borrower pursuant to the Master Development Agreement is paid in full.
8. SOURCE OF LOAN FUNDS: Agency is making the Loan from Choice Neighborhoods Implementation (CNI) grant funds and is subject to all of the requirements related to the use of these funds, whether



Agency requirements or otherwise. This Loan is conditioned upon Borrower's acceptance of Agency requirements and conditions related to its lending programs and funding sources, including among others the required forms of agreements for the Loan; the requirements for covenants, conditions and restrictions upon the Property; and insurance and indemnity requirements.

**Borrower acknowledges that, as a condition of the Agency's making of the Loan, the Property will be subject to restrictions on future sales and rentals which may result in less income to Borrower than could otherwise be realized, and that such restrictions run with the land, and during their operational term, will bind all successors in interest.**

\_\_\_\_\_ (Borrower Initial)

9. ACCELERATION: Agency shall have the right to accelerate repayment of the Loan in the event of a default under any Loan Document or upon sale, transfer or alienation of the Property except as specifically provided for in the Loan documents.
10. SECURITY: The Loan shall be evidenced by promissory note(s) secured by a deed of trust with assignment of rents against the fee and/or leasehold interest in the Property and Improvements, which shall be a lien upon the Property and Improvements subject only to additional liens senior to the Agency's lien securing loans needed for the Project and such other liens or items as the Agency may approve in writing prior to close. The Loan shall also be secured by security agreements where required. The Agency may agree to subordinate said deed of trust in order to accommodate completion of construction of the Project.
11. LEASE AND RENTAL SCHEDULE: All leases of the Property and Improvements shall be subject to Agency review and approval prior to execution. Borrower shall not deviate from the rental schedule presented in Borrower's application for the Loan without Agency's prior written approval provided, however, that such approval shall not be required for annual adjustments to rental rates as permitted by the California Tax Credit Allocation Committee.
12. PROOF OF EQUITY: Borrower shall provide proof of equity for the Property and Improvements in the amount of no less than stated in Borrower's request for the Loan. Proof of equity will generally be in the form of verified low income housing tax credit equity and deferred developer fee. If the final equity contribution is less than that as anticipated, the difference in equity must be offset by an increase in the deferred developer fee.
13. OTHER FINANCING: Borrower, as a requirement of the Loan, shall procure and deliver to Agency evidence satisfactory to Agency that Borrower has obtained the following described financing which may be secured by a lien upon the Property and Improvements superior or subordinate to Agency's liens, and which shall be otherwise on terms and conditions acceptable to Agency:

- (a) As a condition precedent to disbursement of the Agency loan, construction financing from private lender(s) in an amount(s) sufficient to complete construction of the Project according to a Scope of Work as approved by Agency (Construction Financing). The term of Construction Financing must not be less than that specified in the Schedule of Performances for completion of construction and in any event not less than the time necessary to fulfill all conditions precedent to funding of the permanent financing.
- (b) Commitments for permanent financing sufficient to "take out" all Construction Financing liens senior to the Agency's lien.
- (c) Such commitments for construction and permanent financing shall not require modification of Agency loan documents, or any term of this commitment letter.
- (d) Such commitments shall not be based upon sources and uses of Project funds that are different from those approved by Agency for the project or be subject to conditions which require amendment of Agency documents or other agreements.
14. EVIDENCE OF FUNDS: Prior to the first disbursement of the Loan, Borrower must demonstrate evidence of adequate and assured funding to complete the development of the Project in accordance with the Agency's requirements. Borrower's evidence of available funds must include only one or more of the following: a) Borrower equity; b) firm and binding commitments for the Project from financial institution(s) or from other lender(s) approved by Agency in its absolute discretion; and c) Agency's contribution, provided, however, that Agency is not obligated by this letter to make any contribution not stated in the terms of the letter.
15. SOILS AND TOXIC REPORTS: Borrower will submit to the Agency a hazardous substances report made in accordance with the American Society for Testing and Materials "Standard Practice for Environmental Site Assessments; Phase I Environmental Site Assessment Process" (Designation E1527-13) prepared by a licensed or registered environmental engineer or other qualified party prior to Loan closing. Borrower must, as a condition of disbursement of Loan funds, give assurances satisfactory to the Agency that hazardous materials are not present on the Property or that any hazardous materials on the Property will be remediated and that no further remediation is then required by the environmental agency having responsibility for monitoring such remediation.
16. LOAN IN BALANCE: Borrower will be required to maintain the Loan "in balance" at all times. The Loan is "in balance" whenever the amount of the undisbursed Loan funds, the remaining sums to be provided by the Borrower and the loan funds from other project lenders or the equity investor are sufficient, in the sole judgement of the Agency, to pay for the remainder of the work to be done on the project as required by written agreement with the Agency. Should the Agency determine that the Loan is not "in balance" the Agency may declare the Loan to be in default.
17. PLANS AND SPECIFICATION: Final plans and specifications, if any, for the project must be in accord with the approved proposal. Final plans and specifications will be subject to Agency's final approval prior to the disbursal of Agency Loan funds. Borrower must obtain Agency's prior written consent to any change in the approved plans and specifications or any material deviation in construction of the project. The final plans

shall incorporate all related mitigation measures as required in the Mitigation Monitoring and Reporting Program of Twin Rivers (Mirasol Village) Transit Oriented Development and Light Rail Station Project as may applicable to Twin Rivers (Mirasol Village) Phase 3, environmental conditions required, if any, for compliance with approvals under CEQA, and/or NEPA, or the U.S. Department of Housing and Urban Development as conditions of approval of the project.

18. ARCHITECTURAL AGREEMENT: The architectural agreement (Agreement), if any, for the preparation of the plans and specifications and other services shall be subject to Agency's approval. Agency may require an assignment of Borrower's interest in and to the Agreement as security for the Loan.
19. CONSTRUCTION CONTRACT: The construction contract (Contract), if any, and any change orders issued thereunder, and the contractor (Contractor) to be retained by Borrower to construct the Improvements shall be subject to Agency's approval. Agency may require an assignment of Borrower's interest in and to the Contract as security for the Loan. Agency may require Contractor to provide a performance and payment bond in a form acceptable to Agency for the amount of the Contract.
20. RETENTION AMOUNT: The Agency shall retain ten percent (10.0%) of each construction disbursement as retention, not to exceed a total of ten percent (10.0%) of the total amount of the Loan.
21. COST BREAKDOWN: Borrower shall deliver to Agency for Agency's approval prior to commencement of work a detailed cost breakdown of the cost of constructing, financing and other costs of developing the Project, which breakdown conforms to the project plans and specification and the approved budget for the Project. Borrower shall also deliver a list of all contractors and subcontractors to be employed in connection with the construction of the Improvements. If required by the Agency, Borrower shall also submit copies of all bids received for each item of work to be performed as well as copies of executed contracts and subcontracts with acceptable bidders.

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

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

22. COST SAVINGS: At completion of construction, Borrower shall submit to Agency a cost certification prepared by a qualified, independent auditor acceptable to Agency which shall indicate the amounts actually spent for each item in the cost breakdown and

shall indicate the final sources of funding. If there is an aggregate savings, in the total of all such cost breakdown items from the cost breakdown items in the original budget approved by the Agency, after adjusting for any decrease in any funding source including any loss of any equity investment due to an adjustment in the allowable tax credits, the Agency shall withhold for itself fifty percent (50%) of such savings from the amount of retention then held by the Agency and the Loan balance shall be reduced by the amount so withheld. The Agency, in its sole discretion, shall determine any reduction and/or repayment of the Agency loan based upon this cost certification and the original approved budget for the project.

23. START OF CONSTRUCTION: Borrower shall commence construction at the earliest possible date subject to the conditions of this Agency and other involved lenders, but no later than sixty (60) days following the close of construction financing.
24. COMPLETION OF CONSTRUCTION: Borrower shall complete the construction of the Improvements no later than 24 months following the close of construction financing.
25. SECURITY CAMERAS AND OUTSIDE LIGHTING: Project shall include installation of a security camera system, exterior lighting, and security patrols, all as approved by the Agency.
26. INSURANCE PROVIDER: Each policy of insurance required under the Loan shall be obtained from a provider licensed to do business in California and having a current Best's Insurance Guide rating of A VII , which rating has been substantially the same or increasing for the last five (5) years, or such other equivalent rating, as may reasonably be approved by Lender's legal counsel.
27. HAZARD INSURANCE: Borrower shall procure and maintain fire and extended coverage insurance and during construction Builder's Risk completed value insurance in a form and substance approved by Agency. Coverage shall be for protection against loss of, or damage to the Improvements or materials for their construction to their full insurable value. Borrower shall also procure and maintain insurance against specific hazards affecting Agency's security for the Loan as may be required by Agency, governmental regulations, or any permanent lender. All such policies shall contain a standard mortgagee loss payable clause in favor of Agency. The insurance required shall be written with a deductible of not more than TEN THOUSAND DOLLARS (\$10,000.00).
28. PUBLIC LIABILITY AND OTHER INSURANCE: Borrower must procure and maintain public liability and property damage insurance (with Agency named as additional insured) in a form approved by Agency. Coverage must be approved by Agency and must be in at least the following limits of liability: (1) Commercial General Liability insurance in Insurance Services Office (ISO) policy form CG 00 01 Commercial General Liability (Occurrence) or better with limits of liability, which are not less than \$1,000,000, per occurrence limit; \$5,000,000 general aggregate limit, and \$5,000,000 products and completed operations aggregate limit, all per location of the Project; (2)

Property damage liability of \$1,000,000 each occurrence, \$1,000,000 single limit and \$1,000,000 aggregate; (3) Contractual liability for Bodily Injury of \$1,000,000 each occurrence, for Property Damage of \$1,000,000 each occurrence and \$1,000,000 aggregate, and Personal Injury with Employment Exclusion Deleted of \$1,000,000 aggregate; and (4) Comprehensive Automobile Liability for any vehicle used for or in connection with the Work of \$1,000,000. The insurance required shall be written with a deductible of not more than TEN THOUSAND DOLLARS (\$10,000). Borrower must also procure and maintain workers' compensation and all other insurance required under applicable law, as required by law and as approved by Agency.

29. TITLE INSURANCE: Borrower must procure and deliver to Agency an ALTA Lender's Policy of Title Insurance, together with such endorsements as Agency may require, including but not limited to CLTA endorsement nos. 100, 116, and 102.5/102.7 insuring Agency in an amount equal to the principal amount of the Loan, that Agency's Deed of Trust constitutes a third lien or charge upon the Property and Improvements subject only to such items as shall have been approved by Agency. There must be no exceptions permitted for mechanics liens. Title insurance for the Loan must be issued by a title insurer approved by Agency.
30. ORGANIZATIONAL AGREEMENTS: Borrower must submit to Agency certified copies of all of Borrower's organizational documents, including all amendments, modifications or terminations: if a corporation, Borrower's Articles of Incorporation and By-Laws; if a partnership, its Partnership Agreement and, as applicable, Certificate of Limited Partnership or Statement of Partnership; if a Limited Liability Company, its Articles of Organization and its Operating Agreement; and in all cases with all exhibits and amendments to such documents, fictitious business name statements, other related filings or recorded documents and such related documents as Agency may request. If it is a corporation, Borrower must submit a corporate borrowing resolution referencing this Loan. If Borrower is other than a corporation, Borrower must submit such proof of authority to enter this Loan as may be required under the organizational documents.
31. PURCHASE OR LEASE OF PROPERTY: Borrower shall provide Agency with copies of all documents relating to Borrower's ownership interest in the Property.
32. FINANCIAL INFORMATION: During the term of the Loan, Borrower shall deliver to Agency within 120 days of the end of each fiscal year an audited income and expense statement, a balance sheet, and a statement of all changes in financial position signed by authorized officers of Borrower. Prior to close of the Loan and during its term, Borrower must deliver to Agency such additional financial information as may be requested by Agency. Agency reserves the right to review and approve financial statements and other credit information and references prior to closing. During the term of the Loan, Borrower must deliver to Agency a monthly rent-roll including household composition information and operating statements with respect to the Property management, as Agency may request.

33. MANAGEMENT AGREEMENT: Prior to execution, Borrower must submit to Agency any agreement providing for the management or operation of the Property or Improvements by a third party which agreement is subject to Agency Approval.
34. RESIDENT SERVICES AGREEMENT: Prior to execution, Borrower must submit to Agency an agreement providing for the resident services by a third party which agreement is subject to Agency Approval.
35. LOW INCOME HOUSING TAX CREDITS (LIHTC): Borrower represents that as a condition of closing this Loan it is applying for an allocation of LIHTC's and agrees to perform all actions and meet all requirements to maintain the LIHTC allocation if granted.
36. SMOKE-FREE ENVIRONMENT: At least 50% of the buildings but no less than 50% of the units must be smoke free. All indoor common areas must be smoke-free.
37. DOCUMENTATION: This letter is not intended to describe all of the requirements, terms, conditions and documents for the Loan, which shall also include customary provisions and documents for an Agency transaction of this type. All documents to be delivered to or approved by Agency must be satisfactory to Agency in all respects. Borrower must promptly deliver to Agency any further documentation that may be required by Agency.
38. CONSISTENCY OF DOCUMENTS: As a material obligation under this commitment letter, Borrower shall assure that the loan documents for the Project are consistent with lender's commitment approved by the Agency and comply with same.
39. CHANGES OR AMENDMENTS: No documents or contracts which are to be delivered to Agency or are subject to Agency's review or approval shall be modified or terminated without the prior written approval of Agency.
40. ACCEPTANCE OF THIS COMMITMENT: Borrower's acceptance of this Commitment shall be evidenced by signing and delivering to Agency the enclosed copy of this letter. Until receipt of such acceptance by Agency, Agency shall have no obligation under this letter. Agency may withdraw this commitment at any time prior to Borrower's acceptance.

Sincerely,

La Shelle Dozier  
Executive Director

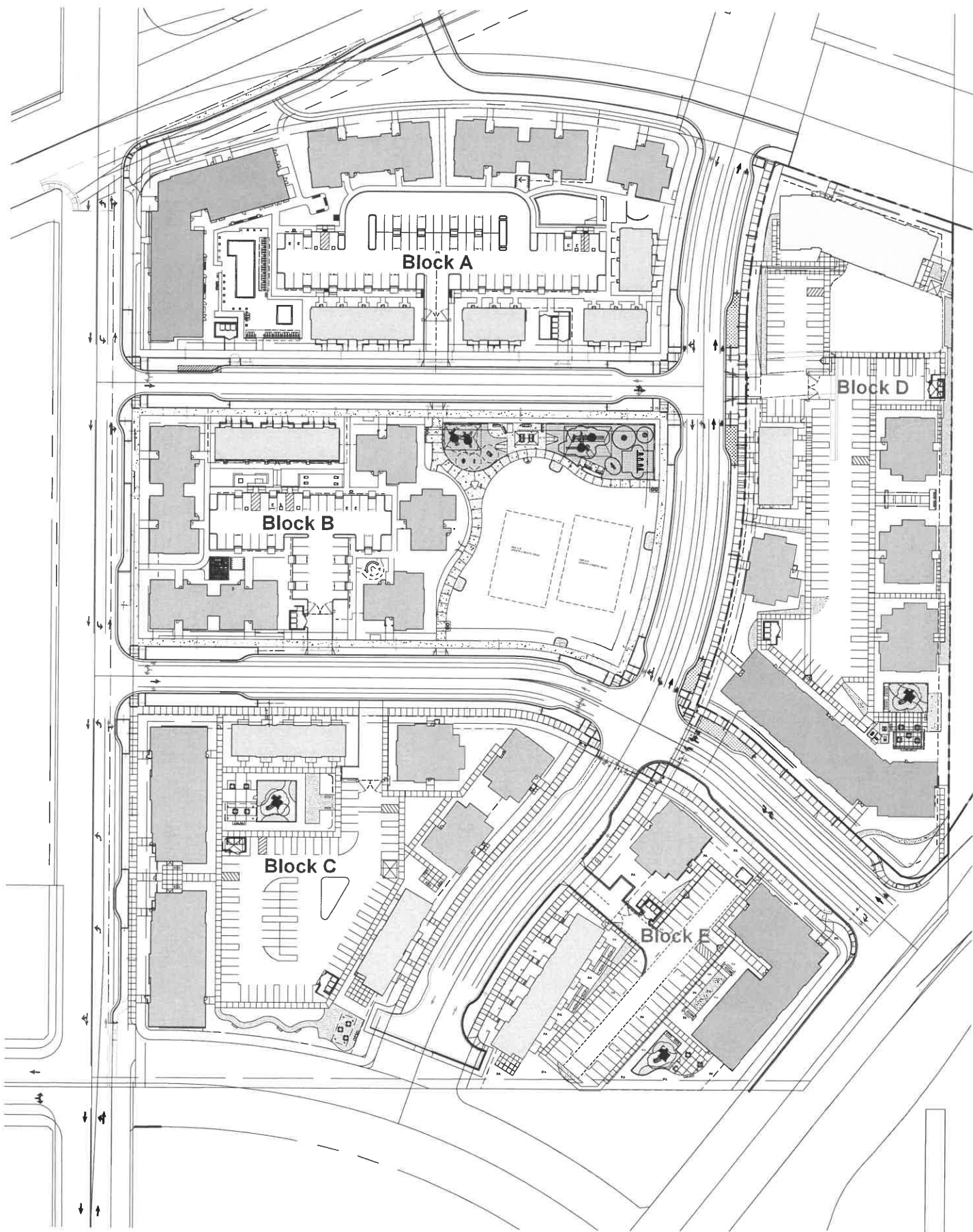
The undersigned acknowledges and accepts the foregoing Commitment and its terms and conditions.

**BORROWER:**

Twin Rivers Phase 3 L.P., a California limited partnership

By: McCormack Baron Salazar, Inc., or related entity

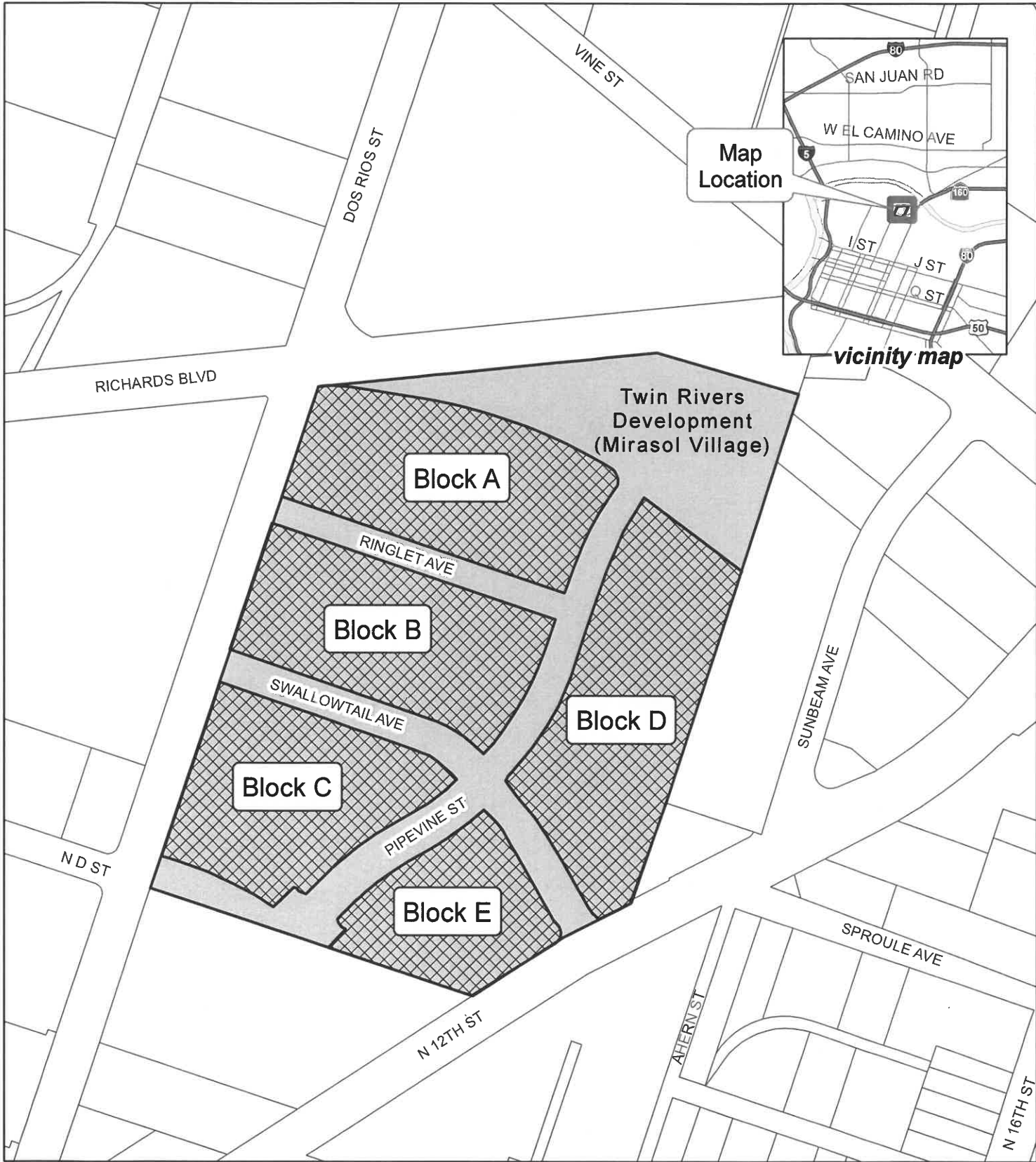
By: \_\_\_\_\_  
Daniel Falcon, Vice President







# Twin Rivers Blocks (Mirasol Village)



Block



Twin Rivers Development (Mirasol Village)



SHRA GIS  
December 16, 2019



February 1, 2020

Sacramento Housing and  
Redevelopment Commission  
Sacramento, CA

Honorable Members in Session:

SUBJECT:

Mirasol Village Project: Choice Neighborhoods Implementation Grant Funds For Phase 3 Housing In Support Of An Affordable Housing And Sustainable Communities Grant Application

SUMMARY

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

Respectfully submitted,

  
LA SHELLE DOZIER  
Executive Director

Attachment

**COUNTY OF SACRAMENTO  
CALIFORNIA**

For the Agenda of:  
January 28, 2020

To: Housing Authority of the County of Sacramento

Through: Navdeep S. Gill, County Executive

From: La Shelle Dozier, Executive Director, Sacramento Housing and Redevelopment Agency

Subject: Mirasol Village Project: Choice Neighborhoods Implementation Grant Funds For Phase 3 Housing In Support Of An Affordable Housing And Sustainable Communities Grant Application

District(s): Serna

**RECOMMENDED ACTION**

Adopt a Housing Authority Resolution:

1. Approving a loan of up to \$2,000,000 of Choice Neighborhood Implementation (CNI) grant funds for eligible Mirasol Village Block C housing construction purposes.
2. Authorizes the Sacramento Housing and Redevelopment Agency (Agency) to execute a Loan Commitment Letter on its behalf with Twin Rivers Phase 3, L.P. (McCormack Baron Salazar, Inc.) or related entity.
3. Authorizes the Agency to execute all necessary documents, to amend its budget, and make related findings associated with this transaction.

**BACKGROUND**

In 2015, the Housing Authority of the County of Sacramento (HACOS) and the City of Sacramento (City) were, as co-grantees, awarded a \$30 million Choice Neighborhoods Implementation (CNI) Grant from the US Department of Housing and Urban Development (HUD) for the Twin Rivers (Mirasol Village) Transit Oriented Development and Light Rail Station project (Project). The new development will be named Mirasol Village. The Agency is managing the Project and McCormack Baron Salazar (MBS) is the designated developer and Housing Lead (Developer) under the CNI grant.

The CNI grant supports the redevelopment of the housing site and the transformation of the River District/Railyards neighborhood. The CNI grant requires replacement of 218 Twin Rivers public housing units within a mixed-income development which will include at least 487 new housing units,

common area and community gathering spaces, and other amenities. A new light rail station will be constructed along 12<sup>th</sup> Street as part of the Project. The total Project area includes six residential blocks and encompasses approximately 26 acres. A Vicinity Map and Conceptual Site Plan for the Project are shown in Attachments 2 and 3.

This report requests approval for the commitment of up to \$2 million of CNI funds for the benefit of Block C of the Project, that will be used to support an application to the State of California Strategic Growth Council and Department of Housing and Community Development (HCD) in funding Round 5 for an Affordable Housing and Sustainable Communities (AHSC) grant. A NOFA for the AHSC program was issued on November 1, 2019, and the application is due on February 11, 2020. The CNI funds will be made available to the project in the form of a loan to Mirasol Village (Twin Rivers Phase 3, L.P.).

The purpose of the AHSC program is to promote projects that will achieve GHG emissions reductions, particularly through increasing accessibility to affordable housing and key destinations via low-carbon transportation, resulting in fewer vehicle miles traveled through shortened or reduced trip length or mode shift from Single Occupancy Vehicle use to transit, bicycling or walking. The goals and design of the Mirasol Village project are very compatible with the goals and purpose of AHSC.

If awarded, approximately \$16,000,000 of the AHSC grant request will be available to construct Block C housing, in addition to the not to exceed amount of \$2,000,000 of CNI funds that this report recommends be committed to this phase. This report requests approval of a commitment letter to Mirasol Village (Twin Rivers Phase 3, L.P.) for the CNI funds to be used as evidence of funding commitments required for the AHSC application. Staff will return to the Board at a later date with additional underwriting of Block C, which is currently planned as a four percent tax-exempt bond and tax credit project.

Block C will include a mixture of multifamily apartment, townhome, and garden-style walk-up buildings. It will consist of a total of seven residential buildings that will include 84 rental housing units that range from one to four bedrooms in size and 74 on-grade parking spaces. The unit mix will include 46 replacement units, 19 tax-credit units and 19 market-rate units. Block C residents will also have access to all outdoor community amenities including the park, garden, barbeque areas, and electric car share. If awarded, construction is anticipated to begin in early 2021 and will be completed in 2022. The proposed transit amenities would be installed in 2021 or 2022.

All of the applicable state funding programs are over-subscribed and competitive. In order to ensure that CNI Project deadlines are met, MBS will continue to submit funding applications in 2020 until all phases of the Project are fully funded. As a back-up plan in case the AHSC funds are not awarded, MBS also plans to submit a Multifamily Housing Program (MHP) application on behalf of Block C in March 2020. The MHP application for Block C will include seven units that will be set aside for special needs households, in order to meet community need and to make the application more competitive.

#### COMMISSION ACTION

The Sacramento Housing and Redevelopment Commission (Commission) will hear this item in its meeting on February 5, 2020. At this meeting the Commission will be asked to adopt a motion recommending approval of the attached resolution. In the event the action is not approved by the Commission, staff will notify the Board.

#### POLICY CONSIDERATIONS

HUD has approved a five-year Public Housing Authority Plan affirming Twin Rivers as a public housing development designated for demolition and disposition. The recommended actions in this report are also consistent with the County's commitment to the Housing Authority Asset Repositioning Guidelines and the County's executed CNI Grant Agreement for the Twin Rivers/River District-Railyards Initiative. The proposed Project will preserve 218 affordable housing units, and create a minimum of an additional 269 affordable, workforce and market rate housing units, new amenities, improved access to resident and workforce development services, new mobility options including bike share and electric car share programs, electric car charging stations, and the construction of a new light rail station on 12<sup>th</sup> Street in Block F of the Project.

#### ENVIRONMENTAL REVIEW

California Environmental Quality Act (CEQA) and National Environmental Policy Act (NEPA): A combined Initial Study/Environmental Assessment (IS/EA) was prepared for the Twin Rivers Transit Oriented Development and Light Rail Station Project pursuant to CEQA requirements under Title 14, §15070 of the California Code of Regulations (CCR), and NEPA requirements under Title 24, Code of Federal Regulations (CFR) Part 58.36. The SHRC approved the final environmental document on behalf of the Agency at its meeting on July 19th. Along with site entitlements, the Planning and Design Commission for the City of Sacramento made findings pursuant to CEQA and adopted the Mitigated Negative Declaration (MND) and associated Mitigation Monitoring and Reporting Program (MMRP) on July 27, 2017, and subsequently issued a Notice of Determination (NOD) pursuant to CEQA and

a Finding of No Significant Impact (FONSI) pursuant to NEPA. On August 22, 2017, the County Board of Supervisors adopted the MND and associated MMRP and approved the Project. On August 24, 2017, the Agency issued the NOD for the Project pursuant to CEQA. All activities related to the infrastructure improvements for the Project are covered by this environmental review. No further environmental review is required for the proposed actions.

#### M/WBE/SECTION 3 CONSIDERATIONS

Minority and Women's Business Enterprise requirements and Section 3 will be applied to all activities to the greatest extent possible and as required by federal funding and in accordance with the Agency's Section 3 Economic Opportunity Plan. The Developer and General Contractor will work with the Agency's Section 3 Coordinator, Sacramento Employment and Training Agency, the Greater Sacramento Urban League or similar programs, to promote employment opportunities.

#### FINANCIAL ANALYSIS

The proposed financing structure for Mirasol Village Block C includes tax-exempt bond financing, noncompetitive four percent tax credits, AHSC funds (or MHP funds), CNI funds, Project-based Section 8 vouchers and a below-market ground lease from HACOS.

To allocate CNI grant funds for use in a specific phase is considered an administrative action as it relates to the HUD-approved Housing Plan. HUD has indicated it will approve the allocation of CNI grant funds to Phase 3 Housing in the Mirasol Village project subject to prior approval by HACOS as grantee and the City of Sacramento as co-grantee. The City of Sacramento as co-grantee will consider the request to allocate the CNI funds at its meeting of January 28, 2020. HUD has indicated it also will approve the allocation of up to \$2 million to Phase 3 Housing subject to approval by HACOS and the City.

Per the Loan Commitment (Attachment 1), grant funds will be loaned to the Mirasol Village (Twin Rivers Phase 3, L.P.), or related entity, for a term of up to 55 years at 4 percent simple interest. Annual principal and interest payments shall be made according to a structured payment schedule per the final Loan Agreement. Payments shall be applied first to accrued and unpaid interest and then to principal subject to prior payment of obligations due to HACOS under its ground lease for this phase. All outstanding principal and interest is due and payable on the maturity date. The loan will be secured by a deed of trust against the property and its improvements.

Mirasol Village Project: Choice Neighborhoods Implementation Grant Funds  
For Block C Housing  
Page 5

Respectfully Submitted,

APPROVED  
NAVDEEP S. GILL,  
County Executive

  
\_\_\_\_\_  
LA SHELLE DOZIER, Executive Director  
Sacramento Housing and  
Redevelopment Agency

By: \_\_\_\_\_  
ROBERT B. LEONARD  
Deputy County Executive

Attachments:

- RES – HACOS Resolution
- ATT 1 – CNI Commitment Letter
- ATT 2 – Vicinity Map
- ATT 3 – Conceptual Site Plan

## **RESOLUTION NO.**

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

#### **MIRASOL VILLAGE TRANSIT ORIENTED DEVELOPMENT AND LIGHT RAIL STATION PROJECT: APPROVING A LOAN OF UP TO \$2 MILLION OF CHOICE NEIGHBORHOODS IMPLEMENTATION (CNI) GRANT FUNDS FOR ELIGIBLE TWIN RIVERS PHASE 3 HOUSING; AUTHORIZING SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY (SHRA) TO ISSUE A LOAN COMMITMENT OF CNI FUNDS TO TWIN RIVERS PHASE 3 HOUSING, LP OR RELATED ENTITY FOR PHASE 3 HOUSING; AUTHORIZES BUDGET AMENDMENT; AND RELATED FINDINGS**

**WHEREAS**, on September 28, 2015, the U.S. Department of Housing and Urban Development (HUD) awarded the Housing Authority of the County of Sacramento (HACOS), as Grantee, and the City of Sacramento, as co-applicant, with a \$30 million Choice Neighborhoods Implementation (CNI) grant to implement the Twin Rivers-River District-Railyards Neighborhood Transformation Plan; and

**WHEREAS**, the name of the development was changed to Mirasol Village in 2019; and

**WHEREAS**, On December 15, 2015, HACOS authorized execution of the Fiscal Years 2014-2015 CNI Implementation Grant Agreement with HUD for the CNI grant; and

**WHEREAS**, A combined Initial Study/Environmental Assessment (IS/EA) was prepared for the Twin Rivers Transit-Oriented Development Project pursuant to California Environmental Quality Act (CEQA) requirements under Title 14, §15070 of the California Code of Regulations (CCR), and National Environmental Policy Act (NEPA) requirements under Title 24, Code of Federal Regulations (CFR) Part 58.36. A Finding of No Significant Impact (FONSI) pursuant to NEPA and a Notice of Determination (NOD) pursuant to CEQA have been filed for the project; no further environmental review is required for the proposed actions; and



**WHEREAS**, the HACOS is seeking to allocate up to \$2,000,000 of CNI grant funds for the development of Phase 3 Housing; and

**WHEREAS**, the HACOS is seeking approval to authorize Sacramento Housing and Redevelopment Agency to issue on its behalf a Loan Commitment letter for up to \$2 million of CNI funds as a permanent loan to Twin Rivers Phase 3, L.P. or related entity for eligible housing costs;

**WHEREAS**, the HACOS is seeking approval to amend the CNI grant budget and housing plan to allocate up to \$2,000,000 specifically for Phase 3 Housing from the \$18,038,000 currently budgeted for housing;

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

Section 1. All evidence presented having been duly considered, the findings, including environmental findings regarding this action, as stated above, are found to be true and accurate and are hereby approved adopted.

Section 2. Authorization is approved to allocate up to \$2,000,000 of CNI grant funds for Phase 3 Housing.

Section 3. Authorization is approved for Sacramento Housing and Redevelopment Agency to issue a Loan Commitment on behalf of HACOS of up to \$2,000,000 of CNI grant funds to be loaned to Twin Rivers (Mirasoll Village) Housing Phase 3, LP or related entity for eligible Phase 3 housing costs.

Section 4. Approval to amend the CNI grant budget and housing plan to allocate up to \$2,000,000 specifically for eligible Phase 3 housing costs.

Twin Rivers Transit Oriented Development and Light Rail Station Project:  
Choice Neighborhoods Implementation Grant Funds for Phase 3 Housing  
Page 3

On a motion by Member \_\_\_\_\_, seconded by Member \_\_\_\_\_, the foregoing Resolution was passed and adopted by the Board of the Housing Authority of the County of Sacramento this 28th day of January, 2020, by the following vote, to wit:

AYES: Members,

NOES: Members,

ABSENT: Members,

ABSTAIN: Members,

RECUSAL: Members,

(PER POLITICAL REFORM ACT (§ 18702.5.))

---

Chair of the Board of the Housing  
Authority of Sacramento County,  
California

(SEAL)

ATTEST: \_\_\_\_\_  
Clerk

Twin Rivers Transit Oriented Development and Light Rail Station Project:  
Choice Neighborhoods Implementation Grant Funds for Phase 3 Housing  
Page 4

January 28, 2020

Daniel Falcon, Vice President  
McCormack Baron Salazar, Inc.  
801 S. Grand Avenue Suite 801  
Los Angeles, CA 90017

Re: Conditional Funding Commitment for Twin Rivers (Mirasol Village)  
Phase 3

Dear Mr. Falcon:

On behalf of the Sacramento Housing and Redevelopment Agency (Agency), we are pleased to advise you of its commitment of permanent loan funds (Loan) in an amount not exceed \$2,000,000 in Choice Neighborhoods Implementation (CNI) funds for the purpose of financing the development of that certain real property known as Twin Rivers (Mirasol Village) Phase 3 located in the Twin Rivers development at 321 Eliza Way, Sacramento, California (Property). The Agency's decision is based on representations and information supplied by McCormack Baron Salazar, Inc. in its capacity as Housing Lead and Master Developer. If these representations and information change in a material manner without written approval of the Agency, this commitment is void. Agency's obligation to make the Loan is subject to the satisfaction of all the following terms and conditions and Borrower's execution of documentation that is in a form and in substance satisfactory to the Agency.

The Loan shall be made on standard Agency loan documents. Loan terms not included in this funding commitment shall be included in the final loan documents without additional environmental review and governing board approval. In the event of any discrepancies between terms stated in this commitment and the loan documents, the terms stated in the loan commitment letter shall be deemed to be terms of this commitment.

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

This commitment will expire December 31, 2021.

1. PROJECT DESCRIPTION: Twin Rivers (Mirasol Village) Phase 3 (Project) is a new construction, mixed-income housing development. The Project is the fourth phase of development for the multi-phased, Twin Rivers public housing redevelopment project. The Project will include multifamily apartment, townhome, and garden-style walk-up buildings located on a City block (Block C). In addition to a maximum of 74 on-grade parking spaces, the Project will consist of a total of seven residential buildings that will include a minimum of 84 rental housing units. The housing units will be 1-4 bedrooms in size and include a minimum of 46 replacement housing units in accordance with the HUD-approved replacement housing plan for the Project. The Project will also contain several outdoor amenities including tot lots, barbeque areas, bike and electric car share, etc.
2. BORROWER: The name of the Borrower for the Loan is Twin Rivers Phase 3, L.P., a California limited partnership with McCormack Baron Salazar, Inc., or related entity as the lead development partner.
3. PURPOSE OF LOAN: The Loan is to be used by Borrower solely to pay the costs of development of the Project and for such other purposes as Agency expressly agrees to in the loan agreement for the Loan, as well as in such other agreements as may be generally required by the Agency for the use of the funding source for the Loan.
4. PRINCIPAL AMOUNT: The principal amount of the Loan will be a maximum of Two Million Dollars (\$2,000,000) or such lesser amount as may be needed and as determined by Borrower and approved by Agency prior to close of the Loan.
5. TERM OF LOAN: The Loan shall mature up to 55 years from the date of completion of construction, at which point any and all unpaid principal and interest on the loan will be due and payable. Final maturity date will be determined by impact of terms and conditions of other sources of financing approved for the Project.
6. INTEREST RATE: The Loan will bear simple interest at four percent (4%) per annum. Interest shall be calculated on a 365-day year, actual days elapsed basis.
7. ANNUAL REPAYMENT: Annual principal and interest payments shall be made according to the structured payment schedule contained in the final Loan Agreement and as calculated to achieve a minimum annual debt service coverage ratio of 1.2:1. Payments shall be applied first to outstanding interest accrued and unpaid and then to principal. All outstanding principal and interest is due and payable on the maturity date. Notwithstanding the preceding payment schedule, no payments shall be required on this Loan until the full balance of principal and interest on the proposed capitalized ground lease made by the Housing Authority of the County of Sacramento to Borrower pursuant to the Master Development Agreement is paid in full.
8. SOURCE OF LOAN FUNDS: Agency is making the Loan from Choice Neighborhoods Implementation (CNI) grant funds and is subject to all of the requirements related to the use of these funds, whether

Agency requirements or otherwise. This Loan is conditioned upon Borrower's acceptance of Agency requirements and conditions related to its lending programs and funding sources, including among others the required forms of agreements for the Loan; the requirements for covenants, conditions and restrictions upon the Property; and insurance and indemnity requirements.

**Borrower acknowledges that, as a condition of the Agency's making of the Loan, the Property will be subject to restrictions on future sales and rentals which may result in less income to Borrower than could otherwise be realized, and that such restrictions run with the land, and during their operational term, will bind all successors in interest.**

\_\_\_\_\_ (Borrower Initial)

9. ACCELERATION: Agency shall have the right to accelerate repayment of the Loan in the event of a default under any Loan Document or upon sale, transfer or alienation of the Property except as specifically provided for in the Loan documents.
10. SECURITY: The Loan shall be evidenced by promissory note(s) secured by a deed of trust with assignment of rents against the fee and/or leasehold interest in the Property and Improvements, which shall be a lien upon the Property and Improvements subject only to additional liens senior to the Agency's lien securing loans needed for the Project and such other liens or items as the Agency may approve in writing prior to close. The Loan shall also be secured by security agreements where required. The Agency may agree to subordinate said deed of trust in order to accommodate completion of construction of the Project.
11. LEASE AND RENTAL SCHEDULE: All leases of the Property and Improvements shall be subject to Agency review and approval prior to execution. Borrower shall not deviate from the rental schedule presented in Borrower's application for the Loan without Agency's prior written approval provided, however, that such approval shall not be required for annual adjustments to rental rates as permitted by the California Tax Credit Allocation Committee.
12. PROOF OF EQUITY: Borrower shall provide proof of equity for the Property and Improvements in the amount of no less than stated in Borrower's request for the Loan. Proof of equity will generally be in the form of verified low income housing tax credit equity and deferred developer fee. If the final equity contribution is less than that as anticipated, the difference in equity must be offset by an increase in the deferred developer fee.
13. OTHER FINANCING: Borrower, as a requirement of the Loan, shall procure and deliver to Agency evidence satisfactory to Agency that Borrower has obtained the following described financing which may be secured by a lien upon the Property and Improvements superior or subordinate to Agency's liens, and which shall be otherwise on terms and conditions acceptable to Agency:

- (a) As a condition precedent to disbursement of the Agency loan, construction financing from private lender(s) in an amount(s) sufficient to complete construction of the Project according to a Scope of Work as approved by Agency (Construction Financing). The term of Construction Financing must not be less than that specified in the Schedule of Performances for completion of construction and in any event not less than the time necessary to fulfill all conditions precedent to funding of the permanent financing.
- (b) Commitments for permanent financing sufficient to "take out" all Construction Financing liens senior to the Agency's lien.
- (c) Such commitments for construction and permanent financing shall not require modification of Agency loan documents, or any term of this commitment letter.
- (d) Such commitments shall not be based upon sources and uses of Project funds that are different from those approved by Agency for the project or be subject to conditions which require amendment of Agency documents or other agreements.
14. EVIDENCE OF FUNDS: Prior to the first disbursement of the Loan, Borrower must demonstrate evidence of adequate and assured funding to complete the development of the Project in accordance with the Agency's requirements. Borrower's evidence of available funds must include only one or more of the following: a) Borrower equity; b) firm and binding commitments for the Project from financial institution(s) or from other lender(s) approved by Agency in its absolute discretion; and c) Agency's contribution, provided, however, that Agency is not obligated by this letter to make any contribution not stated in the terms of the letter.
15. SOILS AND TOXIC REPORTS: Borrower will submit to the Agency a hazardous substances report made in accordance with the American Society for Testing and Materials "Standard Practice for Environmental Site Assessments; Phase I Environmental Site Assessment Process" (Designation E1527-13) prepared by a licensed or registered environmental engineer or other qualified party prior to Loan closing. Borrower must, as a condition of disbursement of Loan funds, give assurances satisfactory to the Agency that hazardous materials are not present on the Property or that any hazardous materials on the Property will be remediated and that no further remediation is then required by the environmental agency having responsibility for monitoring such remediation.
16. LOAN IN BALANCE: Borrower will be required to maintain the Loan "in balance" at all times. The Loan is "in balance" whenever the amount of the undisbursed Loan funds, the remaining sums to be provided by the Borrower and the loan funds from other project lenders or the equity investor are sufficient, in the sole judgement of the Agency, to pay for the remainder of the work to be done on the project as required by written agreement with the Agency. Should the Agency determine that the Loan is not "in balance" the Agency may declare the Loan to be in default.
17. PLANS AND SPECIFICATION: Final plans and specifications, if any, for the project must be in accord with the approved proposal. Final plans and specifications will be subject to Agency's final approval prior to the disbursal of Agency Loan funds. Borrower must obtain Agency's prior written consent to any change in the approved plans and specifications or any material deviation in construction of the project. The final plans

shall incorporate all related mitigation measures as required in the Mitigation Monitoring and Reporting Program of Twin Rivers (Mirasol Village) Transit Oriented Development and Light Rail Station Project as may applicable to Twin Rivers (Mirasol Village) Phase 3, environmental conditions required, if any, for compliance with approvals under CEQA, and/or NEPA, or the U.S. Department of Housing and Urban Development as conditions of approval of the project.

18. ARCHITECTURAL AGREEMENT: The architectural agreement (Agreement), if any, for the preparation of the plans and specifications and other services shall be subject to Agency's approval. Agency may require an assignment of Borrower's interest in and to the Agreement as security for the Loan.
19. CONSTRUCTION CONTRACT: The construction contract (Contract), if any, and any change orders issued thereunder, and the contractor (Contractor) to be retained by Borrower to construct the Improvements shall be subject to Agency's approval. Agency may require an assignment of Borrower's interest in and to the Contract as security for the Loan. Agency may require Contractor to provide a performance and payment bond in a form acceptable to Agency for the amount of the Contract.
20. RETENTION AMOUNT: The Agency shall retain ten percent (10.0%) of each construction disbursement as retention, not to exceed a total of ten percent (10.0%) of the total amount of the Loan.
21. COST BREAKDOWN: Borrower shall deliver to Agency for Agency's approval prior to commencement of work a detailed cost breakdown of the cost of constructing, financing and other costs of developing the Project, which breakdown conforms to the project plans and specification and the approved budget for the Project. Borrower shall also deliver a list of all contractors and subcontractors to be employed in connection with the construction of the Improvements. If required by the Agency, Borrower shall also submit copies of all bids received for each item of work to be performed as well as copies of executed contracts and subcontracts with acceptable bidders.

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

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

22. COST SAVINGS: At completion of construction, Borrower shall submit to Agency a cost certification prepared by a qualified, independent auditor acceptable to Agency which shall indicate the amounts actually spent for each item in the cost breakdown and



shall indicate the final sources of funding. If there is an aggregate savings, in the total of all such cost breakdown items from the cost breakdown items in the original budget approved by the Agency, after adjusting for any decrease in any funding source including any loss of any equity investment due to an adjustment in the allowable tax credits, the Agency shall withhold for itself fifty percent (50%) of such savings from the amount of retention then held by the Agency and the Loan balance shall be reduced by the amount so withheld. The Agency, in its sole discretion, shall determine any reduction and/or repayment of the Agency loan based upon this cost certification and the original approved budget for the project.

23. START OF CONSTRUCTION: Borrower shall commence construction at the earliest possible date subject to the conditions of this Agency and other involved lenders, but no later than sixty (60) days following the close of construction financing.
24. COMPLETION OF CONSTRUCTION: Borrower shall complete the construction of the Improvements no later than 24 months following the close of construction financing.
25. SECURITY CAMERAS AND OUTSIDE LIGHTING: Project shall include installation of a security camera system, exterior lighting, and security patrols, all as approved by the Agency.
26. INSURANCE PROVIDER: Each policy of insurance required under the Loan shall be obtained from a provider licensed to do business in California and having a current Best's Insurance Guide rating of A VII , which rating has been substantially the same or increasing for the last five (5) years, or such other equivalent rating, as may reasonably be approved by Lender's legal counsel.
27. HAZARD INSURANCE: Borrower shall procure and maintain fire and extended coverage insurance and during construction Builder's Risk completed value insurance in a form and substance approved by Agency. Coverage shall be for protection against loss of, or damage to the Improvements or materials for their construction to their full insurable value. Borrower shall also procure and maintain insurance against specific hazards affecting Agency's security for the Loan as may be required by Agency, governmental regulations, or any permanent lender. All such policies shall contain a standard mortgagee loss payable clause in favor of Agency. The insurance required shall be written with a deductible of not more than TEN THOUSAND DOLLARS (\$10,000.00).
28. PUBLIC LIABILITY AND OTHER INSURANCE: Borrower must procure and maintain public liability and property damage insurance (with Agency named as additional insured) in a form approved by Agency. Coverage must be approved by Agency and must be in at least the following limits of liability: (1) Commercial General Liability insurance in Insurance Services Office (ISO) policy form CG 00 01 Commercial General Liability (Occurrence) or better with limits of liability, which are not less than \$1,000,000, per occurrence limit; \$5,000,000 general aggregate limit, and \$5,000,000 products and completed operations aggregate limit, all per location of the Project; (2)

Property damage liability of \$1,000,000 each occurrence, \$1,000,000 single limit and \$1,000,000 aggregate; (3) Contractual liability for Bodily Injury of \$1,000,000 each occurrence, for Property Damage of \$1,000,000 each occurrence and \$1,000,000 aggregate, and Personal Injury with Employment Exclusion Deleted of \$1,000,000 aggregate; and (4) Comprehensive Automobile Liability for any vehicle used for or in connection with the Work of \$1,000,000. The insurance required shall be written with a deductible of not more than TEN THOUSAND DOLLARS (\$10,000). Borrower must also procure and maintain workers' compensation and all other insurance required under applicable law, as required by law and as approved by Agency.

29. TITLE INSURANCE: Borrower must procure and deliver to Agency an ALTA Lender's Policy of Title Insurance, together with such endorsements as Agency may require, including but not limited to CLTA endorsement nos. 100, 116, and 102.5/102.7 insuring Agency in an amount equal to the principal amount of the Loan, that Agency's Deed of Trust constitutes a third lien or charge upon the Property and Improvements subject only to such items as shall have been approved by Agency. There must be no exceptions permitted for mechanics liens. Title insurance for the Loan must be issued by a title insurer approved by Agency.
30. ORGANIZATIONAL AGREEMENTS: Borrower must submit to Agency certified copies of all of Borrower's organizational documents, including all amendments, modifications or terminations: if a corporation, Borrower's Articles of Incorporation and By-Laws; if a partnership, its Partnership Agreement and, as applicable, Certificate of Limited Partnership or Statement of Partnership; if a Limited Liability Company, its Articles of Organization and its Operating Agreement; and in all cases with all exhibits and amendments to such documents, fictitious business name statements, other related filings or recorded documents and such related documents as Agency may request. If it is a corporation, Borrower must submit a corporate borrowing resolution referencing this Loan. If Borrower is other than a corporation, Borrower must submit such proof of authority to enter this Loan as may be required under the organizational documents.
31. PURCHASE OR LEASE OF PROPERTY: Borrower shall provide Agency with copies of all documents relating to Borrower's ownership interest in the Property.
32. FINANCIAL INFORMATION: During the term of the Loan, Borrower shall deliver to Agency within 120 days of the end of each fiscal year an audited income and expense statement, a balance sheet, and a statement of all changes in financial position signed by authorized officers of Borrower. Prior to close of the Loan and during its term, Borrower must deliver to Agency such additional financial information as may be requested by Agency. Agency reserves the right to review and approve financial statements and other credit information and references prior to closing. During the term of the Loan, Borrower must deliver to Agency a monthly rent-roll including household composition information and operating statements with respect to the Property management, as Agency may request.

33. MANAGEMENT AGREEMENT: Prior to execution, Borrower must submit to Agency any agreement providing for the management or operation of the Property or Improvements by a third party which agreement is subject to Agency Approval.
34. RESIDENT SERVICES AGREEMENT: Prior to execution, Borrower must submit to Agency an agreement providing for the resident services by a third party which agreement is subject to Agency Approval.
35. LOW INCOME HOUSING TAX CREDITS (LIHTC): Borrower represents that as a condition of closing this Loan it is applying for an allocation of LIHTC's and agrees to perform all actions and meet all requirements to maintain the LIHTC allocation if granted.
36. SMOKE-FREE ENVIRONMENT: At least 50% of the buildings but no less than 50% of the units must be smoke free. All indoor common areas must be smoke-free.
37. DOCUMENTATION: This letter is not intended to describe all of the requirements, terms, conditions and documents for the Loan, which shall also include customary provisions and documents for an Agency transaction of this type. All documents to be delivered to or approved by Agency must be satisfactory to Agency in all respects. Borrower must promptly deliver to Agency any further documentation that may be required by Agency.
38. CONSISTENCY OF DOCUMENTS: As a material obligation under this commitment letter, Borrower shall assure that the loan documents for the Project are consistent with lender's commitment approved by the Agency and comply with same.
39. CHANGES OR AMENDMENTS: No documents or contracts which are to be delivered to Agency or are subject to Agency's review or approval shall be modified or terminated without the prior written approval of Agency.
40. ACCEPTANCE OF THIS COMMITMENT: Borrower's acceptance of this Commitment shall be evidenced by signing and delivering to Agency the enclosed copy of this letter. Until receipt of such acceptance by Agency, Agency shall have no obligation under this letter. Agency may withdraw this commitment at any time prior to Borrower's acceptance.

Sincerely,

La Shelle Dozier  
Executive Director

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

**BORROWER:**

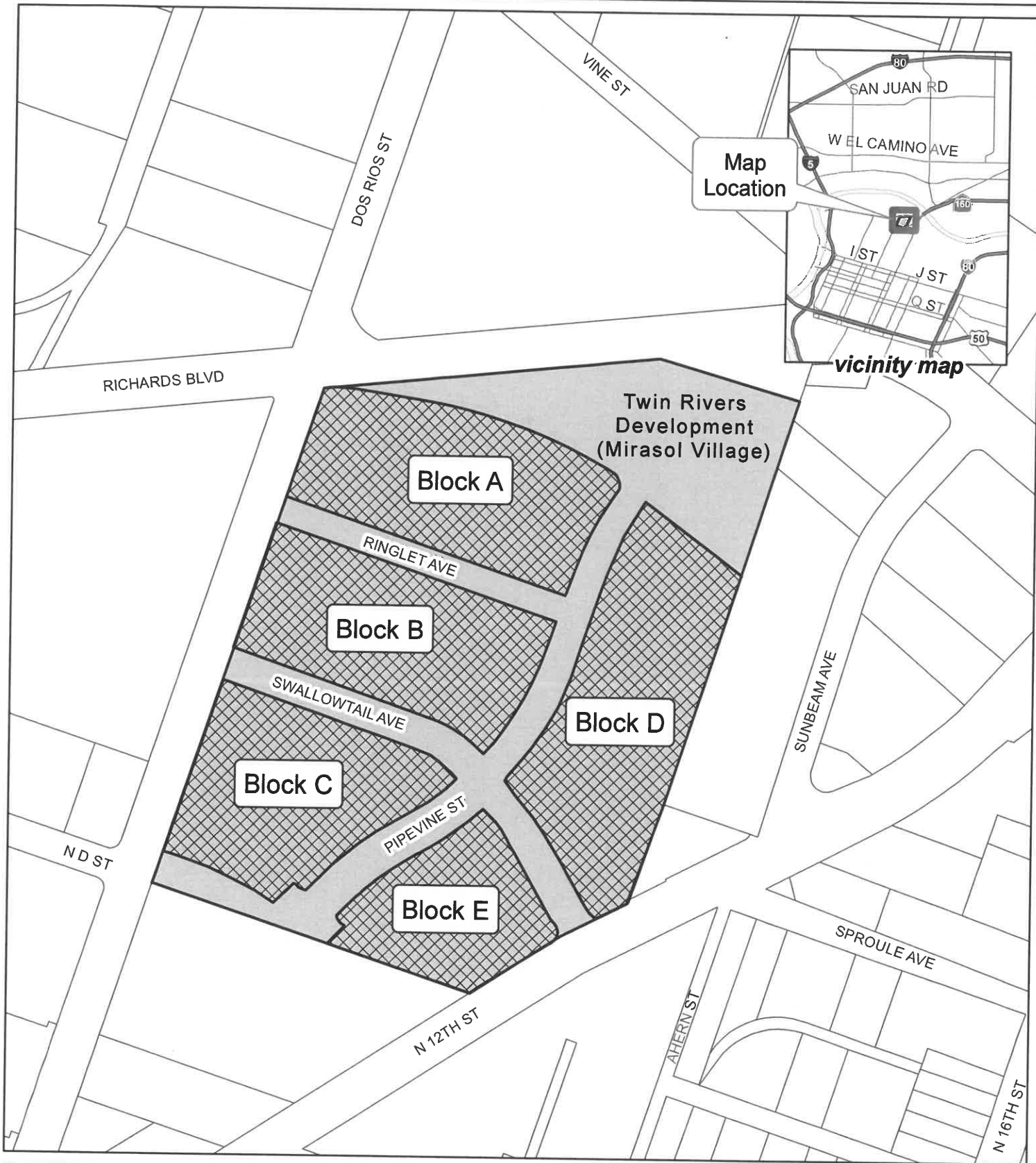
Twin Rivers Phase 3 L.P., a California limited partnership

By: McCormack Baron Salazar, Inc., or related entity

By: \_\_\_\_\_  
Daniel Falcon, Vice President



# Twin Rivers Blocks (Mirasol Village)



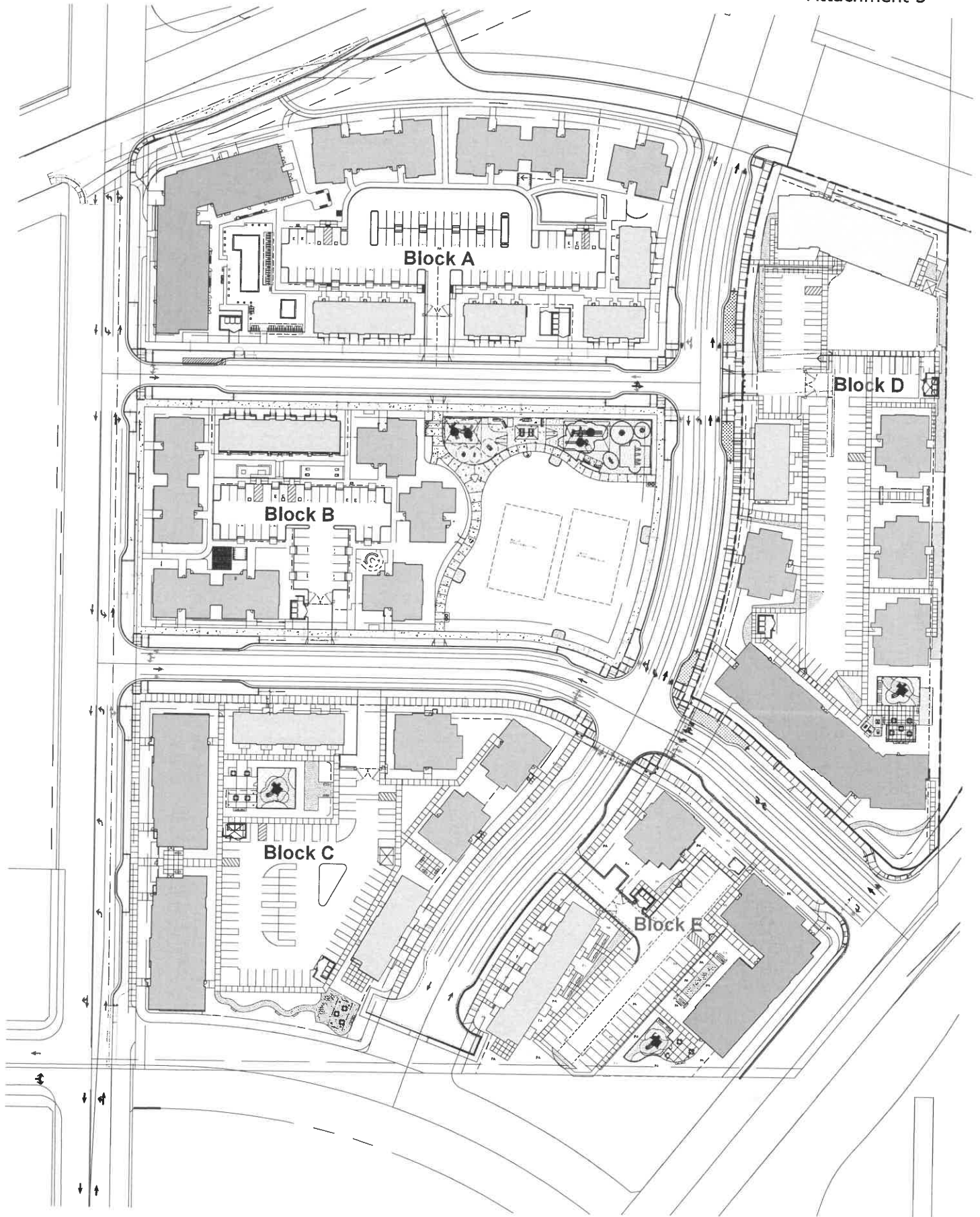
Block



Twin Rivers Development (Mirasol Village)



SHRA GIS  
December 16, 2019





February 1, 2020

Sacramento Housing and  
Redevelopment Commission  
Sacramento, CA

Honorable Members in Session:

SUBJECT:

Rental Assistance Demonstration (RAD) Project Phase 1 Re-Tax Equity And Fiscal Responsibility Act Hearing, Approval Of Final Tax Exempt Bonds, RAD and Loan Documents, And Ground Lease

RECOMMENDATION

Staff recommends approval of the recommendations outlined in this report prior to final approval by the County of Sacramento.

Respectfully submitted,

Attachment

  
LA SHELLE DOZIER, Executive Director  
Sacramento Housing and  
Redevelopment Agency

**COUNTY OF SACRAMENTO  
CALIFORNIA**

For the Agenda of:  
January 28, 2019  
9:45 am

To: Board of Supervisors and Housing Authority of the County of Sacramento

Through: Navdeep S. Gill, County Executive

From: La Shelle Dozier, Executive Director, Sacramento Housing and Redevelopment Agency

Subject: Rental Assistance Demonstration (RAD) Project Phase 1 Re-Tax Equity And Fiscal Responsibility Act Hearing, Approval Of Final Tax Exempt Bonds, RAD and Loan Documents, And Ground Lease

District(s): Frost, Kennedy, Nottoli and Serna

**RECOMMENDED ACTION**

Staff recommends holding a Re-Tax Equity and Fiscal Responsibility Act (TEFRA) hearing, approving the issuance of up to \$25,000,000 in Mortgage Revenue Bonds and authorizing the Executive Director of the Housing Authority of the County of Sacramento (Housing Authority) to execute the necessary agreements to finance the Rental Assistance Demonstration (RAD) Project Phase 1 (Project). Staff also recommends authorizing Sacramento Housing and Redevelopment Agency (Agency) to enter into and execute a Loan Agreement comprised of \$950,000 in HOME Investment Partnerships Program (HOME) funds and necessary agreements to finance the Project. The Clerk is requested to provide one certified copy of each resolution to the Sacramento Housing and Redevelopment Agency.

**BACKGROUND**

Asset Repositioning Plan

On October 30, 2018, the County Housing Authority Board (Board) adopted Resolution No. HA-2423 which approved updates to the Housing Authority's Asset Repositioning Plan allowing for conversion of the public housing portfolio under the Rental Assistance Demonstration (RAD) and Section 18 Demolition and Disposition (Section 18) Programs. Additionally, the Board authorized the Housing Authority to submit an application to United States



Department of Housing and Urban Development (HUD) to reposition and convert County Public Housing Properties under the RAD and Section 18 Programs.

As part of the initial Asset Repositioning Plan, guiding principles were adopted to establish policy direction for each reposition activity. The general objective of these principles was to prevent the loss of units for extremely low income households, facilitate a decreased reliance on federal funds, incorporate smart growth principles into development opportunities, reinvest sale proceeds into Housing Authority replacement units, foster partnerships with entities to position development efforts for success, and to pursue actions that would generate fees and other revenue for the Housing Authority. Conversion to RAD is a critical component of the Asset Repositioning Plan as RAD allows public housing agencies (PHAs) to convert public housing units to long-term, Project Based Voucher rental assistance developments which facilitates access to private debt and equity to address immediate and long-term capital needs. An allocation of County HOME funds is being requested as part of this action. Future RAD phases may or may not require local gap financing depending upon the scope of rehabilitation and other funding sources available at the time of conversion.

#### RAD and HOTMA Project Based Vouchers

On November 30, 2018, HUD approved the Housing Authority's application to convert six scattered sites comprised of 124 public housing development units to RAD, collectively known as the RAD Phase 1 Project (Project). The RAD Phase I Project includes six sites which are: Pointe Lagoon consisting of three scattered sites (two are located in the unincorporated County of Sacramento and one in the City of Elk Grove); Rio Garden located in the unincorporated County; and Oak Park and Meadow Commons which are located in the City of Sacramento. HUD also approved 118 RAD Program specific Project Based Vouchers with an initial term of 20-years that will automatically renew. These RAD vouchers are new to Sacramento and will increase the total number of vouchers administered by the Housing Authority. HUD has the authority to remove five percent (six units) of the 124 units from the RAD Program to allow for higher contract rents without impacting the tenant rents as authorized by Public and Indian Housing (PIH)-2012-32 (HA) H-2017-03, REV-3.

On May 17, 2019, Housing Authority staff requested and HUD approved the remaining six units without RAD vouchers to participate in HUD's Housing Opportunity Through Modernization Act (HOTMA) Project Based Voucher (PBV) Program. These HOTMA PBVs are from existing Housing Authority vouchers and are required in order to provide long-term operating feasibility. Subject to appropriations and compliance with PBV program requirements,

the RAD and HOTMA vouchers will remain at the Project as long as the Housing Authority has an ownership interest in the properties.

RAD conversion will not change the composition of the units which will continue to target households with incomes at or below 80 percent of the area median income. The Project will require a RAD Use Agreement with HUD and a 99-year ground lease that has affordability restrictions on the land beyond the 55-year tax credit affordability term. The Housing Authority will maintain its ground lease and ownership interest in the land to ensure that affordability restrictions do not expire. The voucher allocation for each of the six scattered sites below are summarized in the table.

**RAD Phase 1 - RAD and HOTMA Project Based Vouchers**

<b>Six Scattered Sites</b>	<b>Location and Jurisdiction</b>	<b>RAD PBV</b>	<b>HOTMA PBV</b>	<b>Total PBV</b>
Pointe Lagoon Site 1 of 3	4500 Perry Ave. County of Sacramento	5	5	10
Pointe Lagoon Site 2 of 3	4930 El Paraiso Ave. County of Sacramento	36	0	36
Pointe Lagoon Site 3 of 3	9205 Elk Grove Blvd. City of Elk Grove	16	0	16
Rio Garden	8223 Walerga Road County of Sacramento	24	0	24
Oak Park	4921 Folsom Blvd. City of Sacramento	10	0	10
Meadow Commons	1043 43rd Ave. City of Sacramento	27	1	28
<b>Total</b>		<b>118</b>	<b>6</b>	<b>124</b>

Loan Commitment and Option Agreement

On July 23, 2019, the Board adopted Resolution No. HA-2433, which authorized the Housing Authority to enter into a Loan Commitment and an Option Agreement for the Ground Lease and Purchase and Sale of Improvements, in an amount justified by an updated fair market value appraisal, with Sacramento Housing Authority Repositioning Program, Inc., (SHARP) or related entity. On August 14, 2019, appraisals were updated.

Tax Credit and Tax Exempt Mortgage Revenue Bonds Allocation

On October 16, 2019, the California Tax Credit Allocation Committee (CTCAC) allocated four percent federal tax credits and the California Debt Limit Allocation Committee (CDLAC) awarded multifamily mortgage revenue bonds to the Project.

Financing Loan

On December 16, 2019, SHARP made a request to the Agency for a \$950,000 construction and permanent financing loan comprised of HOME funds due to increased construction costs at the scattered sites located at 4500 Perry Avenue, 4930 El Paraiso Avenue and 8223 Walerga Road in the unincorporated area of the County of Sacramento. The addition of the HOME funds is needed for the project to meet the Agency's minimum construction standards as outlined in the Multifamily Lending and Mortgage Revenue Bond Policies (Lending Policies).

In August 2019, three pre-applications for County funding were received. Two projects, Saybrook Apartments and 46<sup>th</sup> Street, were invited to submit funding applications. One project, Farm to Future requested \$4.5 million which exceeded funding availability, and therefore, was not invited to submit a full application. Under the Lending Policies in place during the August 2019 funding round, RAD was a second priority project. RAD did not submit a pre-application for funding in August 2019 as no local funding was expected to be needed at that time. During the County's Design Review and the Agency's bid process, it was determined additional funds were needed in order to meet minimum rehabilitation requirements. HUD's schedule did not allow time to submit a pre-application in 2020 funding. The allocation of HOME funds to this Project does not result in any applicant not receiving funds or receiving a lesser award of funding.

Staff is requesting approval of the issuance, execution and delivery of multifamily mortgage revenue bonds not to exceed \$25,000,000 for the acquisition, construction and permanent financing of RAD Phase 1. The re-TEFRA is required due to new Internal Revenue Service regulations for scattered site projects.

Staff is recommending approval to enter into and execute all necessary documents, agreements and certificates, including, but not limited to the following:

- RAD Documents
- Acquisition Documents
- Seller Carryback Loan Documents
- Construction and Permanent Loan Documents (Housing Authority Capital Funds and Bond Proceeds)
- Construction and Permanent Loan Documents (HOME Funds)
- Ground Lease Loan Documents
- Governmental Note
- Pledge Obligations
- Assignment/Subordination Documents

Rental Assistance Demonstration (RAD) Project Phase 1 Re-Tax Equity And Fiscal Responsibility Act Hearing, Approval Of Final Tax Exempt Bonds, RAD And Loan Documents, And Ground Lease  
Page 5

- Administrative Services Agreement
- Property Management Agreement
- Assignment of Services Contracts
- Option/Right of First Refusal (ROFR) Documents
- Any and all other documents necessary for the Housing Authority to convert the Project through the RAD Program.

Staff is also recommending approval to convey the leasehold interest in the Land and fee interest in the Improvements, to consummate and subordinate the Seller Carryback Loan, the Construction-Permanent Loans, and the Ground Lease Loan, and to otherwise reasonably assist the Partnership in securing the financing for the Project.

Staff is also requesting authorization to amend the Housing Authority budget and allocate the following for the acquisition, construction and permanent financing of the Project:

**RAD Phase 1 – Permanent Sources and Not To Exceed (NTE) Amounts**

<b>County Housing Authority Permanent Sources</b>	<b>NTE Amounts</b>
Housing Authority Capital Funds (Construction and Permanent Loan)	\$1,000,000
Cash Proceeds from the Sale of Improvements (Construction and Permanent Loan)	\$2,628,300
HOME Funds (Construction and Permanent Loan)	\$ 950,000
Seller Carryback Loan on the Improvements (or an amount justified by an updated fair market value appraisal)	\$4,900,000
Ground Lease Loan (or an amount justified by an updated fair market value appraisal)	\$1,020,000
<b>TOTAL</b>	<b>\$10,498,300</b>

Vicinity maps are included as Attachments 1 through 7, and photos of all proposed RAD Phase 1 properties are included as Attachment 8. The scope of development for each site is included as Exhibit 6 of the Seller Carryback Loan Agreement (Attachment 13). Additional background related to the Project is included below.

### Pointe Lagoon

Pointe Lagoon is comprised of three scattered sites with a total of 62 units. The first site is located in the unincorporated area of the County of Sacramento at 4500 Perry Avenue. There are five buildings on approximately 0.54 acres that provide ten three-bedroom units, a laundry facility and 17 on-site parking spaces.

The property was originally developed by a private entity subject to Use Permits (1984-UP-0748 and 1985-UP-1338). The Use Permits and current Zoning Code, required construction of six carports, trash enclosure and associated landscaping (Attachment 9). The carports were never constructed, and modifications to the site have made the site noncompliant with the Use Permits. As part of this project, the Agency is not proposing to bring the project in compliance with the Use Permits, as the construction of covered parking would impose an undue financial burden on the project.

Zoning Code Section 3.6.3.A.4 states that a Use Permit will not be required for County agency facilities for which budgetary responsibility rests wholly or partly with the Board, and where the facility has been subject to public hearings for the purpose of allocating funding. Based on this Section, County Planning is prepared to approve a substantial compliance determination for the Use Permits documenting the existing conditions including no covered parking. If approved by the Board, the Office of Planning and Environmental Review will include a memorandum in the project file and update project exhibits once a design review is complete.

The second site is located in the unincorporated area of the County of Sacramento at 4930 El Paraiso Avenue. There are ten buildings on approximately 2.61 acres that provide 36 one-bedroom units, a community room, laundry facility and 56 on-site parking spaces.

The third site is located in the City of Elk Grove at 9205 Elk Grove Boulevard. There are six buildings on approximately 0.85 acres that provide 16 two-bedroom units and a laundry facility and 24 on-site parking spaces.

### Rio Garden

The Rio Garden site is located in the unincorporated area of the County of Sacramento at 8223 Walerga Road. There are four buildings on approximately 1.89 acres that provide 24 three-bedroom units, community room, laundry facility and 50 on-site parking spaces.

Oak Park

The Oak Park site is located at 4921 Folsom Boulevard in the City of Sacramento. There are three buildings on approximately 0.73 acres that provide 10 three-bedroom units and 12 on-site parking spaces.

Meadow Commons

The Meadow Commons site is located at 1043 43rd Avenue in the City of Sacramento. There are eight buildings on approximately 1.54 acres that provide 28 one-bedroom units, community room, barbecue area and 13 on-site parking spaces.

Developer: The Developer of the Project will be the Sacramento Housing Authority Repositioning Program, Inc., (SHARP) which is a nonprofit public benefit corporation created by the Housing Authority in 2009 to implement the Housing Authority's Asset Repositioning Strategy. Activities undertaken by SHARP include acquiring, developing, financing, rehabilitating, owning and operating affordable housing which enables aging Housing Authority assets to maintain and preserve their affordable units. SHARP partnered with BRIDGE Housing to rehabilitate a total of three Housing Authority properties, including Sutterview, Washington Plaza and Sierra Vista Apartments. SHARP also partnered with the John Stewart Company to rehabilitate Shasta Hotel.

Property Management: Housing Authority staff will manage the RAD Phase 1 units. They currently manage the Sutterview, Washington Plaza and Sierra Vista Apartment complexes, along with over 3,000 other housing units throughout the City and County of Sacramento.

Resident Services: Housing Authority staff will provide resident services. Examples of services to be offered include the Family-Self Sufficiency Program for residents transitioning to work and the Service Coordination Program for those who do not have a high school diploma, or who have health or financial literacy needs. Elderly and disabled residents will receive services from Life Skills Training and Educational Programs (LifeSTEPS). In addition, the Housing Authority plans to expand the Jobs Plus Program by partnering with the Section 3 Program to develop training and job opportunities for residents.

Security Plan: The security plan includes installation of upgraded exterior lighting.

Project Financing: The proposed financing for RAD Phase 1 includes four percent Low Income Housing Tax Credits (LIHTC), tax exempt bonds, a conventional loan, Housing Authority seller carryback (improvements), cash

proceeds note from the sale of improvements, Capital Fund and ground lease loans, a deferred developer fee, general partnership contribution, and RAD and HOTMA Program Project Based Vouchers (PBV).

Low-Income Set-Aside Requirements: As a condition of receiving tax credits, federal law requires that rental units be set aside for targeted-income groups. Income restrictions from LIHTC financing require that no households have income above 80 percent of Area Median Income (AMI). The affordability restrictions will be specified in regulatory agreements between the Housing Authority and the Developer. The Project Summary and Proforma are included as Attachments 10 and 11. A schedule of maximum income and rents are included as Attachment 12. The anticipated funding sources and their affordability requirements are summarized in the table below for the Project:

### RAD Phase 1 - Affordability Levels

<b>Unit Type</b>	<b>Units</b>	<b>% of Units</b>	<b>Affordability Restriction<sup>1</sup> (55 years)</b>
LIHTC, Tax-exempt Bonds, Housing Authority Funds, RAD PBV and HOME Funds	53	43%	Very Low Income 50% of Area Median Income (AMI)
LIHTC, Tax-exempt Bonds, Housing Authority Funds and RAD PBV	60	48%	Low Income 60% of AMI
LIHTC, Tax-exempt Bonds, Housing Authority Funds, and HOTMA PBV	6	5%	Low Income 60% of AMI
LIHTC, Tax-exempt Bonds, Housing Authority Funds and RAD PBV	5	4%	Low-Moderate Income 80% of AMI
<b>Total</b>	<b>124</b>	<b>100%</b>	

<sup>1</sup>Pursuant to 24CFR 983.301, contract rents approved by HUD may exceed the tax-credit rent limits; and the AMI change is due to income averaging regulation by CDLAC. The tenant rent will not exceed 30% of the household adjusted gross income with PBV.

### COMMISSION ACTION

At its meeting of February 5, 2020, the Sacramento Housing and Redevelopment Commission will consider the staff recommendation for this item. Staff will notify the Board in the event the item is not approved.

### POLICY CONSIDERATIONS

The recommended actions are consistent HUD guidelines to reposition and convert County Public Housing Properties under the RAD Program and the Housing Authority Asset Repositioning Plan. In addition, the Project is generally consistent with the approved Agency's Multifamily Lending and Mortgage Revenue Bond Policies.

All affordable housing units will be regulated for a period of 99 years by the Housing Authority as a ground lease requirement; 55 years by the California Tax Credit and Debt Limit Allocation Committees as a LIHTC and bond funding requirement. Regulatory restrictions of the Project will be specified in the bond regulatory agreement between the Developer and the Housing Authority for a period of 55 years. The HOME regulatory agreement between the Developer and Agency will be for a period of 15 years. Compliance with the ground lease and bond and HOME regulatory agreements will be monitored by the Agency on an annual basis.

### ENVIRONMENTAL REVIEW

California Environmental Quality Act (CEQA): The disposition and rehabilitation of the identified properties under the RAD program have been found to be Categorically Exempt under CEQA pursuant to CEQA Guidelines Section 15301, "Existing Facilities".

National Environmental Policy Act (NEPA): The disposition and rehabilitation of the identified properties under the RAD program have been found to be Categorically Excluded under NEPA pursuant to 24 CFR 58.35(a)(3)(ii) and (5), and convert to exempt pursuant to 24 CFR 58.34(a)(12).

### M/WBE/SECTION 3 CONSIDERATIONS

Minority and Women's Business Enterprise requirements and Section 3 will be applied to all activities to the greatest extent possible and as required by federal funding and in accordance with the Agency's Section 3 Economic Opportunity Plan. The Developer and General Contractor will work with the Agency's Section 3 Coordinator, the Sacramento Employment and Training Agency, and the Greater Sacramento Urban League or similar programs to promote employment opportunities.



**FINANCIAL ANALYSIS**

The proposed bond issuance will not be an obligation of the County, the Housing Authority or the Sacramento Housing and Redevelopment Agency. The bonds will be the obligation solely of the Project's owner, who will bear all costs associated with the issuance of the bonds. The Agency will receive a one-time issuance fee of 0.25 percent (25 basis points) of the bond amount which is payable at bond closing. The Agency will collect an annual payment for monitoring the regulatory restrictions and administration of the bonds, in the amount of 0.125 percent (12.5 basis points) of the bond amount for monitoring of the regulatory restrictions and administration of the bonds. The Agency will also receive a fee equal to \$100 for each HOME assisted unit annually. The law firm Orrick, Herrington and Sutcliffe, LLP, is acting as bond counsel for the Housing Authority. The proposed Housing Authority Capital Funds loan not to exceed \$1,000,000, a cash proceeds note not to exceed \$2,628,300 from the sale of improvements and \$950,000 HOME loan will each have an interest rate of three percent and a term of 55 years after construction is complete. The proposed seller carryback improvements loan not to exceed \$4,900,000, and ground lease loan not to exceed \$1,020,000 or in an amount to be justified by a fair market value appraisal of the land and improvements, will each have an Applicable Federal Rate (AFR) and a term of 55 years after construction is complete.

Respectfully Submitted,

APPROVED  
NAVDEEP S. GILL,  
County Executive

  
LA SHELLE DOZIER, Executive Director  
Sacramento Housing and  
Redevelopment Agency

By: \_\_\_\_\_  
BRUCE WAGSTAFF  
Deputy County Executive

Attachments:

- RES – Board of Supervisors Resolution-TEFRA
- RES – Housing Authority Resolution-Final Bond Authorization
- Exhibit A – Public Disclosures Relating to Conduit Revenue Obligations
- RES – Housing Authority Resolution-RAD Documents, Loan Documents, and  
Ground Lease
- RES – Board of Supervisors Resolution-HOME Loan Documents
- ATT 01 – Vicinity Map of Pointe Lagoon (4500 Perry Avenue)
- ATT 02 – Vicinity Map of Pointe Lagoon (4930 El Paraiso Avenue)
- ATT 03 – Vicinity Map of Pointe Lagoon (9205 Elk Grove Blvd)
- ATT 04 – Vicinity Map of Rio Garden (8223 Walerga Road)
- ATT 05 – Vicinity Map of Oak Park (4921 Folsom Boulevard)
- ATT 06 – Vicinity Map of Meadow Commons (1043 43rd Avenue)
- ATT 07 – Vicinity Map of RAD Phase 1 (all six sites)
- ATT 08 – Pictures of RAD Phase 1
- ATT 09 – Use Permits
- ATT 10 – Project Summary
- ATT 11 – Cash Flow Proforma
- ATT 12 – Maximum Income and Rent Limits
- ATT 13 – Seller Carryback Loan Documents, including the Scope of  
Development
- ATT 14 – Construction and Permanent Loan Documents, including the RAD  
Use Agreement (Housing Authority Capital Funds and Bond  
Proceeds)
- ATT 15 – Construction and Permanent Loan Documents (HOME Funds)
- ATT 16 – Disposition and Development Agreement, including the Ground  
Lease Loan Documents

**RESOLUTION NO. \_\_\_\_\_**

**RENTAL ASSISTANCE DEMONSTRATION (RAD) PHASE 1  
REHABILITATION: APPROVING THE ISSUANCE OF  
OBLIGATIONS BY THE HOUSING AUTHORITY OF THE  
COUNTY OF SACRAMENTO ON BEHALF OF RAD PILOT, LP,  
A CALIFORNIA LIMITED PARTNERSHIP**

**WHEREAS**, the Housing Authority of the County of Sacramento, a housing authority organized and existing under the laws of the State of California (Authority), proposes a plan of financing providing for the issuance of exempt facility bonds for a qualified residential rental project pursuant to Section 142(a)(7) of the Internal Revenue Code of 1986 (Code) in one or more series issued from time to time, including bonds issued to refund such exempt facility bonds in one or more series from time to time, and at no time to exceed \$25,000,000 (Obligations) and to lend the proceeds thereof to RAD Pilot, LP, a California limited partnership or a partnership of which Sacramento Housing Authority Repositioning Program, Inc. (SHARP) (Developer) or a related person to the Developer is the general partner, to be used to provide funds to finance or refinance the acquisition, rehabilitation and development of the following multifamily housing residential facilities in the following not to exceed amounts: (1) 1043 43rd Avenue, Sacramento, California, consisting of 28 units (Obligation proceeds in an amount not to exceed \$5,600,000), (2) 4921 Folsom Boulevard, Sacramento, California, consisting of 10 units (Obligation proceeds in an amount not to exceed \$2,200,000), (3) 4930 El Paraiso Avenue, Sacramento, California, consisting of 36 units (Obligation proceeds in an amount not to exceed \$6,400,000), (4) 4500 Perry Avenue, Sacramento, California, consisting of 10 units (Obligation proceeds in an amount not to exceed \$4,000,000), (5) 8223 Walerga Road, Antelope, California, consisting of 24 units (Obligation proceeds in an amount not to exceed \$4,500,000), and (6) 9205 Elk Grove Boulevard, Elk Grove, California, consisting of 16 units (Obligation proceeds in an amount not to exceed \$2,300,000);

**WHEREAS**, Section 147(f) of the Code requires the execution and delivery of the Obligations to be approved by the Board of Supervisors of the County (Board), as the elected representative of the County of Sacramento and the host jurisdiction of the subject multifamily housing residential facility, after a public hearing has been held following reasonable and proper notice;

**WHEREAS**, a public hearing was held by the Board on January 28, 2020, following duly published notice thereof, and all persons desiring to be heard have been heard;

**WHEREAS**, it is in the public interest and for the public benefit that the Board, as the elected representative of the County of Sacramento and the host jurisdiction of the subject multifamily housing residential facility, approve the execution and delivery by the Authority of the Obligations.

**NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF SUPERVISORS OF THE COUNTY OF SACRAMENTO:**

Section 1. The Board of Supervisors of the County of Sacramento hereby finds, determines and declares that issuance by the Authority of the Obligations in the maximum principal amount of \$25,000,000 for the purposes described above is hereby approved.

Section 2. This resolution shall take effect immediately upon its adoption.

On a motion by Supervisor \_\_\_\_\_, seconded by Supervisor  
\_\_\_\_\_, the foregoing Resolution was passed and adopted by the  
Board of Supervisors of the County of Sacramento this 28th day of January,  
2020, by the following vote, to wit:

AYES: Supervisors,

NOES: Supervisors,

ABSENT: Supervisors,

ABSTAIN: Supervisors,

RECUSAL: Supervisors,

(PER POLITICAL REFORM ACT (§ 18702.5.))

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Chair of the Board of Supervisors  
of Sacramento County, California

(SEAL)

ATTEST: \_\_\_\_\_  
Clerk, Board of Supervisors

**RESOLUTION NO. \_\_\_\_\_**

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

**RENTAL ASSISTANCE DEMONSTRATION (RAD) PHASE 1  
REHABILITATION: AUTHORIZING THE EXECUTION AND DELIVERY OF  
A MULTIFAMILY HOUSING REVENUE NOTE IN AN AGGREGATE  
PRINCIPAL AMOUNT NOT TO EXCEED \$25,000,000 FOR THE  
FINANCING OF A MULTIFAMILY RENTAL HOUSING PROJECT TO BE  
GENERALLY KNOWN AS RAD PHASE I APARTMENTS PROJECT;  
AUTHORIZING THE EXECUTION AND DELIVERY OF A FUNDING LOAN  
AGREEMENT, A PROJECT LOAN AGREEMENT, A REGULATORY  
AGREEMENT AND DECLARATION OF RESTRICTIVE COVENANTS FOR  
EACH PROJECT SITE AND OTHER DOCUMENTS RELATING THERETO;  
AND APPROVING OTHER ACTIONS AND MATTERS RELATING  
THERETO**

**WHEREAS**, the Housing Authority of the County of Sacramento (Authority) is authorized by Chapter 1 of Part 2 of Division 24 of the California Health and Safety Code (commencing with Section 34200) (Act) to issue and sell revenue obligations for the purpose of making loans or otherwise providing funds to finance the acquisition, construction, rehabilitation and development of multifamily residential rental housing projects, including units for households meeting the income limits set forth in the Act; and

**WHEREAS**, the governing board of the Authority (Board) hereby finds and declares that it is necessary, essential and a public purpose for the Authority to finance multifamily housing projects pursuant to the Act, in order to increase and maintain the supply of multifamily housing in the County of Sacramento (County) available to persons and families within the income limitations established by the Act; and

**WHEREAS**, the proceeds of such obligations issued by a housing authority may be loaned to a nongovernmental owner of multifamily housing, who shall be responsible for the payment of such obligations, to allow such nongovernmental owner to reduce the cost of operating such

housing and to assist in providing housing for low and very low income persons; and

**WHEREAS**, RAD Pilot, LP, a California limited partnership, and entities related thereto (collectively, 'Borrower'), has requested the Authority execute and deliver its Housing Authority of the County of Sacramento Multifamily Housing Revenue Note (RAD Phase I Apartments Project) 2020 Issue A (Note) and loan the proceeds thereof to the Borrower to finance the acquisition and rehabilitation of a 124-unit scattered site multifamily rental housing development, consisting of (i) a 28-unit multifamily rental housing development located at 1043 43<sup>rd</sup> Avenue, Sacramento, California and known as Site A – 43<sup>rd</sup> Avenue; (ii) a 10-unit multifamily rental housing development located at 4921 Folsom Boulevard, Sacramento, California and known as Site B – Folsom Boulevard; (iii) a 36-unit multifamily rental housing development located at 4930 El Paraiso Avenue, Sacramento, California and known as Site C – El Paraiso Avenue; (iv) a 10-unit multifamily rental housing development located at 4500 Perry Avenue, Sacramento, California and known as Site D – 4500 Perry Avenue; (v) a 24-unit multifamily rental housing development located at 8223 Walerga Road, Antelope, California and known as Site E – 8223 Walerga Road; and (vi) a 16-unit multifamily rental housing development located at 9205 Elk Grove Boulevard, Elk Grove, California and known as Site F – 9205 Elk Grove Boulevard, (each a 'Site'), all located in the County of Sacramento, and to be commonly known as RAD Phase I Apartments Project (collectively, Project); and

**WHEREAS**, on October 16, 2019, the Authority received an allocation in the amount of \$12,500,000 (Allocation Amount) from the California Debt Limit Allocation Committee in connection with the Project; and

**WHEREAS**, the Board of Supervisors of the County has by resolution approved the issuance of the Note by the Authority, following notice and a public hearing as required by Section 147(f) of the Internal Revenue Code of 1986, as amended; and

**WHEREAS**, the Authority is willing to execute and deliver the Note in an aggregate principal amount not to exceed \$25,000,000, provided that the portion of such Note executed and delivered as federally tax-exempt obligations shall not exceed the Allocation Amount, and to loan the proceeds thereof to the Borrower to assist in providing financing for the Project, which will allow the Borrower to reduce the cost of the Project and to assist in providing housing for persons of low and very low income; and

**WHEREAS**, the Note will be executed and delivered to Wells Fargo Bank, National Association (Funding Lender), as the initial purchaser of the Note, in accordance with the Authority's policies; and

**WHEREAS**, the Federal Home Loan Mortgage Corporation, a shareholder-owned government-sponsored enterprise (Freddie Mac) has entered into an agreement with the Funding Lender whereby Freddie Mac has committed to facilitate the permanent financing of the Project by purchasing the Funding Loan as evidenced by the Note from Prudential Affordable Mortgage Company, LLC (Freddie Mac Seller/Servicer), subject to such Freddie Mac Seller/Servicer's purchase of the Funding Loan as evidenced by the Note from the Funding Lender upon the date of completion of the rehabilitation of the Project and subject to satisfaction of certain conditions as described in the Funding Loan Agreement and that certain Construction Phase Financing Agreement, among the Funding Lender, Freddie Mac and the Freddie Mac Seller/Servicer as acknowledged and agreed to by the Borrower.



**WHEREAS**, there have been prepared and made available to the Board the following documents required for the execution and delivery of the Note, and such documents are now in substantial form and appropriate instruments to be executed and delivered for the purposes intended:

(1) Funding Loan Agreement (Funding Loan Agreement) to be entered into between the Funding Lender, the Authority and U.S. Bank, National Association, as fiscal agent (Fiscal Agent);

(2) Project Loan Agreement (Project Loan Agreement) to be entered into between the Authority, the Fiscal Agent and the Borrower;

(3) Regulatory Agreement and Declaration of Restrictive Covenants (Regulatory Agreement) to be entered into between the Authority and the Borrower, with respect to each Site related to the Project; and

**WHEREAS**, the Authority hereby finds and declares that this resolution is being adopted pursuant to the powers granted by the Act; and

**WHEREAS**, all conditions, items and acts required to exist, to have happened and to have been performed precedent to and in connection with the execution and delivery of the Note as contemplated by this resolution and the documents referred to herein will exist, have happened and have been performed in due time, form and manner as required by the laws of the State of California, including the Act; and

**WHEREAS**, pursuant to Section 5852.1 of the California Government Code, the Authority, as a conduit financing provider, has received certain representations and good faith estimates from the Borrower and has disclosed such good faith estimates as set forth on Exhibit A attached hereto; and

**NOW, THEREFORE, BE IT RESOLVED THAT THE HOUSING AUTHORITY OF THE COUNTY OF SACRAMENTO DECLARES AND ORDERS AS FOLLOWS:**

Section 1. The Authority hereby finds and declares that the above recitals are true and correct.

Section 2. Pursuant to the Act and the Funding Loan Agreement, the execution and delivery of a Note designated as "Housing Authority of the County of Sacramento Multifamily Housing Revenue Note (RAD Phase I Apartments Project) 2020 Issue A," is hereby authorized, including, if and to the extent necessary, one or more sub-series, with appropriate modifications and series and sub-series designations as necessary, in an aggregate principal amount not to exceed \$25,000,000; provided that the aggregate principal amount of any tax-exempt Note issued shall not exceed the Allocation Amount.

Section 3. The Note shall be executed and delivered in the form set forth in and otherwise in accordance with the Funding Loan Agreement, and shall be executed on behalf of the Authority by the manual or facsimile signature of the Chairperson or Executive Director of the Authority, or their designee, each acting alone (each an 'Authorized Officer'), with such changes, deletions and insertions as may be approved by such Authorized Officers and legal counsel to the Authority, such approvals being conclusively evidenced by the execution and delivery thereof, and the Clerk of the Sacramento Housing and Redevelopment Agency or such designee (Clerk) is hereby authorized and directed, if required, to attest the Note in said form by manual or facsimile signature thereof. The Note shall be secured in accordance with the terms of the Funding Loan Agreement presented to this meeting, as hereinafter approved.

Section 4. Payment of the principal and purchase price of, and prepayment premium, if any, and interest on, the Note shall be made solely from amounts pledged thereto under the Funding Loan Agreement, and the Note shall not be deemed to constitute a debt or liability of the Authority, the County of Sacramento, the Sacramento Housing and Redevelopment Agency or any commissioners of the Board.

Section 5. The Funding Loan Agreement in the form on file with the Clerk, is hereby approved. The Authorized Officers, each acting alone, are hereby authorized for and on behalf of the Authority to execute by manual signature and deliver the Funding Loan Agreement with such changes, additions or deletions as may be approved by such Authorized Officer and legal counsel to the Authority, such approvals to be conclusively evidenced by the execution and delivery thereof. The date, maturity date or dates (which shall not be more than 45 years from the date of execution and delivery thereof), interest rate or rates (which shall not exceed 12%), interest payment dates, denominations, form, registration privileges, manner of execution, place of payment, terms of prepayment and other terms of the Note shall be as provided in the Funding Loan Agreement as finally executed.

Section 6. The Project Loan Agreement in the form on file with the Clerk, is hereby approved. The Authorized Officers, each acting alone, are hereby authorized for and on behalf of the Authority to execute by manual signature and deliver the Project Loan Agreement with such changes, additions and deletions as may be approved by such Authorized Officer and legal counsel to the Authority, such approvals to be conclusively evidenced by the execution and delivery thereof.

Section 7. The Regulatory Agreement in the form on file with the Clerk, is hereby approved. The Authorized Officers, each acting alone, are

hereby authorized for and on behalf of the Authority to execute by manual signature and deliver a Regulatory Agreement for each Site with such changes, additions or deletions as may be approved by such Authorized Officer and legal counsel to the Authority, such approvals to be conclusively evidenced by the execution and delivery thereof.

Section 8. The Authority is hereby authorized to execute and deliver the Note to the Funding Loan pursuant to the terms and conditions of the Funding Loan Agreement.

Section 9. The Note, when executed, shall be delivered to the Fiscal Agent for authentication and registration. The Fiscal Agent is hereby requested and directed to register the Note by executing the certificate of registration appearing thereon, and to deliver the Note, when duly executed and authenticated, to or at the direction of the purchasers thereof in accordance with written instructions executed and delivered on behalf of the Authority by an Authorized Officer, which any Authorized Officer, acting alone, is hereby authorized and directed to execute and deliver such instructions to the Fiscal Agent. Such instructions shall provide for the delivery of the Note to the purchasers thereof upon payment of the purchase price thereof.

Section 10. All actions heretofore taken by the officers and agents of the Authority with respect to the financing of the Project and the execution and delivery of the Note are hereby approved, confirmed and ratified, and the proper officers of the Authority, including the Authorized Officers, are hereby authorized and directed, for and in the name and on behalf of the Authority, to do any and all things and take any and all actions and execute any and all certificates, agreements and other documents, which they, or any of them, may deem necessary or advisable in order to consummate the lawful execution and delivery of the Note in accordance with this Resolution,

including but not limited to a tax certificate, loan related documents, an assignment of deed of trust, a subordination or intercreditor agreement, an endorsement, allonge or assignment of any note, a termination of bond regulatory agreement and such other documents, certificates, agreements and other documents described in the Funding Loan Agreement, the Project Loan Agreement and the Regulatory Agreement and other documents herein approved.

Section 11. All consents, approvals, notices, orders, requests and other actions permitted or required by any of the documents authorized by this Resolution, whether before or after the execution and delivery of the Note, including without limitation any of the foregoing that may be necessary or desirable in connection with any default under or amendment of such documents, any transfer or other disposition of the Project, any addition or substitution of security for the Note or any prepayment of the Note, may be given or taken by any Authorized Officer, as appropriate, without further authorization by the Board, and each such officer is hereby authorized and directed to give any such consent, approval, notice, order or request and to take any such action that such officer may deem necessary or desirable to further the purposes of this Resolution and the financing of the Project; provided such action shall not create any obligation or liability of the Authority other than as provided in the Funding Loan Agreement and other documents approved herein. The documents authorized herein may be dated such date, and different series designations given to any Note, as may be appropriate to indicate when such Note is actually sold or delivered or the nature of such Note.

Section 12. This Resolution shall take effect immediately upon its adoption.

On a motion by Member \_\_\_\_\_, seconded by Member \_\_\_\_\_, the foregoing Resolution was passed and adopted by the Board of the Housing Authority of the County of Sacramento, State of California, this 28th day of January, 2020 by the following vote, to wit:

AYES: [Members],

NOES: [Members],

ABSENT: [Members],

ABSTAIN: [Members],

RECUSAL: [Members],  
(PER POLITICAL REFORM ACT (§ 18702.5.))

\_\_\_\_\_  
Chair of the Housing Authority of the  
County of Sacramento, California

(SEAL)

ATTEST: \_\_\_\_\_  
Clerk

## **EXHIBIT A**

### PUBLIC DISCLOSURES RELATING TO CONDUIT REVENUE OBLIGATIONS

Pursuant to California Government Code Section 5852.1, the borrower (the "Borrower") identified below has provided the following required information to the Housing Authority of the County of Sacramento (the "Housing Authority") prior to the Housing Authority's regular meeting (the "Meeting") of its Housing Authority Board (the "Board") at which Meeting the Board will consider the authorization of conduit revenue obligations (the "Bonds") as identified below.

1. Name of Borrower: **RAD Pilot LP, a California limited partnership**
2. Authority Meeting Date: **January 28, 2019.**
3. Name of Bond Issue / Conduit Revenue Obligations: **Not to Exceed \$25,000,000 Housing Authority of the County of Sacramento Multifamily Housing Revenue Bonds (Pass-Through – RAD Phase 1) Series 2019.**
4.  Private Placement Lender or Bond Purchaser,  Underwriter or  **Financial Advisor** (mark one) engaged by the Borrower from which the Borrower obtained the following required good faith estimates relating to the Bonds:
  - (A) The true interest cost of the Bonds, which means the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for the new issue of Bonds (to the nearest ten-thousandth of one percent): 6.01 %.
  - (B) The finance charge of the Bonds, which means the sum of all fees and charges paid to third parties: \$ 215,000.
  - (C) The amount of proceeds received by the public body for sale of the Bonds less the finance charge of the bonds described in subparagraph (B) and any reserves or capitalized interest paid or funded with proceeds of the Bonds: \$ 10,491,249.
  - (D) The total payment amount, which means the sum total of all payments the borrower will make to pay debt service on the Bonds plus the finance charge of the Bonds described in subparagraph (B) not paid with the proceeds of the Bonds (which total payment amount shall be calculated to the final maturity of the Bonds): \$ 13,173,902.

This document has been made available to the public at the Meeting of the Housing Authority.

**RESOLUTION NO.**

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

**RENTAL ASSISTANCE DEMONSTRATION (RAD) PHASE 1  
REHABILITATION: APPROVING THE DISPOSITION AND  
FINANCING OF THE REHABILITATION OF POINTE LAGOON AND  
RIO GARDEN THROUGH THE CONVERSION OF UNITS UNDER THE  
RAD PROGRAM, INCLUDING THE LEASE OF LAND AND SALE OF  
IMPROVEMENTS TO RAD PILOT LP, THE MAKING OF A SELLER  
CARRYBACK LOAN, CONSTRUCTION/PERMANENT LOAN, AND  
GROUND LEASE LOAN TO RAD PILOT LP, THE PROVISION OF A  
LETTER OF CREDIT FOR \$1,200,000 MILLION DOLLARS AS  
TEMPORARY SECURITY FOR PROJECT FINANCING, AND THE  
EXECUTION OF RELATED FINANCING DOCUMENTS; AND MAKING  
ENVIRONMENTAL FINDINGS**

**WHEREAS**, on October 30, 2018, the Board of the Housing Authority of the County of Sacramento (Board) adopted Resolution No. HA-2423, which approved the updates to the Housing Authority Asset Repositioning Plan allowing for conversion of the public housing portfolio under the Rental Assistance Demonstration (RAD) and Section 18 Demolition and Disposition (Section 18) Programs. Additionally, the Board authorized the Housing Authority to submit an application to United States Department of Housing and Urban Development (HUD) to reposition and convert certain County Public Housing Properties under the RAD Program and certain other County Public Housing Properties under the Section 18 Program;

**WHEREAS**, the Housing Authority of the County of Sacramento (Authority) owns Pointe Lagoon and Rio Garden, two public housing projects located in the County of Sacramento, California, consisting of three (3) Pointe Lagoon properties located at 4500 Perry Avenue, Sacramento; 4930 El Paraiso Avenue, Sacramento; and 9205 Elk Grove Boulevard, Elk Grove; and one (1) Rio Garden property located at 8223 Walerga Road, Antelope (collectively, the Authority Sites);



**WHEREAS**, on November 30, 2018, HUD approved an application to reposition and convert 62 units at Pointe Lagoon and 24 units at Rio Garden, to RAD Project Based Vouchers;

**WHEREAS**, five of the 86 units in the Authority Sites were approved by HUD for "de minimis" conversion under the RAD Program and will be funded with Authority Project Based Vouchers;

**WHEREAS**, on May 17, 2019, five of the 86 units in the Authority Sites were approved by the Authority under the HUD Housing Opportunity Through Modernization Act of 2016 (HOTMA) and will be funded with Authority Project Based Vouchers;

**WHEREAS**, the Authority's RAD application was approved as part of a single, joint scattered site RAD Program rehabilitation project which includes certain properties owned by the Housing Authority of the City of Sacramento (City Authority);

**WHEREAS**, the City properties are located in the City of Sacramento and consist of two sites located at 4921 Folsom Boulevard and 1043 43rd Avenue in the City of Sacramento (City Sites). The City Sites are the subject of a separate resolution to be authorized by the City Authority;

**WHEREAS**, the Authority Sites and the City Sites are referred to collectively as the "Project";

**WHEREAS**, on July 23, 2019, the Board adopted Resolution No. HA-2433, which authorized the Authority to: 1) enter into an Option Agreement for the Ground Lease of Land and Purchase and Sale of Improvements in an amount justified by an updated fair market value appraisal (Option to Lease and Sell); and 2) enter into a Loan Commitment of (i) \$958,129 in the form of capital funds and (ii) \$4,900,000 in the form of a seller carryback loan, with the Sacramento Housing Authority Repositioning Program, Inc., a California nonprofit public benefit corporation affiliated with the Authority (SHARP) or an entity related to SHARP;

**WHEREAS**, the Authority entered into the Option to Lease and Sell with SHARP dated July 23, 2019 by which the Authority agreed to lease the Land for a term of 99 years for capitalized rent in the amount of \$1,020,000;

**WHEREAS**, as of August 14, 2019, the updated appraisals indicated the aggregate fair market value of (i) the Improvements is \$6,510,000 and (ii) the Land is \$1,020,000;

**WHEREAS**, SHARP has formed RAD Pilot LP, a California limited partnership (Partnership) to undertake the rehabilitation of the Project, the managing general partner of which is RAD Pilot LLC, a California limited liability company whose sole member is SHARP;

**WHEREAS**, to effectuate the Project, the following will occur simultaneously: (i) the Authority will lease the land underlying the Authority Sites to the Partnership (Land); (ii) the City Authority will lease the land underlying the City Sites to the Partnership; (iii) the Authority will sell the improvements within the Authority Sites (Improvements) to the Partnership; and (iv) the City Authority will sell the improvements within the City Sites to the Partnership;

**WHEREAS**, the Authority and the City will each provide separate financing to the Project with all other loan and tax credit financing for the Project will apply jointly to the Authority Sites and the City Sites;

**WHEREAS**, the Authority desires to enter into certain documents with HUD and/or the Partnership pursuant to the RAD Program, which documents shall include, but are not limited to, a Rental Assistance Demonstration Conversion Commitment (RCC); amendment to RCC; releases of HUD declarations of trust; a RAD use agreement; RAD PBV housing assistance payment contracts (HAPs); an agreement to enter an HACOS PBV HAP (AHAP); certifications; subordination agreements; and any and all documents required by HUD for the RAD Conversion or otherwise under the RAD Program (collectively, the RAD Documents);

**WHEREAS,** the Authority desires to enter into a disposition and development agreement (DDA), a ground lease for the Land for a term of ninety-nine (99) years, a purchase and sale agreement for the Improvements in the amount of \$6,510,000 (Purchase Price), a grant deed for the Improvements, a bill of sale and assignment, an assignment of Option to Lease and Sell, an assignment of leases and contracts, a Tax Credit Allocation Committee (TCAC) lease rider, and ancillary documents, including a memorandum of ground lease, a preliminary change of ownership report, closing statements, escrow instructions, and any and all other documents and certifications necessary to ground lease the Land and convey the Improvements to the Partnership, (Acquisition Documents);

**WHEREAS,** the Sacramento Housing and Redevelopment Agency desires to enter into a construction and permanent loan agreement, with RAD Pilot LP, in the amount of \$950,000 in County HOME Investment Partnerships Program funds and shall enter into any and all documents necessary to consummate such loan, including, but not limited to, as needed, a loan agreement, a promissory note and a deed of trust (HOME Loan Agreement), to finance three of the four Authority Sites located at 4500 Perry Avenue, 4930 El Paraiso Avenue and 8223 Walerga Road. The HOME Loan Agreement is subject of a separate resolution to be authorized by Sacramento County Board of Supervisors;

**WHEREAS,** the Authority desires to provide seller financing to the Partnership for a portion of the Purchase Price, in an amount not to exceed \$4,900,000 (Seller Carryback Loan) and shall enter into any and all documents necessary to consummate such loan, including, but not limited to, as needed, a loan agreement, a promissory note and a deed of trust (Seller Carryback Loan Documents);

**WHEREAS,** the Authority desires to provide a loan to the Partnership evidenced by two promissory notes: (i) a note from cash proceeds from the

sale of the Improvements in an amount not to exceed \$2,628,300, plus (ii) a public housing Capital Funds note in an amount not to exceed \$965,129 (collectively, the Construction-Permanent Loan), and enter into any and all documents necessary to consummate such loan, including, but not limited to, as needed, a loan agreement, a construction-permanent loan promissory note, a cash proceeds promissory note, a deed of trust, and a completion guaranty (Construction-Permanent Loan Documents);

**WHEREAS**, the Authority desires to provide a loan to the Partnership in the amount of the capitalized ground lease rent not to exceed \$1,020,000 (Ground Lease Loan) and shall enter into any and all documents necessary to consummate such loan, including, but not limited to, a promissory note and a deed of trust, (Ground Lease Loan Documents);

**WHEREAS**, the Authority will make a mortgage loan (Project Loan) to the Partnership in a principal amount not to exceed \$12,500,000, with proceeds received from the separate loan (Funding Loan) made to the Authority in a principal amount not to exceed \$12,500,000, by Wells Fargo Bank, National Association (Bank). The Funding Loan will be evidenced by one or more multifamily notes (collectively, the Governmental Note) delivered by the Authority to the Bank;

**WHEREAS**, upon completion of the Project and other standard conditions, the Federal Home Loan Mortgage Corporation (Freddie Mac) has committed to facilitate the financing of the Project in the permanent phase by purchasing the Funding Loan, of which an amount not to exceed \$4,000,000 (Permanent Loan) will be outstanding on the conversion date. On such conversion date, the Bank will deliver and the Prudential Affordable Mortgage Company, LLC, or affiliate, (Prudential) will purchase the Funding Loan, as evidenced by the Governmental Note. Thereafter Prudential will deliver the Funding Loan to Freddie Mac for purchase;

**WHEREAS**, the NEF Assignment Corporation, an Illinois not-for-profit corporation or its designee, is expected to enter the Partnership as investor

limited partner (Investor Limited Partner) and provide an amount not to exceed \$7,000,000 in equity in connection with the tax credit syndication of the Partnership (Tax Credit Syndication);

**WHEREAS**, the Bank and the Investor Limited Partner require the Authority to provide a letter of credit to the Bank as additional security for the obligations of SHARP, who is the guarantor for the Project and the Partnership with respect to the Bank and bond-related documents and the Tax Credit Syndication documents, until such time as SHARP is able to meet required financial benchmarks, including unrestricted liquidity of \$2,500,000 and the acquisition of 215 scattered site housing units pursuant to a Section 18 disposition;

**WHEREAS**, the terms of such SHARP benchmarks and Authority obligations are set forth in (i) a Repayment Guaranty Agreement with the Bank, which the Authority is to agree to and acknowledge, and (ii) the terms of the Tax Credit Syndication limited partnership agreement and guaranty to which SHARP and its affiliated limited partnership will be parties, which documents require that the Housing Authority of the County of Sacramento provide a letter of credit to the Bank in the amount of \$1,200,000 for a term not to exceed 24 months, which letter of credit will be secured by Authority operating reserve funds (collectively, the Authority Letter of Credit Obligations);

**WHEREAS**, in connection with the financing of the Project the Authority may be required to execute one or more assignments of HAPs, assignments of AHAPs, and to provide certain documents to the Bank, Freddie Mac, Prudential, or the Investor Limited Partner, including but not limited to subordination agreements with respect to the Seller Carryback Documents, Construction-Permanent Loan Documents, and Ground Lease Loan Documents (collectively, the Assignment/Subordination Documents);

**WHEREAS**, the Authority and/or City Authority desires to provide development services to, and enter into an administrative services

agreement with, SHARP or the Partnership (Administrative Services Agreement);

**WHEREAS**, the Authority and/or City Authority desires to serve as the property manager for the Project and enter into a property management agreement with the Partnership (Property Management Agreement);

**WHEREAS**, the Authority has entered or desires to enter into one or more architect's contracts and other professional and service contracts with third parties to provide certain services required in connection with the predevelopment and rehabilitation of the Project (collectively the Service Contracts) and the Authority shall assign such contracts and all rights, warranties and work products from the Service Contracts to the Partnership (Assignment of Service Contracts);

**WHEREAS**, as a part of the Tax Credit Syndication documents the Authority desires to enter into a purchase option and right of first refusal and a memorandum of purchase option and right of first refusal for the Project (collectively, the Option/ROFR Documents);

**WHEREAS**, the disposition and rehabilitation of the identified properties under the RAD program have been found to be Categorically Exempt under Categorically Exempt under California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Section 15301, "Existing Facilities";

**WHEREAS**, the disposition and rehabilitation of the identified properties under the RAD program have been found to be Categorically Excluded under National Environmental Policy Act (NEPA) pursuant to 24 CFR 58.35(a)(3)(ii) and (5), and convert to exempt pursuant to 24 CFR 58.34(a)(12).

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

Section 1. The above recitals, including the environmental recitals, are determined to be true and correct.

Section 2. The Authority shall effectuate the RAD Conversion and shall enter into the RAD Documents.

Section 3. The Authority shall ground lease the Land and sell the Improvements to the Partnership and shall enter into the Acquisition Documents.

Section 4. The Authority shall make the Seller Carryback Loan and enter into the Seller Carryback Loan Documents.

Section 5. The Authority shall make the Construction-Permanent Loan and enter into the Construction-Permanent Loan Documents.

Section 6. The Authority shall make the Ground Lease Loan and enter into the Ground Lease Loan Documents.

Section 7. The Authority shall make the Funding Loan and Project Loan, authorize the Permanent Loan and execute the Governmental Note.

Section 8. The Authority shall enter into the Authority Letter of Credit Obligations.

Section 9. The Authority shall enter into the Assignment and Subordination Documents.

Section 10. The Authority shall enter into the Administrative Services Agreement.

Section 11. The Authority shall enter into the Property Management Agreement.

Section 12. The Authority shall enter into the Assignment of Service Contracts.

Section 13. The Authority shall enter into the Option/Right of First Refusal Documents.

Section 14. The Executive Director, or her designee, acting alone on behalf of the Authority, shall be authorized to execute any and all necessary documents, agreements and certificates, including, but not limited to the RAD Documents, the Acquisition Documents, the Seller Carryback Loan Documents, the Construction-Permanent Loan Documents, the Ground Lease

Loan Documents, the Governmental Note, the Authority Letter of Credit Obligations, the Assignment/Subordination Documents, the Administrative Services Agreement, the Property Management Agreement, the Assignment of Services Contracts, the Option/ROFR Documents, and any and all other documents necessary for the Authority to convert the Project through the RAD Program, convey the leasehold interest in the Land and fee interest in the Improvements, consummate and subordinate the Seller Carryback Loan, the Construction-Permanent Loan, and the Ground Lease Loan, and otherwise reasonably assist the Partnership in securing the financing for the Project as described above.

Section 15: The Executive Director, or her designee, is authorized to enter into and execute all other documents and agreements as approved to form by Sacramento Housing and Redevelopment Agency counsel, as well as perform other actions necessary to complete the transactions described in, or contemplated by, this Resolution.

Section 16. The Executive Director, or her designee, is authorized to amend the budget to allocate County of Sacramento Housing Authority Capital Funds loan not to exceed \$1,000,000; a cash proceeds note not to exceed \$2,628,300 from the sale of improvements; and seller carryback improvements loan not to exceed \$4,900,000 and ground lease loan not to exceed \$1,020,000 or in an amount to be justified by a fair market value appraisal of the land and improvements.



On a motion by Member \_\_\_\_\_, seconded by Member \_\_\_\_\_, the foregoing Resolution was passed and adopted by the Board of the Housing Authority of the County of Sacramento this 28th day of January, 2020, by the following vote, to wit:

AYES: Members,

NOES: Members,

ABSENT: Members,

ABSTAIN: Members,

RECUSAL: Members,

(PER POLITICAL REFORM ACT (§ 18702.5.))

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Chair of the Board of the Housing Authority  
of Sacramento County, California

(SEAL)

ATTEST: \_\_\_\_\_  
Clerk

## **RESOLUTION NO.**

### **RENTAL ASSISTANCE DEMONSTRATION (RAD) PHASE 1 REHABILITATION: APPROVAL OF AUTHORIZATION TO EXECUTE \$950,000 HOME INVESTMENT PARTNERSHIPS PROGRAM (HOME) LOAN AGREEMENT AND RELATED DOCUMENTS WITH RAD PILOT LP, A CALIFORNIA LIMITED PARTNERSHIP (SACRAMENTO HOUSING AUTHORITY REPOSITIONING PROGRAM, INC.) OR RELATED ENTITY**

**WHEREAS**, on June 6, 2019, Sacramento Housing Authority Repositioning Program, Inc. (SHARP) submitted a mortgage revenue bond application to Sacramento Housing and Redevelopment Agency (Agency);

**WHEREAS**, on July 23, 2019, the Board of Supervisors (Board) held a Tax Equity and Fiscal Responsibility Act (TEFRA) hearing and approved the issuance of mortgage revenue bonds in one or more series, and at no time to exceed \$25,000,000, and to lend the proceeds thereof to SHARP or related entities, to be used to provide funds to finance or refinance the acquisition, rehabilitation and development of the following multifamily housing residential facilities, collectively, RAD Phase 1 project: (1) 1043 43rd Avenue, Sacramento, California, consisting of 28 units, (2) 4921 Folsom Boulevard, Sacramento, California, consisting of 10 units, (3) 4930 El Paraiso Avenue, Sacramento, California, consisting of 36 units, (4) 4500 Perry Avenue, Sacramento, California, consisting of 10 units, (5) 8223 Walerga Road, Antelope, California, consisting of 24 units, and (6) 9205 Elk Grove Boulevard, Elk Grove, California, consisting of 16 units (Resolution No. 2019-0525);

**WHEREAS**, SHARP has formed RAD Pilot LP, a California limited partnership to undertake the rehabilitation of the Project, the managing general partner of which is RAD Pilot LLC, a California limited liability company whose sole member is SHARP;

**WHEREAS**, on December 16, 2019, SHARP requested from the Agency a \$950,000 construction and permanent financing loan due to increased construction costs at the scattered sites located at 4500 Perry Avenue, 4930 El Paraiso Avenue and 8223 Walerga Road in the unincorporated area of the County of Sacramento;

**WHEREAS,** the disposition and rehabilitation of the identified properties under the RAD program have been found to be Categorically Exempt under California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Section 15301, "Existing Facilities";

**WHEREAS,** the disposition and rehabilitation of the identified properties under the RAD program have been found to be Categorically Excluded under National Environmental Policy Act (NEPA) pursuant to 24 CFR 58.35(a)(3)(ii) and (5), and convert to exempt pursuant to 24 CFR 58.34(a)(12).

**NOW, THEREFORE, BE IT RESOLVED** BY THE BOARD OF SUPERVISORS OF THE COUNTY OF SACRAMENTO:

Section 1. All evidence presented having been duly considered, the findings, including environmental findings regarding this action, as stated above, are found to be true and accurate and are hereby adopted.

Section 2. The Agency is authorized to enter into and execute the \$950,000 HOME construction and permanent loan agreement and related documents that accompany this resolution with RAD Pilot LP, a California limited partnership or related entity, and to enter into other agreements, execute other documents, and perform other actions necessary to ensure proper repayment of the HOME funds, including without limitation, subordination, extensions, and restructuring of such a loan consistent with the Agency adopted policy and with this resolution, all as approved by Agency counsel.

Section 3. The Agency is authorized to amend its budget and to transfer up to \$950,000 in HOME funds for the construction and permanent financing of the RAD Phase 1 project.

Rental Assistance Demonstration (RAD) Project Phase 1 Re-Tax Equity And  
Fiscal Responsibility Act Hearing, Approval Of Final Tax Exempt Bonds, RAD  
And Loan Documents, And Ground Lease  
Page 3

On a motion by Supervisor \_\_\_\_\_, seconded by Supervisor  
\_\_\_\_\_, the foregoing Resolution was passed and adopted by the  
Board of Supervisors of the County of Sacramento this 28th day of January,  
2020, by the following vote, to wit:

AYES: Supervisors,

NOES: Supervisors,

ABSENT: Supervisors,

ABSTAIN: Supervisors,

RECUSAL: Supervisors,  
(PER POLITICAL REFORM ACT (§ 18702.5.))

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Chair of the Board of Supervisors  
of Sacramento County, California

(SEAL)

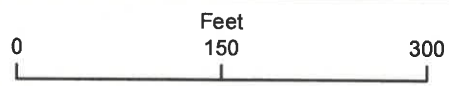
ATTEST: \_\_\_\_\_  
Clerk, Board of Supervisors



# Rental Assistance Demonstration (RAD) Phase 1 (Pointe Lagoon - 4500 Perry Avenue)



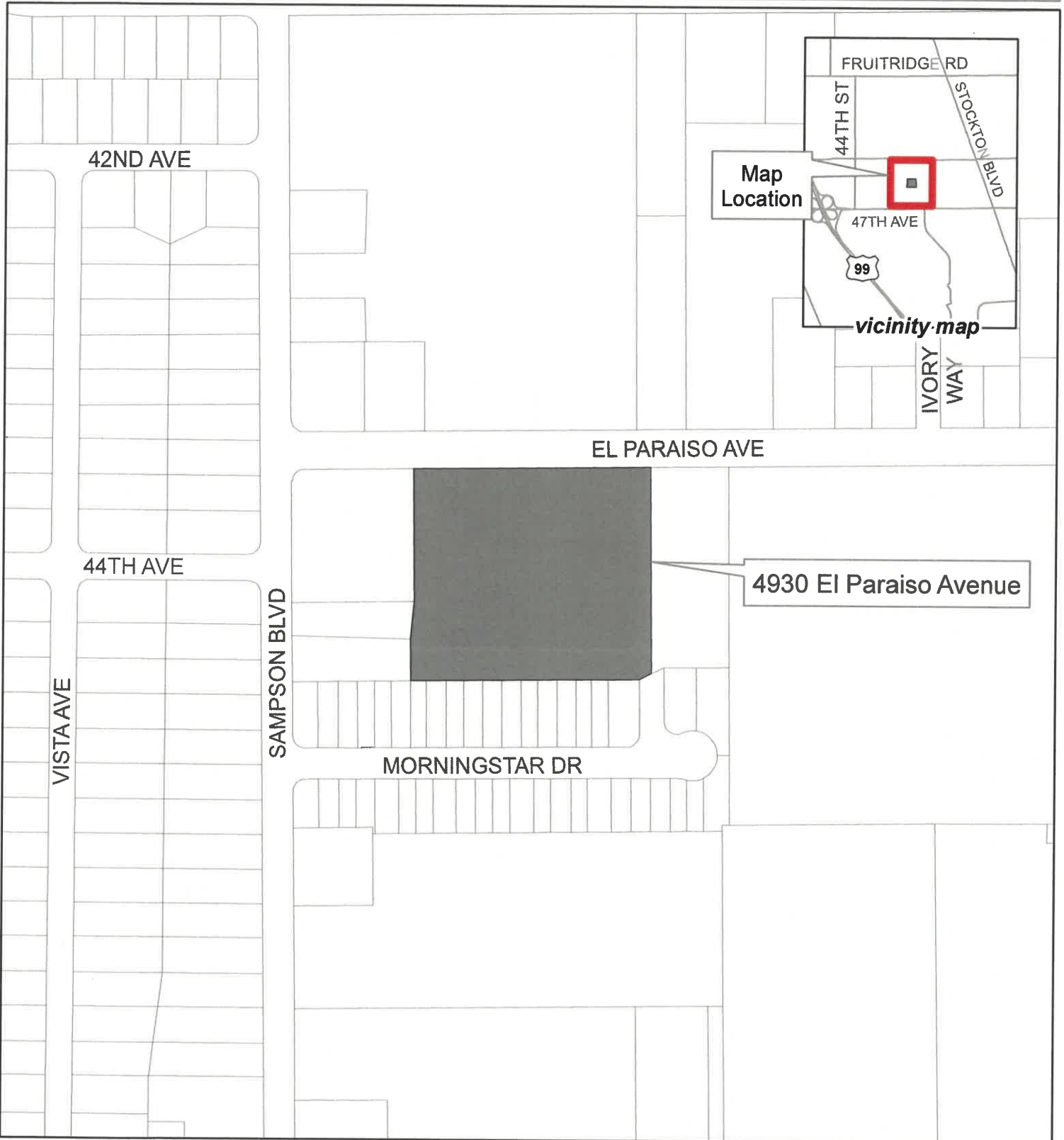
 4500 Perry Avenue



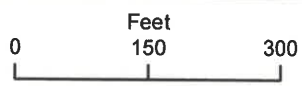
SHRA GIS  
July 1, 2019



# Rental Assistance Demonstration (RAD) Phase 1 (Pointe Lagoon - 4930 El Paraiso Avenue)



 4930 El Paraiso Avenue



SHRA GIS  
July 1, 2019



# Rental Assistance Demonstration (RAD) Phase 1 (Pointe Lagoon - 9205 Elk Grove Boulevard)



9205 Elk Grove Boulevard



9205 Elk Grove Boulevard



SHRA GIS  
July 1, 2019



# Rental Assistance Demonstration (RAD) Phase 1 (Rio Garden - 8223 Walerga Road)



8223 Walerga Road



 8223 Walerga Road

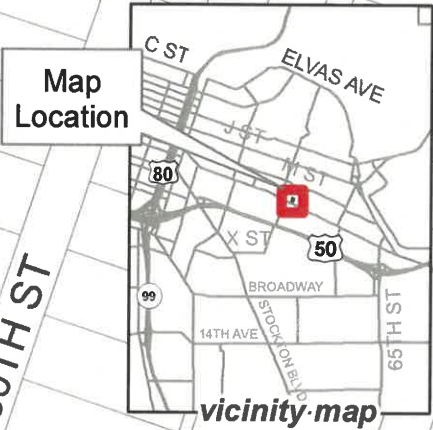


SHRA GIS  
July 1, 2019

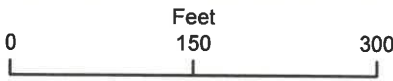




# Rental Assistance Demonstration (RAD) Phase 1 (Oak Park - 4921 Folsom Boulevard)



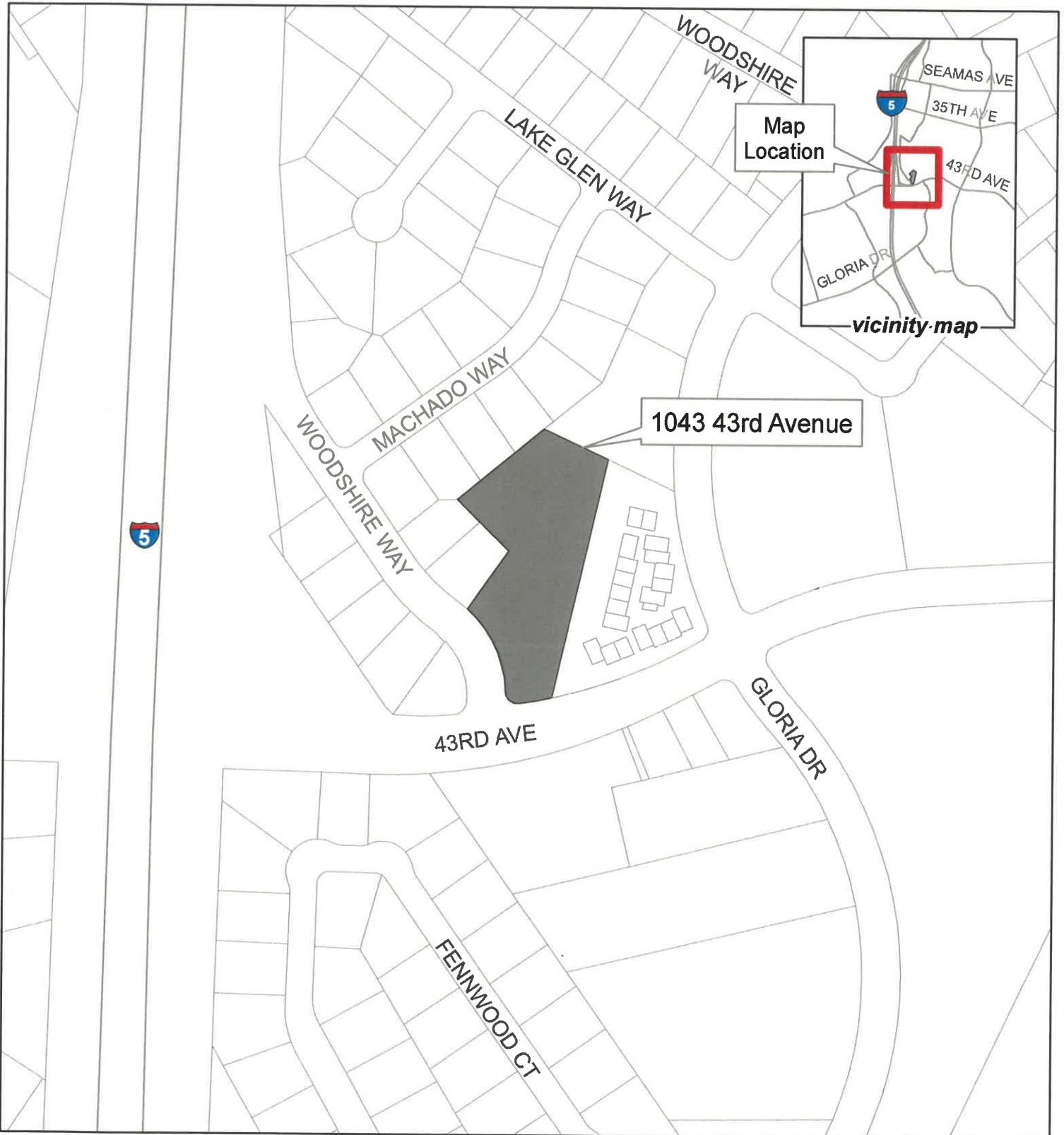
4921 Folsom Boulevard



SHRA GIS  
July 1, 2019



# Rental Assistance Demonstration (RAD) Phase 1 (Meadow Commons - 1043 43rd Avenue)



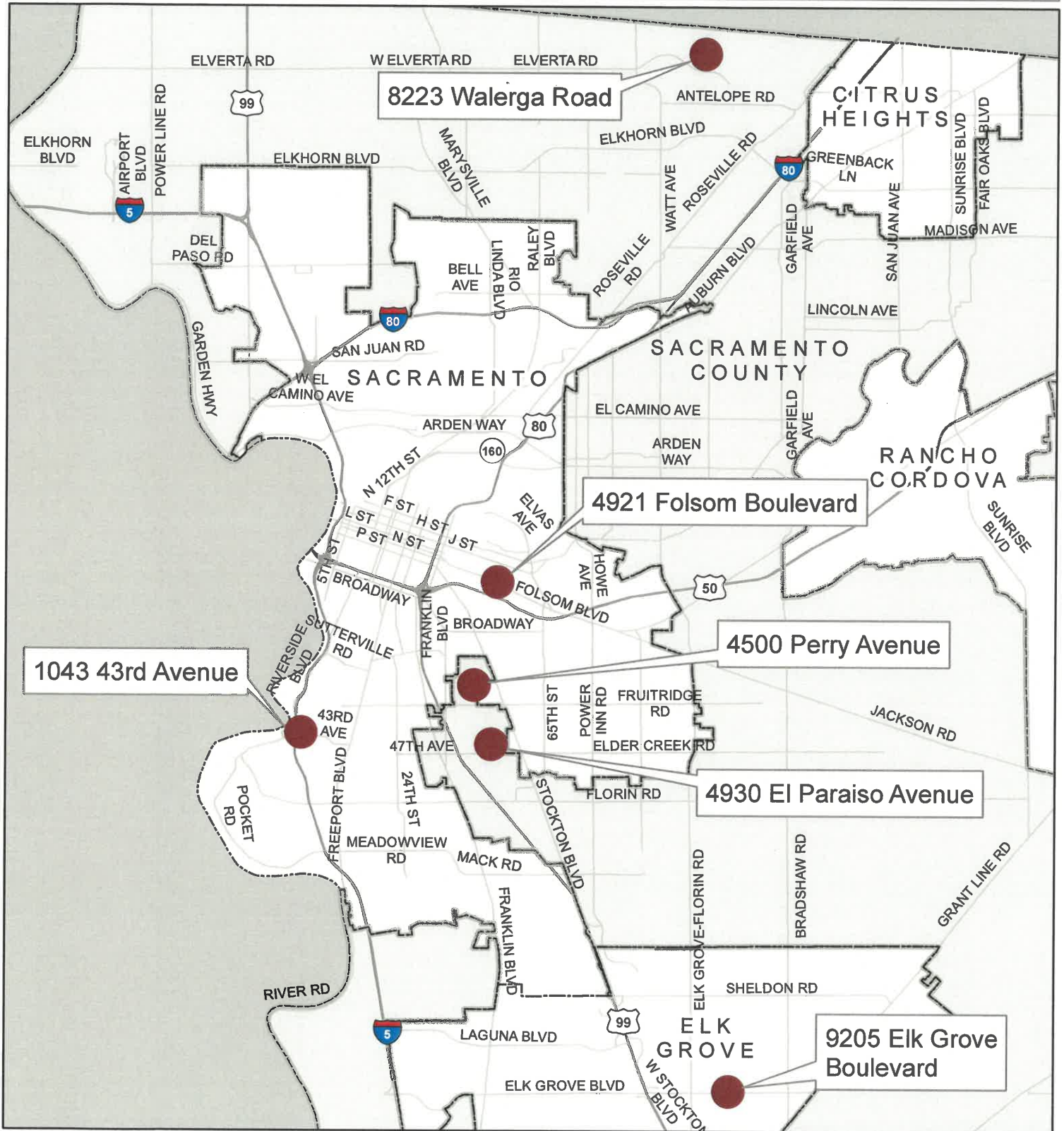
 1043 43rd Avenue



SHRA GIS  
July 1, 2019



# Rental Assistance Demonstration (RAD) Phase 1 (All Six Sites)



 RAD Phase 1 Site



SHRA GIS  
July 1, 2019



**Rental Assistance Demonstration (RAD) Phase 1**  
(six scattered sites)

Pointe Lagoon - 4500 Perry Avenue, Sacramento



Pointe Lagoon - 4930 El Paraiso Avenue, Sacramento



**RAD Phase 1**  
(continued)

Pointe Lagoon - 9205 Elk Grove Boulevard, Elk Grove



Rio Garden - 8223 Walerga Road, Antelope



**RAD Phase 1**  
(continued)

Oak Park - 4921 Folsom Boulevard, Sacramento



Meadow Commons - 1043 43rd Avenue, Sacramento





## USE PERMIT

## SACRAMENTO COUNTY

Control No. 84-UP-748Date September 21, 1984022-052-11Hearing Date: September 17, 1984

ASSESSOR'S PARCEL NO.

Bruce Hendon, 5500 - 78th Street, Sacramento, CA 95820

To: Rob Swift, 9427 Madison Avenue, Orangevale, CA 95662Sierra Gold Design, 634 A Vernon Street, Roseville, CA 95678

Permission is granted to use the subject premises for the following described use: A Use Permit for multiple family dwellings in the RD-10 zone.

Description of premises: The property is located on the south side of Perry Avenue, approximately 600 feet east of 44th Street in South Sacramento.

CONDITIONS OF APPROVAL

1. Comply with all conditions of Special Development Permit number 84-SP-17.

FINDINGS

1. The proposal is consistent with the County General Plan, and the South Sacramento Community Plan.
2. At least 20 percent of the units will be rented at below market rates to families with Section 8 certificates.
3. The project will not result in significant damage to any environmentally sensitive or significant physical features.
4. With minor exceptions, submitted plans comply with the multiple family development standards of the Zoning Code.
5. The granting of the use permit will not be detrimental to the health, safety, or general welfare of persons residing or working in the immediate area, nor to the County as a whole.
6. The South Sacramento Community Council recommends approval of this report.
7. The environmental document was considered in the preparation of this report.

The Commission accepted the Negative Declaration as complete and adequate.

**CAUTION:** This use permit is of no force and effect until the expiration of a 10-day appeal period from and after the date of the hearing on the use permit.

The above use will not be conducted to constitute either a public or private nuisance. Violation of any of the foregoing conditions will constitute grounds for revocation of this permit. Building Permits are required in the event any building is planned.

SACRAMENTO COUNTY PROJECT PLANNING COMMISSION

cc: Building Inspection (2)  
Public Works  
Environmental Health  
Marty Hughes

By ILA MIRANDA  
ILA MIRANDA, Secretary

**SPECIAL DEVELOPMENT PERMIT NO. 84-SP- 17**  
**BRUCE HENDON**

The Project Planning Commission of Sacramento County, at its regular meeting on Sept. 17, 84, granted a Special Development Permit pursuant to the provisions of the Zoning Code of Sacramento County for a project known as Bruce Hendon located on the south side of Perry Avenue, approximately 600 feet east of 44th Street in the community of South Sacramento, subject to the standards and conditions as set forth herein.

**SECTION 1. DEVELOPMENT STANDARDS APPLICABLE:** Upon issuance of this Permit, the property described in Exhibit "E", and located within the area regulated by the area's Comprehensive Zoning Plan and the South Sacramento Community Plan Land Use Map shall be developed pursuant to the development standards and conditions set forth in this Special Development Permit. Upon the issuance of any building permit for the commencement of construction of any building or any driveways or the improvement of the common area or the construction of any streets pursuant to the development standards set forth in this Permit, the standards set forth in this Permit shall apply.

**SECTION 2. EXHIBIT(S) INCORPORATED:** Exhibits "E" & "F", described as Site, and landscape plans, Assessor's Parcel No. 022-052-11 attached to this Permit are incorporated herein and made a part of this Permit to regulate the property described in Exhibit "E". The Exhibits are on file in the office of the Department of Planning and Community Development and are a part of this permit as if fully set forth herein.

**SECTION 3. PERMITTED USES:** Those uses in Table I of the Sacramento County Zoning Code, Section 201-02, as permitted in the RD-10 Zoning District, shall be



permitted in this Special Development Permit, subject to the conditions specified in said table, Section 201-04 of the Zoning Code, and the provisions of this Permit.

4. DEVELOPMENT STANDARDS: The property described in Exhibit "E" may be developed according to the standards of the RD-10 zone, as shown in Table I in Section 201-04 of the Zoning Code, subject to the conditions specified for Table I in Section 201-04 of the Zoning Code; alternatively, the property may be developed according to the terms of this Special Development Permit. The development standards applicable to development in the RD-10 Land Use Zone set forth in the Sacramento County Zoning Code and other requirements set forth in said Code, shall be applicable to the development under this Permit except where such standards are inconsistent with the express provisions set forth in this Permit. The Project Planning Commission recognizes that in construction of a project of this kind, minor deviations in the location and configuration of the physical improvements to the property as set forth in Exhibit(s) "E" & "F" may occur. The Commission, having considered this possibility, has determined that insubstantial deviations from the Exhibit(s) do not constitute an amendment to the plan and delegates to the Director of the Planning and Community Development Department the authority to approve such changes.

SECTION 5. CONDITIONS PERTINENT TO THIS PERMIT:

1. The development approved by this action shall be limited to a maximum of 6 residential dwelling units.
2. This action does not relieve the applicant of the obligation to comply with all ordinances, statutes, regulations and procedures applicable at the time of development. Any required subsequent procedural actions shall take place within 36 months of the date on

which the permit became effective, or this action shall automatically be null and void.

3. Provide public sanitary sewer and water supply facilities.
4. Grant the County right-of-way for Perry Avenue, based on a total width to the satisfaction of Public Works and install County standard street improvements.
5. Outdoor security lighting system shall be designed so that the luminescence or the light source will be shielded such that unwanted glare will not be visible from adjacent residential properties.
6. Provide for the placement of centralized mail delivery units, including any necessary easements. Specific locations for such units shall be to the satisfaction of the postal service and the Public Works Department, with due consideration of street light locations, traffic safety, security, and consumer convenience.
7. Comply with the personal safety requirements as listed in Section 305-18 of the Zoning Code.
8. This action satisfies the development plan review requirements, as set forth in Section 201-04(1) of the Zoning Code, provided the final plans are in substantial compliance with Exhibits "E" & "F".
9. Paint curbs red and install a sign stating "No Parking-Fire Access" on all curb areas where parking will compromise fire equipment access.
10. Comply with front yard setbacks per Sections 305-12 and 17 of the Zoning Code.
11. Comply with landscaping standards per Section 305-17 of the Zoning Code.

12. Comply with parking standards per Section 330-69 of the Zoning Code.
13. At least 20 percent of the units (1) shall be rented at a price not exceeding the fair market rents established by the Department of Housing and Urban Development (HUD), for a minimum of 10 years from the issuance of the certificate of occupancy;
14. The designated units shall be made available to tenants with Section 8 certificates issued by the Sacramento Housing and Redevelopment Agency (SHRA).
15. The SHRA shall be notified of vacancies and will verify for a fee the income eligibility of applicants for the units.
16. The applicant shall make a good faith effort to advertise the availability of units for Section 8 certificate holders. The applicant shall notify SHRA of impending or actual vacancies in the Section 8 reserved units, and shall accept referrals for a period of 30 days before renting to non-Section 8 tenants who otherwise meet the income qualifications specified by HUD.
17. The "below market rate" unit shall be of similar quality, size and number of bedrooms as market priced units in the development.

SECTION 6. VIOLATIONS: Violation of the provisions of this permit or exhibits made a part of this permit shall be deemed a violation of the Sacramento County Zoning Code, Ordinance No. 83-10, as amended.

SECTION 7. FINDINGS: During the Public hearings on this permit, the Project Planning Commission determined:

- (1) That the proposed development will carry out the intent of the General Plan and the appropriate community plan.

- (2) That the proposed development is of sufficient size and is designed so as to provide a desirable environment within its own boundaries.
- (3) That the proposed development is compatible with existing and proposed land uses in the surrounding area.
- (4) That any exceptions to or deviation from or density requirements of the Land Use Zone in which the property is located, are justified by provision of housing units at Below Market Price pursuant to Section 110-65(d).
- (5) That there is adequate assurance that all public improvements will be installed at the scheduled times as required by the Public Works Department.
- (6) That there is adequate assurance that the development schedule will be met.
- (7) That the existing or proposed utility services are adequate for the uses and population densities proposed.

The Project Planning Commission further determined that the project merits a density bonus due to the fact:

That the project will provide at least 20% of all housing units in the project affordable to buyers with incomes below 100% of the median income for the County as defined by Housing & Urban Development (HUD), and will not result in significant damage to environmentally sensitive or significant physical features that may exist on the site.

The Commission also determined that the project will not be a hazard or nuisance in the community at large nor establish a use or development inconsistent with the goals, objectives, and policies of the General Plan and

the appropriate community plan. SECTION 8. This permit shall not take effect until after ten (10) days from the date of approval by the Planning Commission. If an appeal is filed during the ten-day period, this permit shall not take effect until approved by the Board of Supervisors and shall be subject to any amendments adopted by the Board of Supervisors.

On a motion by Commissioner Walden, seconded by Commissioner Wood, the foregoing special development permit was passed and adopted by the Project Planning Commission of the County of Sacramento, State of California, at a regular meeting thereof, this 17th day of September, 1984, by the following vote, to wit:

AYES: Commissioners: Maurer, Walden, Wood, Nauman  
NOES: Commissioners: NONE  
ABSENT: Commissioners: Ashizawa

Julie Nauman  
Chairperson of the  
Project Planning Commission,  
of the County of Sacramento  
State of California

ATTEST: Sa Miranda  
Secretary to the  
Planning Commission







USE PERMIT  
SACRAMENTO COUNTY

Control Number: 85-UP-1338

Date: January 31, 1986

Hearing Date: January 27, 1986

Assessor's Parcel No.  
022-052-12

To: RALPH DRAYTON, P. O. Box 20037, Sacramento, CA 95820  
BOB SWIFT, 9427 Madison Avenue, Orangevale, CA 95662

PERMISSION IS GRANTED TO USE THE SUBJECT PREMISES FOR THE FOLLOWING DESCRIBED USES: A Use Permit to allow a multiple-family development in the RD-10 zone.

DESCRIPTION OF PREMISES: Located on the south side of Perry Avenue, approximately 670 feet east of 44th Street, in South Sacramento.

CONDITIONS OF APPROVAL:

1. Comply with all conditions of 86-SP-03.

FINDINGS:

1. The request is consistent with the County General Plan.
2. The request is consistent with the South Sacramento Community Plan.
3. The request complies with all Zoning Code requirements.
4. The site is adjacent to a parcel on which a similar small density bonus project was approved by the Project Planning Commission on September 17, 1984.
5. The project results in an equivalent density of 10.8 units per acre, only 8% above the RD-10 standard, yet will result in the provision of needed affordable housing in compliance with the density bonus provisions of the Zoning Code.
6. The project will not result in significant damage to any environmentally sensitive or significant physical features.
7. In light of the above, the granting of the use permit will not be detrimental to the health, safety, peace, morals, comfort, or general welfare of persons residing or working in the area, nor to the County as a whole.

ENVIRONMENTAL DOCUMENT: Exempt.

CAUTION: THIS USE PERMIT IS OF NO FORCE AND EFFECT UNTIL THE EXPIRATION OF A 10-DAY APPEAL PERIOD FROM AND AFTER THE DATE OF THE HEARING ON THE USE PERMIT.

THE ABOVE USE WILL NOT BE CONDUCTED TO CONSTITUTE EITHER A PUBLIC OR PRIVATE NUISANCE. VIOLATION OF ANY OF THE FOREGOING CONDITIONS WILL CONSTITUTE GROUNDS FOR REVOCATION OF THIS PERMIT. BUILDING PERMITS ARE REQUIRED IN THE EVENT ANY BUILDING IS PLANNED.

SACRAMENTO COUNTY PROJECT PLANNING COMMISSION

By

*ILA Miranda*

ILA MIRANDA Secretary



SPECIAL DEVELOPMENT PERMIT NO. 86-SP- 03  
RALPH DRAYTON

The Project Planning Commission of Sacramento County, at its regular meeting on January 27, 1986 granted a Special Development Permit pursuant to the provisions of the Zoning Code of Sacramento County for a project known as Ralph Drayton located on Perry Avenue in the community of South Sacramento, subject to the standards and conditions as set forth herein.

SECTION 1. DEVELOPMENT STANDARDS APPLICABLE: Upon issuance of this Permit, the property described in Exhibit "G," and located within the area regulated by the area's Comprehensive Zoning Plan and the South Sacramento Community Plan Land Use Map shall be developed pursuant to the development standards and conditions set forth in this Special Development Permit. Upon the issuance of any building permit for the commencement of construction of any building or any driveways or the improvement of the common area or the construction of any streets pursuant to the development standards set forth in this Permit, the standards set forth in this Permit shall apply.

SECTION 2. EXHIBITS INCORPORATED: Exhibits "G" and "H," described as Site Plan and Landscape Plan, Assessor's Parcel No. 022-052-12 attached to this Permit are incorporated herein and made a part of this Permit to regulate the property described in Exhibit "G." The Exhibits are on file in the office of the Department of Planning and Community Development and are a part of this permit as if fully set forth herein.

SECTION 3. PERMITTED USES: Those uses in Table I of the Sacramento County Zoning Code, Section 201-02, as permitted in the RD-10 Zoning District, shall be permitted in this Special Development Permit, subject to the conditions specified in said table, Section 201-04 of the Zoning Code, and the provisions of this Permit.

SECTION 4. DEVELOPMENT STANDARDS: The property described in Exhibit "G" may be developed according to the standards of the RD-10 zone, as shown in Table I in Section 201-04 of the Zoning Code, subject to the conditions specified for Table I in Section 201-04 of the Zoning Code; alternatively, the property may be developed according to the terms of this Special Development Permit. The development standards applicable to development in the RD-10 Land Use Zone set forth in the Sacramento County Zoning Code and other requirements set forth in said Code, shall be applicable to the development under this Permit except where such standards are inconsistent with the express provisions set forth in this Permit. The Project Planning Commission recognizes that in construction of a project of this kind, minor deviations in the location and configuration of the physical improvements to the property as set forth in Exhibits "G" and "F" may occur. The Commission, having considered this possibility, has determined that insubstantial deviations from the Exhibit(s) do not constitute an amendment to the plan and delegates to the Director of the Planning and Community Development Department the authority to approve such changes.

SECTION 5. CONDITIONS PERTINENT TO THIS PERMIT:

1. The development approved by this action shall be limited to a maximum of 4 residential dwelling units.
2. This action does not relieve the applicant of the obligation to comply with all ordinances, statutes, regulations and procedures applicable at the time of development. Any required subsequent procedural actions shall take place within 36 months of the date on which the permit became effective, or this action shall automatically be null and void.
3. Provide public sanitary sewer and water supply facilities.
4. Grant the County right-of-way for Perry Avenue, based on a total width to the satisfaction of the Public Works Department, and install County standard street improvements.

5. Outdoor security lighting system shall be designed so that the luminescence or the light source will be shielded such that unwanted glare will not be visible from adjacent residential properties.
6. Provide for the placement of centralized mail delivery units, including any necessary easements. Specific locations for such units shall be to the satisfaction of the postal service and the Public Works Department, with due consideration of street light locations, traffic safety, security, and consumer convenience.
7. Provide access arrangements and install working fire hydrants to the satisfaction of the fire district prior to any combustible construction.
8. Comply with the personal safety requirements as listed in Section 305-18 of the Sacramento County Zoning Code.
9. Paint curb red and install a sign stating "No Parking-Fire Access" on all curb areas where parking will compromise fire equipment access.
10. Reduce the parking lot aisle width to 20 to 21.5 feet in width, except at the trash enclosure.
11. Plant 15-gallon screen trees, from the County's approved list, every 30 feet on center along the east property line.
12. At least 25 percent of the units shall be rented at a price not exceeding the fair market rents established by the Department of Housing and Urban Development (HUD), for a minimum of ten years from the issuance of the certificate of occupancy;
13. The designated units shall be made available to tenants with Section 8 certificates issued by the Sacramento Housing and Redevelopment Agency (SHRA).
14. The SHRA shall be notified of vacancies and will verify for a fee the income eligibility of applicants for the units.

15. The applicant shall make a good faith effort to advertise the availability of units for Section 8 certificate holders. The applicant shall notify SHRA of impending or actual vacancies in the Section 8 reserved units, and shall accept referrals for a period of 30 days before renting to non-Section 8 tenants who otherwise meet the income qualifications specified by HUD.
16. The "below market rate" unit shall be of similar quality, size and number of bedrooms as market priced units in the development.

SECTION 6. VIOLATIONS: Violation of the provisions of this permit or exhibits made a part of this permit shall be deemed a violation of the Sacramento County Zoning Code, Ordinance No. 83-10, as amended.

SECTION 7. FINDINGS: During the Public hearings on this permit, the Project Planning Commission determined:

- (1) That the proposed development will carry out the intent of the General Plan and the appropriate community plan.
- (2) That the proposed development is of sufficient size and is designed so as to provide a desirable environment within its own boundaries.
- (3) That the proposed development is compatible with existing and proposed land uses in the surrounding area.
- (4) That any exceptions to or deviation from the use or density requirements or design standards of the Land Use Zone in which the property is located, or of Title III of this Code are justified by the provision of housing units at Below Market Price pursuant to Section 110-65(d).
- (5) That there is adequate assurance that all public improvements will be installed at the scheduled times as required by the Public Works Department.

- (6) That there is adequate assurance that the development schedule will be met.
- (7) That the existing or proposed utility services are adequate for the uses and population densities proposed.


The Project Planning Commission further determined that the project merits a density bonus due to the fact that the project will provide at least 25% of all housing units in the project affordable to renters with incomes below 80% of the median income for the County as defined by Housing & Urban Development (HUD), and will not result in significant damage to environmentally sensitive or significant physical features that may exist on the site.

The Commission also determined that the project will not be a hazard or nuisance in the community at large nor establish a use or development inconsistent with the goals, objectives, and policies of the General Plan and the appropriate community plan.

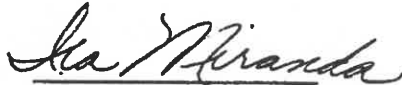
SECTION 8. This permit shall not take effect until after ten (10) days from the date of approval by the Planning Commission. If an appeal is filed during the ten-day period, this permit shall not take effect until approved by the Board of Supervisors and shall be subject to any amendments adopted by the Board of Supervisors.

On a motion by Commissioner Nauman, seconded by Commissioner Walden, the foregoing special development permit was passed and adopted by the Project Planning Commission of the County of Sacramento, State of California, at a regular meeting thereof, this 27th day of January, 1986, by the following vote, to wit:

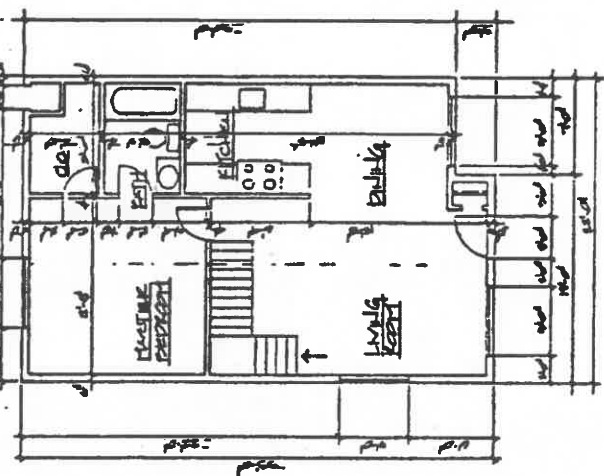
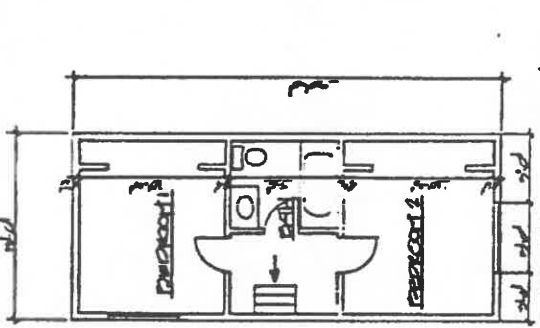
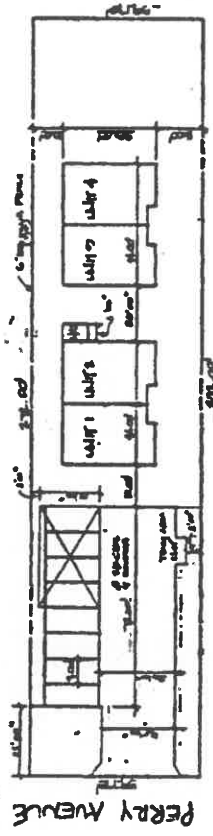
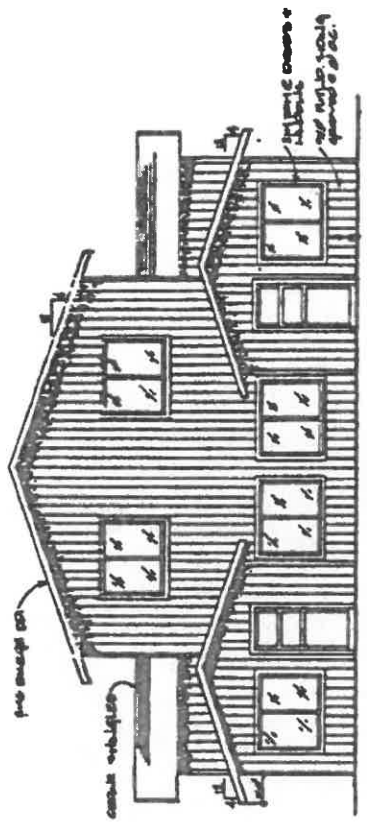
AYES        Commissioners: O'Boyle, Oki, Nauman, Walden, Schroeder  
NOES:       Commissioners: None  
ABSENT:    Commissioners: None

  
Chairperson of the  
Project Planning Commission,  
of the County of Sacramento  
State of California

ATTEST:

  
Secretary to the  
Planning Commission







**Rental Assistance Demonstration (RAD) Phase 1  
Residential Project Summary**

<b>Addresses</b>	Unincorporated County of Sacramento: 4500 Perry Ave, 4930 El Paraiso Ave and 8223 Walerga Rd. City of Elk Grove: 9205 Elk Grove Blvd. City of Sacramento: 1043 43rd Ave and 4921 Folsom Blvd.				
<b>Number of Units</b>	124				
<b>Year Built</b>	4500 Perry Ave (1986), 4930 El Paraiso Ave (1986), 8223 Walerga Rd (1976), 9205 Elk Grove Blvd (1983), 1043 43rd Ave (1972) and 4921 Folsom Blvd (1996).				
<b>Acreage</b>	8.5 acres (37,0260 sq. ft.)				
<b>Project Based Vouchers (RAD and HOTMA)</b>	There are 118 of 124 units with Rental Assistance Demonstration (RAD) Project Based Vouchers (PBV). The remaining 6 units will have Housing Opportunity Through Modernization Act of 2016 (HOTMA) PBV.				
<b>Unit Mix and Rents<sup>1</sup></b>	<b>50% AMI RAD</b>	<b>60% AMI RAD</b>	<b>60% AMI HOTMA</b>	<b>80% AMI RAD</b>	<b>Total</b>
1 bedrooms	30	32	0	2	64
2 bedrooms	7	8	0	1	16
3 bedrooms	16	20	6	2	44
<b>Total Units</b>	<b>53</b>	<b>60</b>	<b>6</b>	<b>5</b>	<b>124</b>
<b>Square Footage</b>	<b>Unit Size (sq.ft.)</b>	<b>Total (sq.ft.)</b>			
1 bedroom	500 to 525	32,900			
2 bedrooms	795	12,720			
3 bedrooms	800 to 1,122	45,458			
Community Space		2,614			
<b>Total Gross</b>		<b>93,692</b>			
<b>Resident Facilities</b>	Rehabilitation of six scattered sites with garden walk-up style units. New HVAC systems, energy efficient appliances, electrical, lighting, windows, doors, water heaters, flooring, and interior and exterior paint. Parking area and drainage renovations will be done as needed. Kitchens and bathrooms will be renovated, replacement of cabinets, sinks, fixtures, vanities and counters as needed.				
<b>Permanent Sources (Combined)</b>	<b>Total</b>	<b>Per Unit</b>	<b>Per Square Foot</b>		
Tax Credit Equity	6,669,279	53,785	71.18		
Permanent Loan	3,393,000	27,363	36.21		
City Housing Authority (HA) Capital Funds Loan	1,983,371	15,995	21.17		
City HA Proceeds Note (Bonds)	589,411	4,753	6.29		
County HA Capital Funds Loan	807,046	6,508	8.61		
County HA Proceeds Note (Bonds)	2,491,600	20,094	26.59		
County HA Seller Carryback Improvements Loan	4,018,400	32,406	42.89		
City HA Seller Carryback Improvements Loan	950,589	7,666	10.15		
SHRA County HOME Loan	950,000	7,661	10.14		
County HA Ground Lease	1,020,000	8,226	10.89		
City HA Ground Lease	1,340,000	10,806	14.30		
Deferred Developer Fee	368,455	2,971	3.93		
GP Contribution	611,002	4,927	6.52		
<b>TOTAL SOURCES</b>	<b>\$ 25,192,153</b>	<b>\$ 203,163</b>	<b>\$ 268.88</b>		
<b>Permanent Uses (Combined)</b>	<b>Total</b>	<b>Per Unit</b>	<b>Per Square Foot</b>		
Acquisition	10,410,000	83,952	111.11		
Construction Costs	7,700,816	62,103	82.19		
Architecture & Engineering	682,080	5,501	7.28		
Permits and Fees	120,102	969	1.28		
Hard Cost Contingency	778,173	6,276	8.31		
Soft Cost Contingency	29,358	237	0.31		
Financing Cost	1,045,239	8,429	11.16		
Operating Reserves	218,535	1,762	2.33		
Capitalized Replacement Reserves	900,000	7,258	9.61		
Legal Fees	205,000	1,653	2.19		
Relocation	512,850	4,136	5.47		
Developer Fee	2,510,000	20,242	26.79		
Third Party Fees, Marketing, Other	80,000	645	0.85		
<b>TOTAL USES</b>	<b>\$ 25,192,153</b>	<b>\$ 203,163</b>	<b>\$ 268.88</b>		
<b>Leverage</b>	<b>HA \$ per Unit</b>	<b>Per Unit Cost</b>	<b>Leverage</b>		
			SHRA : Other		
	<b>\$ 114,116</b>	<b>\$ 203,163</b>	<b>\$1.00 : \$ 1.78</b>		
<b>Management / Operations</b>	Sacramento Housing Authority Repositioning Program, Inc., (SHARP) Housing Authority				
Proposed Developer Property Management Company	Sacramento Housing Authority Repositioning Program, Inc., (SHARP) Housing Authority				
Operations Budget	\$ 593,582	\$ 4,787			
Property Management	\$ 87,669	\$ 707			
Resident Services	\$ 5,863	\$ 47			
Replacement Reserves	\$ 37,200	\$ 300			
Taxes and Insurance	\$ 40,899	\$ 330			

<sup>1</sup>Pursuant to 24CFR 983.301, contract rents approved by HUD may exceed the tax-credit rent limits; and the AMI change is due to income averaging regulation by CDLAC. The tenant rent will not exceed 30% of the household adjusted gross income with PBV.

**Rental Assistance Demonstration (RAD) Phase 1 (six scattered sites)  
Cash Flow Proforma (p. 1 of 2)**

RAD Phase 1 (six scattered sites)		Unit Type <sup>1</sup>	Number	Square Feet	Total Sq Feet	Gross Rent	Utility Allowance	Contract Rent	Rent per Sq Foot	Total Mo. Rent	Annual Rent
<i>(County) Pointe Lagoon - 4500 Perry Ave, 4930 El Paraiso Ave &amp; 9205 Elk Grove Blvd</i>											
1	bedroom @ 50% AMI (RAD PBV)		17	525	8,925	\$ 615	\$ 98	\$ 517	\$ 0.98	\$ 8,789	\$ 105,468
1	bedroom @ 60% AMI (RAD PBV)		18	525	9,450	\$ 615	\$ 98	\$ 517	\$ 0.98	\$ 9,306	\$ 111,672
1	bedroom @ 80% AMI (RAD PBV)		1	525	525	\$ 615	\$ 98	\$ 517	\$ 0.98	\$ 517	\$ 6,204
2	bedroom @ 50% AMI (RAD PBV)		7	795	5,565	\$ 725	\$ 103	\$ 622	\$ 0.78	\$ 4,354	\$ 52,248
2	bedroom @ 60% AMI (RAD PBV)		8	795	6,360	\$ 725	\$ 103	\$ 622	\$ 0.78	\$ 4,976	\$ 59,712
2	bedroom @ 80% AMI (RAD PBV)		1	795	795	\$ 725	\$ 103	\$ 622	\$ 0.78	\$ 622	\$ 7,464
3	bedroom @ 60% AMI (RAD PBV)		5	1,053	5,265	\$ 1,094	\$ 140	\$ 954	\$ 0.91	\$ 4,770	\$ 57,240
3	bedroom @ 80% AMI (HOTMA PBV)		5	1,053	5,265	\$ 954	\$ 140	\$ 814	\$ 0.77	\$ 4,070	\$ 48,840
<i>(County) Rio Garden - 8223 Valerga Rd</i>											
3	bedroom @ 50% AMI (RAD PBV)		11	1,122	12,342	\$ 1,070	\$ 116	\$ 954	\$ 0.85	\$ 10,494	\$ 125,928
3	bedroom @ 60% AMI (RAD PBV)		12	1,122	13,464	\$ 1,070	\$ 116	\$ 954	\$ 0.85	\$ 11,448	\$ 137,376
3	bedroom @ 80% AMI (RAD PBV)		1	1,122	1,122	\$ 1,070	\$ 116	\$ 954	\$ 0.85	\$ 954	\$ 11,448
<i>(City) Oak Park - 4921 Folsom Blvd</i>											
3	bedroom @ 60% AMI (HOTMA PBV)		1	800	800	\$ 954	\$ 116	\$ 838	\$ 1.05	\$ 838	\$ 10,056
3	bedroom @ 50% AMI (RAD PBV)		5	800	4,000	\$ 1,070	\$ 116	\$ 954	\$ 1.19	\$ 4,770	\$ 57,240
3	bedroom @ 60% AMI (RAD PBV)		3	800	2,400	\$ 1,070	\$ 116	\$ 954	\$ 1.19	\$ 2,862	\$ 34,344
3	bedroom @ 80% AMI (RAD PBV)		1	800	800	\$ 1,070	\$ 116	\$ 954	\$ 1.19	\$ 954	\$ 11,448
<i>(City) Meadow Commons - 1043 43rd Ave</i>											
1	bedroom @ 50% AMI (RAD PBV)		13	500	6,500	\$ 612	\$ 95	\$ 517	\$ 1.03	\$ 6,721	\$ 80,652
1	bedroom @ 60% AMI (RAD PBV)		14	500	7,000	\$ 612	\$ 95	\$ 517	\$ 1.03	\$ 7,238	\$ 86,856
1	bedroom @ 80% AMI (RAD PBV)		1	500	500	\$ 612	\$ 95	\$ 517	\$ 1.03	\$ 517	\$ 6,204
	<b>Totals</b>		<b>124</b>	<b>14,132</b>	<b>91,078</b>					<b>\$ 84,200</b>	<b>\$ 1,010,400</b>

<sup>1</sup>Pursuant to 24CFR 983.301, contract rents approved by HUD may exceed the tax-credit rent limits; and the AMI change is due to income averaging regulation by CDLAC. The tenant rent will not exceed 30% of the household adjusted gross income with PBV.

Rental Assistance Demonstration (RAD) Phase 1 (six scattered sites)  
Cash Flow Proforma (p. 2 of 2)

	Year 1 2022	Year 2 2023	Year 3 2024	Year 4 2025	Year 5 2026	Year 6 2027	Year 7 2028	Year 8 2029	Year 9 2030	Year 10 2031	Year 15 2036	Year 20 2041	Year 25 2046
<b>Income</b>													
Potential Gross Income (118 RAD PBV units)	1,061,552	1,028,000	1,115,293	1,143,175	1,171,754	1,201,048	1,231,074	1,261,851	1,293,337	1,325,732	1,469,844	1,607,050	1,920,059
Rental Subsidy (6 HOTMA PBV units)	61,272	62,804	64,374	65,984	67,632	69,324	71,057	72,834	74,656	76,523	85,365	94,846	104,940
Other Income	6,657	6,823	7,000	7,189	7,388	7,597	7,816	8,045	8,284	8,533	9,789	10,642	12,040
Less Vacancy	(66,474)	(67,853)	(69,333)	(70,816)	(72,304)	(73,797)	(75,295)	(76,798)	(78,306)	(79,819)	(91,200)	(98,282)	(102,146)
Effective Gross Income	\$1,073,007	\$1,090,880	\$1,127,328	\$1,155,511	\$1,184,369	\$1,214,000	\$1,244,359	\$1,275,468	\$1,307,364	\$1,340,038	\$1,510,130	\$1,715,362	\$1,940,775
<b>Operating Expenses</b>													
Operating Expenses	593,932	614,337	635,890	658,115	681,149	704,089	726,964	750,720	775,397	800,981	900,828	1,011,162	1,355,342
Property Management	87,669	90,732	93,913	97,214	100,642	104,212	107,934	111,809	115,838	119,923	135,360	148,544	200,177
Resident Services	47	5,693	6,098	6,500	6,928	7,367	7,816	8,275	8,744	9,223	10,716	11,344	15,240
Replacement Reserves	300	37,200	37,200	37,200	37,200	37,200	37,200	37,200	37,200	37,200	37,200	37,200	37,200
Insurance	330	40,899	41,717	42,551	43,403	44,271	45,159	46,069	46,999	47,950	54,878	59,562	65,784
Total Expenses	\$790,000	\$816,829	\$854,418	\$892,418	\$930,649	\$969,332	\$1,007,497	\$1,046,381	\$1,085,917	\$1,126,144	\$1,272,383	\$1,417,759	\$1,671,800
<b>Net Operating Income</b>	\$302,983	\$304,051	\$311,523	\$313,093	\$314,449	\$315,577	\$317,461	\$319,087	\$320,947	\$323,094	\$317,747	\$297,603	\$268,975
<b>Debt Service</b>													
Senior Loan	155,955	155,955	155,955	155,955	155,955	155,955	155,955	155,955	155,955	155,955	155,955	155,955	155,955
HA Monitoring Fee (12.5 lbs of Bond Issuance + 100SHRA Unit)	18,125	18,125	18,125	18,125	18,125	18,125	18,125	18,125	18,125	18,125	18,125	18,125	18,125
Debt Service Subtotal	\$171,480	\$171,480	\$171,480	\$171,480	\$171,480	\$171,480	\$171,480	\$171,480	\$171,480	\$171,480	\$171,480	\$171,480	\$171,480
<b>Priority Distributions</b>													
Asset Management Fee (GP)	8,487	8,742	9,004	9,274	9,552	9,839	10,134	10,438	10,751	11,074	12,837	14,882	0
Partnership Management Fee (LP)	16,974	17,485	18,008	18,546	19,104	19,678	20,268	20,876	21,502	22,147	25,675	29,764	0
Priority Distributions Subtotal	\$25,461	\$26,227	\$27,012	\$27,820	\$28,656	\$29,517	\$30,402	\$31,314	\$32,253	\$33,221	\$38,512	\$44,646	0
<b>Net Cash after Priority Distributions</b>	\$11,062	\$10,604	\$11,509	\$11,993	\$12,509	\$13,058	\$13,644	\$14,261	\$14,914	\$15,603	\$16,142	\$15,879	\$252,760
<b>Deferred Developer Fee</b>													
Principal Balance	\$515,425	411,546	303,105	180,163	72,803	0	0	0	0	0	0	0	0
Interest for Period	15,463	12,346	9,093	5,705	2,194	0	0	0	0	0	0	0	0
Accumulated Interest	11,930	23,276	32,369	39,074	43,426	45,551	46,476	46,251	44,987	42,700	39,512	35,426	0
Payment	\$119,340	\$120,788	\$122,035	\$123,065	\$123,885	\$124,420	\$124,714	\$124,731	\$124,465	\$123,868	\$115,583	\$251,714	\$252,760
Balance	\$411,546	\$303,105	\$180,163	\$72,803	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Net Cash after Deferred Developer Fee</b>	\$0	\$0	\$0	\$0	\$48,878	\$124,420	\$124,714	\$124,731	\$124,465	\$123,868	\$115,583	\$251,714	\$252,760
<b>City Housing Authority (HA) Construction &amp; Permanent Loan<sup>1</sup></b>													
Principal Balance	\$2,572,782	2,572,782	2,572,782	2,572,782	2,572,782	2,572,782	2,572,782	2,572,782	2,572,782	2,572,782	2,572,782	2,572,782	2,572,782
Interest for Period	77,183	77,183	77,183	77,183	77,183	77,183	77,183	77,183	77,183	77,183	77,183	77,183	77,183
Accumulated Interest	58,814	116,628	174,942	232,756	291,070	348,884	406,198	463,012	519,326	575,140	630,454	685,268	739,582
Payment	\$2,648,865	\$2,727,149	\$2,804,332	\$2,881,516	\$2,958,290	\$3,034,234	\$3,109,348	\$3,183,622	\$3,256,066	\$3,326,680	\$3,395,474	\$3,462,448	\$3,527,692
Balance	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>County HA Construction &amp; Permanent Loan<sup>1</sup></b>													
Principal Balance	\$3,288,948	3,288,948	3,288,948	3,288,948	3,288,948	3,288,948	3,288,948	3,288,948	3,288,948	3,288,948	3,288,948	3,288,948	3,288,948
Interest for Period	98,959	98,959	98,959	98,959	98,959	98,959	98,959	98,959	98,959	98,959	98,959	98,959	98,959
Accumulated Interest	88,368	176,736	265,104	353,472	441,840	530,208	618,576	706,944	795,312	883,680	972,048	1,060,416	1,148,784
Payment	\$3,376,315	\$3,455,667	\$3,535,019	\$3,614,371	\$3,693,723	\$3,773,075	\$3,852,427	\$3,931,779	\$4,011,131	\$4,090,483	\$4,169,835	\$4,249,187	\$4,328,539
Balance	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>County HA Seller Carryback Loan (Improvements)</b>													
Principal Balance	\$4,018,400	4,018,400	4,018,400	4,018,400	4,018,400	4,018,400	4,018,400	4,018,400	4,018,400	4,018,400	4,018,400	4,018,400	4,018,400
Interest for Period	120,552	120,552	120,552	120,552	120,552	120,552	120,552	120,552	120,552	120,552	120,552	120,552	120,552
Accumulated Interest	120,552	241,104	361,656	482,208	602,760	723,312	843,864	964,416	1,084,968	1,205,520	1,326,072	1,446,624	1,567,176
Payment	\$4,138,952	\$4,259,954	\$4,380,956	\$4,501,958	\$4,622,960	\$4,743,962	\$4,864,964	\$4,985,966	\$5,106,968	\$5,227,970	\$5,348,972	\$5,469,974	\$5,590,976
Balance	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>City HA Seller Carryback Loan (Improvements)</b>													
Principal Balance	\$950,589	950,589	950,589	950,589	950,589	950,589	950,589	950,589	950,589	950,589	950,589	950,589	950,589
Interest for Period	28,518	28,518	28,518	28,518	28,518	28,518	28,518	28,518	28,518	28,518	28,518	28,518	28,518
Accumulated Interest	57,036	114,072	171,108	228,144	285,180	342,216	399,252	456,288	513,324	570,360	627,396	684,432	741,468
Payment	\$978,107	\$1,007,624	\$1,038,142	\$1,069,660	\$1,093,177	\$1,121,695	\$1,150,213	\$1,178,730	\$1,207,248	\$1,235,766	\$1,264,284	\$1,292,802	\$1,321,320
Balance	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>SHRA Construction &amp; Permanent Loan (County HOME)</b>													
Principal Balance	\$950,000	950,589	950,589	950,589	950,589	950,589	950,589	950,589	950,589	950,589	950,589	950,589	950,589
Interest for Period	28,500	28,518	28,518	28,518	28,518	28,518	28,518	28,518	28,518	28,518	28,518	28,518	28,518
Accumulated Interest	28,500	57,018	85,536	114,054	142,572	171,090	199,608	228,126	256,644	285,162	313,680	342,198	370,716
Payment	\$978,500	\$1,007,607	\$1,038,124	\$1,069,642	\$1,093,159	\$1,121,677	\$1,150,195	\$1,178,713	\$1,207,230	\$1,235,748	\$1,264,266	\$1,292,784	\$1,321,302
Balance	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>County HA Ground Lease Loan</b>													
Principal Balance	\$1,020,000	950,589	950,589	950,589	950,589	950,589	950,589	950,589	950,589	950,589	950,589	950,589	950,589
Interest for Period	30,600	28,518	28,518	28,518	28,518	28,518	28,518	28,518	28,518	28,518	28,518	28,518	28,518
Accumulated Interest	30,600	59,118	87,636	116,154	144,672	173,190	201,708	230,226	258,744	287,262	315,780	344,298	372,816
Payment	\$1,050,600	\$1,000,707	\$1,038,224	\$1,069,742	\$1,093,259	\$1,121,777	\$1,150,295	\$1,178,813	\$1,207,330	\$1,235,848	\$1,264,366	\$1,292,884	\$1,321,402
Balance	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>County HA Ground Lease Loan</b>													
Principal Balance	\$1,340,000	950,589	950,589	950,589	950,589	950,589	950,589	950,589	950,589	950,589	950,589	950,589	950,589
Interest for Period	40,200	28,518	28,518	28,518	28,518	28,518	28,518	28,518	28,518	28,518	28,518	28,518	28,518
Accumulated Interest	40,200	68,718	97,236	125,754	154,272	182,790	211,308	239,826	268,344	296,862	325,380	353,898	382,416
Payment	\$1,380,200	\$1,019,307	\$1,047,824	\$1,076,342	\$1,104,860	\$1,133,377	\$1,161,895	\$1,190,413	\$1,218,930	\$1,247,448	\$1,275,966	\$1,304,484	\$1,333,002
Balance	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

**End Note**  
<sup>1</sup>HKS Construction & Permanent Loan includes the Capital Funds and Cash Proceeds Notes.  
<sup>2</sup>HKS Construction & Permanent Loan includes the Capital Funds and Cash Proceeds Notes.  
<sup>3</sup>CR: Applicable Federal rates will be determined on the closing escrow date. A rate of 3.00% is demonstrated above for the seller carryback and ground lease loans.

**MAXIMUM GROSS INCOME AND RENT LIMITS 2019<sup>1</sup>**  
 Rental Assistance Demonstration (RAD) Project Based Vouchers (PBV),  
 Housing Opportunity Through Modernization Act of 2016 (HOTMA) PBV,  
 Low Income Housing Tax Credits (LIHTC) and HOME Funds

**RAD Phase 1 (Six Scattered Sites)**

**Maximum Gross Income Limits**

<b><u>Household Size</u></b>	<b><u>50% AMI</u></b>		<b><u>60% AMI</u></b>		<b><u>80% AMI</u></b>	
1 person	\$	29,300	\$	35,160	\$	46,880
2 person	\$	33,450	\$	40,140	\$	53,520
3 person	\$	37,650	\$	45,180	\$	60,240
4 person	\$	41,800	\$	50,160	\$	66,880
5 person	\$	45,150	\$	54,180	\$	72,240
6 person	\$	48,500	\$	58,200	\$	77,600
7 person	\$	51,850	\$	62,220	\$	82,960

**Maximum Gross Rent Limits**

<b><u>Unit Size</u></b>	<b><u>RAD PBV Rents</u></b>		<b><u>HOTMA PBV Rents</u></b>	
1 Bedroom	\$	612		
1 Bedroom	\$	615		
2 Bedroom	\$	725		
3 Bedroom	\$	1,070		
3 Bedroom	\$	1,094		
3 Bedroom			\$	1,764

<sup>1</sup>Pursuant to 24CFR 983.301, contract rents approved by HUD may exceed the tax-credit rent limits; and the AMI change is due to income averaging regulation by CDLAC. The tenant rent will not exceed 30% of the household adjusted gross income with PBV.

**SELLER CARRY-BACK LOAN AGREEMENT FOR IMPROVEMENTS  
RAD 1**

**COUNTY OF SACRAMENTO**

4500 PERRY AVENUE, SACRAMENTO, CA 95820 (APN 022-0052-011-0000 AND 022-0052-012-0000)

4930 EL PARAISO AVENUE, SACRAMENTO, CA 95824 (APN 037-0224-047-0000)

9205 ELK GROVE BOULEVARD, ELK GROVE, CA 95624 (APN 125-0270-051-0000)

8223 WALERGA ROAD, ANTELOPE, CA 95843 (APN 203-0070-041-0000)

**ARTICLE I TERMS AND DEFINITIONS:**

“EFFECTIVE DATE”	_____, 2020	Which is the date as of which this Loan Agreement shall be effective.
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**LENDER AND BORROWER HAVE ENTERED THIS LOAN AGREEMENT AS OF THE EFFECTIVE DATE.** This Loan Agreement includes Article II Loan Provisions and the attachments and Exhibits listed below, all of which are incorporated in this Loan Agreement by this reference. The capitalized terms in this Loan Agreement shall have the meanings assigned in Article I Terms and Definitions and as defined in Article II Loan Provisions. (Terms being defined are indicated by quotation marks. If an item in this Article 1 table is marked “None, Not Applicable, N/A or equivalent or is left blank, that defined term is not applicable to this Loan or the referenced item is not required or is not included in this Loan, as the context may indicate.) The Lender is making the Loan pursuant to the terms and conditions of this Loan Agreement.

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

A. “Loan Information” The general loan provisions of the Loan		
“LENDER OR AUTHORITY”	The following public agency that is making the Loan, and whose legal status and address are:	
Name	Housing Authority of the County of Sacramento (HACOS)	
Legal Status	A public body, corporate and politic	
Principal Address	801 12th Street, County of Sacramento, Sacramento County, California 95814	
“BORROWER”	The borrower of the Loan funds whose name, legal status and address are:	
Name	RAD Pilot LP	
Legal Status	A California limited partnership	
Principal Address	c/o SHARP 801 12 <sup>th</sup> Street Sacramento, California 95814	
“LOAN”	The Loan made by this Loan Agreement.	
“LOAN COMMITMENT”	Lender’s loan commitment, made by letter dated as of	July 23, 2019
“LOAN PROGRAM”	Lender’s Loan Program, commonly known as	n/a as this is a “seller carry-back” loan
“LOAN AMOUNT”	Four Million Eighteen Thousand Four Hundred Dollars and No Cents (\$4,018,400.00).	
“INTEREST RATE”	Interest shall accrue on the unpaid Principal Amount of this Note at the applicable federal rate in effect on the Accrual Date, which was _____percent (___%) per annum, compounded annually.	
“MATURITY DATE”	The first day of the 684 <sup>th</sup> calendar month following the Effective Date: February 1, 2077.	
“PAYMENT START DATE”	Commencing on the first day of the 40th calendar month following the Effective Date of this Loan Agreement, May 1, 2023, annual payments of interest and principal shall be due in arrears subject to review of annual audited financial statement as described in the Promissory Note for the Improvements.	

"PAYMENT SCHEDULE"	Annual payments of Residual Receipts in accordance with the Promissory Note for Improvements (Note). 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"	Six Million Six Hundred Thousand Dollars and No Cents (\$6,600,000.00) 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.
	No less than Three Hundred Sixty Thousand Dollars and No Cents (\$360,000.00) is the Borrower's non-cash contribution to the Project (such as deferred Developer fees).

<p>“SPECIAL TERMS”</p>	<p><b>ANNUAL REPAYMENT:</b> Annual principal and interest payments shall be deferred from the Loan’s Effective Date through the first 39 months. Beginning in month 40, May 1, 2023, annual payments will be made on a Residual Receipts, as defined below, basis until the maturity date. Annual payments shall be applied first to outstanding interest accrued and unpaid and then to principal.</p> <p>“Residual Receipts” is defined as follows: May 1, 2023, annual installments (as described in Sections [f] through [l] of this paragraph) are to begin. Based on the annual audited financial statement from the preceding year, payments will be made upon a “Residual Cash Flow” basis meaning Net Operating Income (NOI) less:</p> <ul style="list-style-type: none"> <li>(a) Debt service on the senior loan</li> <li>(b) Monitoring fees to the County of Sacramento Housing Authority on the mortgage revenue bond issuance;</li> <li>(c) If applicable, to the Limited Partner for any amounts owed to the Limited Partner pursuant to the Borrower’s Amended and Restated Partnership Agreement;</li> <li>(d) Asset management fees up to \$8,000 annually as of the Loan’s Effective Date escalating at 3% annually;</li> <li>(e) Partnership management fee up to \$8,000 annually as of the Loan’s Effective Date escalating at 3% annually;</li> <li>(f) Deferred developer fee;</li> </ul> <p>After Sections (a) through (f) of this paragraph are paid,</p> <ul style="list-style-type: none"> <li>(g) Fifty percent (50%) of the available cash flow from NOI to the Housing Authority of the City of Sacramento Construction and Permanent Loan, divided equally first to the Capital Funds Note, then to Cash Proceeds Note, including principal and interest, and</li> <li>(h) Fifty percent (50%) of the available cash flow from NOI to the Housing Authority of the County of Sacramento Construction and Permanent Loan, divided equally first to the Capital Funds Note, then to Cash Proceeds Note, including principal and interest;</li> </ul> <p>After Sections (a) through (h) of this paragraph are paid,</p> <ul style="list-style-type: none"> <li>(i) Fifty percent (50%) of the available cash flow from NOI to the Housing Authority of the County of Sacramento Seller Carryback Loan (Improvements), and</li> <li>(j) Fifty percent (50%) of the available cash flow from NOI to the Housing Authority of the City of Sacramento Seller Carryback Loan (Improvements);</li> </ul> <p>After Sections (a) through (j) of this paragraph are paid,</p> <ul style="list-style-type: none"> <li>(k) One hundred percent (100%) of the available cash flow from NOI to Sacramento Housing and Redevelopment Agency Construction and Permanent Loan;</li> </ul> <p>After Sections (a) through (k) of this paragraph are paid,</p> <ul style="list-style-type: none"> <li>(l) Fifty percent (50%) of the available cash flow from NOI to the Housing Authority of the County of Sacramento Ground Lease, and</li> <li>(m) Fifty percent (50%) of the available cash flow from NOI to the Housing Authority of the City of Sacramento Ground Lease.</li> </ul> <p>The Net Operating Income is defined as periodic “Revenue” less “Operating Expenses.” “Revenue” means all revenue from the leasing of the Project, including but not limited to all rents, fees, and charges paid by tenants as well as rental subsidy payments regardless of the source of these subsidies, forfeited tenant deposits, rent increases, proceeds from vending machines and laundry room machines. Revenue shall not include tenants’ security deposits (unless forfeited), interest on those deposits, loan proceeds, capital contributions or similar advances, or amounts released from reserves or interest on reserves.</p> <p>“Operating Expenses” shall mean actual costs, fees and expenses as evidenced by invoices attributable to the operation, recordkeeping, maintenance, taxes and management of the Project, including property management fees; taxes and assessments; payroll, benefits and payroll taxes of for property employees; insurance; security; painting, cleaning, repairs, and alterations; landscaping; sewer charges; utility charges; advertising, promotion and publicity; cable television, satellite and other similar services; office, janitorial, cleaning and building supplies; recreational amenities and supplies; purchase, repair, servicing and installation of appliances; costs and expenses associated with the provision of social and/or community services to the residents of the Project; equipment, fixtures and furnishing; fire alarm and elevator monitoring; fees and expenses of accountants, attorneys, consultants and other professionals. The definition will include deposits into operating and/or replacement reserves maintained by the Borrower but will not include initial deposits to capitalize the reserve accounts or amounts expended from a reserve account, or capital costs.</p> <p>Principal and interest due in full upon refinance, sale or end of Term.</p>
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<b>B. "Collateral" The Collateral securing repayment of the Loan, which Collateral consists of the following</b>	
"PROPERTY"	Property includes the leasehold estate in the underlying land (but not the land itself), which is the subject of a separate ground lease all located at 4500 Perry Avenue; 4930 El Paraiso Avenue, Sacramento, California; 8223 Walerga Road, Antelope, California; and 9205 Elk Grove Boulevard, Elk Grove, California and the fee in the improvements and supporting constructed infrastructure situated upon the land:
Address and Assessor's Parcel Number (APN)	4500 Perry Avenue, Sacramento, Ca 95820 (APN 022-0052-011-0000 and 022-0052-012-0000) 4930 El Paraiso Avenue, Sacramento, Ca 95824 (APN 037-0224-047-0000) 9205 Elk Grove Boulevard, Elk Grove, Ca 95624 (APN 125-0270-051-0000) 8223 Walerga Road, Antelope, Ca 95843 (APN 203-0070-041-0000)
"Legal Description"	The Property is situated in the State of California, County of Sacramento, and is more particularly described in <b>Exhibit 1: Legal Description</b> attached and incorporated by reference.
Borrower's Title Interest	Borrower has a fee interest in the Improvements and a leasehold interest in the land or, if the Additional Escrow Instructions so indicate, Borrower will acquire fee interest in the Improvements and leasehold interest in the land at Close of Escrow.

<b>C. "ESCROW INFORMATION":</b>		
"Title Company" and "Escrow Agent"	Placer Title Company	Which is the title company that will issue the Title Policy and that will act as Escrow Agent for the Escrow
"Escrow"	The escrow with Escrow Agent.	
"Closing Date"	_____, 2020 or mutually agreed upon date	Which is the date for close of the Escrow, as it may be extended

<b>D. "LIST OF EXHIBITS" (The following are attached and incorporated in this Loan Agreement):</b>	
EXHIBIT	DEFINED TERM
<u>Exhibit 1: Legal Description</u>	"Legal Description"
<u>Exhibit 2: Note Form</u>	"Note"
<u>Exhibit 3: Trust Deed Form</u>	"Trust Deed"
<u>Exhibit 4: Escrow Instructions</u>	"Escrow Instructions"
<u>Exhibit 5: The RAD Use Agreement</u>	"RAD Use Agreement"
<u>Exhibit 6: Scope of Development</u>	"Scope of Development"

<b>D. "APPROVAL DOCUMENTS" Borrower shall submit the following documents for Lender approval</b>
Construction Agreements for the Project
Architectural Agreement for the Project
Borrower's organizational documents, such as partnership agreements or corporate articles and by-laws
Budget for the operation of the Property, including capital improvements and operating reserve account
Evidence of construction financing
Budget for the operation of the Property, including capital improvements and operating reserve account

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

<b>G. "SPECIAL PROVISIONS" The following special provisions shall be in addition to the provisions of this Loan Agreement.</b>
1. This Loan is made pursuant to the Disposition and Development Agreement by and between Borrower and the Housing Authority of the County of Sacramento dated _____, 2020 (the "DDA"). This Loan Agreement is subject to the DDA including without limitation, conditions precedent to funding the Loan or making disbursements of the Loan Proceeds.



- |  |
|--|
| 2. This loan is a seller carry back loan for the acquisition of the improvements.  |
| 3. Subject to Lender's written approval, Borrower shall obtain and maintain for the life of the Loan a property management agreement with a duly accredited real estate property management company for the management of the Property. Lender shall have the right to review and approve or reject any proposed changes to scope of said agreement and to changes in the real estate property management company prior to making such changes. Any such changes made without Lender approval shall be a default of the loan. The Lender hereby approves Housing Authority of the County of Sacramento as the Property's property manager. |

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

**BORROWER:**  
**RAD PILOT LP, A CALIFORNIA LIMITED PARTNERSHIP**

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

By: RAD Pilot LLC, a California limited liability company, its managing general partner

By: \_\_\_\_\_  
 La Shelle Dozier, Executive Director

By: Sacramento Housing Authority Repositioning Program, Inc., a California nonprofit public benefit corporation, its sole member and manager

Approved as to form:

\_\_\_\_\_  
 Authority Counsel

\_\_\_\_\_  
 James Shields, President

## ARTICLE II LOAN PROVISIONS

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

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

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

1.1. “Approved Loans” means the Housing Authority loan, the Wells Fargo Bank, N.A. loan, senior mortgage loan, and the Freddie Mac permanent loan.

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

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

1.4. “DDA” shall have the same meaning as ascribed to it in Article I, Section G of this Loan Agreement.

1.5. “Default Rate” is the maximum legal interest rate.

1.6. “Escrow” is the escrow with Title Company for the closing of the Loan.

1.7. “Escrow Instructions” means the Escrow Instructions for the Escrow signed by each of the parties to this Loan Agreement.

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

1.9. “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.

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

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

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

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

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

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

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

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

1.18. "Loan Proceeds" means the Loan funds disbursed by Lender to Borrower pursuant to the terms of the Loan Documents.

1.19. "Permanent Lender" is the lender for the Permanent Loan.

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

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

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

1.23. "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.

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

1.25. "RAD" means Rental Assistance Demonstration (RAD) is the Rental Assistance Demonstration Program of the United States Department of Housing and Urban Development.

1.26. "RAD Use Agreement" means, collectively, the use agreement entered into by and among the Authority, Lessee, and United States Department of Housing and Urban Development (HUD) specifying the affordability and use restrictions governing the Project under the RAD Program, and recorded against the Authority's fee interest in the Leased Premises and the Lessee's leasehold interest in the Leased Premises.

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

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

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

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

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

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

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

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

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

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

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

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

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

2.11. **ACCURACY.** All applications, financial statements, reports, documents, instruments, information, and forms of evidence delivered to Lender concerning the Loan or required by this Loan Agreement or any of the other Loan Documents are accurate, correct, and sufficiently complete to give Lender true and accurate knowledge of

their subject matter, and do not contain any untrue statement of a material fact or omit any material fact necessary to make them not misleading.

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

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

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

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

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

3.5. **RAD USE AGREEMENT.** The imposing of the covenants, conditions and restrictions running with the land contained in the RAD Use Agreement is required by the DDA and is a material consideration for the making of this Loan. Borrower shall execute the RAD Use Agreement prior to Close of Escrow and deliver it to Escrow for recordation. The RAD Use Agreement shall be and remain senior in position to any and all liens against the land fee or the leasehold interest of the improvement.

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

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

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

4.3. **CONDITIONS TO BORROWER'S PERFORMANCE.** Unless waived by Borrower, Borrower's obligation to perform under this Loan Agreement is subject to satisfaction of all of the following conditions: (a) the closing conditions as defined in the Escrow Instructions have been fulfilled as of Close of Escrow; (b) Lender has met the Additional Conditions to Close of Escrow and applicable Special Provisions, if any; (c) 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 (d) the Loan Agreement continues to be in full force and effect, no default on the part of Lender has occurred

under the Loan Agreement, and no event has occurred that, with the giving of notice or the passage of time, will constitute a default by Lender under the Loan Agreement.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## 8. DEFAULTS

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

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

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

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

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

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

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

8.1.7. Notwithstanding anything to the contrary herein or in the Loan Documents, Lender agrees that in no event shall it declare an event of default or seek any remedy with respect to the Loan or the Loan Documents during the 15-Year tax credit compliance period under Internal Revenue Code Section 42 applicable to the Property unless the tax credit limited partner consents.

## 9. REMEDIES

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

9.1.1. Terminate its obligation to make disbursements.

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

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

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

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

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

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

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

10.1. **INSURANCE PROVISIONS.** Each policy of insurance required under this Loan Agreement shall be obtained from a provider licensed to do business in California and having a current Best's Insurance Guide rating of A-V II or better, 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.

10.2. **FAILURE TO MAINTAIN.** If Borrower fails to obtain or maintain, or cause to be obtained and maintained, any insurance required by this Loan Agreement, the Lender, after providing Borrower with not less than 7 days notice, 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.

## **11. MISCELLANEOUS.**

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

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

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

11.4. **SUBORDINATION.** Lender will subordinate this Loan to the Senior Loan, provided that the Senior Loan for the Project indicated in the Budget meets all requirements of this Loan Agreement, and that the Senior Loan does not require modification of this Loan Agreement, Lender's execution of any agreements containing new or modified Loan terms or Lender's execution of any agreement creating a contractual relationship between Lender and the senior lender including obligations or liabilities between Lender and the senior lender. "Senior Loan" means 1) a construction loan (the "Construction Loan") from Wells Fargo, N.A. ("Bank") in the approximate amount of Twelve Million Five Hundred Thousand Dollars and No Cents (\$12,500,000.00) funded with tax-exempt bonds issued by the Housing Authority of the County of Sacramento (the "Bonds"); and 2) a permanent loan from the Housing Authority of the County of Sacramento (the "Tax Exempt Loan") using proceeds from a separate loan made by Prudential Affordable Mortgage Company, LLC, or affiliate, which will be purchased by Freddie Mac, in the approximate amount of Three Million Two Hundred Forty-Two Thousand Three Hundred Dollars and No Cents (\$3,242,300.00), (the "Prudential/Freddie Mac Loan"); and that certain loan from Lender to Borrower evidenced by a Project Note given by Borrower to Lender and secured by a Multifamily Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing given by Borrower to Lender, as assigned to U.S. Bank National Association, as Fiscal Agent, or the Permanent Loan.

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

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

11.7. **NO THIRD PARTIES BENEFITED.** This Loan Agreement is made and entered into for the sole protection and benefit of the parties and their permitted successors and assigns, and no other Person will have any right of

action or any rights to funds at any time on deposit in the Construction Account or the Impound Account, if established.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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EXHIBIT 1: LEGAL DESCRIPTION

**Legal Description of Pointe Lagoon - 9205 Elk Grove Boulevard, Elk Grove, CA 95624**

SITE F: 9205 Elk Grove Boulevard

The land described herein is situated in the State of California, County of Sacramento, City of Elk Grove, described as follows:

Parcel No. 1:

All buildings and improvements situated on the following property, the buildings and improvements are and shall remain real property, pursuant to that certain Grant Deed dated To Be Recorded, recorded To Be Determined, as To Be Determined, of Official Records:

All that portion of the Southeast one-quarter of Section 31, Township 7 North, Range 6 East, described as follows:

Beginning at a point on the South line of said Section 31 bears West (measured along the South line of said Section 31) 1408.5 feet distant; thence from said point of beginning, North 231 feet; thence West 88.5 feet; thence South 231 feet to a point on the South line of said Section 31; thence along the South line of said Section 31, East 88.5 feet to the point of beginning.

Parcel No. 2:

All buildings and improvements situated on the following property, the buildings and improvements are and shall remain real property, pursuant to that certain Grant Deed dated To Be Recorded, recorded To Be Determined, as To Be Determined, of Official Records:

All that portion of the Southeast one-quarter of Section 31, Township 7 North, Range 6 East, described as follows:

Beginning at a point on the South line of said Section 31, from which point the Southwest corner of the Southeast one-quarter of Section 31 bears West (measured along the South line of said Section 31) South 231 feet to a point on the South line of said Section 31; East 50 feet to the point of beginning.

Parcel No. 3:

All buildings and improvements situated on the following property, the buildings and improvements are and shall remain real property, pursuant to that certain Grant Deed dated To Be Recorded, recorded To Be Determined, as To Be Determined, of Official Records:

All that portion of the Southeast one-quarter of Section 31, Township 7 North, Range 6 East, described as follows:

Beginning at a point on the South line of said Section 31, from which point the Southwest corner of the Southeast one-quarter of said Section 31 bears West (measured along the South line of said Section 31) 1508.5 feet distant; from said point of beginning, North 231 feet, thence West 50 feet; thence South 231

feet to a point on the South line of said Section 31; thence, along the South line of said Section 31, East 50 feet to the point of beginning.

APN: 125-0270-051-0000

**Legal Description of Rio Garden - 8223 Walerga Road, Antelope, CA 95843**

SITE E: 8223 Walerga Road

The land described herein is situated in the State of California, County of Sacramento, unincorporated area, described as follows:

All buildings and improvements situated on the following property, the buildings and improvements are and shall remain real property, pursuant to that certain Grant Deed dated To Be Recorded, recorded To Be Determined, as To Be Determined, of Official Records:

Parcel A of that certain Parcel Map entitled "A portion of the Southwest one-quarter of Section 18, Township 10 North, Range 6 East, M.D.B. & M.", filed June 24, 1976 in Book 26 of Parcel Maps, Page 48 in the office of the recorder, Sacramento County.

APN: 203-0070-041-0000

**Legal Description of Pointe Lagoon - 4930 El Paraiso Avenue, Sacramento, CA 95824**

SITE C: 4930 El Paraiso Avenue

The land described herein is situated in the State of California, County of Sacramento, unincorporated area, described as follows:

All buildings and improvements situated on the following property, the buildings and improvements are and shall remain real property, pursuant to that certain Grant Deed dated To Be Recorded, recorded To Be Determined, as To Be Determined, of Official Records:

Lot A, as shown on the "Revised Plat of Country Place" filed in the office of the recorder of Sacramento County, in Book 149 of Maps, Map No. 16.

Excepting therefrom, that portion of said land granted to the Redevelopment Agency of the County of Sacramento, in Grand Deed recorded August 24, 1984 as Book 840824, Page 370, Official Records, described as follows:

Beginning at the Northerly corner of Lot A that lies on the centerline of Sampson Boulevard as said Boulevard is shown on said Map; thence from said point of beginning along said centerline and the most Westerly line of said Lot A South 0° 00' 00" West, 52.50 feet; thence leaving said centerline along a portion of the Southerly boundary of said Lot A, South 88° 12' 00" East, 212.00 feet; thence leaving last said line, North 6° 50' 00" East, 59.71 feet to a point on the Northerly boundary of said Lot A; thence along last line South 89° 58' 00" West, 219.00 feet to the point of beginning.

APN: 037-0224-047-0000

**Legal Description of Pointe Lagoon - 4500 Perry Avenue, Sacramento, CA 95820**

SITE D: 4500 and 4530 Perry Avenue

The land described herein is situated in the State of California, County of Sacramento, unincorporated area, described as follows:

All buildings and improvements situated on the following property, the buildings and improvements are and shall remain real property, pursuant to that certain Grant Deed dated To Be Recorded, recorded To Be Determined, as To Be Determined, of Official Records:

Lot 10 as shown on the "Amended Plat of Hunger Tract No. 1", recorded in Book 15 of Maps, Map No. 8, records of said County.

Pursuant to that certain Certificate of Compliance, recorded September 20, 2019, Instrument No. 201909200647 Official Records.

APN: 022-0052-011-0000 and 022-0052-012-0000

EXHIBIT 2: NOTE

**PROMISSORY NOTE  
(SELLER CARRY-BACK LOAN FOR IMPROVEMENTS)**

**RAD 1**

**COUNTY OF SACRAMENTO**

**4500 PERRY AVENUE; 4930 EL PARAISO AVENUE, SACRAMENTO, CALIFORNIA; 8223 WALERGA ROAD,  
ANTELOPE, CALIFORNIA; AND 9205 ELK GROVE BOULEVARD, ELK GROVE, CALIFORNIA**

**BORROWER HAS MADE THIS PROMISSORY NOTE (“NOTE”) AS OF THE EFFECTIVE DATE.** The Lender is making the Loan pursuant to the terms and conditions of the Loan Agreement and this Note. This Note includes all attachments and Exhibits listed below, which are attached to and incorporated in this Note by this reference. The capitalized terms in this Note shall have the meanings assigned in the following table of definitions and as defined in the body of the Note. (Terms being defined are indicated by quotation marks. If an item in the table is marked “None, Not Applicable, N/A or equivalent or is left blank, that defined term is not applicable to this Note or the referenced item is not required or is not included in this Note as the context may indicate.) The Lender is making the Loan to Borrower in consideration of Borrower making this Note and delivering it to Lender.

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

<b>DEFINED TERM:</b>	<b>DEFINITION:</b>
“Effective Date”	_____, 2020
“Lender”	Housing Authority of the County of Sacramento
“Borrower”	RAD Pilot LP
“Borrower Legal Status”	A California limited partnership
“Loan Agreement”	The Loan Agreement between the Borrower and Lender as of the Effective Date for making of the loan (“Loan”) evidenced by this Note.
“Principal Amount”	Four Million Eighteen Thousand Four Hundred Dollars and No Cents (\$4,018,400.00).
“Interest Rate”	Interest shall accrue on the unpaid Principal Amount of this Note at the applicable federal rate in effect on the Accrual Date, which was _____ percent (___%) per annum, compounded annually.
“Accrual Date”	Interest shall accrue starting on the following “Accrual Date”: Date of ownership transfer to Borrower.
“Special Terms”	None.
<b>PAYMENT SCHEDULE.</b> Repayment of this Note shall be made the following amounts:	
“Maturity Date”	The first day of the 684 <sup>th</sup> calendar month following the Effective Date: February 1, 2077.
“Payment Start Date”	Commencing on the first day of the 40 <sup>th</sup> calendar month following the Effective Date of this Loan Agreement, May 1, 2023, annual payments of interest and principal shall be due in arrears subject to review of annual audited financial statement as described in the Promissory Note for the Improvements.



<p>“Payment Amount(s)”</p>	<p><b>ANNUAL REPAYMENT:</b> Annual principal and interest payments shall be deferred from the Loan’s Effective Date through the first 39 months. Beginning in month 40, May 1, 2023, annual payments will be made on a Residual Receipts, as defined below, basis until the maturity date. Annual payments shall be applied first to outstanding interest accrued and unpaid and then to principal.</p> <p>“Residual Receipts” is defined as follows: May 1, 2023, annual installments (as described in Sections [f] through [l] of this paragraph) are to begin. Based on the annual audited financial statement from the preceding year, payments will be made upon a “Residual Cash Flow” basis meaning Net Operating Income (NOI) less:</p> <ul style="list-style-type: none"> <li>(a) Debt service on the senior loan</li> <li>(b) Monitoring fees to the County of Sacramento Housing Authority on the mortgage revenue bond issuance;</li> <li>(c) If applicable, to the Limited Partner for any amounts owed to the Limited Partner pursuant to the Borrower’s Amended and Restated Partnership Agreement;</li> <li>(d) Asset management fees up to \$8,000 annually as of the Loan’s Effective Date escalating at 3% annually;</li> <li>(e) Partnership management fee up to \$8,000 annually as of the Loan’s Effective Date escalating at 3% annually;</li> <li>(f) Deferred developer fee;</li> </ul> <p>After Sections (a) through (f) of this paragraph are paid,</p> <ul style="list-style-type: none"> <li>(g) Fifty percent (50%) of the available cash flow from NOI to the Housing Authority of the City of Sacramento Construction and Permanent Loan, divided equally first to the Capital Funds Note, then to Cash Proceeds Note, including principal and interest, and</li> <li>(h) Fifty percent (50%) of the available cash flow from NOI to the Housing Authority of the County of Sacramento Construction and Permanent Loan, divided equally first to the Capital Funds Note, then to Cash Proceeds Note, including principal and interest;</li> </ul> <p>After Sections (a) through (h) of this paragraph are paid,</p> <ul style="list-style-type: none"> <li>(i) Fifty percent (50%) of the available cash flow from NOI to the Housing Authority of the County of Sacramento Seller Carryback Loan (Improvements), and</li> <li>(j) Fifty percent (50%) of the available cash flow from NOI to the Housing Authority of the City of Sacramento Seller Carryback Loan (Improvements);</li> </ul> <p>After Sections (a) through (j) of this paragraph are paid,</p> <ul style="list-style-type: none"> <li>(k) One hundred percent (100%) of the available cash flow from NOI to Sacramento Housing and Redevelopment Agency Construction and Permanent Loan;</li> </ul> <p>After Sections (a) through (k) of this paragraph are paid,</p> <ul style="list-style-type: none"> <li>(l) Fifty percent (50%) of the available cash flow from NOI to the Housing Authority of the County of Sacramento Ground Lease, and</li> <li>(m) Fifty percent (50%) of the available cash flow from NOI to the Housing Authority of the City of Sacramento Ground Lease.</li> </ul> <p>The Net Operating Income is defined as periodic “Revenue” less “Operating Expenses.” “Revenue” means all revenue from the leasing of the Project, including but not limited to all rents, fees, and charges paid by tenants as well as rental subsidy payments regardless of the source of these subsidies, forfeited tenant deposits, rent increases, proceeds from vending machines and laundry room machines. Revenue shall not include tenants’ security deposits (unless forfeited), interest on those deposits, loan proceeds, capital contributions or similar advances, or amounts released from reserves or interest on reserves.</p> <p>“Operating Expenses” shall mean actual costs, fees and expenses as evidenced by invoices attributable to the operation, recordkeeping, maintenance, taxes and management of the Project, including property management fees; taxes and assessments; payroll, benefits and payroll taxes of for property employees; insurance; security; painting, cleaning, repairs, and alterations; landscaping; sewer charges; utility charges; advertising, promotion and publicity; cable television, satellite and other similar services; office, janitorial, cleaning and building supplies; recreational amenities and supplies; purchase, repair, servicing and installation of appliances; costs and expenses associated with the provision of social and/or community services to the residents of the Project; equipment, fixtures and furnishing; fire alarm and elevator monitoring; fees and expenses of accountants, attorneys, consultants and other professionals. The definition will include deposits into operating and/or replacement reserves maintained by the Borrower but will not include initial deposits to capitalize the reserve accounts or amounts expended from a reserve account, or capital costs.</p> <p>Principal and interest due in full upon refinance, sale or end of Term.</p>
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	The first day of the 684 <sup>th</sup> calendar month following the Effective Date: February 1, 2077.	Principal and accrued interest due in full
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**FOR VALUE RECEIVED, THE UNDERSIGNED, JOINTLY AND SEVERALLY, PROMISES TO PAY** to Lender, or its successors or assigns, the Principal Amount or such lesser amount as may be endorsed on this Note on behalf of Lender. The Loan shall bear interest on the outstanding principal balance, computed from the Accrual Date at the Interest Rate.

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

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

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

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

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

6. 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, set forth herein or in the Loan Agreement or Trust Deed if any:

- a. Borrower defaults in the payment of any principal or interest when due and fails to cure within 10 (ten) days.
- b. Lender discovers that Borrower, in any application to Lender in connection with the Loan, had failed to disclose or misrepresented any fact that would have prevented Borrower from being eligible for the Loan.
- c. Lender discovers that Borrower has made any misrepresentations or has intentionally withheld any fact in the making of this Loan, the knowledge of which could have affected the decision of Lender to make the Loan.
- d. Borrower defaults or breaches any of the terms of Loan Agreement, the Trust Deed, the RAD Use Agreement or this Note and Borrower fails to cure within 30 days after receipt of notice, provided, however, that if such cure cannot reasonably be effected within such 30 day period, such failure shall not be a default so long as Borrower promptly (and in any event, within ten (10) days after receipt of such notice) commences such cure and thereafter diligently (and in any event, within ninety (90) days after receipt of such notice) prosecutes such cure to completion. Any limited partner of Borrower is entitled to the notice and cure provisions set forth in Section 16 of the Trust Deed.
- e. Borrower fails to perform any covenant, term or condition in any instrument creating a lien upon the Property, which is the security under the Trust Deed, or any part thereof, which lien shall have priority over the lien of the Trust Deed securing this Note.
- f. The sale, transfer of title, conveyance or further encumbrance of the Property, whether by sale, exchange, gift, inheritance or other means, without prior written consent of Lender.
- g. The occurrence of any of the following:

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

2) Proceedings for the appointment of a receiver, trustee or liquidator of the assets of Borrower or a substantial part of such assets, being authorized or instituted by or against the Borrower which are not stayed within 90 days.

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 which are not stayed within 90 days.

7. Any limited partner of Borrower is entitled to the notice and cure provisions set forth in Section 16 of the Trust Deed.

8. 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.

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

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

11. This Loan is a non-recourse 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.

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

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

**Borrower:**

**RAD PILOT LP, A CALIFORNIA LIMITED PARTNERSHIP**

By: RAD Pilot LLC, a California limited liability company,  
its managing general partner

By: Sacramento Housing Authority Repositioning Program, Inc.,  
a California nonprofit public benefit corporation, its sole member and manager

\_\_\_\_\_  
James Shields, President

EXHIBIT 3: TRUST DEED FORM

NO FEE DOCUMENT:  
Entitled to free recording  
per Government Code 27383.

When recorded, return to: HOUSING AUTHORITY OF THE COUNTY OF SACRAMENTO  
801 12<sup>th</sup> Street  
Sacramento, CA 95814  
Attention: Portfolio Management

**DEED OF TRUST AND ASSIGNMENT OF RENTS**

**SELLER CARRY-BACK LOAN FOR IMPROVEMENTS**

**RAD 1**

**COUNTY OF SACRAMENTO**

4500 Perry Avenue (APN: 022-0052-011-0000 and 022-0052-012-0000); 4930 El Paraiso Avenue (APN: 037-0224-047-0000); Sacramento, California; 9205 Elk Grove Boulevard, Elk Grove, California APN: 125-0270-051); and 8223 Walerga Road, Antelope, California (APN203-0070-041-0000)

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

“Effective Date”	_____, 2020	
“Trustor” and “Borrower”	RAD Pilot LP, a California limited partnership	
“Borrower Address”	c/o SHARP, 801 12 Street, Sacramento, California 95814	
“Trustee”	Placer Title Company, 2901 K Street, Suite 390, Sacramento, CA 95816	
“Beneficiary” and “Lender”	Housing Authority of the County of Sacramento, a public body, corporate and politic	
“Lender Address”	801 12th Street, Sacramento, California 95814	
“Property”	Which consists of the Improvements and leasehold estate in real property located in the County of Sacramento and the State of California as more particularly described in the Legal Description.	
	Address and Assessor’s Parcel Number (APN)	4500 Perry Avenue, Sacramento, Ca 95820 (APN 022-0052-011-0000 and 022-0052-012-0000)
		4930 El Paraiso Avenue, Sacramento, Ca 95824 (APN 037-0224-047-0000)
		9205 Elk Grove Boulevard, Elk Grove, Ca 95624 (APN 125-0270-051-0000)
		8223 Walerga Road, Antelope, Ca 95843 (APN 203-0070-041-0000)
“Legal Description”	The Legal Description of the Property which is more particularly described in the attached <b>Exhibit 1 Legal Description</b> , which is incorporated in and an integral part of this Deed of Trust	
“Loan”	Which is Lender’s loan to Borrower evidenced by the Note and which is secured by this Deed of Trust.	

“Loan Agreement”	Which is the Seller Carry-Back Loan Agreement between Lender and Borrower stating the term and conditions of the Loan.	
	Which is dated:	_____, 2020
“Additional Notices”	Lender shall give copies of notices required to be delivered to Borrower to the following parties at the following addresses; provided, however that Borrower acknowledges that such notice is an accommodation and the failure of the Lender to properly deliver any such notice shall not give rise to any claims or defenses of Borrower or any third party:	
	<p><b>TAX CREDIT EQUITY INVESTOR</b>  NEF Assignment Corporation  Attention: General Counsel  10 South Riverside Plaza, Suite 1700  Chicago, IL 60606</p> <p><b>CONSTRUCTION LENDER</b>  Wells Fargo Bank, National Association  Community Lending and Investment  333 Market Street, 17<sup>th</sup> Floor  MAC# A0119-177  San Francisco, California 94105  Attention: Loan Administration Officer  Loan No. 1019305</p> <p><b>PERMANENT LENDER</b>  Prudential Affordable Mortgage Company, LLC, or affiliate  C/O PRUDENTIAL ASSET RESOURCES  2100 ROSS AVENUE, SUITE 2500  DALLAS, TEXAS 75201  ATTN: ASSET MANAGEMENT DEPARTMENT  Agency-Notice@prudential.com</p> <p>With a copy to:</p> <p>Federal Home Loan Mortgage Corporation  8100 Jones Branch Drive, MS B4P  McLean, Virginia 22102  Attention: Multifamily Operations - Loan Accounting  Email: mfla@freddiemac.com  Telephone: (703) 714-4177</p> <p>with a copy to: Federal Home Loan Mortgage Corporation  8200 Jones Branch Drive, MS 210  McLean, Virginia 22102  Attention: Managing Associate General Counsel –  Multifamily Legal Division  Email: joshua_schonfeld@freddiemac.com  Telephone: (703) 903 2000</p> <p><b>FISCAL AGENT</b>  U.S. Bank Global Corporate Trust  Attention: RAD 1  1 California Street, Suite 1000  San Francisco, CA 94111</p>	

"Note"	Which is Borrower's note made in accordance with the Loan Agreement evidencing the following principal sum or such lesser amount as shall equal the aggregate amount disbursed to Borrower by Lender, with interest.	
	Which has a principal sum of	Four Million Eighteen Thousand Four Hundred Dollars and No Cents (\$4,018,400.00).

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

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

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

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

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

Borrower and Lender covenant and agree as follows:

1. Payment of Principal and Interest. Borrower shall promptly pay when due the principal and interest, if any, on the indebtedness evidenced by the Note. All payments received by Lender under the Note shall be applied by Lender first to interest payable on the Note and thereafter to the unpaid principal of the Note.
2. Charges; Liens. Borrower shall pay all taxes, assessments and other charges, fines and impositions attributable to the Property and leasehold payments or ground rents, if any by Borrower making payment, when due, directly to the appropriate payee. Borrower shall promptly furnish to Lender all notices of amounts due under this paragraph, and in the event that Borrower makes payment directly, Borrower shall promptly furnish to Lender receipts evidencing such payments. Borrower shall pay when due any encumbrance, charge and lien, with interest in accordance with its terms, on the Property or any portion which is inferior or superior to this Deed of Trust. Provided, however, Borrower shall have the right to contest such amount in good faith provided that Borrower causes any such lien to be released from the Property by the posting of a bond or by other appropriate means.
3. Hazard Insurance. Borrower shall keep the improvements now existing or later erected on the Property insured against loss of fire or hazards under a policy approved by Lender consistent with the insurance requirements of the Loan Agreement. In addition, Borrower shall insure against loss of all furniture, equipment and other personal property owned by Borrower related to Borrower's operation of the Property. Lender shall have the right to hold the policies and policy renewals, and Borrower shall promptly furnish to Lender all renewal notices and all receipts of paid premiums. In the event of loss, Borrower shall give prompt notice to the insurance carrier and Lender. Lender may make proof of loss if not made promptly by Borrower.

Unless Lender and Borrower otherwise agree in writing, insurance proceeds shall be applied to restoration or repair of the Property damaged, as and to the extent provided in the Loan Agreement.

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

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

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

6. Protection of Lender's Security. Borrower shall appear and defend any action or proceeding purporting to affect the security under this Deed of Trust or the rights of the Lender. If Borrower fails to perform the covenants and agreements contained in this Deed of Trust, or if any action or proceeding is commenced which materially affects Lender's interest in the Property, including, but not limited to, foreclosure, involuntary sale, eminent domain, insolvency, code enforcement, or arrangements or proceedings involving a bankrupt or decedant, then Lender may, upon notice to Borrower, make such appearances, disburse such sums and take such actions as are necessary to protect Lender's interest, including, but not limited to, disbursement of judgments, costs or reasonable attorney's fees and entry upon the Property to make repairs.

Any amounts disbursed by Lender pursuant to this Section 6, with interest, shall become additional indebtedness of Borrower secured by this Deed of Trust. Unless Borrower and Lender agree to other terms of payment, such amounts shall be payable upon notice from Lender to Borrower requesting payment, and shall bear interest from the date of disbursement at the highest rate permissible under applicable law. In any event, this Section shall be construed as a right and an option of Lender and shall not be construed to require Lender to incur any expense or take any action.

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

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

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

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

11. Successors and Assigns Bound: Joint and Several Liability Captions. The covenants and agreements contained in this Deed of Trust shall bind, and the rights under this Deed of Trust shall inure to, the respective successors and assigns of Lender and Borrower, subject to the provisions of Section 15. All covenants and agreements of Borrower

shall be joint and several. The captions and headings of the paragraphs of this Deed of Trust are for convenience only and are not to be used to interpret or to define its provisions.

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

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

14. Acceleration on Transfer or Refinancing of the Property; Assumption. Except as otherwise provided in the Loan Agreement, if all or any part of the Property or an interest in the Property is sold or transferred or refinanced by Borrower without Lender's prior written consent, Lender may, at Lender's option, declare all the sums secured by this Deed of Trust to be immediately due and payable. Lender shall have waived such option to accelerate if, prior to the refinancing, sale or transfer, Lender and the person to whom the Property is to be sold or transferred reach agreement in writing that the loan may be assumed. If Lender has waived the option to accelerate provided in this Section and if Borrower's successor in interest has executed a written assumption agreement accepted in writing by Lender, Lender shall release Borrower from all obligations under this Deed of Trust and the Note. Lender's prior approval is not required for (1) the sale or transfer of the limited partner's interest to one or more of the other partners that currently comprise the Borrower's entity, (2) the admission of the limited partner or its affiliate of National Equity Fund, Inc., to the Borrower and the transfer of its interest to an affiliate thereof so long as the general partner, or managing member, of the transferor, or an affiliate thereof, is the general partner, or managing member of the transferee, or partner; however, Borrower is obligated to notify Lender within 30 days from the date of such sale or transfer, (3) the removal of the general partner of the Borrower by the limited partner for a default under Borrower's partnership agreement, provided that any replacement general partner is approved by Lender, which approval shall not be unreasonably withheld, conditioned or delayed.

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

15. Acceleration on Breach; Remedies. Except as provided in Section 15, upon Borrower's breach of any covenant or agreement of Borrower in this Deed of Trust, the Note, (including the covenants to pay when due any sums secured by this Deed of Trust and restricting transfer of the Property) or Loan Agreement, Lender shall mail notice to Borrower and the limited partner specifying: (1) the breach; (2) the action required to cure such breach; (3) a date, no less than 30 days from the date the notice is mailed to Borrower, and the limited partner by which breach must be cured; and (4) that failure to cure such breach on or before the date specified in the notice may result in acceleration of the sums secured by this Deed of Trust and sale of the Property. If the breach is not cured on or before the date specified in the notice, Lender at Lender's option may declare all of the sums secured by this Deed of Trust to be immediately due and payable without further demand and may invoke the power of sale and any other remedies permitted by applicable law, provided, however, that if such cure cannot reasonably be effected within such 30 day period, such failure shall not be a default so long as Borrower promptly (and in any event, within ten (10) days after receipt of such notice) commences such cure and thereafter diligently (and in any event, within ninety (90) days after receipt of such notice) prosecutes such cure to completion. The limited partner is entitled to cure any defaults on behalf of the Borrower within the same specified time periods; said cure periods shall not extend statutory periods and times for notice and commencement of foreclosure; provided, however, that if, in order to cure any such default the limited partner must first remove a general partner of Borrower, then, provided that the limited partner notifies Lender of such removal and removes such general partner within a reasonable period, then the limited partner shall have until the date 30 days after the effective date of such removal to effect such cure. In any event, such cure process shall not exceed 120 days. Lender shall be entitled to collect from the Borrower, or sale proceeds, if any, all reasonable costs and expenses incurred in pursuing the remedies provided in this Section, including, but not limited to reasonable attorney's fees.



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

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

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

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

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

18. Nonrecourse. Notwithstanding any provision of this Deed of Trust or any document evidencing or securing this Loan, Borrower, and Borrower's principals, partners, agents, officers, and successors in interest shall not be personally liable for the payment of the Loan or any obligation of the Loan and Lender's sole recourse is to the collateral secured by this Deed of Trust.

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

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

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

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

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

24. Extended Use Agreement. In order to receive an allocation of federal low income housing tax credits, Borrower will be required to record in the real property records of the County in which the property is located, an "extended low-income housing commitment" (as defined in Section 42(h)(6)(B) of the Internal Revenue Code of 1986, as amended ("Code")) ("Extended Use Agreement"). Lender acknowledges and agrees that, in the event of a foreclosure of its interest under this Deed of Trust or delivery by the Borrower of a deed in lieu thereof (collectively, a "Foreclosure"), Lender agrees to comply with all the following rule contained in Section 42(h)(6)(E)(ii) of the Code shall apply: For a period of three (3) years from the date of Foreclosure, with respect to any unit that had been regulated by the Extended Use Agreement, (i) none of the eligible tenants occupying those units at the time of Foreclosure may be evicted or their tenancy terminated (other than for good cause, including but not limited to, the tenants' ineligibility pursuant to regulations of Section 42 of the Code), (ii) nor may any rent be increased except as otherwise permitted under Section 42 of the Code.

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

BORROWER (Trustor):

**RAD PILOT LP, A CALIFORNIA LIMITED PARTNERSHIP**

By: RAD Pilot LLC, a California limited liability company,  
its managing general partner

By: Sacramento Housing Authority Repositioning Program, Inc.,  
a California nonprofit public benefit corporation, its sole member and manager

\_\_\_\_\_  
James Shields, President

Exhibit 4: Escrow Instructions  
**JOINT ESCROW INSTRUCTIONS**  
**FOR AGENCY (AS LENDER, ISSUER, AND GROUND LESSOR),**  
**AND BORROWER (AS BORROWER AND GROUND LESSEE)**

<b>“Effective Date”</b>	_____, 2020
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Agency and Borrower execute these Escrow Instructions as of the Effective Date. This document, including attachments and any amendments and additions, shall constitute the joint escrow instructions of Agency and Borrower for the transactions described below.

**ARTICLE I. GENERAL TERMS.**

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

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

<b>“Title Company”</b>	Placer Title Company		
	<b>Address:</b>	301 University Avenue, Suite 120, Sacramento, CA 95825	
<b>“Escrow” with Title Company</b>	<b>Escrow Number:</b>	P-362723-3	<b>Attention:</b> Jenny Vega
	<b>“Agency”</b>	Housing Authority of the County of Sacramento, a public body, corporate and politic	
	<b>Address:</b>	801 12 <sup>th</sup> Street, Sacramento, California 95814	
	<b>Attention:</b>	Anne Nicholls	
<b>“Agency Improvements”</b>	The improvements on the Agency Sites.		
<b>“Agency Sites”</b>	4500 Perry Avenue, Sacramento, Ca 95820 (APN 022-0052-011-0000 and 022-0052-012-0000) (“ <b>Perry</b> ”) 4930 El Paraiso Avenue, Sacramento, Ca 95824 (APN 037-0224-047-0000) (“ <b>El Paraiso</b> ”) 9205 Elk Grove Boulevard, Elk Grove, Ca 95624 (APN 125-0270-051-0000) (“ <b>Elk Grove</b> ”) 8223 Walerga Road, Antelope, Ca 95843 (APN 203-0070-041-0000) (“ <b>Walerga</b> ”)		
<b>“Bank”</b>	Wells Fargo Bank, National Association		
<b>“Borrower”</b>	RAD Pilot LP, a California limited partnership		
	<b>Address:</b>	c/o SHARP 801 12th Street, Sacramento, California 95814	
	<b>Attention:</b>	James Shields, President	
<b>“Closing Date”</b>	_____, 2020 or mutually agreed upon Closing Date.		
<b>“HACS”</b>	Housing Authority of the City of Sacramento, a public body, corporate and politic		
<b>“HACS Improvements”</b>	The improvements on the HACS Sites (defined below).		
<b>“HACS Sites”</b>	4921 Folsom Boulevard, Sacramento, CA 95819 (APN: 008-0341-044-0000) 1043 43rd Avenue, Sacramento, CA 95822 (APN: 029-0184-017-0000, 029-0184-001-0000 and 029-0184-002-0000)		
<b>“HUD”</b>	The United States Department of Housing and Urban Development		
<b>“Property”</b>	The Agency Sites and the HACS Sites, collectively.		

<p><b>Description of the transaction</b></p>	<ol style="list-style-type: none"> <li>1. The Agency is the fee owner of the Agency Sites, which is comprised of Perry, El Paraiso, Elk Grove, and Walerga. HUD previously recorded declarations of trust against the Agency’s fee interest in Elk Grove (the “<b>Elk Grove Declaration</b>”), Perry (the “<b>Perry Declaration</b>”), El Paraiso (the “<b>El Paraiso Declaration</b>”), and Walerga (the “<b>Walerga Declaration</b>”). Through this escrow, HUD will fully release the Elk Grove Declaration through a release (the “<b>Elk Grove Release</b>”); partially release the Perry Declaration from Perry through a release (the “<b>Perry Release</b>”); fully release the El Paraiso Declaration through a release (the “<b>El Paraiso Release</b>”); and fully release the Walerga Declaration through a release (the “<b>Walerga Release</b>”).</li> <li>2. The Borrower will finance and develop a one hundred twenty-four (124) unit affordable housing development on the Property (the "<b>Project</b>"). In connection with the Project, the Agency will convey a fee interest in the Agency Improvements to the Borrower by four (4) grant deeds (the “<b>Grant Deeds</b>”).</li> <li>3. Concurrently with conveyance of the Improvements by the Grant Deeds, the Agency and the Borrower will enter into a ground lease whereby the Borrower will acquire a leasehold interest in the Agency Sites (the "<b>Ground Lease</b>"). The Ground Lease will be evidenced by a memorandum of ground lease (the "<b>Memorandum of Ground Lease</b>") to be recorded on the Agency’s fee interest in the Agency Sites.</li> <li>4. As part of this Project, HUD will require a use agreement by and among the Agency, HACS, HUD, and the Borrower to be recorded against the Agency’s and HACS’ fee interests in the Property and on the Borrower’s leasehold interest in the Property (the "<b>RAD Use Agreement</b>"). The RAD Use Agreement is to be recorded first and remain in senior position to all other Bank items, Borrower Items (defined below) and Agency Items (defined below).</li> <li>5. To finance the Project, the Agency will make a mortgage loan (the “<b>Agency Project Loan</b>”) to the Borrower with proceeds received from the separate loan made to the Agency by the Bank (the “<b>Bank Funding Loan</b>”). In connection with the Agency Project Loan, the Agency will record a tax regulatory agreement and declaration of restrictive covenants against the Borrower’s leasehold interest in Perry (the “<b>Perry Regulatory Agreement</b>”); a tax regulatory agreement and declaration of restrictive covenants against the Borrower’s leasehold interest in El Paraiso (the “<b>El Paraiso Regulatory Agreement</b>”); a tax regulatory agreement and declaration of restrictive covenants against the Borrower’s leasehold interest in Elk Grove (the “<b>Elk Grove Regulatory Agreement</b>”); and a tax regulatory agreement and declaration of restrictive covenants against the Borrower’s leasehold interest in Walerga (the “<b>Walerga Regulatory Agreement</b>”) (collectively the "<b>Tax Regulatory Agreements</b>"). The Bank will secure the Bank Funding Loan with a first lien leasehold deed of trust with assignment of rents, security agreement and fixture filing recorded against the Borrower’s leasehold interest in the Property (the "<b>Bank Deed of Trust</b>", and, together with the Tax Regulatory Agreements, the "<b>Tax Exempt Loan Documents</b>").</li> <li>6. To finance the Project, the Bank will also make a construction-permanent loan pursuant to a loan agreement evidenced by a promissory note secured by a deed of trust with assignment of rents, security agreement and fixture filing recorded against the Borrower’s leasehold interest in the Property (the “<b>Bank Construction-Permanent Loan DOT</b>”).</li> <li>7. The Agency is making the following three loans to Borrower. The first loan is the Construction and Permanent Loan, made pursuant to a loan agreement (the “<b>Agency Construction-Permanent Loan Agreement</b>”), evidenced by two promissory notes (the “<b>Agency Construction-Permanent Loan Notes</b>”) secured by a deed of trust (“<b>Authority Construction-Permanent Loan DOT</b>”); the second loan is the Ground Lease Loan for the capitalized rent due under the Ground Lease, which loan is evidenced by a promissory note (the “<b>Agency Ground Lease Loan Promissory Note</b>”) secured by a leasehold deed of trust with assignment of rents, security agreement and fixture filing (the “<b>Agency Ground Lease Loan DOT</b>”); and the third is the Seller Carry Back Loan for the acquisition of the Improvements, which loan is evidenced by a promissory note (the “<b>Agency Seller Carryback Note</b>”) secured by a deed of trust with assignment of</li> </ol>
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<p><b>“Recorded Documents”- The following documents are to be recorded against the interests specified, and in the order listed (top being first in priority). Copies of the Recorded</b></p>	<p><b>Documents:</b></p> <ol style="list-style-type: none"> <li>1. Elk Grove Release, recorded against the Agency’s fee interest in Elk Grove only</li> <li>2. Perry Release, recorded against the Agency’s fee interest in Perry only</li> <li>3. El Paraiso Release, recorded against the Agency’s fee interest in El Paraiso only</li> <li>4. Walerga Release, recorded against the Agency’s fee interest in Walerga only</li> <li>5. Grant Deeds, recorded against the Agency’s fee interest in the Agency Improvements</li> </ol>	<p><b>Marked for return to:</b> The Agency (address above) or the Borrower (address above), whichever entity possesses the interest being encumbered by the recorded document.</p>
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<p><b>documents are attached.</b></p>	<ol style="list-style-type: none"> <li>6. Memorandum of Ground Lease and TCAC Lease Rider, recorded against the Agency's fee interest in the Agency Sites</li> <li>7. RAD Use Agreement, recorded against the Agency's and HACS' fee interests in the Property and the Borrower's leasehold interest in the Property</li> <li>8. Perry Regulatory Agreement, recorded against the Borrower's leasehold interest in Perry</li> <li>9. El Paraiso Regulatory Agreement, recorded against the Borrower's leasehold interest in El Paraiso</li> <li>10. Elk Grove Regulatory Agreement, recorded against the Borrower's leasehold interest in Elk Grove</li> <li>11. Walerga Regulatory Agreement, recorded against the Borrower's leasehold interest in Walerga</li> <li>12. SHRA Regulatory Agreement, recorded against Borrower's leasehold interest in Perry, El Paraiso, and Walerga</li> <li>13. Bank Construction-Permanent Loan DOT, recorded against the Borrower's leasehold interest in the Property</li> <li>14. Agreement to subordinate the Tax Exempt Loan Documents to the RAD Use Agreement., by and among the Agency, HACS, the Bank, and Borrower, recorded against the Borrower's leasehold interest in the Property</li> <li>15. Agency Construction-Permanent Loan DOT, recorded against the Borrower's leasehold interest in the Agency Sites and Agency Improvements</li> <li>16. SHRA Construction-Permanent Loan DOT, recorded against Borrower's leasehold interest in Perry, El Paraiso, and Walerga</li> <li>17. Agency Ground Lease Loan DOT, recorded against the Borrower's leasehold interest in the Agency Sites</li> <li>18. Agency Seller Carryback Loan DOT, recorded against the Borrower's leasehold interest in the Agency Sites and Agency Improvements</li> <li>19. Agreement to subordinate the Agency Loan Documents to the RAD Use Agreement, by and between the Agency and the Borrower, recorded against the Borrower's leasehold interest in the Agency Sites</li> <li>20. Agreement to subordinate the Bank Construction-Permanent Loan DOT to the RAD Use Agreement, by and among the Agency, the Bank, and the Borrower, recorded against the Borrower's leasehold interest in the Agency Sites</li> <li>21. Memorandum of Option, by and between the Agency and the Borrower, recorded against the Borrower's leasehold in the Property</li> <li>22. Agreement to subordinate Memorandum of Ground Lease to the RAD Use Agreement, recorded against the Borrower's leasehold interest in the Property</li> <li>23. Agreement to subordinate TCAC Lease Rider to the RAD Use Agreement, recorded against the Borrower's leasehold interest in the Property</li> </ol>	
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<b>“Agency Items”</b>	<ol style="list-style-type: none"> <li>1. Agency Construction-Permanent Loan Notes</li> <li>2. Agency Ground Lease Loan Note</li> <li>3. Agency Seller Carryback Note</li> <li>4. Agency Construction-Permanent Loan Agreement</li> <li>5. Ground Lease</li> <li>6. Disposition and Development Agreement</li> <li>7. Authorizing resolutions for all Borrower signatories</li> </ol>	
<b>“Borrower Items”</b>	Loan proceeds in the amount of [\$ _____ ] The Grant Deeds and conforming copies of the recorded documents	

<b>“Special Provisions”:</b>	<p>The RAD Use Agreement is to be in first position and senior to all the other transaction documents/items</p> <p>The SHRA Regulatory Agreement is to be in second position and senior to all the other transaction documents/items, except the RAD Use Agreement</p> <p>Title Policy shall, in addition to customary endorsements, bear the following endorsements:</p>		
<b>“Agency Lender’s Title Policy” in the form of an ALTA Agency’s Lender’s Policy insuring that the following are valid liens against the Agency Sites:</b>	<b>Documents:</b>	<b>Coverage amount:</b>	
	The Tax Exempt Loan Documents	In the amount of the loan secured	
<b>“Agency Fee Owner’s Title Policy” in the form of an ALTA Agency’s Owner’s Policy insuring that the following are valid liens against the Agency’s fee interest in the Agency Sites</b>	<ol style="list-style-type: none"> <li>1. The RAD Use Agreement</li> <li>2. The SHRA Regulatory Agreement</li> <li>3. Memorandum of Ground Lease</li> </ol>	In the amount of [\$ _____ ]	
<b>“Borrower Leasehold Owner’s Title Policy” in the form of an ALTA Borrower’s Owner’s Policy insuring that the following are valid liens against the Borrower’s leasehold interest in the Agency Sites</b>	<ol style="list-style-type: none"> <li>1. Perry Regulatory Agreement</li> <li>2. El Paraiso Regulatory Agreement</li> <li>3. Elk Grove Regulatory Agreement</li> <li>4. Walerga Regulatory Agreement</li> <li>5. Bank Construction-Permanent Loan DOT</li> <li>6. Agency Construction-Permanent Loan DOT</li> <li>7. Agency Ground Lease Loan DOT</li> <li>8. Agency Seller Carryback Loan DOT</li> <li>9. Agreement to subordinate the Agency Loan Documents to the RAD Use Agreement</li> <li>10. Memorandum of Option</li> </ol>	In the amount of [Debt plus Equity]	
<b>The title policies shall be subject only to the following “Conditions of Title”:</b>	Items	<b>Dated:</b>	October 3, 2019
		<b>Number:</b>	P-362723-3

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

**BORROWER:**

**RAD PILOT LP, A CALIFORNIA LIMITED PARTNERSHIP**

By: RAD Pilot LLC, a California limited liability company, its managing general partner

By: Sacramento Housing Authority Repositioning Program, Inc., a California nonprofit public benefit corporation, its sole member and manager

By: \_\_\_\_\_  
James Shields, President

**AGENCY:**

**HOUSING AUTHORITY OF THE COUNTY OF SACRAMENTO, A PUBLIC BODY, CORPORATE AND POLITIC**

By: \_\_\_\_\_  
La Shelle Dozier, Executive Director

Approved as to form:

\_\_\_\_\_  
Agency Counsel



## ARTICLE II. INSTRUCTIONS

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

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

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

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

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

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

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

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

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

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

2.2.1. Assure fulfillment of the Special Provisions;

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

2.2.3. Obtain full execution of all unexecuted documents;

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

2.2.5. Record the Recorded Documents in the priority listed;

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

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

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

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

**2.4. COMMISSIONS.** Agency is not responsible, by the Agency Loan Documents or otherwise, to pay commissions in relation to this transaction.

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**ACCEPTANCE OF ESCROW INSTRUCTIONS**

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

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

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

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

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

Dated: \_\_\_\_\_

**TITLE COMPANY  
PLACER TITLE COMPANY**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Its authorized agent and signatory

Exhibit 5: RAD Use Agreement

**Recording Requested By:  
When Recorded Mail To:**

Housing Authority of the County of Sacramento  
801 12th Street, 6th Floor  
Sacramento, CA 95814  
Attention: Executive Director

No fee for recording pursuant to  
Government Code Section 27383 and 27388.1

\_\_\_\_\_SPACE ABOVE THIS LINE FOR RECORDER'S USE\_\_\_\_\_

**Rental Assistance Demonstration  
Use Agreement  
(RAD Pilot)**

**Rental Assistance  
Demonstration  
Use Agreement**

**U.S. Department of Housing  
and Urban Development**  
Office of Housing  
Office of Public and Indian Housing

**OMB Approval No. 2502-0612  
(Exp. 04/30/2020)**

**Public reporting burden** for this collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the Reports Management Officer, Paperwork Reduction Project (2577-0276), Office of Information Technology, U.S. Department of Housing and Urban Development, Washington, D.C. 20410-3600. This agency may not collect this information, and you are not required to complete this form, unless it displays a currently valid OMB control number.

Prepared by:

Housing Authority of the County of Sacramento  
801 12th Street, 6th Floor  
Sacramento, CA 95814  
Attention: Executive Director

Housing Authority of the City of Sacramento  
801 12th Street, 6th Floor  
Sacramento, CA 95814  
Attention: Executive Director

After recording return to:

Housing Authority of the County of Sacramento  
801 12th Street, 6th Floor  
Sacramento, CA 95814  
Attention: Executive Director

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**This Rental Assistance Demonstration Use Agreement** (hereinafter called the “Agreement”) is made as of \_\_\_\_\_, 2020 for the benefit of and agreed to by the United States Department of Housing and Urban Development, acting by and through the Secretary, his or her successors, assigns or designates (hereinafter called “HUD”) by RAD Pilot LP, a California limited partnership, (“Project Owner”), the Housing Authority of the County of Sacramento, a public body corporate and politic (the “County PHA”), and the Housing Authority of the City of Sacramento, a public body corporate and politic (the “City PHA”) (collectively, the “PHA”).

**Whereas**, Rental Assistance Demonstration (hereinafter called “RAD”) provides the opportunity to test the conversion of public housing and other HUD-assisted properties to long-term, project-based Section 8 rental assistance to achieve certain goals, including the preservation and improvement of these properties through access to private debt and equity to address immediate and long-term capital needs.

**Whereas**, the County PHA is the fee owner of the real property described on Exhibit A, Exhibit B, Exhibit C and Exhibit D, and the City PHA is the fee owner of the real property described on Exhibit E and Exhibit F (collectively the “Property”), upon which is or will be located improvements owned or to be owned by Project Owner receiving assistance converted pursuant to RAD, which project will commonly be known as RAD Pilot (the “Project”). The Project will contain 124 dwelling units, of which 118 (“Assisted Units”) are subject to a RAD Housing Assistance Payment contract, as the same may be renewed, amended or replaced from time to time (“RAD HAP contract”).

**Whereas**, pursuant to the Consolidated and Further Continuing Appropriations Act of 2012 (Public Law 112-55, approved November 18, 2011, as amended from time to time, the “RAD Statute”); and the corresponding PIH Notice 2012-32, rev-2, as amended from time to time, and any successor document and/or regulations (hereinafter called the “RAD Notice”), which this Agreement incorporates by this reference, the PHA and/or the Project Owner, as applicable, has agreed to encumber the Property and the Project Owner has agreed to operate the Project in accordance with this Agreement in exchange for HUD’s agreement to execute or permit the execution of the RAD HAP contract and the assistance provided thereby;

**Whereas**, in accordance with the RAD Statute and RAD Notice, except as otherwise agreed in writing by HUD, this Agreement is to be recorded superior to other liens on the Property, run until the conclusion of the initial term of the RAD HAP contract, automatically renew upon each extension or renewal of the RAD HAP contract for a term that runs with each renewal term of the RAD HAP contract, and remain in effect even in the case of abatement or termination of the RAD HAP contract for the term the RAD HAP contract would have run, absent the abatement or termination.

**Now Therefore**, in consideration of the foregoing, conversion of assistance pursuant to RAD, provision of rental assistance pursuant to the RAD HAP contract and other valuable consideration, the parties hereby agree as follows:

1. **Definitions.** All terms used in this Agreement and not otherwise defined have the same meaning as set forth in the RAD Notice.
2. **Term.** The initial term of this Agreement commences upon the date this Agreement is entered into and shall run until the conclusion of the initial term of the RAD HAP contract. The RAD HAP contract is effective for 20 years. Unless otherwise approved by HUD, this Agreement shall remain in effect through the initial term of the RAD HAP contract and for additional periods to coincide with any renewal term of the RAD HAP contract or any replacement HAP contract. It is the intention of the parties that the RAD HAP and this Agreement shall each renew upon the completion of its initial term. Therefore, this Agreement shall remain in effect until a release is recorded as contemplated by Section 8. Such release shall be the evidence of the non-renewal of the HAP Contract, of the determination not to execute a replacement HAP contract and of the termination of this Agreement. This Agreement will survive abatement of assistance or termination of the RAD HAP contract unless otherwise approved by HUD.
3. **Use Restriction and Tenant Incomes.** The Assisted Units shall be leased in accordance with the RAD HAP contract, including any applicable eligibility and/or income-targeting requirements. In the case that the RAD HAP contract is terminated prior to the completion of the term or renewal term, if applicable, of this Agreement (by way of illustration and not limitation, for breach or non-compliance), for the remainder of the term of this Agreement new tenants leasing the Assisted Units (except if any of the Assisted Units is a HUD-approved manager unit) must have incomes at or below 80 percent of the Area Median Income (AMI) at the time of admission (“Eligible Tenants”). Additionally, rents for such Assisted Units must not exceed 30% of 80% of the AMI for households of the size occupying an appropriately sized unit. Notwithstanding the foregoing, in the event the Project Owner so requests and is able to demonstrate to HUD’s satisfaction that despite the Project Owner’s good faith and diligent efforts to do so, the Project Owner is unable either (1) to rent a sufficient percentage of Assisted Units to Eligible Tenants in order to satisfy the restrictions in this paragraph, or (2) to otherwise provide for the financial viability of the Project, HUD may, in its sole discretion, agree to reduce the percentage of units subject to the restriction under this paragraph or otherwise modify this restriction in a manner acceptable to the Project Owner and HUD. Any such modification of the restrictions listed in this paragraph shall be evidenced by a written amendment to this Agreement executed by each of the parties hereto.
4. **Survival.** This Agreement will survive foreclosure and bankruptcy.
5. **Fair Housing and Civil Rights Requirements.** The Project Owner and its agents, where applicable, shall ensure that the Project complies with applicable federal fair housing and civil rights laws, regulations, and other legal authorities, including those identified at 24 C.F.R. § 5.105.
6. **Accessibility Requirements.** The Project Owner and its agents, where applicable, shall ensure that the Project complies with all applicable federal accessibility requirements under the Fair Housing Act and implementing regulations at 24 CFR Part 100, Section 504 of the Rehabilitation Act of 1973 and implementing regulations at 24 CFR Part 8, and Titles II and III of the Americans with Disabilities Act and implementing regulations at 28 CFR Parts 35 and 36, respectively.

**7. Restrictions on Transfer.** HUD has been granted and is possessed of an interest in the above described Project. Except as authorized below, the Project Owner and, if a party hereto, the PHA, shall not transfer, convey, encumber or permit or suffer any transfer, conveyance, assignment, lease, mortgage, pledge or other encumbrance of said Project and/or Property or any part thereof without prior written consent of HUD. Notwithstanding the foregoing, HUD hereby authorizes (a) leases in the normal operation of the Project, (b) subordinate liens contemplated by a RAD Conversion Commitment executed in connection with the Project, whether such liens are recorded concurrent with the recordation of this Use Agreement or recorded subsequent hereto (such as permanent financing to replace construction-period financing), and (c) conveyance or dedication of land for use as streets, alleys, or other public rights-of-way and grants and easements for the establishment, operation and maintenance of public utilities. Except as otherwise approved in writing by HUD, any lien on the Project and/or Property shall be subject and subordinate to this Agreement. Unless this Agreement is released by HUD, any transferee of the Project and/or Property shall take title subject to this Agreement. In the event of a default under the RAD HAP contract including, without limitation, upon any transfer of the Property or Project without HUD consent, upon expiration of any applicable notice and/or cure periods, HUD may transfer the RAD HAP contract and the rental assistance contemplated therein to another entity and/or Property and/or Project. The Project Owner has constituted HUD as its attorney-in-fact to effect any such transfer.

**8. Amendment or Release.** This Agreement may not be amended without HUD consent. This Agreement shall remain as an encumbrance against the Property unless and until HUD executes a release for recording. This Agreement may only be released by HUD in its sole discretion. In the event that the RAD HAP is, in accordance with all applicable laws and RAD program requirements, not renewed or replaced, HUD shall not unreasonably fail to provide such a release upon the completion of the applicable term of this Agreement.

**9. Enforcement.** In the event of a breach or threatened breach of any of the provisions of this Agreement, any eligible tenant or applicant for occupancy within the Project, or the Secretary or his or her successors or delegates, may institute proper legal action to enforce performance of such provisions, to enjoin any acts in violation of such provisions, to recover whatever damages can be proven, and/or to obtain whatever other relief may be appropriate.

**10. Severability.** The invalidity, in whole or in part, of any of the provisions set forth in this Agreement shall not affect or invalidate any remaining provisions.

**11. Conflicts.** Any conflicts between this Agreement and the RAD HAP contract or any other applicable HUD program requirements shall be conclusively resolved by the Secretary.

**12. Execution of Other Agreements.** The Project Owner and, if a party hereto, the PHA, agrees that it has not and will not execute any other agreement with provisions contradictory to, or in opposition to, the provisions of this Agreement, and that in any event, the provisions of this Agreement are paramount and controlling as to the rights and obligations set forth and supersede any other conflicting requirements.

**13. Subsequent Statutory Amendments.** If revisions to the provisions of this Agreement are necessitated by subsequent statutory amendments, the Project Owner and, if a party hereto, the PHA, agrees to execute modifications to this Agreement that are needed to conform to the statutory amendments. At HUD's option, HUD may implement any such statutory amendment through rulemaking.

**14. Lender Provisions.**

- A. Nothing in this Agreement prohibits any holder of a mortgage or other lien against the Property or Project from foreclosing its lien or accepting a deed in lieu of foreclosure. Any lien holder shall give HUD, as a courtesy, written notice prior to declaring an event of default. Any lien holder shall provide HUD concurrent notice with any written filing of foreclosure filed in accordance with state law provided that the foreclosure sale shall not occur sooner than sixty days (60) days after such notice to HUD. The Notice to HUD may be personally delivered or sent by U.S. certified or registered mail, return receipt requested, first class postage prepaid, addressed as follows:

If for PBRA transactions:  
U.S. Department of Housing and Urban Development  
451 7<sup>th</sup> Street SW, Room 9100  
Washington, DC 20410  
Attention: Office of the Assistant Secretary for Housing - Rental Assistance Demonstration

If for PBV transactions:  
U.S. Department of Housing and Urban Development  
451 7th Street SW, Room 4100  
Washington, DC 20410  
Attention: Office of the Assistant Secretary for Public and Indian Housing - Rental Assistance  
Demonstration

B. Notwithstanding any lien holder's foreclosure rights, this Agreement survives foreclosure and any new owners of the Property or the Project take ownership subject to this Agreement.

C. Transfer of title to the Property or the Project may be grounds for termination of assistance under the RAD HAP contract. However, HUD may permit, through prior written consent by HUD, the new owner of the Property or the Project to assume the RAD HAP contract, subject to the terms included therein, or enter into a new HAP contract. Any HUD consent to continued HAP assistance is subject to the RAD Statute and other RAD program requirements.

D. Each entity interested in purchasing the Property in a foreclosure sale administered under state foreclosure law may submit a written request to HUD to continue RAD HAP contract assistance in the event of such entity's successful acquisition at the foreclosure sale. Such request shall be submitted by the latter of ten business days after first publication of the foreclosure sale or 60 days prior to such foreclosure sale.

15. **Successors and Assigns.** This Agreement shall be binding upon the Project Owner and, if a party hereto, the PHA, and all future successors and assigns of either with respect to any portion of the Property or the Project.



In Witness Whereof, these declarations are made as of the first date written above.

**Department of Housing and Urban Development**

By: \_\_\_\_\_  
Name:  
Title:  
Date: \_\_\_\_\_

District of Columbia )  
 ) ss:  
 )

Before me, \_\_\_\_\_, a Notary Public in and for the District of Columbia on this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, personally appeared \_\_\_\_\_, who is personally known to me to be the person who executed the foregoing instrument by virtue of the authority vested in him by the Department of Housing and Urban Development, and did acknowledge the signing thereof to be a free and voluntary act and done on behalf of the Secretary of Housing and Urban Development for the uses, purposes and considerations therein set forth.

Witness my hand and official seal this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.  
(Seal)

\_\_\_\_\_ (Notary Public)

My commission expires \_\_\_\_\_, 20\_\_\_\_.

**Project Owner:**

RAD Pilot LP, a California limited partnership

By: RAD Pilot LLC, a California limited liability company, its  
managing general partner

By: Sacramento Housing Authority Repositioning Program,  
Inc., a California nonprofit public benefit corporation, its  
sole member and manager

\_\_\_\_\_  
James Shields, President

Date: \_\_\_\_\_

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA )  
 )  
COUNTY OF \_\_\_\_\_ )

On \_\_\_\_\_, before me, \_\_\_\_\_, Notary Public, personally appeared \_\_\_\_\_, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify UNDER PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

\_\_\_\_\_  
Name: \_\_\_\_\_  
Notary Public

**PHA/Fee Owner:**

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

By: \_\_\_\_\_  
La Shelle Dozier, Executive Director

Date: \_\_\_\_\_

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA )  
 )  
COUNTY OF \_\_\_\_\_ )

On \_\_\_\_\_, before me, \_\_\_\_\_, Notary Public, personally appeared \_\_\_\_\_, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify UNDER PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

\_\_\_\_\_  
Name: \_\_\_\_\_  
Notary Public

**PHA/Fee Owner:**

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

By: \_\_\_\_\_  
La Shelle Dozier, Executive Director

Date: \_\_\_\_\_

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA )  
 )  
COUNTY OF \_\_\_\_\_ )

On \_\_\_\_\_, before me, \_\_\_\_\_, Notary Public, personally appeared \_\_\_\_\_, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify UNDER PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

\_\_\_\_\_  
Name: \_\_\_\_\_  
Notary Public

## **EXHIBIT A – Property Subject to this RAD Use Agreement**

### **Legal Description of Pointe Lagoon - 9205 Elk Grove Boulevard, Elk Grove, CA 95624**

SITE F: 9205 Elk Grove Boulevard

The land described herein is situated in the State of California, County of Sacramento, City of Elk Grove, described as follows:

Parcel No. 1:

All buildings and improvements situated on the following property, the buildings and improvements are and shall remain real property, pursuant to that certain Grant Deed dated To Be Recorded, recorded To Be Determined, as To Be Determined, of Official Records:

All that portion of the Southeast one-quarter of Section 31, Township 7 North, Range 6 East, described as follows:

Beginning at a point on the South line of said Section 31 bears West (measured along the South line of said Section 31) 1408.5 feet distant; thence from said point of beginning, North 231 feet; thence West 88.5 feet; thence South 231 feet to a point on the South line of said Section 31; thence along the South line of said Section 31, East 88.5 feet to the point of beginning.

Parcel No. 2:

All buildings and improvements situated on the following property, the buildings and improvements are and shall remain real property, pursuant to that certain Grant Deed dated To Be Recorded, recorded To Be Determined, as To Be Determined, of Official Records:

All that portion of the Southeast one-quarter of Section 31, Township 7 North, Range 6 East, described as follows:

Beginning at a point on the South line of said Section 31, from which point the Southwest corner of the Southeast one-quarter of Section 31 bears West (measured along the South line of said Section 31) South 231 feet to a point on the South line of said Section 31; East 50 feet to the point of beginning.

Parcel No. 3:

All buildings and improvements situated on the following property, the buildings and improvements are and shall remain real property, pursuant to that certain Grant Deed dated To Be Recorded, recorded To Be Determined, as To Be Determined, of Official Records:

All that portion of the Southeast one-quarter of Section 31, Township 7 North, Range 6 East, described as follows:

Beginning at a point on the South line of said Section 31, from which point the Southwest corner of the

Southeast one-quarter of said Section 31 bears West (measured along the South line of said Section 31) 1508.5 feet distant; from said point of beginning, North 231 feet, thence West 50 feet; thence South 231 feet to a point on the South line of said Section 31; thence, along the South line of said Section 31, East 50 feet to the point of beginning.

APN: 125-0270-051-0000

**EXHIBIT B – Property Subject to this RAD Use Agreement**

**Legal Description of Rio Garden - 8223 Walerga Road, Antelope, CA 95843**

SITE E: 8223 Walerga Road

The land described herein is situated in the State of California, County of Sacramento, unincorporated area, described as follows:

All buildings and improvements situated on the following property, the buildings and improvements are and shall remain real property, pursuant to that certain Grant Deed dated To Be Recorded, recorded To Be Determined, as To Be Determined, of Official Records:

Parcel A of that certain Parcel Map entitled "A portion of the Southwest one-quarter of Section 18, Township 10 North, Range 6 East, M.D.B. & M.", filed June 24, 1976 in Book 26 of Parcel Maps, Page 48 in the office of the recorder, Sacramento County.

APN: 203-0070-041-0000

**EXHIBIT C – Property Subject to this RAD Use Agreement**

**Legal Description of Pointe Lagoon - 4930 El Paraiso Avenue, Sacramento, CA 95824**

SITE C: 4930 El Paraiso Avenue

The land described herein is situated in the State of California, County of Sacramento, unincorporated area, described as follows:

All buildings and improvements situated on the following property, the buildings and improvements are and shall remain real property, pursuant to that certain Grant Deed dated To Be Recorded, recorded To Be Determined, as To Be Determined, of Official Records:

Lot A, as shown on the "Revised Plat of Country Place" filed in the office of the recorder of Sacramento County, in Book 149 of Maps, Map No. 16.

Excepting therefrom, that portion of said land granted to the Redevelopment Agency of the County of Sacramento, in Grand Deed recorded August 24, 1984 as Book 840824, Page 370, Official Records, described as follows:

Beginning at the Northerly corner of Lot A that lies on the centerline of Sampson Boulevard as said Boulevard is shown on said Map; thence from said point of beginning along said centerline and the most Westerly line of said Lot A South 0° 00' 00" West, 52.50 feet; thence leaving said centerline along a portion of the Southerly boundary of said Lot A, South 88° 12' 00" East, 212.00 feet; thence leaving last said line, North 6° 50' 00" East, 59.71 feet to a point on the Northerly boundary of said Lot A; thence along last line South 89° 58' 00" West, 219.00 feet to the point of beginning.

APN: 037-0224-047-0000

## **EXHIBIT D – Property Subject to this RAD Use Agreement**

### **Legal Description of Pointe Lagoon - 4500 Perry Avenue, Sacramento, CA 95820**

SITE D: 4500 and 4530 Perry Avenue

The land described herein is situated in the State of California, County of Sacramento, unincorporated area, described as follows:

All buildings and improvements situated on the following property, the buildings and improvements are and shall remain real property, pursuant to that certain Grant Deed dated To Be Recorded, recorded To Be Determined, as To Be Determined, of Official Records:

Lot 10 as shown on the "Amended Plat of Hunger Tract No. 1", recorded in Book 15 of Maps, Map No. 8, records of said County.

Pursuant to that certain Certificate of Compliance, recorded September 20, 2019, Instrument No. 201909200647 Official Records.

APN: 022-0052-011-0000 and 022-0052-012-0000



**EXHIBIT E – Property Subject to this RAD Use Agreement**

**Legal Description of Oak Park – 4921 Folsom Boulevard, Sacramento, CA 95819**

TRACT B:

SITE B: - 4921 Folsom Boulevard

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

All buildings and improvements situated on the following property, the buildings and improvements are and shall remain real property, pursuant to that certain Grant Deed dated To Be Recorded, recorded To Be Determined, as To Be Determined, of Official Records:

All that real property situate in the City of Sacramento, County of Sacramento, State of California, and being a portion of Lot 5, as said lot is shown and so designated on that certain Map entitled "Portion of Tullar Homestead Tract Owned by Philip Wolf, Jr., Sacramento California", filed in the office of the recorder of Sacramento County on June 7, 1898, in Book "A" of Surveys, Map No. 57, and a portion of the land Southerly of and adjacent to the South line of said Lot 5, more particularly described as follows:

Beginning at an iron pipe marking the Northwest corner of said lot 5, and the Southwest corner of Lot 7, as said lot is shown and so designated on that certain Map entitled "Love Tract", filed in the office of the recorder of Sacramento County on June 24, 1947, in Book 26 of Maps, Map No. 22; thence from said point of beginning, Easterly along the North line of Lot 5, South 70° 35' 00" East 119.33 feet to the West line of that certain parcel of land described in the Deed from Chester A. Moore, et ux, to Martine P. Cupich, et ux, filed in the office of the recorder of Sacramento County in Book 713 of Deeds, Page 522; thence, Southerly along said West line South 19° 53' 00" West 273.44 feet, more or less, to the South line of said Lot 5 and the Northeasterly line of Folsom Boulevard, a public road; thence, Northwesterly along the Northeasterly line of Folsom Boulevard North 63° 00' 00" West 39.28 feet to a point on the East line of that certain parcel of land described in the Deed from Chester A. Moore, et ux, to W.L. Young, et ux, filed in the office of the Recorder of Sacramento County in Book 56 of Official Records, Page 19, said point located South 63° 00' 00" East, along the Northeasterly line of Folsom Boulevard, 80.6 feet from the projected West line of Lot 5; thence continuing along the Northeasterly line of Folsom Boulevard, North 63° 00' 00" West 80.60 feet to a point on the Southerly projection of said Lot 5, located South 19° 35' 00" West 1.30 feet from the original Southwest corner of Lot 5; thence, North 19° 35' 00" East 1.30 feet to the Southwest corner of said Lot 5; thence, Northerly along the West line of Lot 5 North 19° 45' 10" East 256.31 feet to the point of beginning and described on that certain Certificate of Compliance for Lot Merger executed by the Department of Public Works and recorded January 25,

1995 as Book 950125, Page 1097, Official Records.

APN: 008-0341-044-0000

## **EXHIBIT F – Property Subject to this RAD Use Agreement**

### **Legal Description of Meadow Commons – 1043 43<sup>rd</sup> Avenue, Sacramento, CA 95822**

SITE A: 1043 43rd Avenue

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

Parcel No. 1:

All buildings and improvements situated on the following property, the buildings and improvements are and shall remain real property, pursuant to that certain Grant Deed dated To Be Recorded, recorded To Be Determined, as To Be Determined, of Official Records:

All that portion of Lot B of South Land Park Hills Unit No. 31; according to the official plat thereof, filed in the office of the Recorder of Sacramento County, California, on July 12, 1961, in Book 66 of Maps, Map No. 5, described as follows:

BEGINNING at the Southwest corner of said Lot B, thence from said point of beginning along the Westerly boundary of said Lot B the following three (3) courses and distances: (1) North 36° 16' 50" East 118.48 feet, (2) North 44° 12' 10" West 115.09 feet, and (3) North 51° 44' 50" East 165.17 feet; thence South 64° 06' 12" East 114.27 feet; thence South 13° 31' 16" West 305.00 feet to a point located on the Southerly boundary of said Lot B; thence along said Southerly boundary, Westerly, curving to the right on an arc of 390.19 feet radius, said arc being subtended by a chord bearing North 66° 20' 32" West 164.92 feet to the point of beginning.

Parcel No. 2:

All buildings and improvements situated on the following property, the buildings and improvements are and shall remain real property, pursuant to that certain Grant Deed dated To Be Recorded, recorded To Be Determined, as To Be Determined, of Official Records:

All that portion of 43rd Avenue and Lot C, of South Land Park Hills Unit No. 31; according to the official plat thereof, filed in the office of the Recorder of Sacramento County, California, on July 12, 1961, in Book 66 of Maps, Map No. 5, described as follows:

BEGINNING at the most Southerly corner of Lot 16 as said Lot is shown on the official plat of said South Land Park Hills Unit No. 31; thence from said point of beginning along the Southerly boundary of Lot B as said Lot is shown and so designated on the official plat of said South Land Park Hills Unit No. 31, Southerly, curving to the left on an arc of 390.19 feet radius, said arc being subtended by a chord bearing South 66° 20' 32" East 164.92 feet; thence South 13° 31' 16" West 73.56 feet; thence Westerly, curving to the right on an arc of 900.00 feet radius, said arc being subtended by a chord bearing South 79° 10' 15" West 51.82 feet; thence curving to the right on an arc of 20.00 feet radius, said arc being subtended by a chord bearing North 51° 51' 17" West 29.41 feet; thence curving to the left on an arc of 200.00 feet radius, said arc being subtended by a chord bearing North 25° 17' 43" West 141.81 feet; thence North 36° 16' 50" East 1.30 feet to the point of beginning.

APN: 029-0184-017-0000

Parcel No. 3:

All buildings and improvements situated on the following property, the buildings and improvements are and shall remain real property, pursuant to that certain Grant Deed dated To Be Recorded, recorded To Be Determined, as To Be Determined, of Official Records:

Lots 16 and 17, as shown on the official plat of South Land Park Hills Unit No. 31, according to the official plat thereof, filed in the office of the Recorder of Sacramento County, California, on July 12, 1961, in Book 66 of Maps, Map No. 5.

APN: 029-0184-001-0000 and 029-0184-002-0000

Exhibit 6

**Scope of Development: Pointe Lagoon, 4500 Perry Avenue, Sacramento (10 units)**

<b>Item</b>	<b>Description</b>
1	Parking/Striping
2	Landscaping
3	Replacement of Plywood Sheeting (Stucco)
4	Drywall Repairs
5	Final Clean
6	Interior Paint (Units)
7	Exterior Paint (Units)
8	Kitchen Cabinet (Refacing)
9	Kitchen and Bath Countertop Replacement - Upgraded
10	Window Replacement
11	Roof Replacement
12	Exterior Door Replacement
13	Interior Door Replacement
14	Interior Door Replacement (sliding closet doors)
15	HVAC
16	Flooring (w/Luxury Vinyl Plank)
17	Load center 120/240 , 125 AMP replacement in units
18	Interior Lights
19	Exterior Lights (CFL Ballast)
20	Exterior Lights (Light Poles)
21	Replace Kitchen Ranges and Hoods
22	Replace Refrigerators
23	Plumbing Fixtures
24	Shower Surrounds
25	Toilet Tank Replacement
26	Kitchen and Bathroom Sink Replacement
27	Replace bathroom vanity cabinet and cultured sink top
28	Water Heater Replacement
29	New Smoke/CO Detectors (battery operated)
30	ADA Kitchen Modification (1 unit)
31	ADA Hearing/Visual Impairment modification (1 unit)
32	ADA Bathroom full reconfiguration
33	Laundry Room (large) Interior Paint and Prep
34	Laundry Room (small) Interior Paint and Prep
35	Laundry Room Water Heater replacement
36	Laundry Room Load Center (120/240 V, 125 AMP to 225)
37	Laundry Room Lighting Upgrade
38	Laundry Room ADA Doorway Modification
39	Laundry Room ADA Miscellaneous Budgetary Allowance
40	Landscaping - drought tolerant and address drainage issues
41	Sidewalk repair/replacement as needed
42	Site drainage will be addressed as needed
43	Kitchen Cabinets will be replaced
44	Window Coverings
45	ADA Trash Enclosure Modifications
46	Slab Patch at Unit #2
47	Signage Replacement at units, building addresses
48	Bathroom exhaust fan replacement

**Add Alternatives (contingent on budget availability, with the exception of the carports and related scope if required by the County of Sacramento):**

1. Carports (if waiver is not granted by the County of Sacramento)
2. Carport lighting (if waiver is not granted by the County of Sacramento)
3. Trenching for carport lighting (if waiver is not granted by the County of Sacramento)
4. Door bells
5. Laundry room flooring
6. Laundry room base boards
7. Garbage Disposals
8. Dedicated Circuits for Garbage Disposals
9. Grading and Drainage

**Scope of Development: Pointe Lagoon, 4930 El Paraiso Avenue, Sacramento (36 units)**

<b>Item</b>	<b>Description</b>
1	Patch asphalt seal and stripe parking lot
2	Parking lots Mill and Overlay
3	Metal Halide Lighting Fixture, pulse start 150 W
4	Furnace, electric, 26 to 40 MBH replacement
5	New Interior and Exterior Paint
6	New hardware at Entry door
7	Replace windows and sliders
8	Replace screen doors
9	Replace water heaters
10	Replace interior and exterior lights (incl light poles)
11	Replace kitchen ranges and range hoods
12	Replace refrigerators 14-18 CF (36)
13	Replace plumbing fixtures
14	Toilet/flush tank replacement
15	Replace shower surrounds and mixing valves
16	Bathroom exhaust fan replacement
17	Bathroom vanity cabinet (wood) with cultured marble top 24-30" (Reface)
18	Replace kitchen sinks
19	New smoke and CO detectors (battery operated)
20	Remove nurse call stations and patch holes
21	Replace flooring with LVP
22	ADA bathroom renovation
23	Replace laundry flooring and countertops, install folding table
24	Community Room improvements (floors, cabinets)
25	Comm. Room (ADA, paint, water heater (com + laundry room), HVAC)
26	Final Clean
27	Demolition
28	Drywall
29	Sidewalk repair/replacement as needed
30	Site drainage will be addressed as needed
31	Kitchen - all cabinets will be replaced
32	Kitchen countertops will be replaced with solid surface
33	Window Coverings
34	Bathroom tubs will be replaced as needed
35	ADA Parking Modifications

36	Concrete walkway modifications for Path of Travel
37	Barge rafter and fascia repairs
38	Laundry Folding Table
39	Bathroom exhaust fans
40	Interior light fixture replacement/new install
41	Landscaping/Irrigation repair and improvement

**Add Alternatives (contingent on budget availability):**

1. Unit entry light fixture replacements
2. Stucco Patch at window/siding locations
3. T1-11 repairs
4. Metal Fence repairs
5. Unit Subfloor repairs (will be done if needed)
6. New fiber cement siding
7. Pole light head fixture replacement  
Pole light pole, base, and fixture
8. HVAC replacement (units)
9. Building base trim replacement
10. Garbage Disposals
11. New dedicated circuits for garbage disposals
12. Grading and Drainage improvements

**Scope of Development: Pointe Lagoon, 9205 Elk Grove Blvd, Elk Grove (16 units)**

<b>Item</b>	<b>Description</b>
1	Patch asphalt and seal and stripe parking lot
2	Replace HVAC systems (SMUD Rebate)
3	Furnace, electric 26 to 40 MBH replacement
4	New hardware at all entry doors
5	Load Center 120/240 V 125 AMP replacement
6	Interior Door (Hollow core) replacement
7	Replace all flooring with LVP
8	New interior and exterior paint
9	Replace laundry area doors
10	Replace interior and exterior light fixtures
11	Replace kitchen ranges and hoods (SMUD Rebate)
12	Kitchen sink replacement (stainless steel)
13	Replace shower surrounds and mixing valves
14	Replace plumbing fixtures (toilets, shower heads, faucets)
15	Replace countertops in kitchen and baths
16	Reface cabinetry in kitchen and baths
17	Install new smoke/CO detectors (Batory op-4@\$68 each)
18	Replace laundry bldg water heater (SMUD Rebate)
19	Replace laundry room flooring
20	Replace laundry room folding table
21	Laundry Room exterior paint 1250 sq ft
22	Laundry Room exterior door
23	Laundry Room replace sink (vitreous china)
24	Final clean
25	Drywall
26	ADA unit - visual bell and strobe, hearing impaired
27	Demolition

28	Sidewalk repair/replacement as needed
29	Kitchen Cabinets replace
30	Window Coverings
31	Bathroom tubs will be replaced as needed
32	Dry Rot Repair
33	Shower doors
34	Window coverings
35	New bathroom exhaust fans
36	Unit Landing lights
37	Laundry room interior lights
38	Landscaping and irrigation repairs and improvements

**Add Alternatives (some items will be replaced as needed/discovered and contingent on budget availability):**

1. Unit Entry lights
2. Grading and Drainage
3. Cobbles in drainage basin
4. Concrete Swale
5. Unit Subfloor repair (if needed item)
6. Building Eave repair (if needed item)
7. Stucco patching
8. Signage
9. Unit Screen doors
10. Unit Water Heaters
11. Pole light head globes
12. Catch basin clean out
13. Storm drain flush
14. Garbage disposals
15. Micro-hoods
16. ADA unit countertop microwave
17. Perimeter fence repair (if needed item)
18. Standard unit microwave bracket
19. ADA unit microwave bracket

**Scope of Development: Rio Garden, 8223 Walerga Road, Antelope (24 units)**

<b>Item</b>	<b>Description</b>
1	Interior and Exterior Light Fixtures
2	Light pole upgrade 135 to 1000 W
3	Load center 120/240 V, 50 AMP to 100
4	Kitchen ranges and hoods
5	Refrigerator replacement (14-18CF)
6	Replace water heaters (30 to 50 gallon)
7	Replace condensate pans on HVAC
8	Replace plumbing fixtures
9	Replace shower surrounds
10	Replace countertops in kitchen/bathroom
11	Full cabinet replacement
12	New Interior/Exterior Paint
13	New flooring (LVP)
14	Install new smoke/CO detectors (battery operated)

15	New shower door (upper floor bathrooms) (just shower curtains& splash guard)
16	Toilet tank replacement
17	Sink replacement
18	Bathroom vanity replacement (cultured marbled 24-30)
19	Replace interior doors (sliding hollow core)
20	Replace interior doors (hollow core bedrm)
21	Ceiling lights in all bedrooms
22	Sprinkler head (per sq ft @ 37800 sq. ft)
23	Fire extinguisher replacement
24	Parking lot (asphalt pavement, seal and stripe)
25	Parking lot (Mill and Overlay)
26	Pedestrian pavement/sidewalk concrete repl. 15000 SF
27	Final clean
28	Demolition
29	Drywall miscellaneous repair
30	ADA Kitchen Post-formed replace kitchen sink, counter, full reconfigure
31	ADA Restroom full reconfiguration
32	Unit Accessories (mirror, towel bars, toilet paper holder)
33	Window Coverings
34	Bathroom tubs will be replaced as needed
35	ADA Path of Travel improvements – concrete and curb
36	ADA Parking – Grading and Slope correction
37	Site railing repair
38	Landscape and irrigation improvements

**Add Alternatives (some items will be replaced as needed/discovered and contingent on budget availability):**

1. Standard unit entry light fixtures
2. ADA unit entry light fixtures
3. Trash Enclosure gates
4. Catch basin clean out
5. Storm Drain Scope and repair
6. New HVAC
7. Bathroom exhaust fans
8. Laundry exhaust fans
9. Stucco patching (if needed)
10. Unit subfloor repair (if needed)
11. Monument sign light fixtures

**Attachment 1: SHRA’s Minimum Construction Standards exhibit is on the following page.**



## **Attachment 1: SHRA's Minimum Construction Standards**

This attachment is from Exhibit 5 from the SHRA's Multifamily Lending Policies adopted in 2009.

### **RENTAL PROPERTY MINIMUM CONSTRUCTION STANDARDS**

The following is a list of the required construction standards that must be incorporated into projects participating in the Agency's investor assistance programs. All rental units and sites associated with these projects must meet or exceed these standards.

#### **General Requirements**

- A. Any component of the project which does or may present a health or safety hazard to the public or tenants shall be corrected to the satisfaction of the local building department.
- B. A useful life of 15 years for all systems located within the approved complex. This can be met in one of two ways, installing and maintaining systems with at least a 15-year scheduled life or install, maintain and replace as needed for a period of 15 years.

Any component of a rehabilitation project whose useful life expectancy has exceeded the useful life identified in the section, "Useful Life Expectancy," shall be replaced unless waived by the Agency in writing. It is not the intent of the Agency to replace systems that appear to have some economic life remaining and appear to be maintained and functioning effectively. It is the intent of the Agency to be assured that systems will be maintained and replaced as needed for a period of 15 years. The preferred method is by replacement and maintenance at the outset of the project; and by setting aside replacement reserves sufficient to address the needs based on current and projected conditions.

- C. A clear pest inspection report will be required at the conclusion of the construction work.
- D. All materials funded under this loan must be new unless previously approved. Recycled items must be approved in writing by the Agency prior to their use.
- E. All work shall comply with Federal and State ADA accessibility requirements. When there are differences the stricter of the two shall apply. Special attention needs to be applied when federal funding is involved.
- F. For all structures built before 1979, a report of compliance with the initial certified inspection report of lead-based paint and asbestos is required.
- G. All units shall be approved for occupancy by the local building department at the conclusion of the work and prior to occupancy, if applicable.
- H. Web-based security cameras and the equipment to record events are required for primary ingress/egress points to and from the site and for the principal parking and common areas.
- I. Site lighting is required for all parking and outside public spaces.

#### **Site Work**

- A. All landscaping and irrigation systems must be in a well-maintained condition. Trees and large shrubs must be trimmed, grass areas must be mowed, and all planter areas must be weed-free. All landscaped areas must be served by a programmable automated irrigation system. Irrigation cannot be spraying on building. Sprinklers should minimize overspray that runs to storm drain drop inlets. Areas that show evidence of erosion of soil shall be landscaped to eliminate problem.
- B. All fencing must be in good and serviceable condition.
- C. All driveways and sidewalks must be in good condition. All cracked or uplifted areas (more than 1/4") determined in need of repair by the Agency shall be repaired or replaced.
- D. All projects shall meet the parking requirements of the local Agency having jurisdiction over the project. "Grandfathered Projects" will need to show that they are in fact "Grandfathered" by the Local Agency having jurisdiction. All projects shall meet the governing ADA requirements for parking.
- E. A two percent (2%) slope shall be maintained for a distance of five feet from all structures and no standing water shall remain on the site. Provide an on- site drainage system if necessary.

#### **Building Envelope and Moisture Protection**

- A. All wet areas must be sealed and watertight.

- B. Roofs must have 15 years or more of remaining life with no visible signs of leakage. A third layer of shingles is not allowed. Provide a 15 year certification if requested by the Agency.
- C. All siding must have 15 years or more of remaining life. Provide a 15 year certification if requested by the Agency.

### **Doors and Windows**

- A. All units must have screens on all windows that are designed to open. Windows designed to open must have functional locks and must operate freely without excessive effort. All windows must at least be low e, double pane energy efficient.
- B. All doors and doorjambes must be in good condition. No damaged or worn doorjambes or doors are allowed.
- C. All exterior doors must have deadbolt locks, keyed latch assemblies, viewers, and 2-inch screws in strike plates.
- D. All sliding exterior doors shall have screen doors and shall have functional locks and must operate freely without excessive effort.
- E. All doors and windows must meet current egress standards.

### **Casework**

- A. All cabinets shall be in very good condition both structurally and in appearance.
- B. All counter tops shall be in very good condition with no significant imperfections, scratches, burns, or other imperfections.

### **Finishes**

- A. Floor coverings must be in good, useable condition - no holes, tears, rips, or stains.
- B. All kitchens and bathrooms must be floored in sheet goods or tile to provide a cleanable, impervious surface.
- C. All exterior and interior surfaces must be painted. No peeling, cracking, chipping, or otherwise failing paint will be allowed. All painted surfaces must be new, or in near new condition and appearance.

### **Equipment**

- A. All appliances must be new or in very good operating condition. All new appliances must be energy star.
- B. Dishwashers are required in all non- permanent supportive housing, disabled, SRO, and homeless projects unless a waiver has been granted by the Executive Director. Permanente supportive, disabled, and homeless projects will be encouraged to provide dishwashers in each unit but will be reviewed and approved on a case-by case basis.
- C. All kitchens must have adequate cabinet and counter space.

### **Furnishings**

- A. All units must have window coverings on all windows.

### **Special Construction**

- A. Non-habitable structures on property must be painted to match primary buildings and must be structurally sound.
- B. Laundry facilities must be provided on the basis of one washer and dryer for every ten units, consistent with CTCAC requirements. If the project is more than 20 units, then 1 set of ADA accessible laundry machines must be provided.
- C. Laundry facilities must be provided on the basis of one washer dryer for every ten units, consistent with the TCAC requirements. If a project is more than 20 units, then 1 set of ADA accessible laundry machines must be provided
- D. Public pools will have a self-closing gate. Fence and gate shall meet applicable current codes and standards. Joints between coping and concrete deck shall be appropriately caulked.
- E. In the case of new construction or substantial upgrade to existing pool, a handicap chair lift is the minimum requirement. The pool will meet applicable standards and codes.

**Mechanical/Plumbing**

- A. Water heaters must be in enclosures in all habitable rooms and must be insulated and have earthquake strapping and pressure relief valves with lines that terminate to the exterior.
- B. All units must have heating and air conditioning. Wall mount or central systems are acceptable. Evaporated coolers are not acceptable.
- C. All plumbing fixtures shall be new or in very good working condition.
- D. All toilets, sinks, and tubs shall be chip and stain free.

**Electrical**

- A. All new electrical panels must be of the breaker type. Fused disconnects must be approved by the Agency.
- B. All units must have at least one hard-wired smoke detector per bedroom corridor and a minimum of one battery-operated smoke detector per bedroom.
- C. All bathrooms must have at least one GFCI protected outlet, and tub surrounds must be a minimum of 1/8" laminated plastic.
- D. Kitchens must have all GFCI protected outlets within 6 feet of the sink.

**Resident Services Community Space**

All properties, regardless of project type (i.e. senior, family, or large family), must devote space to actual resident services in the following minimum amounts:

Less than 100 units:	12 s.f. per unit (but no less than 400 s.f. in total)
100 units and over:	1,200 s.f.

Resident services space includes common kitchens, computer rooms, meeting rooms and general gathering space. It does not include public restrooms, leasing offices, laundry facilities and lobbies.

**Useful Life Expectancy**

A useful life expectancy list has been established and is available upon request to benchmark the lives of certain components on a multifamily site.

**End of Scope of Development**

## CONSTRUCTION AND PERMANENT LOAN AGREEMENT RAD 1

### COUNTY OF SACRAMENTO

4500 PERRY AVENUE, SACRAMENTO, CA 95820 (APN 022-0052-011-0000 AND 022-0052-012-0000)

4930 EL PARAISO AVENUE, SACRAMENTO, CA 95824 (APN 037-0224-047-0000)

9205 ELK GROVE BOULEVARD, ELK GROVE, CA 95624 (APN 125-0270-051-0000)

8223 WALERGA ROAD, ANTELOPE, CA 95843 (APN 203-0070-041-0000)

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

1. **LOAN.** The Lender is making the Loan pursuant to the terms and conditions of this Loan Agreement. Lender and Borrower have entered this Loan Agreement as of the Effective Date.
  
2. **DEFINITIONS TABLES.** The capitalized terms in this Loan Agreement shall have the meanings assigned in the following Definitions Tables and in Section 3 Definitions. Terms being defined are indicated by quotation marks. If an item in this table is marked “None”, “Not Applicable”, “N/A” or equivalent or is left blank, that defined term is not applicable to this Loan or the referenced item is not required or is not included in this Loan as the context may indicate.

A. “LOAN INFORMATION” The general loan provisions of the Loan:		
“EFFECTIVE DATE”	_____, 2020	Being the date as of which this Loan Agreement shall be effective.
“LENDER”	The following public agency that is making the Loan, and whose legal status and address are:	
Name	Housing Authority of the County of Sacramento (HACOS)	
Legal Status	A public body, corporate and politic	
Principal Address	801 12 <sup>th</sup> Street, Sacramento, California 95814	
“BORROWER”	The borrower of the Loan funds whose name, legal status and address are:	
Name	RAD Pilot LP	
Legal Status	A California limited partnership	
Principal Address	c/o 801 12th Street, Sacramento, California 95814	
“LOAN”	The Loan made by this Loan Agreement.	
“LOAN COMMITMENT”	Lender’s loan commitment, made by letter dated as of	July 23, 2019
“LOAN PROGRAM”	Lender’s Loan Program, commonly known as	Other: HACOS Capital Fund and cash proceeds from the sale of Improvements
“LOAN AMOUNT”	Three Million Two Hundred Ninety-Eight Thousand Six Hundred Forty-Six Dollars and No Cents (\$3,298,646) divided in the following manner: <ul style="list-style-type: none"> <li>• \$807,046.00 HACOS Capital Fund; and</li> <li>• \$2,491,600.00 Cash Proceeds from the sale of Improvements.</li> </ul>	
“INTEREST RATE”	The interest rate is 3% per year, simple interest.	
“PAYMENT START DATE”	The first day of the 40th calendar month following the Effective Date of this Loan Agreement: May 1, 2023. See Special Terms.	
“MATURITY DATE”	The first day of the 684th calendar month following the Effective Date: February 1, 2077.	

<p>“PAYMENT SCHEDULE”</p>	<p>Annual payments of Residual Receipts in accordance with the Note. The unpaid balance of the Note is due and payable on the Maturity Date, including without limitation all unpaid principal, interest, fees and charges.</p> <p>Within six (6) months following completion of construction, Borrower shall submit to Lender a cost certification prepared by a qualified, independent auditor reasonably acceptable to Lender, which cost certification shall indicate the amounts actually spent for each item in the cost breakdown. If there is an aggregate savings in the total of all such cost breakdown items from the cost breakdown items in the original Budget approved by the Lender, the Lender shall withhold for itself as Loan repayment, one-half of such savings from the amount of retention then held by the Lender, and the Loan balance shall be reduced by the amount so withheld. The Lender, in its sole but reasonable discretion, shall determine any reduction and/or repayment of the Loan based upon this cost certification and the original approved Budget for the Project.</p>
<p>“BORROWER EQUITY”</p>	<p>Six Million Six Hundred Thousand Dollars and No Cents (\$6,600,000.00) 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.</p> <p>No less than Three Hundred Sixty Thousand Dollars and No Cents (\$360,000.00) is the Borrower’s non-cash contribution to the Project (such as deferred Developer fees).</p>

“SPECIAL TERMS”

**ANNUAL REPAYMENT:** Annual principal and interest payments shall be deferred from the Loan’s Effective Date through the first 39 months. Beginning in month 40, May 1, 2023, annual payments will be made on a Residual Receipts, as defined below, basis until the maturity date. Annual payments shall be applied first to outstanding interest accrued and unpaid and then to principal.

“Residual Receipts” is defined as follows: May 1, 2023, annual installments (as described in Sections [f] through [l] of this paragraph) are to begin. Based on the annual audited financial statement from the preceding year, payments will be made upon a “Residual Cash Flow” basis meaning Net Operating Income (NOI) less:

- (a) Debt service on the senior loan
- (b) Monitoring fees to the County of Sacramento Housing Authority on the mortgage revenue bond issuance;
- (c) If applicable, to the limited partner for any amounts owed to the limited partner pursuant to the Borrower’s Amended and Restated Partnership Agreement;
- (d) Asset management fees up to \$8,000 annually as of the Loan’s Effective Date escalating at 3% annually;
- (e) Partnership management fee up to \$8,000 annually as of the Loan’s Effective Date escalating at 3% annually;
- (f) Deferred developer fee;
- After Sections (a) through (f) of this paragraph are paid,
- (g) Fifty percent (50%) of the available cash flow from NOI to the Housing Authority of the City of Sacramento Construction and Permanent Loan, divided equally first to the Capital Funds Note, then to Cash Proceeds Note, including principal and interest, and
- (h) Fifty percent (50%) of the available cash flow from NOI to the Housing Authority of the County of Sacramento Construction and Permanent Loan, divided equally first to the Capital Funds Note, then to Cash Proceeds Note, including principal and interest;
- After Sections (a) through (h) of this paragraph are paid,
- (i) Fifty percent (50%) of the available cash flow from NOI to the Housing Authority of the County of Sacramento Seller Carryback Loan (Improvements), and
- (j) Fifty percent (50%) of the available cash flow from NOI to the Housing Authority of the City of Sacramento Seller Carryback Loan (Improvements);
- After Sections (a) through (j) of this paragraph are paid,
- (k) One hundred percent (100%) of the available cash flow from NOI to Sacramento Housing and Redevelopment Agency Construction and Permanent Loan;
- After Sections (a) through (k) of this paragraph are paid,
- (l) Fifty percent (50%) of the available cash flow from NOI to the Housing Authority of the County of Sacramento Ground Lease, and
- (m) Fifty percent (50%) of the available cash flow from NOI to the Housing Authority of the City of Sacramento Ground Lease.

The Net Operating Income is defined as periodic “Revenue” less “Operating Expenses.” “Revenue” means all revenue from the leasing of the Project, including but not limited to all rents, fees, and charges paid by tenants as well as rental subsidy payments regardless of the source of these subsidies, forfeited tenant deposits, rent increases, proceeds from vending machines and laundry room machines. Revenue shall not include tenants’ security deposits (unless forfeited), interest on those deposits, loan proceeds, capital contributions or similar advances, or amounts released from reserves or interest on reserves.

“Operating Expenses” shall mean actual costs, fees and expenses as evidenced by invoices attributable to the operation, recordkeeping, maintenance, taxes and management of the Project, including property management fees; taxes and assessments; payroll, benefits and payroll taxes of for property employees; security; painting, cleaning, repairs, and alterations; landscaping; sewer charges; utility charges; advertising, promotion and publicity; cable television, satellite and other similar services; office, janitorial, cleaning and building supplies; recreational amenities and supplies; purchase, repair, servicing and installation of appliances; costs and expenses associated with the provision of social and/or community services to the residents of the Project; equipment, fixtures and furnishing; fire alarm and elevator monitoring; fees and expenses of accountants, attorneys, consultants and other professionals. The definition will include deposits into operating and/or replacement reserves maintained by the Borrower but will not include initial deposits to capitalize the reserve accounts or amounts expended from a reserve account, or capital costs.

Principal and interest due in full upon refinance, sale or end of Term.

<p>“PROJECT”</p>	<p>Which is the Project to be developed on the Property with the Loan funds, described as:</p>	<p><b>Pointe Lagoon</b> (three sites)  Pointe Lagoon is comprised of three scattered sites. The first site is located at 4500 Perry Avenue in the unincorporated County of Sacramento. There are five buildings on approximately 0.54 acres that provide ten (10) three-bedroom units, a laundry facility and 17 on-site parking spaces.</p> <p>The second site is located at 4930 El Paraiso Avenue in the unincorporated County of Sacramento. There are ten buildings on approximately 2.61 acres that provide 36 one-bedroom units, a community room, laundry facility and 56 on-site parking spaces.</p> <p>The third site is located at 9205 Elk Grove Boulevard in the City of Elk Grove. There are six buildings on approximately 0.85 acres that provide 16 two-bedroom units and a laundry facility and 24 on-site parking spaces.</p> <p><b>Rio Garden</b> (one site)  Rio Garden is located at 8223 Walerga Road in the unincorporated County of Sacramento. There are four buildings on approximately 1.89 acres that provide 24 three-bedroom units, community room, laundry facility and 50 on-site parking spaces.</p>
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**B. “COLLATERAL” The Collateral securing repayment of the Loan, which Collateral consists of the following:**

<p>“PROPERTY”</p>	<p>Property means the following described real property, Borrower's interest in which is security for the Loan, together with all “Personalty”, which means all of Borrower's interest in all accounts, contract rights, and general intangibles (specifically including any insurance proceeds and condemnation awards) arising out of the ownership, development, or operation of the Property, and all furniture, furnishings, equipment, machinery, construction materials and supplies, leasehold interests in personal property, together with all present and future replacements, substitutions, and additions, and the cash and noncash proceeds of the Property.</p>
<p>Address and Assessor’s Parcel Number (APN)</p>	<p>4500 Perry Avenue, Sacramento, Ca 95820 (APN 022-0052-011-0000 and 022-0052-012-0000)  4930 El Paraiso Avenue, Sacramento, Ca 95824 (APN 037-0224-047-0000)  9205 Elk Grove Boulevard, Elk Grove, Ca 95624 (APN 125-0270-051-0000)  8223 Walerga Road, Antelope, Ca 95843 (APN 203-0070-041-0000)</p>
<p>“Legal Description”</p>	<p>The Property is situated in the State of California, County of Sacramento, and is more particularly described in <b>Exhibit 1: Legal Description</b> attached and incorporated by reference.</p>
<p>Borrower’s Title Interest</p>	<p>Borrower has a leasehold interest in the Land and fee interest in the Improvements or, if the Additional Escrow Instructions so indicate, Borrower will acquire such interests in the Property at Close of Escrow.</p>

**C. “ESCROW INFORMATION”:**

<p>“Title Company” and “Escrow Agent”</p>	<p>Placer Title Company</p>	<p>Which is the title company that will issue the Title Policy and that will act as Escrow Agent for the Escrow</p>
<p>“Escrow”</p>	<p>The escrow with Escrow Agent</p>	
<p>“Closing Date”</p>	<p>_____, 2020 or mutually agreed upon date</p>	<p>Which is the date for close of the Escrow, as it may be extended</p>

**D. “LIST OF EXHIBITS” (The following are attached and incorporated in this Loan Agreement):**

EXHIBIT	DEFINED TERM
<p><u>Exhibit 1: Legal Description</u></p>	<p>“Legal Description”</p>
<p><u>Exhibit 2: Scope of Development</u></p>	<p>“Scope of Development”</p>
<p><u>Exhibit 3.1: Capital Funds Note Form</u></p>	<p>“Capital Funds Note”</p>
<p><u>Exhibit 3.2: Cash Proceeds Note Form</u></p>	<p>“Cash Proceeds Note”</p>

<u>Exhibit 4: Trust Deed Form</u>	“Trust Deed”
<u>Exhibit 5: Escrow Instructions</u>	“Escrow Instructions
<u>Exhibit 6: RAD Use Agreement</u>	“RAD Use Agreement”
<u>Exhibit 7: Federal Requirements</u>	“Federal Requirements”
<u>Exhibit 8: New Hire Form</u>	“New Hire Form”

**E. “APPROVAL DOCUMENTS”** Borrower shall submit the following documents for Lender approval:

Construction Agreements for the Project
Borrower’s organizational documents, such as partnership agreements or corporate articles and by-laws
“Budget” for the Project
Evidence of financing
Plans and Specifications as defined in Section 3 of this Loan Agreement
Relocation Plan

**F. “ASSIGNED DOCUMENTS”** Borrower shall assign the following documents to Lender:

Construction Contract
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**G. “CONSTRUCTION INFORMATION”:**

“Completion Date”	January 31, 2022	Which is the date on or before which the Completion of the Project must occur.		
“General Contractor”	Precision General Commercial Contractors	Which is the general contractor for construction of the Project		
“Retention”	The following percentage, which shall be retained by Lender for disbursement with the final disbursement of the Loan:	Percentage of Loan:	Ten Percent (10%)	

**H. “SPECIAL PROVISIONS”** The following special provisions shall be in addition to the provisions of this Loan Agreement:

1. Loan funds shall be used solely for actual costs of Project construction. No Loan funds shall be used for predevelopment costs, except as provided in an approved Lender budget. Unless otherwise noted in said budget, predevelopment costs are not subject to the withholding as Retention.
2. Borrower shall secure financing in the amount of approximately \$12,500,000 in bond proceeds from the Housing Authority of the County of Sacramento.
3. Lender acknowledges and consents to NEF Assignment Corporation, as nominee, an Illinois not-for-profit corporation, whose address is 10 South Riverside Plaza, Suite 1700, Chicago, IL 60606, Attention: General Counsel, as “Tax Credit Limited Partner” of Borrower. Said limited partner may transfer its interests to any other third party, so long as such change does not affect the identity, powers or duties of the Borrower’s general partners or the ability of the limited partners to change the general partner or its powers.
4. Lender shall give copies of notices required to be delivered to Borrower to Tax Credit Limited Partner at its address stated above; provided, however that Borrower acknowledges that such notice is an accommodation and the failure of the Lender to properly deliver any such notice shall not give rise to any claims or defenses of Borrower or any third party.
5. The Lender has approved Housing Authority of the County of Sacramento as the qualified property management company for the Project.



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

3.1. "Budget" is the budget approved by Lender for the development of the Project.

3.2. "California Environmental Quality Act" or "CEQA" is established in the California Public Resources Codes § 21000 et seq. and is applicable to private activities requiring discretionary governmental approvals (Pub. Res. Code §210001.1, 21001, 21080 and 14 California Code of Regulations (CCR) § 15002(c).

3.3. "Budget" is the budget approved by Lender for the development of the Project.

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

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

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

3.7. "Environmental Review" means the investigation and analysis of the Project's impacts on the environment as may be required by CEQA and/or National Environmental Policy Act (NEPA), or of the Project's impacts on any species of plant or animal listed as a species of concern, or a threatened or endangered species under California or federal laws or regulations.

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

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

3.10. "Event of Default" is breach of or default in a party's obligations under this Loan Agreement, the Trust Deed, the RAD Use Agreement, the Note and any other instrument which is incorporated in this Loan Agreement or which otherwise secures the repayment of the Loan.

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

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

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

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

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

3.16. "HUD" means the United States Department of Housing and Urban Development.

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

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

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

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

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

3.22. "Note" refers collectively to the Capital Funds Note attached as Exhibit 3.1 and the Cash Proceeds Note attached as Exhibit 3.2.

3.23. "Mitigation Measure(s)" means those feasible measures, actions, or features that are to be incorporated into the Project in order to avoid or substantially reduce the Projects significant impact on the environment.

3.24. "National Environmental Policy Act" or "NEPA" contains the federally required procedures to review and analyze the effect and impact of the Project on the environment as applied to the Project under 24 Code of Federal Regulations Parts 50 and 58 et seq.

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

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

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

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

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

3.30. "RAD" means Rental Assistance Demonstration (RAD) which allows public housing agencies (PHAs) and owners of HUD-assisted properties to convert units to project-based Section 8 programs, providing an opportunity to invest billions into properties at risk of being lost from the nation's affordable housing inventory.

3.31. "RAD Use Agreement" means the Rental Assistance Demonstration Use Agreement entered into by and among the Lender, Borrower, and HUD specifying the affordability and use restrictions governing the Project under the RAD Program, and recorded against the Lender's fee interest in the Leased Premises and the Lessee's leasehold interest in the Leased Premises.

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

3.33. "Senior Lender" means the maker of a Senior Loan.

3.34. "Senior Loan" has the meaning given in Section 5.4 of this Loan Agreement.

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

3.36. "Trust Deed" means Deed of Trust and Assignment of Rents.

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

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

4.1. **LEGAL ORGANIZATION.** Borrower is duly formed and validly exists in the form stated in Section 2, is qualified to do business in California, and has full power to consummate the transactions contemplated.

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

4.3. **BINDING OBLIGATION.** This Loan Agreement, the Note, the Trust Deed, and each of the other Loan Documents 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.

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

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

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

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

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

4.9. **TITLE OF PERSONALTY.** All Personalty is vested solely in Borrower, free of all claims, liens, and encumbrances, and the security interest of Lender in the Personalty shall be subordinate to the lien of the Security Instrument (the "Security Instrument") as defined in the Project Loan Agreement (the "Project Loan Agreement"), dated as of \_\_\_\_\_ day of \_\_\_\_\_, 2020, among the Lender, the Borrower and U.S. Bank National Association, as Fiscal Agent.

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

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

4.12. **PLANS AND SPECIFICATIONS.** The Plans and Specifications are satisfactory to Borrower and the General Contractor and have been approved by the Lender and all other construction lenders. There are no structural defects in the Project as shown in the Plans and Specifications that are known to or reasonably should have been known to Borrower or its agents and employees, and to the best of Borrower's knowledge, no violation of any Governmental Requirement exists.

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

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

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

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

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

5.4. **CLOSING IN ADVANCE OF SENIOR LOAN.** Lender will subordinate this Loan to the Senior Loan, provided that the Senior Loan does not require modification of this Loan Agreement or Lender's entering into any agreements containing new or modified Loan terms. Such subordination shall be pursuant to Prudential/Freddie Mac Loan then current form subordination agreement. "Senior Loan" means 1) a construction loan (the "Construction Loan") from Wells Fargo, N.A. ("Bank") in the approximate amount of Twelve Million Five Hundred Thousand Dollars and No Cents (\$12,500,000.00) funded with tax-exempt bonds issued by the Housing Authority of the County of Sacramento (the "Bonds"); and 2) a permanent loan from the Housing Authority of the County of Sacramento (the "Tax Exempt Loan") using proceeds from a separate loan made by Prudential Affordable Mortgage Company, LLC, or affiliate, which will be purchased by Freddie Mac, in the approximate amount of Three Million Two Hundred Forty-Two Thousand Three Hundred Dollars and No Cents (\$3,242,300.00), (the "Prudential/Freddie Mac Loan"); and that certain loan from Lender to Borrower evidenced by a Project Note given by Borrower to Lender and secured by a Multifamily Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing given by Borrower to Lender, as assigned to U.S. Bank National Association, as Fiscal Agent, or the Permanent Loan.

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

5.6. **RAD USE AGREEMENT.** The RAD Use Agreement imposing covenants, conditions and restrictions running with the land is a material consideration for the making of the Loan. Borrower shall execute the RAD Use Agreement prior to Close of Escrow and deliver it to Escrow for recordation. The RAD Use Agreement shall be recorded in senior position to all other liens.

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

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

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

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

6.2. **CONDITIONS TO LENDER'S PERFORMANCE.** Lender's obligation to perform under this Loan Agreement is subject to all of the following conditions: (a) Borrower has performed all of its obligations then to be performed pursuant to this Loan Agreement (b) the closing conditions as defined in the Escrow Instructions have been fulfilled as of Close of Escrow; (c) Borrower's representations and warranties in this Loan Agreement are true and correct as

of the Close of Escrow, (d) the Agreement continues to be in full force and effect, no default on the part of Borrower has occurred under the Loan Agreement, and no event has occurred that, with the giving of notice or the passage of time, will constitute a default by Borrower under the Loan Agreement; and (e) Lender has approved the Approval Documents.

**6.3. CONDITIONS TO BORROWER'S PERFORMANCE.** Borrower's obligation to perform under this Loan Agreement is subject to satisfaction of all of the following conditions: (a) the closing conditions as defined in the Escrow Instructions have been fulfilled as of Close of Escrow; (b) Lender has met the Conditions to Close of Escrow, (c) 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 (d) the Loan Agreement continues to be in full force and effect, no default on the part of Lender has occurred under the Loan Agreement, and no event has occurred that, with the giving of notice or the passage of time, will constitute a default by Lender under the Loan Agreement.

**7. RELOCATION.** Lender is required by law to provide relocation services and make relocation payments to eligible tenants that are displaced as a result of the Project. Borrower shall comply fully with all relocation laws that are the obligation of Lender or are otherwise applicable to the Project. Borrower's compliance with the relocation requirements as stated in this Section 7 is a material element of this Loan. Borrower's failure to comply with the relocation requirements as stated in this Section 7 is an Event of Default, subject to Borrower's opportunity to cure in accordance with applicable law.

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

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

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

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

**9. CONSTRUCTION.** As a condition of the Loan, Borrower will diligently proceed with construction in accordance with the Scope of Development as approved by Lender. Borrower shall complete such work on or before the Completion Date, subject to Unavoidable Delay.

**9.1. CHANGES.** In order to assure sufficient funding for the Project, Borrower shall not authorize any change order without the prior written consent of Lender. If in the judgment of Lender, a change order, together with all other change orders contemplated or previously approved by Lender, will cause an increase in the cost of the Project in excess of the contingency reserve identified in the Budget, then Borrower will, as a condition precedent to Lender's consent, provide Lender with proof that the contingency reserve has been increased as necessary to pay for all such change orders. Borrower will submit any such change order to Lender for approval on a form acceptable to Lender, together with approvals by the Project architect, if any, and the General Contractor. Borrower shall

maintain funds available in the contingency reserve that are in substantially the same percentage of the original contingency reserve as the percentage of the Project then remaining to be completed.

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

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

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

9.3.2. ECONOMIC OPPORTUNITY EMPLOYMENT REQUIREMENTS. This Loan requires that to the greatest extent feasible, opportunities for training and employment be given to lower income residents in and around the area of the project. Borrower will instruct its General Contractor and its subcontractors to utilize lower income project area residents as employees to the greatest extent feasible and comply with the following:

i. The work to be performed under this Loan is on a project assisted under a program providing direct federal financial assistance from the Department of Housing and Urban Development and is subject to the requirements of Section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. 1701u. Section 3 requires that to the greatest extent feasible, opportunities for training and employment be given to lower income residents of the project area and contracts be awarded to business concerns which are located in, or owned in substantial part by persons residing in, the area of the project.

ii. The Borrower will comply with the provisions of said Section 3 and the regulations issued pursuant thereto by the Secretary of Housing and Urban Development set forth in 24 CFR 135, and all applicable rules and orders of the Department issued thereunder prior to the execution of this Loan.

iii. This Loan requires that to the greatest extent feasible, opportunities for training and employment be given to lower income residents of the project area.

iv. Borrower certifies and agrees that it is under no contractual or other disability which would prevent it from complying with these requirements.

v. Borrower will send to each labor organization or representative of workers with which he has a collective bargaining agreement or other contract or understanding, if any, a notice advising the said labor organization or workers' representative of his commitments under this Employment Clause and shall post copies of the notice in conspicuous places available to employees and applicants for employment or training.

vi. Borrower will include this Employment Clause in every contract and subcontract for work in connection with the project.

vii. Each Contractor or subcontractor undertaking work in connection with a Section 3 covered project must fulfill his obligation to utilize lower income project area residents as employees to the greatest extent feasible by:

(1) Identifying the number of positions in the various occupational categories including skilled, semi-skilled, and unskilled labor, needed to perform each phase of the Section 3 covered project;

(2) Identifying the positions described in Paragraph (1) of this Section, the number of positions in the various occupational categories which are currently occupied by regular, permanent employees;

(3) Identifying the positions described in Paragraph (1) of this Section, the number of positions in the various occupational categories which are not currently occupied by regular permanent employees;

(4) Establishing the positions described in Paragraph (3) of this Section, a goal which is consistent with the purpose of this subpart within each occupational category of the number of positions to be filled by lower income residents of the Section 3 covered project area; and

(5) Making a good faith effort to fill all of the positions identified in Paragraph (4) of this Section with lower income project area residents, through the First Source Program, Greater Sacramento Urban League, Sacramento Works, Sacramento Employment Training Agency, or similar local workforce agencies.

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

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

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

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

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

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



9.6. **PAYMENT AND PERFORMANCE BONDS.** As a condition precedent to beginning construction of the Project, the Borrower shall provide the Lender a performance bond and a labor and material payment bond obtained by Borrower or its general contractor in favor of the Borrower and Lender as named dual obligees, in form and amount as approved by the Lender and securing, respectively, completion of the work and payment of all labor and material suppliers and subcontractors for the work as stated in the construction contract for the Project. The bonds shall be written with a surety listed as acceptable to the federal government on its most recent list of sureties. Borrower shall assure compliance with all requirements of the surety. Borrower shall permit no changes in the work to be performed by the general contractor and shall make no advance payments to the general contractor without prior written notice to the surety and the Lender, if such change or payment could release the surety of its obligations under the bonds.

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

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

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

9.10. **PREVAILING WAGES.** In accordance with Labor Code Section 1720(c)(6)(E)), so long as the public subsidy for the Project consists of below market rate loans, and the Project restricts occupancy on at least 40% of the units for at least 20 years to individuals or families earning no more than 80% of the area median income, the Project is not subject to prevailing wages. Borrower represents to Lender that Borrower has obtained no public subsidy for the Project that does not meet such criteria. If Borrower takes any actions which would otherwise require the payment of prevailing wages, Developer shall pay prevailing wages for the Project. Therefore, Developer indemnifies, holds harmless and defends the Lender from all additional wages, benefits, fees, penalties, fines, legal fees, court costs, arbitration costs, and other costs arising from the improper application of California prevailing wage laws to the Project by Developer or Contractor or both of them.

This Project is funded with federal funds, specifically the Capital Fund, therefore, Borrower shall comply with Davis-Bacon prevailing wage requirements as described in the Federal Requirements.

## 10. **LOAN DISBURSEMENT PROCEDURES.**

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

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

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

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

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

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

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

**10.2. CONDITIONS PRECEDENT TO FIRST DISBURSEMENT.** Borrower's request for the first Loan disbursement is a representation and warranty by Borrower that there has been no material adverse change in Borrower's financial capacity or in any representation made to Lender in Borrower's application for the Loan or Borrower's supporting documentation. Lender shall make the first loan disbursement under this Loan Agreement when the following conditions precedent and the conditions precedent stated in Section 10.1 have been met:

10.2.1. There is no legal action threatened or pending against Borrower or affecting the Property

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

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

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

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

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

**10.3. CONDITIONS PRECEDENT TO FINAL DISBURSEMENT.** Lender shall make the final loan disbursement under this Loan Agreement when the following conditions precedent and the conditions precedent stated in Section 10.1 have been met:

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

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

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

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

d. That the Project is structurally sound.

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

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

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

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

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

b. Borrower has obtained final permit sign-offs for all of the Project;

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

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

10.3.6. That Borrower has provided to Lender an inventory showing make, model, value, cost, and location of all furniture, fixtures, and equipment and other personal property used in the management, maintenance, and operation of the Project, that are included in the collateral for the Loan.

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

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

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

10.4. **MAKING DISBURSEMENT.** Lender shall pay each disbursement request within twenty (20) business days after the disbursement request is submitted to Lender, subject to fulfillment of the conditions precedent as stated in Section 10.1. Lender shall disburse the actual cost of the work represented in the disbursement request by Borrower, reduced by the cost of work included in the request and not satisfactorily completed and by the amount of the Retention to be withheld.

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

income received from the Property or Fixtures, or any use or occupancy of the Property; and any charges, expenses, payments, or assessments of any nature that are or may become a lien on the Property or the income received from it.

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

**10.7. APPROVAL OF OTHER LENDER DRAW AND DISBURSEMENTS.** Borrower shall concurrently submit to Lender each Other Lender Draw. Delivery of such Other Lender Draw shall be made in the same manner as any other notice, except that it shall also be marked "OTHER LENDER DRAW REQUEST" and delivered to the person named in writing by the Lender as the recipient of such requests or, in the absence thereof, to the Lender's Portfolio Management office.

Borrower shall provide Lender with true, accurate and correct copies of each Other Lender Draw, including without limitation all supporting information, documents, and other required submittals.

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

## **11. RESIDENTIAL OPERATIONS.**

**11.1. PROPERTY MANAGEMENT COMPANY.** The Borrower agrees that at all times the Project shall be managed by a property manager (i) approved by the Lender in its reasonable discretion and (ii) who has successfully managed at least five projects over forty units in size and subject to a recorded regulatory agreement or RAD Use Agreement for at least three years' prior to the application, without any record of material violations of discrimination restrictions or other state or federal laws or regulations or local governmental requirements applicable to such projects (the "Manager"). The Borrower shall submit to the Lender from time to time such information about the background, experience and financial condition of any existing or proposed Manager as the Lender may reasonably require to determine whether such Manager meets the requirements for a Manager set forth herein. The Lender reserves the right to conduct periodic reviews of the management practices of the Manager to determine if the Project is being operated and managed in accordance with the requirements and standards of this Loan Agreement. The Borrower agrees to cooperate with the Lender in such reviews.

If the Lender determines in its reasonable judgment that the Project is not being operated and managed in accordance with one or more of the material requirements or standards of this Loan Agreement, the Lender may deliver notice to the Borrower requesting replacement of the Manager, which notice shall state clearly the reasons for such request. The Borrower agrees that, upon receipt of such notice, the Borrower shall within 60 days submit to the Lender, a proposal to engage a new Manager meeting the requirements of this provision. The Lender shall respond within 30 days to such proposal or such approval shall be deemed given. Upon receipt of such consent or deemed consent, the Borrower shall promptly terminate the existing Manager's engagement and engage the new Manager. In addition, all management agreements between the Borrower and Manager shall include a clause alerting the Manager that Lender may require Borrower to terminate the management agreement for the aforementioned reasons.

The Borrower shall not enter into any management agreement or arrangement with any party with respect to the management of the Project without the Lender's prior written consent, such consent not to be unreasonably withheld or delayed. The Borrower shall not materially modify, amend or terminate any approved management agreement (other than as required to comply with the terms of this Loan Agreement and/or applicable law) without the Lender's

prior written consent, which consent will not be unreasonably withheld or delayed; provided, however, that such consent shall not be required to extend the term of an existing management agreement.

11.2. **REPLACEMENT RESERVES.** Borrower shall maintain reserves for replacement and repairs required to be made to the Property, fixtures on the Property or personal property used on the Property, or otherwise as approved by Lender, in an amount, at all times, not less than Three Hundred Dollars (\$300) for each residential unit in the Project

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

11.4. **SECURITY AND LIGHTING.** Project shall include a security camera system approved by Lender and lighting adequate to properly illuminate the parking area and all common spaces. In addition, Project will include security patrol, if necessary.

11.5. **RESIDENT SERVICES PLAN:** Borrower shall provide resident service based on the needs of the residents. Services should include the Family Self-Sufficiency or other similar program, education, financial literacy, health, enrichment, and training and job opportunities.

11.6. **SMOKE FREE ENVIRONMENT.** At least 50% of the buildings and no less than 50% percent of the residential units must be smoke free. Additionally, all indoor common areas must be smoke free.

## 12. **DEFAULT**

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

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

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

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

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

12.1.5. Borrower's failure to complete the construction of the Project by the Completion Date, subject to Unavoidable Delay.

12.1.6. The filing of any lien against the Property or Project or the service on Lender of any bonded stop notice related to the Loan, if the claim of lien or bonded stop notice continues for sixty (60) days without discharge, satisfaction, or the making of provision for payment (including bonding) to the satisfaction of Lender.

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

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

### 13. REMEDIES

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

13.1.1. Terminate its obligation to make disbursements.

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

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

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

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

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

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

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

14. **LIABILITY INSURANCE.** With regard to this Loan Agreement, the Borrower shall obtain and maintain for the life of the RAD Use Agreements, and require the Contractor and subcontractors for the Project to obtain and

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

**14.1. LIABILITY INSURANCE POLICY LIMITS.** Borrower shall obtain all insurance under this Section 14 written with a deductible of not more than ONE HUNDRED THOUSAND DOLLARS (\$100,000) or an amount approved by Lender, and for limits of liability which shall not be less than the following:

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

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

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

**14.5. PROPERTY INSURANCE.** For the duration of the RAD Use Agreements, Borrower shall obtain and maintain property insurance in ISO policy form CP 10 30 - Building and Personal Property Coverage - Causes of Loss - Special Form, to the full insurable value of the Property with no coinsurance penalty (and with endorsements of Builder's Risk until completion of construction of the Project), Boiler and Machine to the extent necessary to obtain full insurance coverage, and with such other endorsements and in such amounts as the Lender may reasonably require to protect the Project and the Property. In the event of damage to the Project and subject to the requirements of Lender, Borrower shall use the proceeds of such insurance to reconstruct the Project and the public improvements.

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

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

**14.6.2. SINGLE PROJECT INSURANCE.** It is the intent of the parties that the Project have available all the specified insurance coverages. Borrower shall not provide insurance coverages that are considered in aggregate with other Projects which Borrower or its Contractor might have concurrently under construction. The Lender may at its discretion permit an aggregate policy if and only if Borrower or the respective Contractor or subcontractor has fully disclosed to Lender other projects which will or may be considered in aggregate with the Project, and

thereafter, Borrower shall immediately inform Lender of the change in or addition to any such projects. Nevertheless, Lender may, at any time require that the insurance coverage be provided solely for the Project.

14.6.3. **CERTIFIED POLICY COPY.** Borrower shall provide Lender with a certified copy of each required policy of insurance, upon request by Lender. Borrower shall provide Lender with a Certificate of Insurance of Insurance for each policy on the applicable ACORD form. And, specific sections of the policy may be requested by Lender for review. The ACORD form shall not substitute for the policy, if the policy is requested. The most current ACORD 25-S "Certificate of Liability Insurance shall be used for liability insurance.

a) **CANCELLATION.** Each policy shall bear an endorsement precluding cancellation or termination of the policy or reduction in coverage unless the Lender has been given written notice of such intended action at least thirty (30) days prior to its effective date. In the alternative to such endorsement, Borrower will provide the Lender with the cancellation clause and/or any amendatory endorsements that modify or change the policy cancellation clause of the insurance policies in force. It is the Borrower's responsibility to notify the Lender of any notice of cancellation, non-renewal or non-payment of premium in accordance with your policy provisions. In the event insurance is cancelled or not renewed, the Borrower shall notify the Lender within forty-eight (48) hours of such cancellation or non-renewal.

\_\_\_\_\_ **Borrower's Initials**

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

14.8. **BLANKET COVERAGE.** Borrower's obligation to carry insurance as required under this Section 16 may be satisfied by coverage under a "blanket" policy or policies of insurance (as the term is customarily used in the insurance industry); provided, however, that the Lender shall nevertheless be named as an additional insured under such blanket policy or policies to the extent required by this Section, the coverage afforded the Lender will not be reduced or diminished thereby, and all of the other requirements of this Section 14 with respect to such insurance shall otherwise be satisfied by such blanket policy.

15. **MISCELLANEOUS.**

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

15.2. **CURE BY PARTY OTHER THAN BORROWER.** Any lender whose loan is secured by the property, including any assignee of the Project Loan Agreement and Security Instrument, and any principal or limited partner of Borrower may cure a default of the Loan, provided that such cure rights shall be the same as Borrower's cure rights. Such other curing party must cure by the date on which Borrower was obligated to cure, except if Lender is obligated by this Loan Agreement to give separate notice to such other curing party, in which instance, the cure period shall begin when Lender makes such notice to such other curing party.

15.3. **CONDEMNATION.** The proceeds of any award or claim for damages, direct or consequential, in connection with any condemnation or other taking of all or any part of the Property, or for conveyance in lieu of condemnation, are hereby assigned and shall be paid to Lender. In the event of a taking of all of the Property, the proceeds shall be applied to the sums provided by this Loan, subject to any claims of prior lienholder, with the excess, if any, paid to junior lienholders and Borrower, as they may determine. In the event of the partial taking of the Property, unless Borrower and Lender otherwise agree in writing, and subject to any claims of prior lienholders, there shall be applied to the sums secured by this Deed of Trust such proportion of the proceeds as is equal to that proportion which the amount of the sums secured by this Deed of Trust immediately prior to the date of taking bears to the fair market value of the Property immediately prior to the date of taking, with the balance of the proceeds paid to junior



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

If the condemnor offers to make an award or settle a claim for damages to the Property and: (1) the Property is abandoned by Borrower; or (2) after notice by Lender to Borrower of the condemnor's offer, Borrower fails to respond to Lender within 30 days after the date such notice is mailed, then the Lender is authorized to collect and apply the proceeds to the restoration or repair of the Property. However should there be a total taking or continuing event of default, then the proceeds shall be applied to the sums secured by this Deed of Trust.

Unless Lender and Borrower otherwise agree in writing, any such application of proceeds to principal shall not extend or postpone the due date of any payment or change the amount of such payment.

**15.4. SUBORDINATION.** Lender will subordinate this Loan to the Senior Loan, provided that the Senior Loan for the Project indicated in the Budget meets all requirements of this Loan Agreement, and that the Senior Loan does not require modification of this Loan Agreement, Lender's execution of any agreements containing new or modified Loan terms or Lender's execution of any agreement creating a contractual relationship between Lender and the senior lender including obligations or liabilities between Lender and the senior lender.

**15.5. 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.

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

**15.7. FINANCIAL STATEMENTS.** Borrower shall provide Financial Statements when requested by Lender, but in any event not more often than quarterly during construction of the Project or annually, thereafter. Borrower shall assure that Financial Statements are prepared in accordance with generally accepted accounting principles. If requested by Lender as reasonably necessary to assure the security of its Loan, Borrower shall provide Financial Statements prepared or reviewed by a licensed Certified Public Accountant or Public Accountant and fully reflecting the assets and liabilities of the party concerning whom they were prepared.

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

**15.9. 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 hereunder.

**15.10. NO JOINT VENTURE, PARTNERSHIP, OR OTHER RELATIONSHIP.** Nothing contained in this Agreement or in any other document executed in connection with this Agreement shall be construed as creating a joint venture

or partnership between Lender and Developer. Each Party is acting as an independent entity and not as an agent of the other in any respect. No relationship exists as between Lender and Developer other than that of a lender and a borrower.

15.11. **NOTICES.** Borrower irrevocably appoints Lender as its agent (the agency being coupled with an interest) to file for record any notices of completion, cessation of labor, or any other notice that Lender deems necessary or desirable to protect its interests under this Loan Agreement or under the Loan Documents.

15.11.1. **METHOD.** All notices to be given under this Loan Agreement shall be in writing and sent to the addresses stated above for the respective recipient by one or more of the following methods.

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

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

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

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

15.11.2. **SHORT TERM NOTICES.** Notices, including requests for approval, requiring action in less than thirty (30) days may only be given by the foregoing overnight courier or hand delivery method, and shall include the following language on its face: "URGENT – TIME SENSITIVE – IMMEDIATE ACTION REQUIRED" and marked for delivery to Portfolio Management. Such notice shall include the time allowed under this Loan Agreement for action.

15.12. **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. This Section does not apply to actions or proceedings between the parties.

15.13. **SIGNS.** Borrower agrees that on the request of Lender, Borrower will erect and place on or in the immediate vicinity of the Property a sign indicating that Lender has provided construction financing for the Project, which sign shall remain for the duration of construction. If Borrower places a sign on the Property during construction stating the names of the Project participants, it shall also name "Sacramento Housing and Redevelopment Agency" as a participant in the Project. Lender's name on the sign shall be in letters not less than size of letters used to name any of the other participants.

15.14. **ASSIGNMENT.** The terms of this Loan Agreement will be binding on and inure to the benefit of successors and assigns of the parties. However, Borrower shall not assign this Loan Agreement or any interest it may have in the monies due or, except as otherwise provided, convey or encumber the Property without the prior written consent of Lender to a party other than a general partner or managing member of Borrower or a single asset entity wholly owned and controlled by Borrower or a general partner or managing member of Borrower. However, if there is an assignment, conveyance, or encumbrance, Lender may nevertheless at its option continue to make disbursements under this Loan Agreement to Borrower or to those who succeed to Borrower's title, and all sums so disbursed will be deemed to be disbursements under this Loan Agreement and not modifications, and will be secured by the Trust Deed. Lender may at any time assign the Loan Documents to any affiliate of Lender or to a national bank or other lender having experience with construction lending, and the assignee will assume the

obligations of Lender, and Lender will have no further obligation of any nature. In that case, the provisions of this Loan Agreement will continue to apply to the Loan, and the assignee will be substituted in the place and stead of Lender, with all rights, obligations, and remedies of Lender, including, without limitation, the right to further assign the Loan Documents. In addition, Lender may at any time assign a participation in the Loan to any other party, provided that Lender continues to be primarily obligated under this Loan Agreement.

**15.15. ACCELERATION ON TRANSFER OR REFINANCING OF THE PROPERTY; ASSUMPTION.** Except as otherwise provided in the Loan Agreement, if all or any part of the Property or an interest in the Property is sold, transferred or conveyed to any person, or refinanced by Borrower such that additional debt is added to the property or the cash flows change without Lender's prior written consent, Lender may, at Lender's option, declare all the sums secured by this Deed of Trust to be immediately due and payable. Lender shall have waived such option to accelerate if, prior to the refinancing, sale or transfer, Lender and the person to whom the Property is to be sold or transferred reach agreement in writing that the loan may be assumed. If Lender has waived the option to accelerate provided in this Section and if Borrower's successor in interest has executed a written assumption agreement accepted in writing by Lender, Lender shall release Borrower from all obligations under this Deed of Trust and the Note. Notwithstanding anything herein to the contrary, Lender acknowledges and agrees that Borrower shall have the right to refinance the senior loan without penalty.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

15.28. **SEVERABILITY.** If any term, provision, covenant, or condition or any application is held by a court of competent jurisdiction to be invalid, void, or unenforceable, all terms, provisions, covenants, and conditions

and all applications not held invalid, void, or unenforceable will continue in full force and will in no way be affected, impaired, or invalidated.

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

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

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

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

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

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

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

**THE PARTIES HAVE EXECUTED THIS LOAN AGREEMENT** in Sacramento, California as of the Effective Date.

**BORROWER :**  
**RAD PILOT LP, A CALIFORNIA LIMITED**

By: RAD Pilot LLC, a California limited liability company, its managing general partner

By: Sacramento Housing Authority Repositioning Program, Inc., a California nonprofit public benefit corporation, its sole member and manager

\_\_\_\_\_  
James Shields, President

**LENDER:**  
**HOUSING AUTHORITY OF THE COUNTY OF SACRAMENTO**

By: \_\_\_\_\_  
LaShelle Dozier, Executive Director

Approved as to form:

\_\_\_\_\_  
Lender Counsel

## **Exhibit 1: Legal Description**

### **Legal Description of Pointe Lagoon - 9205 Elk Grove Boulevard, Elk Grove, CA 95624**

SITE F: 9205 Elk Grove Boulevard

The land described herein is situated in the State of California, County of Sacramento, City of Elk Grove, described as follows:

Parcel No. 1:

All buildings and improvements situated on the following property, the buildings and improvements are and shall remain real property, pursuant to that certain Grant Deed dated To Be Recorded, recorded To Be Determined, as To Be Determined, of Official Records:

All that portion of the Southeast one-quarter of Section 31, Township 7 North, Range 6 East, described as follows:

Beginning at a point on the South line of said Section 31 bears West (measured along the South line of said Section 31) 1408.5 feet distant; thence from said point of beginning, North 231 feet; thence West 88.5 feet; thence South 231 feet to a point on the South line of said Section 31; thence along the South line of said Section 31, East 88.5 feet to the point of beginning.

Parcel No. 2:

All buildings and improvements situated on the following property, the buildings and improvements are and shall remain real property, pursuant to that certain Grant Deed dated To Be Recorded, recorded To Be Determined, as To Be Determined, of Official Records:

All that portion of the Southeast one-quarter of Section 31, Township 7 North, Range 6 East, described as follows:

Beginning at a point on the South line of said Section 31, from which point the Southwest corner of the Southeast one-quarter of Section 31 bears West (measured along the South line of said Section 31) South 231 feet to a point on the South line of said Section 31; East 50 feet to the point of beginning.

Parcel No. 3:

All buildings and improvements situated on the following property, the buildings and improvements are and shall remain real property, pursuant to that certain Grant Deed dated To Be Recorded, recorded To Be Determined, as To Be Determined, of Official Records:

All that portion of the Southeast one-quarter of Section 31, Township 7 North, Range 6 East, described as follows:

Beginning at a point on the South line of said Section 31, from which point the Southwest corner of the Southeast one-quarter of said Section 31 bears West (measured along the South line of said Section 31)

1508.5 feet distant; from said point of beginning, North 231 feet, thence West 50 feet; thence South 231 feet to a point on the South line of said Section 31; thence, along the South line of said Section 31, East 50 feet to the point of beginning.

APN: 125-0270-051-0000

**Legal Description of Rio Garden - 8223 Walerga Road, Antelope, CA 95843**

SITE E: 8223 Walerga Road

The land described herein is situated in the State of California, County of Sacramento, unincorporated area, described as follows:

All buildings and improvements situated on the following property, the buildings and improvements are and shall remain real property, pursuant to that certain Grant Deed dated To Be Recorded, recorded To Be Determined, as To Be Determined, of Official Records:

Parcel A of that certain Parcel Map entitled "A portion of the Southwest one-quarter of Section 18, Township 10 North, Range 6 East, M.D.B. & M.", filed June 24, 1976 in Book 26 of Parcel Maps, Page 48 in the office of the recorder, Sacramento County.

APN: 203-0070-041-0000

**Legal Description of Pointe Lagoon - 4930 El Paraiso Avenue, Sacramento, CA 95824**

SITE C: 4930 El Paraiso Avenue

The land described herein is situated in the State of California, County of Sacramento, unincorporated area, described as follows:

All buildings and improvements situated on the following property, the buildings and improvements are and shall remain real property, pursuant to that certain Grant Deed dated To Be Recorded, recorded To Be Determined, as To Be Determined, of Official Records:

Lot A, as shown on the "Revised Plat of Country Place" filed in the office of the recorder of Sacramento County, in Book 149 of Maps, Map No. 16.

Excepting therefrom, that portion of said land granted to the Redevelopment Agency of the County of Sacramento, in Grand Deed recorded August 24, 1984 as Book 840824, Page 370, Official Records, described as follows:

Beginning at the Northerly corner of Lot A that lies on the centerline of Sampson Boulevard as said Boulevard is shown on said Map; thence from said point of beginning along said centerline and the most Westerly line of said Lot A South 0° 00' 00" West, 52.50 feet; thence leaving said centerline along a portion of the Southerly boundary of said Lot A, South 88° 12' 00" East, 212.00 feet; thence leaving last



said line, North 6° 50' 00" East, 59.71 feet to a point on the Northerly boundary of said Lot A; thence along last line South 89° 58' 00" West, 219.00 feet to the point of beginning.

APN: 037-0224-047-0000

**Legal Description of Pointe Lagoon - 4500 Perry Avenue, Sacramento, CA 95820**

SITE D: 4500 and 4530 Perry Avenue

The land described herein is situated in the State of California, County of Sacramento, unincorporated area, described as follows:

All buildings and improvements situated on the following property, the buildings and improvements are and shall remain real property, pursuant to that certain Grant Deed dated To Be Recorded, recorded To Be Determined, as To Be Determined, of Official Records:

Lot 10 as shown on the "Amended Plat of Hunger Tract No. 1", recorded in Book 15 of Maps, Map No. 8, records of said County.

Pursuant to that certain Certificate of Compliance, recorded September 20, 2019, Instrument No. 201909200647 Official Records.

APN: 022-0052-011-0000 and 022-0052-012-0000

## **Exhibit 2: Scope of Development**

### **Scope of Development: Pointe Lagoon, 4500 Perry Avenue, Sacramento (10 units)**

<b>Item</b>	<b>Description</b>
1	Parking/Striping
2	Landscaping
3	Replacement of Plywood Sheeting (Stucco)
4	Drywall Repairs
5	Final Clean
6	Interior Paint (Units)
7	Exterior Paint (Units)
8	Kitchen Cabinet (Refacing)
9	Kitchen and Bath Countertop Replacement - Upgraded
10	Window Replacement
11	Roof Replacement
12	Exterior Door Replacement
13	Interior Door Replacement
14	Interior Door Replacement (sliding closet doors)
15	HVAC
16	Flooring (w/Luxury Vinyl Plank)
17	Load center 120/240 , 125 AMP replacement in units
18	Interior Lights
19	Exterior Lights (CFL Ballast)
20	Exterior Lights (Light Poles)
21	Replace Kitchen Ranges and Hoods
22	Replace Refrigerators
23	Plumbing Fixtures
24	Shower Surrounds
25	Toilet Tank Replacement
26	Kitchen and Bathroom Sink Replacement
27	Replace bathroom vanity cabinet and cultured sink top
28	Water Heater Replacement
29	New Smoke/CO Detectors (battery operated)
30	ADA Kitchen Modification (1 unit)
31	ADA Hearing/Visual Impairment modification (1 unit)
32	ADA Bathroom full reconfiguration
33	Laundry Room (large) Interior Paint and Prep
34	Laundry Room (small) Interior Paint and Prep
35	Laundry Room Water Heater replacement
36	Laundry Room Load Center (120/240 V, 125 AMP to 225)
37	Laundry Room Lighting Upgrade
38	Laundry Room ADA Doorway Modification
39	Laundry Room ADA Miscellaneous Budgetary Allowance
40	Landscaping - drought tolerant and address drainage issues
41	Sidewalk repair/replacement as needed
42	Site drainage will be addressed as needed
43	Kitchen Cabinets will be replaced
44	Window Coverings
45	ADA Trash Enclosure Modifications
46	Slab Patch at Unit #2

47	Signage Replacement at units, building addresses
48	Bathroom exhaust fan replacement

**Add Alternatives (contingent on budget availability, with the exception of the carports and related scope if required by the County of Sacramento):**

1. Carports (if waiver is not granted by the County of Sacramento)
2. Carport lighting (if waiver is not granted by the County of Sacramento)
3. Trenching for carport lighting (if waiver is not granted by the County of Sacramento)
4. Door bells
5. Laundry room flooring
6. Laundry room base boards
7. Garbage Disposals
8. Dedicated Circuits for Garbage Disposals
9. Grading and Drainage

**Scope of Development: Pointe Lagoon, 4930 El Paraiso Avenue, Sacramento (36 units)**

Item	Description
1	Patch asphalt seal and stripe parking lot
2	Parking lots Mill and Overlay
3	Metal Halide Lighting Fixture, pulse start 150 W
4	Furnace, electric, 26 to 40 MBH replacement
5	New Interior and Exterior Paint
6	New hardware at Entry door
7	Replace windows and sliders
8	Replace screen doors
9	Replace water heaters
10	Replace interior and exterior lights (incl light poles)
11	Replace kitchen ranges and range hoods
12	Replace refrigerators 14-18 CF (36)
13	Replace plumbing fixtures
14	Toilet/flush tank replacement
15	Replace shower surrounds and mixing valves
16	Bathroom exhaust fan replacement
17	Bathroom vanity cabinet (wood) with cultured marble top 24-30" (Reface)
18	Replace kitchen sinks
19	New smoke and CO detectors (battery operated)
20	Remove nurse call stations and patch holes
21	Replace flooring with LVP
22	ADA bathroom renovation
23	Replace laundry flooring and countertops, install folding table
24	Community Room improvements (floors, cabinets)
25	Comm. Room (ADA, paint, water heater (com + laundry room), HVAC)
26	Final Clean
27	Demolition
28	Drywall
29	Sidewalk repair/replacement as needed
30	Site drainage will be addressed as needed
31	Kitchen - all cabinets will be replaced

32	Kitchen countertops will be replaced with solid surface
33	Window Coverings
34	Bathroom tubs will be replaced as needed
35	ADA Parking Modifications
36	Concrete walkway modifications for Path of Travel
37	Barge rafter and fascia repairs
38	Laundry Folding Table
39	Bathroom exhaust fans
40	Interior light fixture replacement/new install
41	Landscaping/Irrigation repair and improvement

**Add Alternatives (contingent on budget availability):**

1. Unit entry light fixture replacements
2. Stucco Patch at window/siding locations
3. T1-11 repairs
4. Metal Fence repairs
5. Unit Subfloor repairs (will be done if needed)
6. New fiber cement siding
7. Pole light head fixture replacement  
Pole light pole, base, and fixture
8. HVAC replacement (units)
9. Building base trim replacement
10. Garbage Disposals
11. New dedicated circuits for garbage disposals
12. Grading and Drainage improvements

**Scope of Development: Pointe Lagoon, 9205 Elk Grove Blvd, Elk Grove (16 units)**

Item	Description
1	Patch asphalt and seal and stripe parking lot
2	Replace HVAC systems (SMUD Rebate)
3	Furnace, electric 26 to 40 MBH replacement
4	New hardware at all entry doors
5	Load Center 120/240 V 125 AMP replacement
6	Interior Door (Hollow core) replacement
7	Replace all flooring with LVP
8	New interior and exterior paint
9	Replace laundry area doors
10	Replace interior and exterior light fixtures
11	Replace kitchen ranges and hoods (SMUD Rebate)
12	Kitchen sink replacement (stainless steel)
13	Replace shower surrounds and mixing valves
14	Replace plumbing fixtures (toilets, shower heads, faucets)
15	Replace countertops in kitchen and baths
16	Reface cabinetry in kitchen and baths
17	Install new smoke/CO detectors (Battery op-4@\$68 each)
18	Replace laundry bldg water heater (SMUD Rebate)
19	Replace laundry room flooring
20	Replace laundry room folding table
21	Laundry Room exterior paint 1250 sq ft

22	Laundry Room exterior door
23	Laundry Room replace sink (vitreous china)
24	Final clean
25	Drywall
26	ADA unit - visual bell and strobe, hearing impaired
27	Demolition
28	Sidewalk repair/replacement as needed
29	Kitchen Cabinets replace
30	Window Coverings
31	Bathroom tubs will be replaced as needed
32	Dry Rot Repair
33	Shower doors
34	Window coverings
35	New bathroom exhaust fans
36	Unit Landing lights
37	Laundry room interior lights
38	Landscaping and irrigation repairs and improvements

**Add Alternatives (some items will be replaced as needed/discovered and contingent on budget availability):**

1. Unit Entry lights
2. Grading and Drainage
3. Cobbles in drainage basin
4. Concrete Swale
5. Unit Subfloor repair (if needed item)
6. Building Eave repair (if needed item)
7. Stucco patching
8. Signage
9. Unit Screen doors
10. Unit Water Heaters
11. Pole light head globes
12. Catch basin clean out
13. Storm drain flush
14. Garbage disposals
15. Micro-hoods
16. ADA unit countertop microwave
17. Perimeter fence repair (if needed item)
18. Standard unit microwave bracket
19. ADA unit microwave bracket

**Scope of Development: Rio Garden, 8223 Walerga Road, Antelope (24 units)**

<b>Item</b>	<b>Description</b>
1	Interior and Exterior Light Fixtures
2	Light pole upgrade 135 to 1000 W
3	Load center 120/240 V, 50 AMP to 100
4	Kitchen ranges and hoods
5	Refrigerator replacement (14-18CF)
6	Replace water heaters (30 to 50 gallon)
7	Replace condensate pans on HVAC
8	Replace plumbing fixtures
9	Replace shower surrounds
10	Replace countertops in kitchen/bathroom
11	Full cabinet replacement
12	New Interior/Exterior Paint
13	New flooring (LVP)
14	Install new smoke/CO detectors (battery operated)
15	New shower door (upper floor bathrooms) (just shower curtains& splash guard)
16	Toilet tank replacement
17	Sink replacement
18	Bathroom vanity replacement (cultured marbled 24-30)
19	Replace interior doors (sliding hollow core)
20	Replace interior doors (hollow core bedrm)
21	Ceiling lights in all bedrooms
22	Sprinkler head (per sq ft @ 37800 sq. ft)
23	Fire extinguisher replacement
24	Parking lot (asphalt pavement, seal and stripe)
25	Parking lot (Mill and Overlay)
26	Pedestrian pavement/sidewalk concrete repl. 15000 SF
27	Final clean
28	Demolition
29	Drywall miscellaneous repair
30	ADA Kitchen Post-formed replace kitchen sink, counter, full reconfigure
31	ADA Restroom full reconfiguration
32	Unit Accessories (mirror, towel bars, toilet paper holder)
33	Window Coverings
34	Bathroom tubs will be replaced as needed
35	ADA Path of Travel improvements – concrete and curb
36	ADA Parking – Grading and Slope correction
37	Site railing repair
38	Landscape and irrigation improvements

**Add Alternatives (some items will be replaced as needed/discovered and contingent on budget availability):**

1. Standard unit entry light fixtures
2. ADA unit entry light fixtures
3. Trash Enclosure gates
4. Catch basin clean out
5. Storm Drain Scope and repair
6. New HVAC
7. Bathroom exhaust fans
8. Laundry exhaust fans
9. Stucco patching (if needed)
10. Unit subfloor repair (if needed)
11. Monument sign light fixtures

**Attachment 1: Lender's Minimum Construction Standards exhibit is on the following page.**

## **Attachment 1: Lender's Minimum Construction Standards**

This attachment is from Exhibit 5 from the Lender's Multifamily Lending Policies adopted in 2009.

### **RENTAL PROPERTY MINIMUM CONSTRUCTION STANDARDS**

The following is a list of the required construction standards that must be incorporated into projects participating in the Agency's investor assistance programs. All rental units and sites associated with these projects must meet or exceed these standards.

#### **General Requirements**

1. Any component of the project which does or may present a health or safety hazard to the public or tenants shall be corrected to the satisfaction of the local building department.
2. A useful life of 15 years for all systems located within the approved complex. This can be met in one of two ways, installing and maintaining systems with at least a 15-year scheduled life or install, maintain and replace as needed for a period of 15 years.

Any component of a rehabilitation project whose useful life expectancy has exceeded the useful life identified in the section, "Useful Life Expectancy," shall be replaced unless waived by the Agency in writing. It is not the intent of the Agency to replace systems that appear to have some economic life remaining and appear to be maintained and functioning effectively. It is the intent of the Agency to be assured that systems will be maintained and replaced as needed for a period of 15 years. The preferred method is by replacement and maintenance at the outset of the project; and by setting aside replacement reserves sufficient to address the needs based on current and projected conditions.

3. A clear pest inspection report will be required at the conclusion of the construction work.
4. All materials funded under this loan must be new unless previously approved. Recycled items must be approved in writing by the Agency prior to their use.
5. All work shall comply with Federal and State ADA accessibility requirements. When there are differences the stricter of the two shall apply. Special attention needs to be applied when federal funding is involved.
6. For all structures built before 1979, a report of compliance with the initial certified inspection report of lead-based paint and asbestos is required.
7. All units shall be approved for occupancy by the local building department at the conclusion of the work and prior to occupancy, if applicable.
8. Web-based security cameras and the equipment to record events are required for primary ingress/egress points to and from the site and for the principal parking and common areas.
9. Site lighting is required for all parking and outside public spaces.

#### **Site Work**

1. All landscaping and irrigation systems must be in a well-maintained condition. Trees and large shrubs must be trimmed, grass areas must be mowed, and all planter areas must be weed-free. All landscaped areas must be served by a programmable automated irrigation system. Irrigation cannot be spraying on building. Sprinklers should minimize overspray that runs to storm drain drop inlets. Areas that show evidence of erosion of soil shall be landscaped to eliminate problem.
2. All fencing must be in good and serviceable condition.
3. All driveways and sidewalks must be in good condition. All cracked or uplifted areas (more than ¼") determined in need of repair by the Agency shall be repaired or replaced.
4. All projects shall meet the parking requirements of the local Agency having jurisdiction over the project. "Grandfathered Projects" will need to show that they are in fact "Grandfathered" by the Local Agency having jurisdiction. All projects shall meet the governing ADA requirements for parking.



5. A two percent (2%) slope shall be maintained for a distance of five feet from all structures and no standing water shall remain on the site. Provide an on- site drainage system if necessary.

#### **Building Envelope and Moisture Protection**

1. All wet areas must be sealed and watertight.
2. Roofs must have 15 years or more of remaining life with no visible signs of leakage. A third layer of shingles is not allowed. Provide a 15 year certification if requested by the Agency.
- C. All siding must have 15 years or more of remaining life. Provide a 15 year certification if requested by the Agency.

#### **Doors and Windows**

1. All units must have screens on all windows that are designed to open. Windows designed to open must have functional locks and must operate freely without excessive effort. All windows must at least be low e, double pane energy efficient.
2. All doors and doorjambes must be in good condition. No damaged or worn doorjambes or doors are allowed.
3. All exterior doors must have deadbolt locks, keyed latch assemblies, viewers, and 2-inch screws in strike plates.
4. All sliding exterior doors shall have screen doors and shall have functional locks and must operate freely without excessive effort.
5. All doors and windows must meet current egress standards.

#### **Casework**

1. All cabinets shall be in very good condition both structurally and in appearance.
2. All counter tops shall be in very good condition with no significant imperfections, scratches, burns, or other imperfections.

#### **Finishes**

1. Floor coverings must be in good, useable condition - no holes, tears, rips, or stains.
2. All kitchens and bathrooms must be floored in sheet goods or tile to provide a cleanable, impervious surface.
3. All exterior and interior surfaces must be painted. No peeling, cracking, chipping, or otherwise failing paint will be allowed. All painted surfaces must be new, or in near new condition and appearance.

#### **Equipment**

1. All appliances must be new or in very good operating condition. All new appliances must be energy star.
2. Dishwashers are required in all non- permanent supportive housing, disabled, SRO, and homeless projects unless a waiver has been granted by the Executive Director. Permanente supportive, disabled, and homeless projects will be encouraged to provide dishwashers in each unit but will be reviewed and approved on a case-by case basis.
3. All kitchens must have adequate cabinet and counter space.

#### **Furnishings**

1. All units must have window coverings on all windows.

#### **Special Construction**

1. Non-habitable structures on property must be painted to match primary buildings and must be structurally sound.
2. Laundry facilities must be provided on the basis of one washer and dryer for every ten units, consistent with CTCAC requirements. If the project is more than 20 units, then 1 set of ADA accessible laundry machines

must be provided.

3. Laundry facilities must be provided on the basis of one washer dryer for every ten units, consistent with the TCAC requirements. If a project is more than 20 units, then 1 set of ADA accessible laundry machines must be provided
4. Public pools will have a self-closing gate. Fence and gate shall meet applicable current codes and standards. Joints between coping and concrete deck shall be appropriately caulked.
5. In the case of new construction or substantial upgrade to existing pool, a handicap chair lift is the minimum requirement. The pool will meet applicable standards and codes.

**Mechanical/Plumbing**

1. Water heaters must be in enclosures in all habitable rooms and must be insulated and have earthquake strapping and pressure relief valves with lines that terminate to the exterior.
2. All units must have heating and air conditioning. Wall mount or central systems are acceptable. Evaporated coolers are not acceptable.
3. All plumbing fixtures shall be new or in very good working condition.
4. All toilets, sinks, and tubs shall be chip and stain free.

**Electrical**

1. All new electrical panels must be of the breaker type. Fused disconnects must be approved by the Agency.
2. All units must have at least one hard-wired smoke detector per bedroom corridor and a minimum of one battery-operated smoke detector per bedroom.
3. All bathrooms must have at least one GFCI protected outlet, and tub surrounds must be a minimum of 1/8" laminated plastic.
4. Kitchens must have all GFCI protected outlets within 6 feet of the sink.

**Resident Services Community Space**

All properties, regardless of project type (i.e. senior, family, or large family), must devote space to actual resident services in the following minimum amounts:

Less than 100 units:	12 s.f. per unit (but no less than 400 s.f. in total)
100 units and over:	1,200 s.f.

Resident services space includes common kitchens, computer rooms, meeting rooms and general gathering space. It does not include public restrooms, leasing offices, laundry facilities and lobbies.

**Useful Life Expectancy**

A useful life expectancy list has been established and is available upon request to benchmark the lives of certain components on a multifamily site.

**End of Scope of Development**

**Exhibit 3.1: Capital Funds Note Form**

**PROMISSORY NOTE  
(CAPITAL FUNDS)  
RAD 1**

County of Sacramento

4500 PERRY AVENUE AND 4930 EL PARAISO AVENUE, SACRAMENTO, CALIFORNIA;  
9205 ELK GROVE BOULEVARD, ELK GROVE, CALIFORNIA AND 8223 WALERGA ROAD, ANTELOPE, CALIFORNIA

**CONSTRUCTION AND PERMANENT LOAN AGREEMENT**

**BORROWER HAS MADE THIS PROMISSORY NOTE (“NOTE”) AS OF THE EFFECTIVE DATE.** The Lender is making the Loan pursuant to the terms and conditions of the Loan Agreement, this Note and the Cash Proceeds Note. This Note includes all attachments and Exhibits listed below, which are attached to and incorporated in this Note by this reference. The capitalized terms in this Note shall have the meanings assigned in the following table of definitions and as defined in the body of the Note. (Terms being defined are indicated by quotation marks. If an item in the table is marked “None, Not Applicable, N/A or equivalent or is left blank, that defined term is not applicable to this Note or the referenced item is not required or is not included in this Note as the context may indicate.) The Lender is making the Loan to Borrower in consideration of Borrower making this Note and the Cash Proceeds Note and delivering both to Lender.

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

<b>DEFINED TERM:</b>	<b>DEFINITION:</b>	
“Effective Date”	, 2020	
“Lender”	Housing Authority of the County of Sacramento	
“Borrower”	RAD Pilot LP	
“Borrower Legal Status”	A California limited partnership	
“Loan Agreement”	The Construction and Permanent Loan Agreement by and between the Borrower and Lender as of the Effective Date for making of the loan (“Loan”) evidenced by this Note and that certain promissory note of even date herewith evidencing the loan made by Lender to Borrower in the approximate amount of Two Million Two Million Four Hundred Ninety-One Thousand Six Hundred Dollars and No Cents (\$2,491,600.00) from the sale of the Improvements (the “Cash Proceeds Note”).	
“Principal Amount”	Eight Hundred Seven Thousand Forty-Six Dollars and No Cents (\$807,046.00) HACOS Capital Fund	
“Interest Rate”	Three percent (3%) annually, simple interest	
“Accrual Date”	Interest shall accrue starting on the following “Accrual Date”:	Date of ownership transfer to Borrower.
“Special Terms”	Residual receipt loan with payments as based on the formula provided below in Payment Amount(s).	
<b>PAYMENT SCHEDULE.</b> Repayment of this Note shall be made the following amounts:		
“Maturity Date”	The first day of the 684 <sup>th</sup> calendar month following the Effective Date: February 1, 2077.	
“Payment Start Date”	Commencing on the first day of the 40th month following the Effective Date of this Loan Agreement, May 1, 2023, annual payments of interest and principal shall be due in arrears subject to review of annual audited financial statement as described below in Payment Amount(s).	

<p>“Payment Amount(s)”</p>	<p><b>ANNUAL REPAYMENT:</b> Annual principal and interest payments shall be deferred from the Loan’s Effective Date through the first 39 months. Beginning in month 40, May 1, 2023, annual payments will be made on a Residual Receipts, as defined below, basis until the maturity date. Annual payments shall be applied first to outstanding interest accrued and unpaid and then to principal.</p> <p>“Residual Receipts” is defined as follows: May 1, 2023, annual installments (as described in Sections [f] through [l] of this paragraph) are to begin. Based on the annual audited financial statement from the preceding year, payments will be made upon a “Residual Cash Flow” basis meaning Net Operating Income (NOI) less:</p> <ul style="list-style-type: none"> <li>(a) Debt service on the senior loan</li> <li>(b) Monitoring fees to the County of Sacramento Housing Authority on the mortgage revenue bond issuance;</li> <li>(c) If applicable, to the limited partner for any amounts owed to the limited partner pursuant to the Borrower’s Amended and Restated Partnership Agreement;</li> <li>(d) Asset management fees up to \$8,000 annually as of the Loan’s Effective Date escalating at 3% annually;</li> <li>(e) Partnership management fee up to \$8,000 annually as of the Loan’s Effective Date escalating at 3% annually;</li> <li>(f) Deferred developer fee;</li> </ul> <p>After Sections (a) through (f) of this paragraph are paid,</p> <ul style="list-style-type: none"> <li>(g) Fifty percent (50%) of the available cash flow from NOI to the Housing Authority of the City of Sacramento Construction and Permanent Loan, divided equally first to the Capital Funds Note, then to Cash Proceeds Note, including principal and interest, and</li> <li>(h) Fifty percent (50%) of the available cash flow from NOI to the Housing Authority of the County of Sacramento Construction and Permanent Loan, divided equally first to the Capital Funds Note, then to Cash Proceeds Note, including principal and interest;</li> </ul> <p>After Sections (a) through (h) of this paragraph are paid,</p> <ul style="list-style-type: none"> <li>(i) Fifty percent (50%) of the available cash flow from NOI to the Housing Authority of the County of Sacramento Seller Carryback Loan (Improvements), and</li> <li>(j) Fifty percent (50%) of the available cash flow from NOI to the Housing Authority of the City of Sacramento Seller Carryback Loan (Improvements);</li> </ul> <p>After Sections (a) through (j) of this paragraph are paid,</p> <ul style="list-style-type: none"> <li>(k) One hundred percent (100%) of the available cash flow from NOI to Sacramento Housing and Redevelopment Agency Construction and Permanent Loan;</li> </ul> <p>After Sections (a) through (k) of this paragraph are paid,</p> <ul style="list-style-type: none"> <li>(l) Fifty percent (50%) of the available cash flow from NOI to the Housing Authority of the County of Sacramento Ground Lease, and</li> <li>(m) Fifty percent (50%) of the available cash flow from NOI to the Housing Authority of the City of Sacramento Ground Lease.</li> </ul> <p>The Net Operating Income is defined as periodic “Revenue” less “Operating Expenses.” “Revenue” means all revenue from the leasing of the Project, including but not limited to all rents, fees, and charges paid by tenants as well as rental subsidy payments regardless of the source of these subsidies, forfeited tenant deposits, rent increases, proceeds from vending machines and laundry room machines. Revenue shall not include tenants’ security deposits (unless forfeited), interest on those deposits, loan proceeds, capital contributions or similar advances, or amounts released from reserves or interest on reserves.</p> <p>“Operating Expenses” shall mean actual costs, fees and expenses as evidenced by invoices attributable to the operation, recordkeeping, maintenance, taxes and management of the Project, including property management fees; taxes and assessments; payroll, benefits and payroll taxes of for property employees; insurance; security; painting, cleaning, repairs, and alterations; landscaping; sewer charges; utility charges; advertising, promotion and publicity; cable television, satellite and other similar services; office, janitorial, cleaning and building supplies; recreational amenities and supplies; purchase, repair, servicing and installation of appliances; costs and expenses associated with the provision of social and/or community services to the residents of the Project; equipment, fixtures and furnishing; fire alarm and elevator monitoring; fees and expenses of accountants, attorneys, consultants and other professionals. The definition will include deposits into operating and/or replacement reserves maintained by the Borrower but will not include initial deposits to capitalize the reserve accounts or amounts expended from a reserve account, or capital costs.</p> <p>Principal and interest due in full upon refinance, sale or end of Term.</p>
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	The first day of the 684th calendar month following the Effective Date: February 1, 2077.	Principal and accrued interest due in full
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**FOR VALUE RECEIVED, THE UNDERSIGNED, JOINTLY AND SEVERALLY, PROMISES TO PAY** to Lender, or its successors or assigns, the Principal Amount or such lesser amount as may be endorsed on this Note on behalf of Lender. The Loan shall bear interest on the outstanding principal balance, computed from the Accrual Date at the Interest Rate.

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

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

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

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

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

6. 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 Interest Rate from the date of the advancement of the Loan's proceeds, subject to applicable cure periods, set forth herein or in the Loan Agreement or Trust Deed if any:

- a. Borrower defaults in the payment of any principal or interest when due and fails to cure within 10 (ten) days.
- b. Lender discovers that Borrower, in any application to Lender in connection with the Loan, had failed to disclose or misrepresented any fact that would have prevented Borrower from being eligible for the Loan.
- c. Lender discovers that Borrower has made any misrepresentations or has intentionally withheld any fact in the making of this Loan, the knowledge of which could have affected the decision of Lender to make the Loan.
- d. Borrower defaults or breaches any of the terms of Loan Agreement, the Trust Deed, the RAD Use Agreement or this Note and Borrower fails to cure within 30 days after receipt of notice, provided, however, that if such cure cannot reasonably be effected within such 30 day period, such failure shall not be a default so long as Borrower promptly (and in any event, within ten (10) days after receipt of such notice) commences such cure and thereafter diligently (and in any event, within ninety (90) days after receipt of such notice) prosecutes such cure to completion.. Any limited partner of Borrower is entitled to the notice and cure provisions set forth in Section 16 of the Trust Deed.
- e. Borrower fails to perform any covenant, term or condition in any instrument creating a lien upon the Property, which is the security under the Trust Deed, or any part thereof, which lien shall have priority over the lien of the Trust Deed securing this Note.
- f. The sale, transfer of title, conveyance or further encumbrance of the Property, whether by sale, exchange, gift, inheritance or other means, without prior written consent of Lender.
- g. The occurrence of any of the following:

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

2) Proceedings for the appointment of a receiver, trustee or liquidator of the assets of Borrower or a substantial part of such assets, being authorized or instituted by or against the Borrower which are not stayed within 90 days.

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 which are not stayed within 90 days.

7. Any limited partner of Borrower is entitled to the notice and cure provisions set forth in Section 16 of the Trust Deed.

8. 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.

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

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

11. This Loan is a non-recourse 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.

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

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

**Borrower:**  
**RAD PILOT LP, A CALIFORNIA LIMITED PARTNERSHIP**

By: RAD Pilot LLC, a California limited liability company,  
its managing general partner

By: Sacramento Housing Authority Repositioning Program, Inc.,  
a California nonprofit public benefit corporation, its sole member and manager

\_\_\_\_\_  
James Shields, President

### **Exhibit 3.2: Cash Proceeds Note Form**

## **PROMISSORY NOTE (CASH PROCEEDS) RAD 1**

**County of Sacramento**

**4500 PERRY AVENUE AND 4930 EL PARAISO AVENUE, SACRAMENTO, CALIFORNIA;  
9205 ELK GROVE BOULEVARD, ELK GROVE, CALIFORNIA AND 8223 WALERGA ROAD, ANTELOPE, CALIFORNIA**

### **CONSTRUCTION AND PERMANENT LOAN AGREEMENT**

**BORROWER HAS MADE THIS PROMISSORY NOTE (“NOTE”) AS OF THE EFFECTIVE DATE.** The Lender is making the Loan pursuant to the terms and conditions of the Loan Agreement, this Note, and the Capital Funds Note. This Note includes all attachments and Exhibits listed below, which are attached to and incorporated in this Note by this reference. The capitalized terms in this Note shall have the meanings assigned in the following table of definitions and as defined in the body of the Note. (Terms being defined are indicated by quotation marks. If an item in the table is marked “None, Not Applicable, N/A or equivalent or is left blank, that defined term is not applicable to this Note or the referenced item is not required or is not included in this Note as the context may indicate.) The Lender is making the Loan to Borrower in consideration of Borrower making this Note and the Capital Funds Note and delivering both to Lender.

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

<b>DEFINED TERM:</b>	<b>DEFINITION:</b>	
“Effective Date”	_____, 2020	
“Lender”	Housing Authority of the County of Sacramento	
“Borrower”	RAD Pilot LP	
“Borrower Legal Status”	A California limited partnership	
“Loan Agreement”	The Construction and Permanent Loan Agreement by and between the Borrower and Lender as of the Effective Date for making of the loan (“Loan”) evidenced by this Note and that certain promissory note of even date herewith evidencing the loan of public housing capital funds in the approximate amount of Eight Hundred Seven Thousand Seven Hundred Sixty Dollars and No Cents (\$807,046.00) (the “Capital Funds Note”).	
“Principal Amount”	Two Million Four Hundred Ninety-One Thousand Six Hundred Dollars and No Cents (\$2,491,600.00)	
“Interest Rate”	Three percent (3%) annually, simple interest	
“Accrual Date”	Interest shall accrue starting on the following “Accrual Date”:	Date of ownership transfer to Borrower.
“Special Terms”	Residual receipt loan with payments as based on the formula provided below in Payment Amount(s).	
<b>PAYMENT SCHEDULE.</b> Repayment of this Note shall be made the following amounts:		
“Maturity Date”	The first day of the 684 <sup>th</sup> calendar month following the Effective Date: February 1, 2077.	
“Payment Start Date”	Commencing on the first day of the 40th month following the Effective Date of this Loan Agreement, May 1, 2023, annual payments of interest and principal shall be due in arrears subject to review of annual audited financial statement as described below in Payment Amount(s).	

<p>“Payment Amount(s)”</p>	<p><b>ANNUAL REPAYMENT:</b> Annual principal and interest payments shall be deferred from the Loan’s Effective Date through the first 39 months. Beginning in month 40, May 1, 2023, annual payments will be made on a Residual Receipts, as defined below, basis until the maturity date. Annual payments shall be applied first to outstanding interest accrued and unpaid and then to principal.</p> <p>“Residual Receipts” is defined as follows: May 1, 2023, annual installments (as described in Sections [f] through [l] of this paragraph) are to begin. Based on the annual audited financial statement from the preceding year, payments will be made upon a “Residual Cash Flow” basis meaning Net Operating Income (NOI) less:</p> <ul style="list-style-type: none"> <li>(a) Debt service on the senior loan</li> <li>(b) Monitoring fees to the County of Sacramento Housing Authority on the mortgage revenue bond issuance;</li> <li>(c) If applicable, to the limited partner for any amounts owed to the limited partner pursuant to the Borrower’s Amended and Restated Partnership Agreement;</li> <li>(d) Asset management fees up to \$8,000 annually as of the Loan’s Effective Date escalating at 3% annually;</li> <li>(e) Partnership management fee up to \$8,000 annually as of the Loan’s Effective Date escalating at 3% annually;</li> <li>(f) Deferred developer fee;</li> </ul> <p>After Sections (a) through (f) of this paragraph are paid,</p> <ul style="list-style-type: none"> <li>(g) Fifty percent (50%) of the available cash flow from NOI to the Housing Authority of the City of Sacramento Construction and Permanent Loan, divided equally first to the Capital Funds Note, then to Cash Proceeds Note, including principal and interest, and</li> <li>(h) Fifty percent (50%) of the available cash flow from NOI to the Housing Authority of the County of Sacramento Construction and Permanent Loan, divided equally first to the Capital Funds Note, then to Cash Proceeds Note, including principal and interest;</li> </ul> <p>After Sections (a) through (h) of this paragraph are paid,</p> <ul style="list-style-type: none"> <li>(i) Fifty percent (50%) of the available cash flow from NOI to the Housing Authority of the County of Sacramento Seller Carryback Loan (Improvements), and</li> <li>(j) Fifty percent (50%) of the available cash flow from NOI to the Housing Authority of the City of Sacramento Seller Carryback Loan (Improvements);</li> </ul> <p>After Sections (a) through (j) of this paragraph are paid,</p> <ul style="list-style-type: none"> <li>(k) Fifty percent (50%) of the available cash flow from NOI to the Housing Authority of the County of Sacramento Ground Lease, and</li> <li>(l) Fifty percent (50%) of the available cash flow from NOI to the Housing Authority of the City of Sacramento Ground Lease.</li> </ul> <p>The Net Operating Income is defined as periodic “Revenue” less “Operating Expenses.” “Revenue” means all revenue from the leasing of the Project, including but not limited to all rents, fees, and charges paid by tenants as well as rental subsidy payments regardless of the source of these subsidies, forfeited tenant deposits, rent increases, proceeds from vending machines and laundry room machines. Revenue shall not include tenants’ security deposits (unless forfeited), interest on those deposits, loan proceeds, capital contributions or similar advances, or amounts released from reserves or interest on reserves.</p> <p>“Operating Expenses” shall mean actual costs, fees and expenses as evidenced by invoices attributable to the operation, recordkeeping, maintenance, taxes and management of the Project, including property management fees; taxes and assessments; payroll, benefits and payroll taxes of for property employees; insurance; security; painting, cleaning, repairs, and alterations; landscaping; sewer charges; utility charges; advertising, promotion and publicity; cable television, satellite and other similar services; office, janitorial, cleaning and building supplies; recreational amenities and supplies; purchase, repair, servicing and installation of appliances; costs and expenses associated with the provision of social and/or community services to the residents of the Project; equipment, fixtures and furnishing; fire alarm and elevator monitoring; fees and expenses of accountants, attorneys, consultants and other professionals. The definition will include deposits into operating and/or replacement reserves maintained by the Borrower but will not include initial deposits to capitalize the reserve accounts or amounts expended from a reserve account, or capital costs.</p> <p>Principal and interest due in full upon refinance, sale or end of Term.</p>
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**FOR VALUE RECEIVED, THE UNDERSIGNED, JOINTLY AND SEVERALLY, PROMISES TO PAY** to Lender, or its successors or assigns, the Principal Amount or such lesser amount as may be endorsed on this Note on behalf of Lender. The Loan shall bear interest on the outstanding principal balance, computed from the Accrual Date at the Interest Rate.

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

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

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

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

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

6. 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 Interest Rate from the date of the advancement of the Loan's proceeds, subject to applicable cure periods, set forth herein or in the Loan Agreement or Trust Deed if any:

a. Borrower defaults in the payment of any principal or interest when due and fails to cure within 10 (ten) days.

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

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

d. Borrower defaults or breaches any of the terms of Loan Agreement, the Trust Deed, the RAD Use Agreement or this Note and Borrower fails to cure within 30 days after receipt of notice, provided, however, that if such cure cannot reasonably be effected within such 30 day period, such failure shall not be a default so long as Borrower promptly (and in any event, within ten (10) days after receipt of such notice) commences such cure and thereafter diligently (and in any event, within ninety (90) days after receipt of such notice) prosecutes such cure to completion.. Any limited partner of Borrower is entitled to the notice and cure provisions set forth in Section 16 of the Trust Deed.

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

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

g. The occurrence of any of the following:

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

2) Proceedings for the appointment of a receiver, trustee or liquidator of the assets of Borrower or a substantial part of such assets, being authorized or instituted by or against the Borrower which are not stayed within 90 days.

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 which are not stayed within 90 days.

7. Any limited partner of Borrower is entitled to the notice and cure provisions set forth in Section 16 of the Trust Deed.

8. 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.

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

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

11. This Loan is a non-recourse 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.

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

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

**Borrower:**

**RAD PILOT LP, A CALIFORNIA LIMITED PARTNERSHIP**

By: RAD Pilot LLC, a California limited liability company,  
its managing general partner

By: Sacramento Housing Authority Repositioning Program, Inc.,  
a California nonprofit public benefit corporation, its sole member and manager

\_\_\_\_\_  
James Shields, President

**Exhibit 4: Trust Deed Form**

NO FEE DOCUMENT:  
 Entitled to free recording  
 per Government Code 27383.

When recorded, return to: HOUSING AUTHORITY OF THE COUNTY OF SACRAMENTO  
 801 12<sup>th</sup> Street  
 Sacramento, CA 95814  
 Attention: Portfolio Management

**DEED OF TRUST AND ASSIGNMENT OF RENTS  
 CONSTRUCTION AND PERMANENT LOAN  
 RAD 1  
 COUNTY OF SACRAMENTO**

4500 Perry Avenue (APN: 022-0052-011-0000 and 022-0052-012-0000); 4930 El Paraiso Avenue (APN: 037-0224-047-0000); Sacramento, California; 9205 Elk Grove Boulevard, Elk Grove, California APN: 125-0270-051); and 8223 Walerga Road, Antelope, California (APN203-0070-041-0000)

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

“Effective Date”	_____, 2020	
“Trustor” and “Borrower”	RAD Pilot LP, a California limited partnership	
“Borrower Address”	c/o SHARP, 801 12 Street, Sacramento, California 95814	
“Trustee”	Placer Title Company, 2901 K Street, Suite 390, Sacramento, CA 95816	
“Beneficiary” and “Lender”	Housing Authority of the County of Sacramento, a public body, corporate and politic	
“Lender Address”	801 12th Street, Sacramento, California 95814	
“Property”	Which consists of the Improvements and leasehold estate in real property located in the County of Sacramento and the State of California as more particularly described in the Legal Description.	
	Address and Assessor’s Parcel Number (APN)	4500 Perry Avenue, Sacramento, Ca 95820 (APN 022-0052-011-0000 and 022-0052-012-0000) 4930 El Paraiso Avenue, Sacramento, Ca 95824 (APN 037-0224-047-0000) 9205 Elk Grove Boulevard, Elk Grove, Ca 95624 (APN 125-0270-051-0000) 8223 Walerga Road, Antelope, Ca 95843 (APN 203-0070-041-0000)
“Legal	The Legal Description of the Property which is more particularly described in the attached	

Description”	<b>Exhibit 1 Legal Description</b> , which is incorporated in and an integral part of this Deed of Trust.	
“Loan”	Which are Lender’s loans to Borrower evidenced by the Note and which is secured by this Deed of Trust.	
“Loan Agreement”	Which is the Construction and Permanent Agreement between Lender and Borrower stating the term and conditions of the Loan.	
	Which is dated:	_____, 2020
“Additional Notices”	Lender shall give copies of notices required to be delivered to Borrower to the following parties at the following addresses; provided, however that Borrower acknowledges that such notice is an accommodation and the failure of the Lender to properly deliver any such notice shall not give rise to any claims or defenses of Borrower or any third party:	
	<p><b>TAX CREDIT EQUITY INVESTOR</b>  NEF Assignment Corporation  Attention: General Counsel  10 South Riverside Plaza, Suite 1700  Chicago, IL 60606</p> <p><b>CONSTRUCTION LENDER</b>  Wells Fargo Bank, National Association  Community Lending and Investment  333 Market Street, 17<sup>th</sup> Floor  MAC# A0119-177  San Francisco, California 94105  Attention: Loan Administration Officer  Loan No. 1019305</p> <p><b>PERMANENT LENDER</b>  Prudential Affordable Mortgage Company, LLC, or affiliate  C/O PRUDENTIAL ASSET RESOURCES  2100 ROSS AVENUE, SUITE 2500  DALLAS, TEXAS 75201  ATTN: ASSET MANAGEMENT DEPARTMENT  Agency-Notice@prudential.com</p> <p>With a copy to:</p> <p>Federal Home Loan Mortgage Corporation  8100 Jones Branch Drive, MS B4P  McLean, Virginia 22102  Attention: Multifamily Operations - Loan Accounting  Email: mfla@freddiemac.com  Telephone: (703) 714-4177</p> <p>with a copy to:      Federal Home Loan Mortgage Corporation  8200 Jones Branch Drive, MS 210  McLean, Virginia 22102  Attention:                      Managing Associate General Counsel –     Multifamily Legal Division  Email:                              joshua_schonfeld@freddiemac.com  Telephone:                      (703) 903 2000</p> <p><b>FISCAL AGENT</b>  U.S. Bank Global Corporate Trust  Attention: RAD 1  1 California Street, Suite 1000  San Francisco, CA 94111</p>	

"Note"	Which collectively refers to Borrower's two promissory notes made in accordance with the Loan Agreement together evidencing the following principal sum or such lesser amount as shall equal the aggregate amount disbursed to Borrower by Lender, with interest.	
	Which have a total principal sum of	Three Million Two Hundred Ninety-Eight Thousand Six Hundred Forty-Six Dollars and No Cents (\$3,298,646) divided in the following manner: <ul style="list-style-type: none"> <li>• \$807,046.00 HACOS Capital Fund; and</li> <li>• \$2,491,600.00 Cash Proceeds from the sale of Improvements.</li> </ul>

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

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

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

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

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

Borrower and Lender covenant and agree as follows:

1. Payment of Principal and Interest. Borrower shall promptly pay when due the principal and interest, if any, on the indebtedness evidenced by the Note. All payments received by Lender under the Note shall be applied by Lender first to interest payable on the Note and thereafter to the unpaid principal of the Note.
2. Charges; Liens. Borrower shall pay all taxes, assessments and other charges, fines and impositions attributable to the Property and leasehold payments or ground rents, if any by Borrower making payment, when due, directly to the appropriate payee. Borrower shall promptly furnish to Lender all notices of amounts due under this paragraph, and in the event that Borrower makes payment directly, Borrower shall promptly furnish to Lender receipts evidencing such payments. Borrower shall pay when due any encumbrance, charge and lien, with interest in accordance with its terms, on the Property or any portion which is inferior or superior to this Deed of Trust. Provided, however, Borrower shall have the right to contest such amount in good faith provided that Borrower causes any such lien to be released from the Property by the posting of a bond or by other appropriate means.
3. Hazard Insurance. Borrower shall keep the improvements now existing or later erected on the Property insured against loss of fire or hazards under a policy approved by Lender consistent with the insurance requirements of the Loan Agreement. In addition, Borrower shall insure against loss of all furniture, equipment and other personal property owned by Borrower related to Borrower's operation of the Property. Lender shall have the right to hold the policies and policy renewals, and Borrower shall promptly furnish to Lender all renewal notices and all receipts of

paid premiums. In the event of loss, Borrower shall give prompt notice to the insurance carrier and Lender. Lender may make proof of loss if not made promptly by Borrower.

Unless Lender and Borrower otherwise agree in writing, insurance proceeds shall be applied to restoration or repair of the Property damaged, as and to the extent provided in the Loan Agreement.

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

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

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

6. Protection of Lender's Security. Borrower shall appear and defend any action or proceeding purporting to affect the security under this Deed of Trust or the rights of the Lender. If Borrower fails to perform the covenants and agreements contained in this Deed of Trust, or if any action or proceeding is commenced which materially affects Lender's interest in the Property, including, but not limited to, foreclosure, involuntary sale, eminent domain, insolvency, code enforcement, or arrangements or proceedings involving a bankrupt or decedant, then Lender may, upon notice to Borrower, make such appearances, disburse such sums and take such actions as are necessary to protect Lender's interest, including, but not limited to, disbursement of judgments, costs or reasonable attorney's fees and entry upon the Property to make repairs.

Any amounts disbursed by Lender pursuant to this Section 6, with interest, shall become additional indebtedness of Borrower secured by this Deed of Trust. Unless Borrower and Lender agree to other terms of payment, such amounts shall be payable upon notice from Lender to Borrower requesting payment, and shall bear interest from the date of disbursement at the highest rate permissible under applicable law. In any event, this Section shall be construed as a right and an option of Lender and shall not be construed to require Lender to incur any expense or take any action.

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

8. Condemnation. The proceeds of any award or claim for damages, direct or consequential, in connection with any condemnation or other taking of all or any part of the Property, or for conveyance in lieu of condemnation, shall be applied as provided in the Loan Agreement.

If the Property is abandoned by Borrower, or if, after notice by Lender to Borrower that the condemnor offers to make an award or settle a claim for damages, Borrower fails to respond to Lender within 30 days after the date such notice is mailed, Lender is authorized to collect and apply the proceeds, at Lender's option, either to restoration or repair of the Property or to the sums secured by this Deed of Trust.

Unless Lender and Borrower otherwise agree in writing, any such application of proceeds to principal shall not extend or postpone the due date of any payment or change the amount of such payment.

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

proceedings against such successor or refuse to extend time payment by reason of any demand made by the original Borrower or Borrower's successors in interest.

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

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

12. Successors and Assigns Bound; Joint and Several Liability Captions. The covenants and agreements contained in this Deed of Trust shall bind, and the rights under this Deed of Trust shall inure to, the respective successors and assigns of Lender and Borrower, subject to the provisions of Section 15. All covenants and agreements of Borrower shall be joint and several. The captions and headings of the paragraphs of this Deed of Trust are for convenience only and are not to be used to interpret or to define its provisions.

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

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

15. Acceleration on Transfer or Refinancing of the Property; Assumption. Except as otherwise provided in the Loan Agreement, if all or any part of the Property or an interest in the Property is sold or transferred or refinanced by Borrower without Lender's prior written consent, Lender may, at Lender's option, declare all the sums secured by this Deed of Trust to be immediately due and payable. Lender shall have waived such option to accelerate if, prior to the refinancing, sale or transfer, Lender and the person to whom the Property is to be sold or transferred reach agreement in writing that the loan may be assumed. If Lender has waived the option to accelerate provided in this Section and if Borrower's successor in interest has executed a written assumption agreement accepted in writing by Lender, Lender shall release Borrower from all obligations under this Deed of Trust and the Note. Lender's prior approval is not required for (1) the sale or transfer of the limited partner's interest to one or more of the other partners that currently comprise the Borrower's entity, (2) the admission of the limited partner or an affiliate of National Equity Fund, Inc. to the Borrower and the transfer of its interest to an affiliate thereof so long as the general partner, or managing member, of the transferor, or an affiliate thereof, is the general partner, or managing member of the transferee, or partner; however, Borrower is obligated to notify Lender within 30 days from the date of such sale or transfer, (3) the removal of the general partner of the Borrower by the limited partner for a default under Borrower's partnership agreement, provided that any replacement general partner is approved by Lender, which approval shall not be unreasonably withheld, conditioned or delayed.

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

16. Acceleration on Breach; Remedies. Except as provided in Section 15, upon Borrower's breach of any covenant or agreement of Borrower in this Deed of Trust, the Note, (including the covenants to pay when due any sums secured by this Deed of Trust and restricting transfer of the Property) or Loan Agreement, Lender shall mail notice to Borrower and the limited partner specifying: (1) the breach; (2) the action required to cure such breach; (3) a date, no less than 30 days from the date the notice is mailed to Borrower, and the limited partner by which breach must be cured; and (4) that failure to cure such breach on or before the date specified in the notice may result in

acceleration of the sums secured by this Deed of Trust and sale of the Property. If the breach is not cured on or before the date specified in the notice, Lender at Lender's option may declare all of the sums secured by this Deed of Trust to be immediately due and payable without further demand and may invoke the power of sale and any other remedies permitted by applicable law, provided, however, that if such cure cannot reasonably be effected within such 30 day period, such failure shall not be a default so long as Borrower promptly (and in any event, within ten (10) days after receipt of such notice) commences such cure and thereafter diligently (and in any event, within ninety (90) days after receipt of such notice) prosecutes such cure to completion. The limited partner is entitled to cure any defaults on behalf of the Borrower within the same specified time periods; said cure periods shall not extend statutory periods and times for notice and commencement of foreclosure; provided, however, that if, in order to cure any such default the limited partner must first remove a general partner of Borrower, then, provided that the limited partner notifies Lender of such removal and removes such general partner within a reasonable period, then the limited partner shall have until the date 30 days after the effective date of such removal to effect such cure. In any event, such cure process shall not exceed 120 days. Lender shall be entitled to collect from the Borrower, or sale proceeds, if any, all reasonable costs and expenses incurred in pursuing the remedies provided in this Section, including, but not limited to reasonable attorney's fees.

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

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

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

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

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

19. Nonrecourse. Notwithstanding any provision of this Deed of Trust or any document evidencing or securing this Loan, Borrower, and Borrower's principals, partners, agents, officers, and successors in interest shall not be personally liable for the payment of the Loan or any obligation of the Loan and Lender's sole recourse is to the collateral secured by this Deed of Trust.



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

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

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

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

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

25. Extended Use Agreement. In order to receive an allocation of federal low income housing tax credits, Borrower will be required to record in the real property records of the County in which the property is located, an "extended low-income housing commitment" (as defined in Section 42(h)(6)(B) of the Internal Revenue Code of 1986, as amended ("Code")) ("Extended Use Agreement"). Lender acknowledges and agrees that, in the event of a foreclosure of its interest under this Deed of Trust or delivery by the Borrower of a deed in lieu thereof (collectively, a "Foreclosure"), Lender agrees to comply with all the following rule contained in Section 42(h)(6)(E)(ii) of the Code shall apply: For a period of three (3) years from the date of Foreclosure, with respect to any unit that had been regulated by the Extended Use Agreement, (i) none of the eligible tenants occupying those units at the time of Foreclosure may be evicted or their tenancy terminated (other than for good cause, including but not limited to, the tenants' ineligibility pursuant to regulations of Section 42 of the Code), (ii) nor may any rent be increased except as otherwise permitted under Section 42 of the Code.

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

**BORROWER (Trustor):  
RAD PILOT LP, A CALIFORNIA LIMITED PARTNERSHIP**

By: RAD Pilot LLC, a California limited liability company,  
its managing general partner

By: Sacramento Housing Authority Repositioning Program, Inc.,  
a California nonprofit public benefit corporation, its sole member and manager

\_\_\_\_\_  
James Shields, President

**Exhibit 5: Escrow Instructions Form**

**JOINT ESCROW INSTRUCTIONS  
FOR AGENCY (AS LENDER, ISSUER, AND GROUND LESSOR),  
AND BORROWER (AS BORROWER AND GROUND LESSEE)**

<b>“Effective Date”</b>	January 17, 2020
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Agency and Borrower execute these Escrow Instructions as of the Effective Date. This document, including attachments and any amendments and additions, shall constitute the joint escrow instructions of Agency and Borrower for the transactions described below.

**ARTICLE I. GENERAL TERMS.**

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

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

<b>“Title Company”</b>	Placer Title Company		
	<b>Address:</b>	301 University Avenue, Suite 120, Sacramento, CA 95825	
<b>“Escrow” with Title Company</b>	<b>Escrow Number:</b>	P-362723-3	<b>Attention:</b> Jenny Vega
	<b>“Agency”</b>		
	Housing Authority of the County of Sacramento, a public body, corporate and politic		
	<b>Address:</b>	801 12 <sup>th</sup> Street, Sacramento, California 95814	
	<b>Attention:</b>	Anne Nicholls	
<b>“Agency Improvements”</b>	The improvements on the Agency Sites.		
<b>“Agency Sites”</b>	4500 Perry Avenue, Sacramento, Ca 95820 (APN 022-0052-011-0000 and 022-0052-012-0000) (“ <b>Perry</b> ”) 4930 El Paraiso Avenue, Sacramento, Ca 95824 (APN 037-0224-047-0000) (“ <b>El Paraiso</b> ”) 9205 Elk Grove Boulevard, Elk Grove, Ca 95624 (APN 125-0270-051-0000) (“ <b>Elk Grove</b> ”) 8223 Walerga Road, Antelope, Ca 95843 (APN 203-0070-041-0000) (“ <b>Walerga</b> ”)		
<b>“Bank”</b>	Wells Fargo Bank, National Association		
<b>“Borrower”</b>	RAD Pilot LP, a California limited partnership		
	<b>Address:</b>	c/o SHARP 801 12th Street, Sacramento, California 95814	
	<b>Attention:</b>	James Shields, President	
<b>“Closing Date”</b>	January 17, 2020 or mutually agreed upon Closing Date.		
<b>“HACS”</b>	Housing Authority of the City of Sacramento, a public body, corporate and politic		
<b>“HACS Improvements”</b>	The improvements on the HACS Sites (defined below).		
<b>“HACS Sites”</b>	4921 Folsom Boulevard, Sacramento, CA 95819 (APN: 008-0341-044-0000) 1043 43rd Avenue, Sacramento, CA 95822 (APN: 029-0184-017-0000, 029-0184-001-0000 and 029-0184-002-0000)		
<b>“HUD”</b>	The United States Department of Housing and Urban Development		
<b>“Property”</b>	The Agency Sites and the HACS Sites, collectively.		

<p><b>Description of the transaction</b></p>	<ol style="list-style-type: none"> <li>1. The Agency is the fee owner of the Agency Sites, which is comprised of Perry, El Paraiso, Elk Grove, and Walerga. HUD previously recorded declarations of trust against the Authority’s fee interest in Elk Grove (the “<b>Elk Grove Declaration</b>”), Perry (the “<b>Perry Declaration</b>”), El Paraiso (the “<b>El Paraiso Declaration</b>”), and Walerga (the “<b>Walerga Declaration</b>”). Through this escrow, HUD will fully release the Elk Grove Declaration through a release (the “<b>Elk Grove Release</b>”); partially release the Perry Declaration from Perry through a release (the “<b>Perry Release</b>”); fully release the El Paraiso Declaration through a release (the “<b>El Paraiso Release</b>”); and fully release the Walerga Declaration through a release (the “<b>Walerga Release</b>”).</li> <li>2. The Borrower will finance and develop a one hundred twenty-four (124) unit affordable housing development on the Property (the "<b>Project</b>"). In connection with the Project, the Agency will convey a fee interest in the Agency Improvements to the Borrower by four (4) grant deeds (the “<b>Grant Deeds</b>”).</li> <li>3. Concurrently with conveyance of the Improvements by the Grant Deeds, the Agency and the Borrower will enter into a ground lease whereby the Borrower will acquire a leasehold interest in the Agency Sites (the "<b>Ground Lease</b>"). The Ground Lease will be evidenced by a memorandum of ground lease (the "<b>Memorandum of Ground Lease</b>") to be recorded on the Agency’s fee interest in the Agency Sites.</li> <li>4. As part of this Project, HUD will require a use agreement by and among the Agency, HACS, HUD, and the Borrower to be recorded against the Agency’s and HACS’ fee interests in the Property and on the Borrower’s leasehold interest in the Property (the "<b>RAD Use Agreement</b>"). The RAD Use Agreement is to be recorded first and remain in senior position to all other Bank items, Borrower Items (defined below) and Agency Items (defined below).</li> <li>5. To finance the Project, the Agency will make a mortgage loan (the “<b>Agency Project Loan</b>”) to the Borrower with proceeds received from the separate loan made to the Agency by the Bank (the “<b>Bank Funding Loan</b>”). In connection with the Agency Project Loan, the Agency will record a tax regulatory agreement and declaration of restrictive covenants against the Borrower’s leasehold interest in Perry (the “<b>Perry Regulatory Agreement</b>”); a tax regulatory agreement and declaration of restrictive covenants against the Borrower’s leasehold interest in El Paraiso (the “<b>El Paraiso Regulatory Agreement</b>”); a tax regulatory agreement and declaration of restrictive covenants against the Borrower’s leasehold interest in Elk Grove (the “<b>Elk Grove Regulatory Agreement</b>”); and a tax regulatory agreement and declaration of restrictive covenants against the Borrower’s leasehold interest in Walerga (the “<b>Walerga Regulatory Agreement</b>”) (collectively the "<b>Tax Regulatory Agreements</b>"). The Bank will secure the Bank Funding Loan with a first lien leasehold deed of trust with assignment of rents, security agreement and fixture filing recorded against the Borrower’s leasehold interest in the Property (the "<b>Bank Deed of Trust</b>", and, together with the Tax Regulatory Agreements, the "<b>Tax Exempt Loan Documents</b>").</li> <li>6. To finance the Project, the Bank will also make a construction-permanent loan pursuant to a loan agreement evidenced by a promissory note secured by a deed of trust with assignment of rents, security agreement and fixture filing recorded against the Borrower’s leasehold interest in the Property (the “<b>Bank Construction-Permanent Loan DOT</b>”).</li> <li>7. The Agency is making the following three loans to Borrower. The first loan is the Construction and Permanent Loan, made pursuant to a loan agreement (the “<b>Agency Construction-Permanent Loan Agreement</b>”), evidenced by two promissory notes (the “<b>Agency Construction-Permanent Loan Notes</b>”) secured by a deed of trust (“<b>Agency Construction-Permanent Loan DOT</b>”); the second loan is the Ground Lease Loan for the capitalized rent due under the Ground Lease, which loan is evidenced by a promissory note (the “<b>Agency Ground Lease Loan Promissory Note</b>”) secured by a leasehold deed of trust with assignment of rents, security agreement and fixture filing (the “<b>Agency Ground Lease Loan DOT</b>”); and the third is the Seller Carry Back Loan for the acquisition of the Improvements, which loan is evidenced by a promissory note (the “<b>Agency Seller Carryback Note</b>”) secured by a deed of trust with assignment of</li> </ol>
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<p><b>“Recorded Documents”- The following documents are to be recorded against the interests specified, and in the order listed (top being first in priority). Copies of the Recorded documents are attached.</b></p>	<p><b>Documents:</b></p> <ol style="list-style-type: none"> <li>1. Elk Grove Release, recorded against the Agency’s fee interest in Elk Grove only</li> <li>2. Perry Release, recorded against the Agency’s fee interest in Perry only</li> <li>3. El Paraiso Release, recorded against the Agency’s fee interest in El Paraiso only</li> <li>4. Walerga Release, recorded against the Agency’s fee interest in Walerga only</li> <li>5. Grant Deeds, recorded against the Agency’s fee interest in the Agency Sites</li> <li>6. Memorandum of Ground Lease and TCAC Lease Rider, recorded against the Agency’s fee interest in the Agency Sites</li> <li>7. RAD Use Agreement, recorded against the Agency’s and HACS’ fee interests in the Property and the Borrower’s leasehold interest in the Property</li> <li>8. Perry Regulatory Agreement, recorded against the Borrower’s leasehold interest in Perry</li> <li>9. El Paraiso Regulatory Agreement, recorded against the Borrower’s leasehold interest in El Paraiso</li> <li>10. Elk Grove Regulatory Agreement, recorded against the Borrower’s leasehold interest in Elk Grove</li> <li>11. Walerga Regulatory Agreement, recorded against the Borrower’s leasehold interest in Walerga</li> <li>12. SHRA Regulatory Agreement, recorded against Borrower’s leasehold interest in Perry, El Paraiso, and Walerga</li> <li>13. Bank Construction-Permanent Loan DOT, recorded against the Borrower’s leasehold interest in the Property</li> <li>14. Agreement to subordinate the Tax Exempt Loan Documents to the RAD Use Agreement., by and among the Agency, HACS, the Bank, and Borrower, recorded against the Borrower’s leasehold interest in the Property</li> <li>15. Agency Construction-Permanent Loan DOT, recorded against the Borrower’s leasehold interest in the Agency Sites and Agency Improvements</li> <li>16. SHRA Construction-Permanent Loan DOT, recorded against Borrower’s leasehold interest in Perry, El Paraiso, and Walerga</li> <li>17. Agency Ground Lease Loan DOT, recorded against the Borrower’s leasehold interest in the Agency Sites</li> <li>18. Agency Seller Carryback Loan DOT, recorded against the Borrower’s leasehold interest in the Agency Sites and Agency Improvements</li> <li>19. Agreement to subordinate the Agency Loan Documents to the RAD Use Agreement, by and between the Agency and the Borrower, recorded against the Borrower’s leasehold interest in the Agency Sites</li> <li>20. Agreement to subordinate the Bank Construction-Permanent Loan DOT to the RAD Use Agreement, by and among the Agency, the Bank, and the Borrower, recorded against the Borrower’s leasehold interest in the Agency Sites</li> <li>21. Memorandum of Option, by and between the Agency and the Borrower, recorded against the Borrower’s leasehold in the Property</li> <li>22. Agreement to subordinate Memorandum of Ground Lease to the RAD Use Agreement, recorded against the Borrower’s leasehold interest in the Property</li> <li>23. Agreement to subordinate TCAC Lease Rider to the RAD Use Agreement, recorded against the Borrower’s leasehold interest in the Property</li> </ol>	<p><b>Marked for return to:</b> The Agency (address above) or the Borrower (address above), whichever entity possesses the interest being encumbered by the recorded document.</p>
<p>RAD 1 - Housing Authority of the County of Sacramento Construction and Permanent Loan Agreement</p>	<p>23. Agreement to subordinate TCAC Lease Rider to the RAD Use Agreement, recorded against the Borrower’s leasehold interest in the Property</p>	<p>Page 58</p>

<b>“Agency Items”</b>	<ol style="list-style-type: none"> <li>1. Agency Construction-Permanent Loan Notes</li> <li>2. Agency Ground Lease Loan Note</li> <li>3. Agency Seller Carryback Note</li> <li>4. Agency Construction-Permanent Loan Agreement</li> <li>5. Ground Lease</li> <li>6. Disposition and Development Agreement</li> <li>7. Authorizing resolutions for all Borrower signatories</li> </ol>	
<b>“Borrower Items”</b>	Loan proceeds in the amount of [\$ _____ ] The Grant Deeds and conforming copies of the recorded documents	

<b>“Special Provisions”:</b>	<p>The RAD Use Agreement is to be in first position and senior to all the other transaction documents/items</p> <p>The SHRA Regulatory Agreement is to be in second position and senior to all the other transaction documents/items, except the RAD Use Agreement</p> <p>Title Policy shall, in addition to customary endorsements, bear the following endorsements:</p>
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<b>“Agency Lender’s Title Policy” in the form of an ALTA Agency’s Lender’s Policy insuring that the following are valid liens against the Agency Sites:</b>	<b>Documents:</b>	<b>Coverage amount:</b>	
	The Tax Exempt Loan Documents	In the amount of the loan secured	
<b>“Agency Fee Owner’s Title Policy” in the form of an ALTA Agency’s Owner’s Policy insuring that the following are valid liens against the Agency’s fee interest in the Agency Sites</b>	<ol style="list-style-type: none"> <li>1. The RAD Use Agreement</li> <li>2. The SHRA Regulatory Agreement</li> <li>3. Memorandum of Ground Lease</li> </ol>	In the amount of [\$ _____ ]	
<b>“Borrower Leasehold Owner’s Title Policy” in the form of an ALTA Borrower’s Owner’s Policy insuring that the following are valid liens against the Borrower’s leasehold interest in the Agency Sites</b>	<ol style="list-style-type: none"> <li>1. Perry Regulatory Agreement</li> <li>2. El Paraiso Regulatory Agreement</li> <li>3. Elk Grove Regulatory Agreement</li> <li>4. Walerga Regulatory Agreement</li> <li>5. Bank Construction-Permanent Loan DOT</li> <li>6. Agency Construction-Permanent Loan DOT</li> <li>7. Agency Ground Lease Loan DOT</li> <li>8. Agency Seller Carryback Loan DOT</li> <li>9. Agreement to subordinate the Agency Loan Documents to the RAD Use Agreement</li> <li>10. Memorandum of Option</li> </ol>	In the amount of [Debt plus Equity]	
<b>The title policies shall be subject only to the following “Conditions of Title”:</b>	Items	<b>Dated:</b>	October 3, 2019
		<b>Number:</b>	P-362723-2

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

**BORROWER:**

**RAD PILOT LP, A CALIFORNIA LIMITED PARTNERSHIP**

By: RAD Pilot LLC, a California limited liability company, its managing general partner

By: Sacramento Housing Authority Repositioning Program, Inc., a California nonprofit public benefit corporation, its sole member and manager

By: \_\_\_\_\_  
James Shields, President

**AGENCY:**

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

By: \_\_\_\_\_  
La Shelle Dozier, Executive Director

Approved as to form:

\_\_\_\_\_  
Agency Counsel

## ARTICLE II. INSTRUCTIONS

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

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

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

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

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

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

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

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

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

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

2.2.1. Assure fulfillment of the Special Provisions;

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

2.2.3. Obtain full execution of all unexecuted documents;

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

2.2.5. Record the Recorded Documents in the priority listed;



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

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

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

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

2.4. **COMMISSIONS.** Agency is not responsible, by the Agency Loan Documents or otherwise, to pay commissions in relation to this transaction.

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**ACCEPTANCE OF ESCROW INSTRUCTIONS**

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

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

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

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

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

Dated: \_\_\_\_\_

**TITLE COMPANY  
PLACER TITLE COMPANY**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Its authorized agent and signatory

**Exhibit 6: RAD Use Agreement**

**Recording Requested By:  
When Recorded Mail To:**

Housing Authority of the County of Sacramento  
801 12th Street, 6th Floor  
Sacramento, CA 95814  
Attention: Executive Director

No fee for recording pursuant to  
Government Code Section 27383 and 27388.1

\_\_\_\_\_SPACE ABOVE THIS LINE FOR RECORDER'S USE\_\_\_\_\_

**Rental Assistance Demonstration  
Use Agreement  
(RAD Pilot)**

**Rental Assistance  
Demonstration  
Use Agreement**

**U.S. Department of Housing  
and Urban Development**  
Office of Housing  
Office of Public and Indian Housing

**OMB Approval No. 2502-0612  
(Exp. 04/30/2020)**

**Public reporting burden** for this collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the Reports Management Officer, Paperwork Reduction Project (2577-0276), Office of Information Technology, U.S. Department of Housing and Urban Development, Washington, D.C. 20410-3600. This agency may not collect this information, and you are not required to complete this form, unless it displays a currently valid OMB control number.

Prepared by:

Housing Authority of the County of Sacramento  
801 12th Street, 6th Floor  
Sacramento, CA 95814  
Attention: Executive Director

Housing Authority of the City of Sacramento  
801 12th Street, 6th Floor  
Sacramento, CA 95814  
Attention: Executive Director

After recording return to:

Housing Authority of the County of Sacramento  
801 12th Street, 6th Floor  
Sacramento, CA 95814  
Attention: Executive Director

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**This Rental Assistance Demonstration Use Agreement** (hereinafter called the “Agreement”) is made as of January 17, 2020 for the benefit of and agreed to by the United States Department of Housing and Urban Development, acting by and through the Secretary, his or her successors, assigns or designates (hereinafter called “HUD”) by RAD Pilot LP, a California limited partnership, (“Project Owner”), the Housing Authority of the County of Sacramento, a public body corporate and politic (the “County PHA”), and the Housing Authority of the City of Sacramento, a public body corporate and politic (the “City PHA”) (collectively, the “PHA”).

**Whereas**, Rental Assistance Demonstration (hereinafter called “RAD”) provides the opportunity to test the conversion of public housing and other HUD-assisted properties to long-term, project-based Section 8 rental assistance to achieve certain goals, including the preservation and improvement of these properties through access to private debt and equity to address immediate and long-term capital needs.

**Whereas**, the County PHA is the fee owner of the real property described on Exhibit A, Exhibit B, Exhibit C and Exhibit D, and the City PHA is the fee owner of the real property described on Exhibit E and Exhibit F (collectively the “Property”), upon which is or will be located improvements owned or to be owned by Project Owner receiving assistance converted pursuant to RAD, which project will commonly be known as RAD Pilot (the “Project”). The

Project will contain 124 dwelling units, of which 118 (“Assisted Units”) are subject to a RAD Housing Assistance Payment contract, as the same may be renewed, amended or replaced from time to time (“RAD HAP contract”).

**Whereas**, pursuant to the Consolidated and Further Continuing Appropriations Act of 2012 (Public Law 112-55, approved November 18, 2011, as amended from time to time, the “RAD Statute”); and the corresponding PIH Notice 2012-32, rev-2, as amended from time to time, and any successor document and/or regulations (hereinafter called the “RAD Notice”), which this Agreement incorporates by this reference, the PHA and/or the Project Owner, as applicable, has agreed to encumber the Property and the Project Owner has agreed to operate the Project in accordance with this Agreement in exchange for HUD’s agreement to execute or permit the execution of the RAD HAP contract and the assistance provided thereby;

**Whereas**, in accordance with the RAD Statute and RAD Notice, except as otherwise agreed in writing by HUD, this Agreement is to be recorded superior to other liens on the Property, run until the conclusion of the initial term of the RAD HAP contract, automatically renew upon each extension or renewal of the RAD HAP contract for a term that runs with each renewal term of the RAD HAP contract, and remain in effect even in the case of abatement or termination of the RAD HAP contract for the term the RAD HAP contract would have run, absent the abatement or termination.

**Now Therefore**, in consideration of the foregoing, conversion of assistance pursuant to RAD, provision of rental assistance pursuant to the RAD HAP contract and other valuable consideration, the parties hereby agree as follows:

1. **Definitions.** All terms used in this Agreement and not otherwise defined have the same meaning as set forth in the RAD Notice.

2. **Term.** The initial term of this Agreement commences upon the date this Agreement is entered into and shall run until the conclusion of the initial term of the RAD HAP contract. The RAD HAP contract is effective for 20 years. Unless otherwise approved by HUD, this Agreement shall remain in effect through the initial term of the RAD HAP contract and for additional periods to coincide with any renewal term of the RAD HAP contract or any replacement HAP contract. It is the intention of the parties that the RAD HAP and this Agreement shall each renew upon the completion of its initial term. Therefore, this Agreement shall remain in effect until a release is recorded as contemplated by Section 8. Such release shall be the evidence of the non-renewal of the HAP Contract, of the determination not to execute a replacement HAP contract and of the termination of this Agreement. This Agreement will survive abatement of assistance or termination of the RAD HAP contract unless otherwise approved by HUD.

3. **Use Restriction and Tenant Incomes.** The Assisted Units shall be leased in accordance with the RAD HAP contract, including any applicable eligibility and/or income-targeting requirements. In the case that the RAD HAP contract is terminated prior to the completion of the term or renewal term, if applicable, of this Agreement (by way of illustration and not limitation, for breach or non-compliance), for the remainder of the term of this Agreement new tenants leasing the Assisted Units (except if any of the Assisted Units is a HUD-approved manager unit) must have incomes at or below 80 percent of the Area Median Income (AMI) at the time of admission (“Eligible Tenants”). Additionally, rents for such Assisted Units must not exceed 30% of 80% of the AMI for households of the size occupying an appropriately sized unit. Notwithstanding the foregoing, in the event the Project Owner so requests and is able to demonstrate to HUD’s satisfaction that despite the Project Owner’s good faith and diligent efforts to do so, the Project Owner is unable either (1) to rent a sufficient percentage of Assisted Units to Eligible Tenants in order to satisfy the restrictions in this paragraph, or (2) to otherwise provide for the financial viability of the Project, HUD may, in its sole discretion, agree to reduce the percentage of units subject to the restriction under this paragraph or otherwise modify this restriction in a manner acceptable to the Project Owner and HUD. Any such modification of the restrictions listed in this paragraph shall be evidenced by a written amendment to this Agreement executed by each of the parties hereto.

4. **Survival.** This Agreement will survive foreclosure and bankruptcy.

5. **Fair Housing and Civil Rights Requirements.** The Project Owner and its agents, where applicable, shall ensure that the Project complies with applicable federal fair housing and civil rights laws, regulations, and other legal authorities, including those identified at 24 C.F.R. § 5.105.

6. **Accessibility Requirements.** The Project Owner and its agents, where applicable, shall ensure that the Project complies with all applicable federal accessibility requirements under the Fair Housing Act and implementing

regulations at 24 CFR Part 100, Section 504 of the Rehabilitation Act of 1973 and implementing regulations at 24 CFR Part 8, and Titles II and III of the Americans with Disabilities Act and implementing regulations at 28 CFR Parts 35 and 36, respectively.

**7. Restrictions on Transfer.** HUD has been granted and is possessed of an interest in the above described Project. Except as authorized below, the Project Owner and, if a party hereto, the PHA, shall not transfer, convey, encumber or permit or suffer any transfer, conveyance, assignment, lease, mortgage, pledge or other encumbrance of said Project and/or Property or any part thereof without prior written consent of HUD. Notwithstanding the foregoing, HUD hereby authorizes (a) leases in the normal operation of the Project, (b) subordinate liens contemplated by a RAD Conversion Commitment executed in connection with the Project, whether such liens are recorded concurrent with the recordation of this Use Agreement or recorded subsequent hereto (such as permanent financing to replace construction-period financing), and (c) conveyance or dedication of land for use as streets, alleys, or other public rights-of-way and grants and easements for the establishment, operation and maintenance of public utilities. Except as otherwise approved in writing by HUD, any lien on the Project and/or Property shall be subject and subordinate to this Agreement. Unless this Agreement is released by HUD, any transferee of the Project and/or Property shall take title subject to this Agreement. In the event of a default under the RAD HAP contract including, without limitation, upon any transfer of the Property or Project without HUD consent, upon expiration of any applicable notice and/or cure periods, HUD may transfer the RAD HAP contract and the rental assistance contemplated therein to another entity and/or Property and/or Project. The Project Owner has constituted HUD as its attorney-in-fact to effect any such transfer.

**8. Amendment or Release.** This Agreement may not be amended without HUD consent. This Agreement shall remain as an encumbrance against the Property unless and until HUD executes a release for recording. This Agreement may only be released by HUD in its sole discretion. In the event that the RAD HAP is, in accordance with all applicable laws and RAD program requirements, not renewed or replaced, HUD shall not unreasonably fail to provide such a release upon the completion of the applicable term of this Agreement.

**9. Enforcement.** In the event of a breach or threatened breach of any of the provisions of this Agreement, any eligible tenant or applicant for occupancy within the Project, or the Secretary or his or her successors or delegates, may institute proper legal action to enforce performance of such provisions, to enjoin any acts in violation of such provisions, to recover whatever damages can be proven, and/or to obtain whatever other relief may be appropriate.

**10. Severability.** The invalidity, in whole or in part, of any of the provisions set forth in this Agreement shall not affect or invalidate any remaining provisions.

**11. Conflicts.** Any conflicts between this Agreement and the RAD HAP contract or any other applicable HUD program requirements shall be conclusively resolved by the Secretary.

**12. Execution of Other Agreements.** The Project Owner and, if a party hereto, the PHA, agrees that it has not and will not execute any other agreement with provisions contradictory to, or in opposition to, the provisions of this Agreement, and that in any event, the provisions of this Agreement are paramount and controlling as to the rights and obligations set forth and supersede any other conflicting requirements.

**13. Subsequent Statutory Amendments.** If revisions to the provisions of this Agreement are necessitated by subsequent statutory amendments, the Project Owner and, if a party hereto, the PHA, agrees to execute modifications to this Agreement that are needed to conform to the statutory amendments. At HUD's option, HUD may implement any such statutory amendment through rulemaking.

**14. Lender Provisions.**

- A. Nothing in this Agreement prohibits any holder of a mortgage or other lien against the Property or Project from foreclosing its lien or accepting a deed in lieu of foreclosure. Any lien holder shall give HUD, as a courtesy, written notice prior to declaring an event of default. Any lien holder shall provide HUD concurrent notice with any written filing of foreclosure filed in accordance with state law provided that the foreclosure sale shall not occur sooner than sixty days (60) days after such notice to HUD. The Notice to HUD may be personally delivered or sent by U.S. certified or registered mail, return receipt requested, first class postage prepaid, addressed as follows:

If for PBRA transactions:  
U.S. Department of Housing and Urban Development  
451 7<sup>th</sup> Street SW, Room 9100  
Washington, DC 20410  
Attention: Office of the Assistant Secretary for Housing - Rental Assistance Demonstration

If for PBV transactions:  
U.S. Department of Housing and Urban Development  
451 7<sup>th</sup> Street SW, Room 4100  
Washington, DC 20410  
Attention: Office of the Assistant Secretary for Public and Indian Housing - Rental Assistance Demonstration

B. Notwithstanding any lien holder's foreclosure rights, this Agreement survives foreclosure and any new owners of the Property or the Project take ownership subject to this Agreement.

C. Transfer of title to the Property or the Project may be grounds for termination of assistance under the RAD HAP contract. However, HUD may permit, through prior written consent by HUD, the new owner of the Property or the Project to assume the RAD HAP contract, subject to the terms included therein, or enter into a new HAP contract. Any HUD consent to continued HAP assistance is subject to the RAD Statute and other RAD program requirements.

D. Each entity interested in purchasing the Property in a foreclosure sale administered under state foreclosure law may submit a written request to HUD to continue RAD HAP contract assistance in the event of such entity's successful acquisition at the foreclosure sale. Such request shall be submitted by the latter of ten business days after first publication of the foreclosure sale or 60 days prior to such foreclosure sale.

15. **Successors and Assigns.** This Agreement shall be binding upon the Project Owner and, if a party hereto, the PHA, and all future successors and assigns of either with respect to any portion of the Property or the Project.

In Witness Whereof, these declarations are made as of the first date written above.

**Department of Housing and Urban Development**

By: \_\_\_\_\_  
Name:  
Title:

Date: \_\_\_\_\_

District of Columbia )  
 ) ss:  
 )

Before me, \_\_\_\_\_, a Notary Public in and for the District of Columbia on this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, personally appeared \_\_\_\_\_, who is personally known to me to be the person who executed the foregoing instrument by virtue of the authority vested in him by the Department of Housing and Urban Development, and did acknowledge the signing thereof to be a free and voluntary act and done on behalf of the Secretary of Housing and Urban Development for the uses, purposes and considerations therein set forth.

Witness my hand and official seal this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.  
(Seal)

\_\_\_\_\_ (Notary Public)

My commission expires \_\_\_\_\_, 20\_\_\_\_.



**Project Owner:**

RAD Pilot LP, a California limited partnership

By: RAD Pilot LLC, a California limited liability company, its managing general partner

By: Sacramento Housing Authority Repositioning Program, Inc., a California nonprofit public benefit corporation, its sole member and manager

\_\_\_\_\_  
James Shields, President

Date: \_\_\_\_\_

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA )  
 )  
COUNTY OF \_\_\_\_\_ )

On \_\_\_\_\_, before me, \_\_\_\_\_, Notary Public, personally appeared \_\_\_\_\_, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify UNDER PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

\_\_\_\_\_  
Name: \_\_\_\_\_  
Notary Public



**PHA/Fee Owner:**

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

By: \_\_\_\_\_  
La Shelle Dozier, Executive Director

Date: \_\_\_\_\_

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA )  
 )  
COUNTY OF \_\_\_\_\_ )

On \_\_\_\_\_, before me, \_\_\_\_\_, Notary Public, personally appeared \_\_\_\_\_, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify UNDER PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

\_\_\_\_\_  
Name: \_\_\_\_\_  
Notary Public

## **EXHIBIT A – Property Subject to this RAD Use Agreement**

### **Legal Description of Pointe Lagoon - 9205 Elk Grove Boulevard, Elk Grove, CA 95624**

SITE F: 9205 Elk Grove Boulevard

The land described herein is situated in the State of California, County of Sacramento, City of Elk Grove, described as follows:

Parcel No. 1:

All buildings and improvements situated on the following property, the buildings and improvements are and shall remain real property, pursuant to that certain Grant Deed dated To Be Recorded, recorded To Be Determined, as To Be Determined, of Official Records:

All that portion of the Southeast one-quarter of Section 31, Township 7 North, Range 6 East, described as follows:

Beginning at a point on the South line of said Section 31 bears West (measured along the South line of said Section 31) 1408.5 feet distant; thence from said point of beginning, North 231 feet; thence West 88.5 feet; thence South 231 feet to a point on the South line of said Section 31; thence along the South line of said Section 31, East 88.5 feet to the point of beginning.

Parcel No. 2:

All buildings and improvements situated on the following property, the buildings and improvements are and shall remain real property, pursuant to that certain Grant Deed dated To Be Recorded, recorded To Be Determined, as To Be Determined, of Official Records:

All that portion of the Southeast one-quarter of Section 31, Township 7 North, Range 6 East, described as follows:

Beginning at a point on the South line of said Section 31, from which point the Southwest corner of the Southeast one-quarter of Section 31 bears West (measured along the South line of said Section 31) South 231 feet to a point on the South line of said Section 31; East 50 feet to the point of beginning.

Parcel No. 3:

All buildings and improvements situated on the following property, the buildings and improvements are and shall remain real property, pursuant to that certain Grant Deed dated To Be Recorded, recorded To Be Determined, as To Be Determined, of Official Records:

All that portion of the Southeast one-quarter of Section 31, Township 7 North, Range 6 East, described as follows:

Beginning at a point on the South line of said Section 31, from which point the Southwest corner of the Southeast one-quarter of said Section 31 bears West (measured along the South line of said Section 31) 1508.5 feet distant; from said point of beginning, North 231 feet, thence West 50 feet; thence South 231 feet to a point on the South line of said Section 31; thence, along the South line of said Section 31, East 50 feet to the point of beginning.

APN: 125-0270-051-0000

**EXHIBIT B – Property Subject to this RAD Use Agreement**

**Legal Description of Rio Garden - 8223 Walerga Road, Antelope, CA 95843**

SITE E: 8223 Walerga Road

The land described herein is situated in the State of California, County of Sacramento, unincorporated area, described as follows:

All buildings and improvements situated on the following property, the buildings and improvements are and shall remain real property, pursuant to that certain Grant Deed dated To Be Recorded, recorded To Be Determined, as To Be Determined, of Official Records:

Parcel A of that certain Parcel Map entitled "A portion of the Southwest one-quarter of Section 18, Township 10 North, Range 6 East, M.D.B. & M.", filed June 24, 1976 in Book 26 of Parcel Maps, Page 48 in the office of the recorder, Sacramento County.

APN: 203-0070-041-0000

## **EXHIBIT C – Property Subject to this RAD Use Agreement**

### **Legal Description of Pointe Lagoon - 4930 El Paraiso Avenue, Sacramento, CA 95824**

SITE C: 4930 El Paraiso Avenue

The land described herein is situated in the State of California, County of Sacramento, unincorporated area, described as follows:

All buildings and improvements situated on the following property, the buildings and improvements are and shall remain real property, pursuant to that certain Grant Deed dated To Be Recorded, recorded To Be Determined, as To Be Determined, of Official Records:

Lot A, as shown on the "Revised Plat of Country Place" filed in the office of the recorder of Sacramento County, in Book 149 of Maps, Map No. 16.

Excepting therefrom, that portion of said land granted to the Redevelopment Agency of the County of Sacramento, in Grand Deed recorded August 24, 1984 as Book 840824, Page 370, Official Records, described as follows:

Beginning at the Northerly corner of Lot A that lies on the centerline of Sampson Boulevard as said Boulevard is shown on said Map; thence from said point of beginning along said centerline and the most Westerly line of said Lot A South 0° 00' 00" West, 52.50 feet; thence leaving said centerline along a portion of the Southerly boundary of said Lot A, South 88° 12' 00" East, 212.00 feet; thence leaving last said line, North 6° 50' 00" East, 59.71 feet to a point on the Northerly boundary of said Lot A; thence along last line South 89° 58' 00" West, 219.00 feet to the point of beginning.

APN: 037-0224-047-0000

## **EXHIBIT D – Property Subject to this RAD Use Agreement**

### **Legal Description of Pointe Lagoon - 4500 Perry Avenue, Sacramento, CA 95820**

SITE D: 4500 and 4530 Perry Avenue

The land described herein is situated in the State of California, County of Sacramento, unincorporated area, described as follows:

All buildings and improvements situated on the following property, the buildings and improvements are and shall remain real property, pursuant to that certain Grant Deed dated To Be Recorded, recorded To Be Determined, as To Be Determined, of Official Records:

Lot 10 as shown on the "Amended Plat of Hunger Tract No. 1", recorded in Book 15 of Maps, Map No. 8, records of said County.

Pursuant to that certain Certificate of Compliance, recorded September 20, 2019, Instrument No. 201909200647 Official Records.

APN: 022-0052-011-0000 and 022-0052-012-0000



## **EXHIBIT E – Property Subject to this RAD Use Agreement**

### **Legal Description of Oak Park – 4921 Folsom Boulevard, Sacramento, CA 95819**

TRACT B:

SITE B: - 4921 Folsom Boulevard

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

All buildings and improvements situated on the following property, the buildings and improvements are and shall remain real property, pursuant to that certain Grant Deed dated To Be Recorded, recorded To Be Determined, as To Be Determined, of Official Records:

All that real property situate in the City of Sacramento, County of Sacramento, State of California, and being a portion of Lot 5, as said lot is shown and so designated on that certain Map entitled "Portion of Tullar Homestead Tract Owned by Philip Wolf, Jr., Sacramento California", filed in the office of the recorder of Sacramento County on June 7, 1898, in Book "A" of Surveys, Map No. 57, and a portion of the land Southerly of and adjacent to the South line of said Lot 5, more particularly described as follows:

Beginning at an iron pipe marking the Northwest corner of said lot 5, and the Southwest corner of Lot 7, as said lot is shown and so designated on that certain Map entitled "Love Tract", filed in the office of the recorder of Sacramento County on June 24, 1947, in Book 26 of Maps, Map No. 22; thence from said point of beginning, Easterly along the North line of Lot 5, South 70° 35' 00" East 119.33 feet to the West line of that certain parcel of land described in the Deed from Chester A. Moore, et ux, to Martine P. Cupich, et ux, filed in the office of the recorder of Sacramento County in Book 713 of Deeds, Page 522; thence, Southerly along said West line South 19° 53' 00" West 273.44 feet, more or less, to the South line of said Lot 5 and the Northeasterly line of Folsom Boulevard, a public road; thence, Northwesterly along the Northeasterly line of Folsom Boulevard North 63° 00' 00" West 39.28 feet to a point on the East line of that certain parcel of land described in the Deed from Chester A. Moore, et ux, to W.L. Young, et ux, filed in the office of the Recorder of Sacramento County in Book 56 of Official Records, Page 19, said point located South 63° 00' 00" East, along the Northeasterly line of Folsom Boulevard, 80.6 feet from the projected West line of Lot 5; thence continuing along the Northeasterly line of Folsom Boulevard, North 63° 00' 00" West 80.60 feet to a point on the Southerly projection of said Lot 5, located South 19° 35' 00" West 1.30 feet from the original Southwest corner of Lot 5; thence, North 19° 35' 00" East 1.30 feet to the Southwest corner of said Lot 5; thence, Northerly along the West line of Lot 5 North 19° 45' 10" East 256.31 feet to the point of beginning and described on that certain Certificate of Compliance for Lot Merger executed by the Department of Public Works and recorded January 25, 1995 as Book 950125, Page 1097, Official Records.

APN: 008-0341-044-0000

## **EXHIBIT F – Property Subject to this RAD Use Agreement**

### **Legal Description of Meadow Commons – 1043 43<sup>rd</sup> Avenue, Sacramento, CA 95822**

SITE A: 1043 43rd Avenue

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

Parcel No. 1:

All buildings and improvements situated on the following property, the buildings and improvements are and shall remain real property, pursuant to that certain Grant Deed dated To Be Recorded, recorded To Be Determined, as To Be Determined, of Official Records:

All that portion of Lot B of South Land Park Hills Unit No. 31; according to the official plat thereof, filed in the office of the Recorder of Sacramento County, California, on July 12, 1961, in Book 66 of Maps, Map No. 5, described as follows:

BEGINNING at the Southwest corner of said Lot B, thence from said point of beginning along the Westerly boundary of said Lot B the following three (3) courses and distances: (1) North 36° 16' 50" East 118.48 feet, (2) North 44° 12' 10" West 115.09 feet, and (3) North 51° 44' 50" East 165.17 feet; thence South 64° 06' 12" East 114.27 feet; thence South 13° 31' 16" West 305.00 feet to a point located on the Southerly boundary of said Lot B; thence along said Southerly boundary, Westerly, curving to the right on an arc of 390.19 feet radius, said arc being subtended by a chord bearing North 66° 20' 32" West 164.92 feet to the point of beginning.

Parcel No. 2:

All buildings and improvements situated on the following property, the buildings and improvements are and shall remain real property, pursuant to that certain Grant Deed dated To Be Recorded, recorded To Be Determined, as To Be Determined, of Official Records:

All that portion of 43rd Avenue and Lot C, of South Land Park Hills Unit No. 31; according to the official plat thereof, filed in the office of the Recorder of Sacramento County, California, on July 12, 1961, in Book 66 of Maps, Map No. 5, described as follows:

BEGINNING at the most Southerly corner of Lot 16 as said Lot is shown on the official plat of said South Land Park Hills Unit No. 31; thence from said point of beginning along the Southerly boundary of Lot B as said Lot is shown and so designated on the official plat of said South Land Park Hills Unit No. 31, Southerly, curving to the left on an arc of 390.19 feet radius, said arc being subtended by a chord bearing South 66° 20' 32" East 164.92 feet; thence South 13° 31' 16" West 73.56 feet; thence Westerly, curving to the right on an arc of 900.00 feet radius, said arc being subtended by a chord bearing South 79° 10' 15" West 51.82 feet; thence curving to the right on an arc of 20.00 feet radius, said arc being subtended by a chord bearing North 51° 51' 17" West 29.41 feet; thence curving to the left on an arc of 200.00 feet radius, said arc being subtended by a chord bearing North 25° 17' 43" West 141.81 feet; thence North 36° 16' 50" East 1.30 feet to the point of beginning.

APN: 029-0184-017-0000

Parcel No. 3:

All buildings and improvements situated on the following property, the buildings and improvements are and shall remain real property, pursuant to that certain Grant Deed dated To Be Recorded, recorded To Be Determined, as To Be Determined, of Official Records:

Lots 16 and 17, as shown on the official plat of South Land Park Hills Unit No. 31, according to the official plat thereof, filed in the office of the Recorder of Sacramento County, California, on July 12, 1961, in Book 66 of Maps, Map No. 5.

APN: 029-0184-001-0000 and 029-0184-002-0000

## **Exhibit 7: Federal Requirements**

### **FEDERAL REQUIREMENTS**

The following provisions shall be applicable to this Agreement and binding on Contractor and Sacramento Housing and Redevelopment Agency (Agency) only if all or part of the funds to be paid for work performed under this Agreement are provided by the United States Department of Housing and Urban Development (other than Community Development Block Grant funds) or some other funding program of the federal government. In the event of a dispute as to the applicability of any of the following provisions to Contractor's work under this Contract, Agency's decisions shall be final.

1. **DEFINITIONS.** For purposes of this contract and in addition to definitions made elsewhere in this contract, the following quoted words and phrases contained in this Contract shall have the following meanings:
  - a) The "Act" is the federal Housing and Community Development Act of 1974, as amended.
  - b) "Cost Objective" generally means a service, program, project or activity in which costs can be assigned to and measured from. See 2 CFR §200.28.
  - c) "Allocable Costs" are particular to a Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received. See 2 CFR §200.405.
  - d) "Direct costs" are those costs that can be identified specifically with a particular final cost objective or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy. See 2 CFR §200.413.
  - e) "Indirect costs" means those costs incurred for a common or joint purpose benefitting more than one cost objective and not readily assignable to the cost objectives specifically benefitted without effort disproportionate to the results achieved. See 2 CFR §§ 200.56, 200.413, and 200.414.
  - f) "Reasonable Costs" include costs that are generally recognized as ordinary and necessary for the operation or efficient performance of the contract or award and do not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. See 2 CFR §200.404.
  
2. **ANTI-KICKBACK RULES.** Monthly, or more often, Contractor must, without condition, pay the salaries of architects, draftsmen, technical engineers and technicians performing work under this Contract. Such payments shall be made without deduction or rebate, excepting only such payroll deductions as are mandatory by law or permitted by applicable regulations issued by the Secretary of Labor pursuant to the "Anti-Kickback Act" of June 13, 1937 (Title 18 U.S.C., Section 874). Contractor shall comply with all applicable "Anti-Kickback" regulations and shall insert appropriate provisions in all subcontracts covering work under this Contract to ensure compliance by subcontractors with such regulations. Contractor shall be responsible for the submission of affidavits required of subcontractors under this Contract, except for such variations or exemptions as the Secretary of Labor may specifically allow.
  
3. **WORK HOURS.** Contractor must comply with the provisions of the Contract Work Hours and Safety Standards Act (40 U.S.C. Sections 3701-3708) and must cooperate with Agency in implementing and enforcing the provisions of such Act. Among other requirements of the act, Contractor must pay not less than one and one-half times the basic rate of pay for the work of Contractor's employee in excess of eight hours in one day or forty hours in one week, in the performance of this Contract. Contractor must insert appropriate provisions in all subcontracts covering work under this Contract to ensure compliance with such Act. Contractor must meet and cooperate with Agency's Labor Compliance officer to assure compliance with such Act.
  
4. **WITHHOLDING OF SALARIES.** If, in the performance of this Contract, there is any underpayment of salaries by Contractor or by any subcontractor, Agency must withhold from Contractor out of payments due to him or her any amount sufficient to pay employees underpaid the difference between the salaries required under this Contract

to be paid and the salaries actually paid such employees for the total number of hours worked. The amounts withheld shall be disbursed by Agency for and on account of Contractor or subcontractor to the respective employees to whom they are due.

**5. CLAIMS AND DISPUTES PERTAINING TO SALARY RATES.** Claims and disputes pertaining to salary rates or to classification of architects, draftsmen, technical engineers and technicians performing work under this Contract must be promptly reported in writing by Contractor to Agency for the latter's decision which shall be final with respect thereto.

**6. EQUAL EMPLOYMENT OPPORTUNITY REQUIREMENTS:**

- i. Contractor will send to each labor union or representative of workers with whom he or she has a collective bargaining agreement or other contract or understanding, a notice to be provided by Agency, advising the labor union or workers' representative of Contractor's commitments under Section 202 of Executive order No. 11246 of September 24, 1965, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.
- ii. Contractor will comply with all provisions of Executive Order No. 11246 of September 24, 1965, and of the rules, regulations and relevant orders of the Secretary of Labor.
- iii. Contractor will furnish all information and reports required by Executive Order No. 11246 of September 24, 1965, and by the rules, regulations and orders of the Secretary of Labor, or pursuant thereto, and will permit access to his or her books, records and accounts by Agency and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations and orders.

**7. ECONOMIC OPPORTUNITY EMPLOYMENT REQUIREMENTS.** The following is applicable to all contracts related to the project which is the subject of this Contract.

- i. The work to be performed under this Contract is on a project assisted under a program providing direct federal financial assistance from the Department of Housing and Urban Development and is subject to the requirements of Section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. §1701u. Section 3 requires that, to the greatest extent feasible, opportunities for training and employment be given to lower-income residents of the project area and contracts be awarded to business concerns which are located in, or owned in substantial part by persons residing in, the area of the project.
- ii. The parties to this Contract will comply with the provisions of said Section 3 and the regulations issued pursuant thereto by the Secretary of Housing and Urban Development set forth in 24 CFR 135, and all applicable rules and orders of the Department issued thereunder prior to the execution of this Contract.
- iii. The contract requires that, to the greatest extent feasible, opportunities for training and employment be given to lower-income residents of the project area.
- iv. The parties to this Contract certify and agree that they are under no contractual or other disability which would prevent them from complying with these requirements.
- v. Contractor will send to each labor organization or representative of workers with which he or she has a collective bargaining agreement or other contract or understanding, if any, a notice advising said labor organization or workers' representative of his or her commitments under this Employment Clause and shall post copies of the notice in conspicuous places available to employees and applicants for employment or training.
- vi. Contractor will include this Employment Clause in every subcontract for work in connection with the project.

vii. Each Contractor or subcontractor undertaking work in connection with a Section 3 covered project must fulfill its obligation to utilize lower-income project area residents as employees to the greatest extent feasible by:

- (1) Identifying the number of positions in the various occupational categories including skilled, semi-skilled, and unskilled labor, needed to perform each phase of the Section 3 covered project;
- (2) Identifying the positions described in Paragraph (1) of this Section, the number of positions in the various occupational categories which are currently occupied by regular, permanent employees;
- (3) Identifying the positions described in Paragraph (1) of this Section, the number of positions in the various occupational categories which are not currently occupied by regular permanent employees;
- (4) Establishing the positions described in Paragraph (3) of this Section, a goal which is consistent with the purpose of this subpart within each occupational category of the number of positions to be filled by lower income residents of the Section 3 covered project area; and
- (5) Making a good faith effort to fill all of the positions identified in Paragraph (4) of this Section with lower income project area residents, first and foremost, through the First Source Program.
- (6) Making a good faith effort to fill the positions identified in Paragraph (4) of this Section with lower-income project area residents.

8. **DAVIS-BACON ACT.** Unless expressly indicated otherwise in this Contract, if this Contract is for construction, alteration, or repair (including painting and decorating) of public buildings or public works, Contractor must comply with the provisions of the Davis-Bacon Act (40 U.S.C. §3142) and all rules, regulations and orders promulgated under said Act. Among other provisions, said act establishes minimum wages and fringe benefits; prohibits deductions or rebates from payments; provides for the withholding of funds to assure compliance with wage provisions; and provides for the termination of this Contract and debarment of the Contractor for failure so to comply.

9. **CONFLICT OF INTEREST.** No member, officer or any employee of Contractor, or its designees or agents, who exercises any functions or responsibilities with respect to the program during his or her tenure or for one (1) year thereafter, shall have an interest, direct or indirect, in any contract or its proceeds, for work to be performed in connection with the program assisted under this Contract. Contractor must incorporate, or cause to be incorporated, in all subcontracts a provision prohibiting such interest pursuant to the purposes of this Section.

10. **DISCRIMINATION BECAUSE OF CERTAIN LABOR MATTERS.** No person employed on the work covered by this Contract shall be discharged or in any way discriminated against because he or she has filed any complaint or instituted or caused to be instituted any proceeding or has testified or is about to testify in any proceeding under or relating to the labor standards applicable to his or her employer under this Contract.

11. **RECORDS, REPORTING AND MONITORING.** Agency may monitor the adequacy of Contractor's performance in any manner which Agency deems most effective. Contractor must cooperate with Agency in such monitoring. Subrecipient must keep all necessary books and records, including loan documentation and financial records, in connection with the operation and services performed under this Contract and must document all transactions so Agency may properly audit all expenditures made pursuant to this Contract. Subrecipient must maintain and preserve all records related to this Contract in its possession for a period of three (3) years from the completion date of this Contract, unless otherwise directed by Agency. All books, records and accounts kept by Subrecipient in connection with the performance of this Contract shall be made available for inspection by representatives of the federal government and/or Agency staff as required to monitor or audit the program.

In addition to the reports specified in this Contract, Subrecipient shall retain the records required by the applicable provisions of 24 CFR §570.506 and provide the Agency with the reports required pursuant to 2 CFR §§ 200.328,

200.333, and 200.343, and such other records and reports as the Agency may reasonably require in the administration of this Contract. Subrecipient shall keep all other necessary books and records, including property, personnel, loan documentation and financial records, in connection with the operation and services performed under this Contract, in accordance with the provisions of Executive Order 11246 and 2 CFR §200.333. Subrecipient shall conduct audits in accordance with 2 CFR, Part 200, Subpart F. Subrecipient shall document all transactions sufficiently for Agency to properly monitor and audit all expenditures made pursuant to this Contract.

**12. DRUG FREE WORKPLACE.** Contractor must comply with the Drug-Free Workplace Act of 1988 (final rule published on May 25, 1990) and Agency's policies and rules promulgated under the Act. Contractor must obtain such policies and rules from the Agency

**13. RESEARCH AND DEVELOPMENT (R & D).** Funds may not be used for R & D. R & D means all research and development related activities, both basic and applied, that are performed by non-Federal entities. See 2 CFR §200.87 for additional information on R & D.

**14. COSTS.** All costs must be necessary and reasonable for the performance of the federal award and be allocable thereto under these principles per 2 CFR §§ 200.403 and 404. Classifying a particular cost as direct or indirect depends on whether it can be identified directly with a cost objective (such as a project or activity) without disproportionate effort. All costs must comply with 2 CFR Part 200, Subpart E-Cost Principles (2 CFR §§ 200.420-200.475).

The contractor may elect, but is not required, to charge for indirect costs. If the contractor chooses to charge for indirect costs, the maximum indirect cost rate is 10% (*de minimis*), unless an indirect cost rate has been previously negotiated with and approved by the agency which is the federal agency responsible for reviewing, negotiating and approving cost allocation plans or indirect cost rate proposals. The negotiated rate must be accepted by all federal awarding agencies.

**15. FOOD, TRAVEL AND ENTERTAINMENT.** Travel costs may include expenses for transportation, lodging and subsistence, and are only allowable for employees who are in travel status on official business and approved as part of this contract or with prior written approval and are specifically related to this contract. Costs must be considered reasonable and must not exceed charges allowed by contractor's Out of Town Travel Policy. See 2 CFR §200.474 for additional information on travel costs and [www.shra.org](http://www.shra.org) for the Out of Town Travel Policy.

The costs of entertainment, including amusement, diversion and social activities and any associated costs are not allowed except where specific costs that might otherwise be considered entertainment have a programmatic purpose and are authorized either in the approved budget for the federal award or with prior written approval. All entertainment costs must comply with 2 CFR §200.438. In addition, the costs of alcoholic beverages are not allowed under 2 CFR §200.423.

**16. CHANGES IN LAWS AND REGULATIONS.** In the event an applicable law or regulation is modified or eliminated, or a new law or regulation is adopted, the revised law or regulation **shall automatically supersede the contract's scope of work and any attachments. The most current exhibits, laws and regulations will be posted at [www.shra.org](http://www.shra.org).**

**17. OTHER FEDERAL REQUIREMENTS.** Agency must provide Contractor with all relevant program information regarding the federal programs having jurisdiction over this Contract. Agency must assist Contractor in the interpretation of the requirements of such programs. Contractor shall be considered to be familiar with the requirements of such programs and shall comply with such requirements.

**Exhibit 8: New Hire Form**



**NEW HIRE TRACKING SUMMARY**

**Contractor/Subcontractor:** \_\_\_\_\_

**Project Name:** \_\_\_\_\_ **Project Number:** \_\_\_\_\_

**Total number of employees who performed work on this project:** \_\_\_\_\_

You are required to furnish the following information to comply with the terms of the contract for this project. It is the responsibility of the prime contractor to collect the completed form from all subcontractors working on this project and compile the information on one form to submit for the entire project.

During the course of the project you and/or your subcontractor(s) may find the need to hire new workers. "New Hires" are defined as persons hired specifically to perform work on this project. Should "New Hires" be necessary, you are encouraged to hire Section 3 residents<sup>1</sup>. Each new hire applicant is to complete a New Hire Questionnaire at the time of applying for a position.

Collect, tally and record the following information during the course of the project (use additional sheets if necessary). This requirement applies to **all** contractors and subcontractors working on this project.

Number of new hires: \_\_\_\_\_ Number of Section 3 new hires: \_\_\_\_\_

Number of job inquiries: \_\_\_\_\_

Number of job applicants: \_\_\_\_\_ Number of Section 3 job applicants: \_\_\_\_\_

Number of Section 3 resident job offers: \_\_\_\_\_

Number of Section 3 resident hires: \_\_\_\_\_

**In the table below, please list:**

1. What trades/classifications/professions (e.g. carpenter, plumber, laborer, architect, engineer, etc.) were hired specifically for this project.
2. Total number of New Hires for each trade/classification/profession.
3. Number of New Hires that were Section 3.

TRADE/CLASSIFICATION/PROFESSION	TOTAL NEW HIRES	SECTION 3 NEW HIRES

I declare that the above is true and correct to the best of my knowledge.

\_\_\_\_\_  
**Signature**

\_\_\_\_\_  
**Print Name and Title**

\_\_\_\_\_  
**Date**

<sup>1</sup>See 24 CFR §135.38 Section 3 Clause



## SECTION 3 CLAUSE

**(1) 24 CFR §135.38 Section 3 clause.** All Section 3 covered contract shall include the following clause (referred to as the Section 3 Clause):

- A. The work to be performed under this contract is subject to the requirements of section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. 1701u (Section 3). The purpose of Section 3 is to ensure that employment and other economic opportunities generated by HUD assistance or HUD-assisted projects covered by Section 3, shall, to the greatest extent feasible, be directed to low- and very low-income persons, particularly persons who are recipients of HUD assistance for housing.
- B. The parties to this contract agree to comply with HUD's regulations in 24 CFR part 135, which implement Section 3. As evidenced by their execution of this contract, the parties to this contract certify that they are under no contractual or other impediment that would prevent them from complying with the part 135 regulations.
- C. The contractor agrees to send to each labor organization or representative or workers with which the contractor has a collective bargaining agreement or other understanding, if any, a notice advising the labor organization or workers' representative of the contractor's commitments under this Section 3 clause, and will post copies of the notice in conspicuous places at the work site where both employees and applicants for training and employment positions can see the notice. The notice shall describe the Section 3 preference, shall set forth minimum number and job titles subject to hire, availability of apprenticeship and training positions, the qualifications for each; and the name and location of the person(s) taking applications for each of the positions; and the anticipated date the work shall begin.
- D. The contractor agrees to include this Section 3 clause in every subcontract subject to compliance with regulations in 24 CFR part 135, and agrees to take appropriate action, as provided in an applicable provision of the subcontract or in this Section 3 clause, upon a finding that the subcontractor is in violation of the regulations in 24 CFR part 135. The contractor will not subcontract with any subcontractor where the contractor has notice or knowledge that the subcontractor has been found in violation of the regulations in 24 CFR part 135.
- E. The contractor will certify that any vacant employment positions, including training positions, that are filled (1) after the contractor is selected but before the contract is executed, and (2) with persons other than those to whom the regulations of 24 CFR part 135 require employment opportunities to be directed, were not filled to circumvent the contractor's obligations under 24 CFR part 135.
- F. Noncompliance with HUD's regulations in 24 CFR part 135 may result in sanctions, termination of this contract for default, and debarment or suspension from future HUD assisted contracts.
- G. With respect to work performed in connection with Section 3 covered Indian housing assistance, section 7(b) of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450e) also applies to the work to be performed under this contract. Section 7(b) requires that to the greatest extent feasible (i) preference and opportunities for training and employment shall be given to Indians, and (ii) preference in the award of contracts and subcontracts shall be given to Indian organizations and Indian-owned Economic Enterprises. Parties to this contract that are subject to the provisions of Section 3 to the maximum extent feasible, but not in derogation of compliance with section 7(b).

**CONSTRUCTION AND PERMANENT LOAN AGREEMENT  
RAD 1  
SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY  
4500 PERRY AVENUE, SACRAMENTO, CA 95820 (APN 022-0052-011-0000 AND 022-0052-012-0000)  
4930 EL PARAISO AVENUE, SACRAMENTO, CA 95824 (APN 037-0224-047-0000)  
8223 WALERGA ROAD, ANTELOPE, CA 95843 (APN 203-0070-041-0000)**

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

1. **LOAN.** The Lender is making the Loan pursuant to the terms and conditions of this Loan Agreement. Lender and Borrower have entered this Loan Agreement as of the Effective Date.
2. **DEFINITIONS TABLES.** The capitalized terms in this Loan Agreement shall have the meanings assigned in the following Definitions Tables and in Section 3 Definitions. Terms being defined are indicated by quotation marks. If an item in this table is marked “None”, “Not Applicable”, “N/A” or equivalent or is left blank, that defined term is not applicable to this Loan or the referenced item is not required or is not included in this Loan as the context may indicate.

A. “LOAN INFORMATION” The general loan provisions of the Loan:	
“EFFECTIVE DATE”	_____, 2020   Being the date as of which this Loan Agreement shall be effective.
“LENDER”	The following public agency that is making the Loan, and whose legal status and address are:
Name	Sacramento Housing and Redevelopment Agency
Legal Status	A public body, corporate and politic
Principal Address	801 12 <sup>th</sup> Street, Sacramento, California 95814
“BORROWER”	The borrower of the Loan funds whose name, legal status and address are:
Name	RAD Pilot LP
Legal Status	A California limited partnership
Principal Address	c/o 801 12th Street, Sacramento, California 95814
“LOAN”	The Loan made by this Loan Agreement.
“LOAN PROGRAM”	Lender’s Loan Program, commonly known as   County HOME Investment Partnerships Program (HOME)
“LOAN AMOUNT”	Nine Hundred Fifty Thousand Dollars and No Cents (\$950,000)
“INTEREST RATE”	The interest rate is 3% per year, simple interest.
“PAYMENT START DATE”	The first day of the 40th calendar month following the Effective Date of this Loan Agreement: May 1, 2023. See Special Terms.
“MATURITY DATE”	The first day of the 684th calendar month following the Effective Date: February 1, 2077.
“PAYMENT SCHEDULE”	Annual payments of Residual Receipts in accordance with the Note. The unpaid balance of the Note is due and payable on the Maturity Date, including without limitation all unpaid principal, interest, fees and charges.  Within six (6) months following completion of construction, Borrower shall submit to Lender a cost certification prepared by a qualified, independent auditor reasonably acceptable to Lender, which cost certification shall indicate the amounts actually spent for each item in the cost breakdown. If there is an aggregate savings in the total of all such cost breakdown items from the cost breakdown items in the original Budget approved by the Lender, the Lender shall withhold for itself as Loan repayment, one-half of such savings from the amount of retention then held by the Lender, and the Loan balance shall be reduced by the amount so withheld. The Lender, in its sole but reasonable discretion, shall determine any reduction and/or repayment of the Loan based upon this cost certification and the original approved Budget for the Project.
“BORROWER EQUITY”	Six Million Six Hundred Thousand Dollars and No Cents (\$6,600,000.00) is the minimum amount of cash or cash equivalent (excluding land equity or other

	<p>non-cash investment in the Project) that Borrower is investing in the Project.</p> <p>No less than Three Hundred Sixty Thousand Dollars and No Cents (\$360,000.00) is the Borrower’s non-cash contribution to the Project (such as deferred Developer fees).</p>
<p>“SPECIAL TERMS”</p>	<p><b>ANNUAL REPAYMENT:</b> Annual principal and interest payments shall be deferred from the Loan’s Effective Date through the first 39 months. Beginning in month 40, May 1, 2023, annual payments will be made on a Residual Receipts, as defined below, basis until the maturity date. Annual payments shall be applied first to outstanding interest accrued and unpaid and then to principal.</p> <p>“Residual Receipts” is defined as follows: May 1, 2023, annual installments (as described in Sections [f] through [l] of this paragraph) are to begin. Based on the annual audited financial statement from the preceding year, payments will be made upon a “Residual Cash Flow” basis meaning Net Operating Income (NOI) less:</p> <ul style="list-style-type: none"> <li>(a) Debt service on the senior loan</li> <li>(b) Monitoring fees to the County of Sacramento Housing Authority on the mortgage revenue bond issuance;</li> <li>(c) If applicable, to the limited partner for any amounts owed to the limited partner pursuant to the Borrower’s Amended and Restated Partnership Agreement;</li> <li>(d) Asset management fees up to \$8,000 annually as of the Loan’s Effective Date escalating at 3% annually;</li> <li>(e) Partnership management fee up to \$8,000 annually as of the Loan’s Effective Date escalating at 3% annually;</li> <li>(f) Deferred developer fee;</li> </ul> <p>After Sections (a) through (f) of this paragraph are paid,</p> <ul style="list-style-type: none"> <li>(g) Fifty percent (50%) of the available cash flow from NOI to the Housing Authority of the City of Sacramento Construction and Permanent Loan, divided equally first to the Capital Funds Note, then to Cash Proceeds Note, including principal and interest, and</li> <li>(h) Fifty percent (50%) of the available cash flow from NOI to the Housing Authority of the County of Sacramento Construction and Permanent Loan, divided equally first to the Capital Funds Note, then to Cash Proceeds Note, including principal and interest;</li> </ul> <p>After Sections (a) through (h) of this paragraph are paid,</p> <ul style="list-style-type: none"> <li>(i) Fifty percent (50%) of the available cash flow from NOI to the Housing Authority of the County of Sacramento Seller Carryback Loan (Improvements), and</li> <li>(j) Fifty percent (50%) of the available cash flow from NOI to the Housing Authority of the City of Sacramento Seller Carryback Loan (Improvements);</li> </ul> <p>After Sections (a) through (j) of this paragraph are paid,</p> <ul style="list-style-type: none"> <li>(k) One hundred percent (100%) of the available cash flow from NOI to Sacramento Housing and Redevelopment Agency Construction and Permanent Loan;</li> </ul> <p>After Sections (a) through (k) of this paragraph are paid,</p> <ul style="list-style-type: none"> <li>(l) Fifty percent (50%) of the available cash flow from NOI to the Housing Authority of the County of Sacramento Ground Lease, and</li> <li>(m) Fifty percent (50%) of the available cash flow from NOI to the Housing Authority of the City of Sacramento Ground Lease.</li> </ul> <p>The Net Operating Income is defined as periodic “Revenue” less “Operating Expenses.” “Revenue” means all revenue from the leasing of the Project, including but not limited to all rents, fees, and charges paid by tenants as well as rental subsidy payments regardless of the source of these subsidies, forfeited tenant deposits, rent increases, proceeds from vending machines and laundry room machines. Revenue shall not include tenants’ security deposits (unless forfeited), interest on those deposits, loan proceeds, capital contributions or similar advances, or amounts released from reserves or interest on reserves.</p> <p>“Operating Expenses” shall mean actual costs, fees and expenses as evidenced by invoices attributable to the operation, recordkeeping, maintenance, taxes and management of the Project, including property management fees; taxes and assessments; payroll, benefits and payroll taxes of for property employees; security; painting, cleaning, repairs, and alterations; landscaping; sewer charges; utility</p>

	charges; advertising, promotion and publicity; cable television, satellite and other similar services; office, janitorial, cleaning and building supplies; recreational amenities and supplies; purchase, repair, servicing and installation of appliances; costs and expenses associated with the provision of social and/or community services to the residents of the Project; equipment, fixtures and furnishing; fire alarm and elevator monitoring; fees and expenses of accountants, attorneys, consultants and other professionals. The definition will include deposits into operating and/or replacement reserves maintained by the Borrower but will not include initial deposits to capitalize the reserve accounts or amounts expended from a reserve account, or capital costs.	
	Principal and interest due in full upon refinance, sale or end of Term.	
“PROJECT”	Which is the Project to be developed on the Property with the Loan funds, described as:	<p>4500 Perry Avenue in the unincorporated County of Sacramento. There are five buildings on approximately 0.54 acres that provide ten (10) three-bedroom units, a laundry facility and 17 on-site parking spaces.</p> <p>4930 El Paraiso Avenue in the unincorporated County of Sacramento. There are ten buildings on approximately 2.61 acres that provide 36 one-bedroom units, a community room, laundry facility and 56 on-site parking spaces.</p> <p>8223 Walerga Road in the unincorporated County of Sacramento. There are four buildings on approximately 1.89 acres that provide 24 three-bedroom units, community room, laundry facility and 50 on-site parking spaces.</p>

**B. “COLLATERAL”** The Collateral securing repayment of the Loan, which Collateral consists of the following:

“PROPERTY”	Property means the following described real property, Borrower's interest in which is security for the Loan, together with all “Personalty”, which means all of Borrower's interest in all accounts, contract rights, and general intangibles (specifically including any insurance proceeds and condemnation awards) arising out of the ownership, development, or operation of the Property, and all furniture, furnishings, equipment, machinery, construction materials and supplies, leasehold interests in personal property, together with all present and future replacements, substitutions, and additions, and the cash and noncash proceeds of the Property.	
Address and Assessor's Parcel Number (APN)	4500 Perry Avenue, Sacramento, Ca 95820 (APN 022-0052-011-0000 and 022-0052-012-0000) 4930 El Paraiso Avenue, Sacramento, Ca 95824 (APN 037-0224-047-0000) 8223 Walerga Road, Antelope, Ca 95843 (APN 203-0070-041-0000)	
“Legal Description”	The Property is situated in the State of California, County of Sacramento, and is more particularly described in <b>Exhibit 1: Legal Description</b> attached and incorporated by reference.	
Borrower's Title Interest	Borrower has a leasehold interest in the Land and fee interest in the Improvements or, if the Additional Escrow Instructions so indicate, Borrower will acquire such interests in the Property at Close of Escrow.	

**C. “ESCROW INFORMATION”:**

“Title Company” and “Escrow Agent”	Placer Title Company	Which is the title company that will issue the Title Policy and that will act as Escrow Agent for the Escrow
“Escrow”	The escrow with Escrow Agent	
“Closing Date”	_____, 2020 or mutually agreed upon date	Which is the date for close of the Escrow, as it may be extended

**D. “LIST OF EXHIBITS”** (The following are attached and incorporated in this Loan Agreement):

EXHIBIT	DEFINED TERM
<u>Exhibit 1: Legal Description</u>	“Legal Description”
<u>Exhibit 2: Scope of Development</u>	“Scope of Development”
<u>Exhibit 3: Promissory Note Form</u>	“Note”
<u>Exhibit 4: Trust Deed Form</u>	“Trust Deed”

<u>Exhibit 5: Escrow Instructions</u>	“Escrow Instructions
<u>Exhibit 6: Regulatory Agreement</u>	“Regulatory Agreement”
<u>Exhibit 7: RAD Use Agreement</u>	“RAD Use Agreement”
<u>Exhibit 8: Federal Requirements</u>	“Federal Requirements”
<u>Exhibit 9: New Hire Form</u>	“New Hire Form”

**E. “APPROVAL DOCUMENTS”** Borrower shall submit the following documents for Lender approval:

Construction Agreements for the Project
Borrower’s organizational documents, such as partnership agreements or corporate articles and by-laws
“Budget” for the Project
Evidence of financing
Plans and Specifications as defined in Section 3 of this Loan Agreement
Relocation Plan

**F. “ASSIGNED DOCUMENTS”** Borrower shall assign the following documents to Lender:

Construction Contract
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**G. “CONSTRUCTION INFORMATION”:**

“Completion Date”	January 31, 2022	Which is the date on or before which the Completion of the Project must occur.	
“General Contractor”	Precision General Commercial Contractors	Which is the general contractor for construction of the Project	
“Retention”	The following percentage, which shall be retained by Lender for disbursement with the final disbursement of the Loan:	Percentage of Loan:	Ten Percent (10%)

**H. “SPECIAL PROVISIONS”** The following special provisions shall be in addition to the provisions of this Loan Agreement:

1. Loan funds shall be used solely for actual costs of Project construction. No Loan funds shall be used for predevelopment costs, except as provided in an approved Lender budget. Unless otherwise noted in said budget, predevelopment costs are not subject to the withholding as Retention.
2. Borrower shall secure financing in the amount of approximately \$12,500,000 in bond proceeds from the Housing Authority of the County of Sacramento.
3. Lender acknowledges and consents to NEF Assignment Corporation, as nominee, an Illinois not-for-profit corporation, whose address is 10 South Riverside Plaza, Suite 1700, Chicago, IL 60606, Attention: General Counsel, as “Tax Credit Limited Partner” of Borrower. Said limited partner may transfer its interests to any other third party, so long as such change does not affect the identity, powers or duties of the Borrower’s general partners or the ability of the limited partners to change the general partner or its powers.
4. Lender shall give copies of notices required to be delivered to Borrower to Tax Credit Limited Partner at its address stated above; provided, however that Borrower acknowledges that such notice is an accommodation and the failure of the Lender to properly deliver any such notice shall not give rise to any claims or defenses of Borrower or any third party.
5. The Lender has approved Housing Authority of the County of Sacramento as the qualified property management company for the Project.
6. Annual Administrative Fee: The Borrower agrees to pay an Annual Administrative Fee (Fee) to Agency as compensation for monitoring compliance with regulatory restrictions and the administration of the Loan. Borrower shall pay annually a Fee equal to \$100 for each HOME assisted unit. Fee payments commence on the Closing Date for the prorated semiannual period from the Closing Date to and including June 30, 2020, and in equal semiannual installments in advance on each January 1 and July 1 of each year thereafter throughout the Loan Term.

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

3.1. “Budget” is the budget approved by Lender for the development of the Project.

3.2. “California Environmental Quality Act” or “CEQA” is established in the California Public Resources Codes § 21000 et seq. and is applicable to private activities requiring discretionary governmental approvals (Pub. Res. Code §210001.1, 21001, 21080 and 14 California Code of Regulations (CCR) § 15002(c).

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

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

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

3.6. “Environmental Review” means the investigation and analysis of the Project’s impacts on the environment as may be required by CEQA and/or National Environmental Policy Act (NEPA), or of the Project’s impacts on any species of plant or animal listed as a species of concern, or a threatened or endangered species under California or federal laws or regulations.

3.7. “Escrow” is the escrow with Title Company for the closing of the Loan.

3.8. “Escrow Instructions” means the Escrow Instructions for the Escrow signed by each of the parties to this Loan Agreement.

3.9. “Event of Default” is breach of or default in a party’s obligations under this Loan Agreement, the Trust Deed, the Regulatory Agreement, the RAD Use Agreement, the Note and any other instrument which is incorporated in this Loan Agreement or which otherwise secures the repayment of the Loan.

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

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

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

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

3.14. “Governmental Requirement” means any law, ordinance, order, rule, regulation, plan, ruling, determination or requirement of a Governmental Authority.

3.15. “HUD” means the United States Department of Housing and Urban Development.

3.16. “Improvements” means the improvements on the Property.

3.17. “Loan” is the loan from Lender to Borrower made pursuant to this Loan Agreement.

3.18. “Loan Agreement” means this Construction and Permanent Loan Agreement, all exhibits attached to this Loan Agreement (which are incorporated in this Loan Agreement by this reference), and the Loan Documents which are not otherwise included in this definition.

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

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

3.21. “Loan Proceeds” means funds disbursed by Lender on account of the Loan and pursuant to this Loan Agreement.

3.22. “Mitigation Measure(s)” means those feasible measures, actions, or features that are to be incorporated into the Project in order to avoid or substantially reduce the Projects significant impact on the environment.

3.23. “National Environmental Policy Act” or “NEPA” contains the federally required procedures to review and analyze the effect and impact of the Project on the environment as applied to the Project under 24 Code of Federal Regulations Parts 50 and 58 et seq.

3.24. “Note” means that certain promissory note evidencing the Loan and attached hereto as Exhibit 3.

3.25. “Other Lender Draw” means a draw request or other request for disbursement submitted to another lender for the Project.

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

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

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

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

3.30. "RAD" means Rental Assistance Demonstration (RAD) which allows public housing agencies (PHAs) and owners of HUD-assisted properties to convert units to project-based Section 8 programs, providing an opportunity to invest billions into properties at risk of being lost from the nation's affordable housing inventory.

3.31. "RAD Use Agreement" means that certain Rental Assistance Demonstration Use Agreement entered into by and among Lender, Borrower, and HUD specifying the affordability and use restrictions governing the Project under the RAD Program, and recorded against the Lender's fee interest in the Leased Premises and the Lessee's leasehold interest in the Leased Premises.

3.32. "Regulatory Agreement" means that certain Regulatory Agreement entered into by and between Lender and Borrower specifying the affordability and use restrictions governing the Project and the HOME Investment Partnership Program, and recorded against the Lender's fee interest in the Leased Premises and the Lessee's leasehold interest in the Leased Premises.

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

3.34. "Senior Lender" means the maker of a Senior Loan.

3.35. "Senior Loan" has the meaning given in Section 5.4 of this Loan Agreement.

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

3.37. "Trust Deed" means that certain Deed of Trust and Assignment of Rents between Lender, as trustor, Borrower, as beneficiary, and trustee which secures the Note and is attached hereto as Exhibit 4.

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

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

4.1. **LEGAL ORGANIZATION.** Borrower is duly formed and validly exists in the form stated in Section 2 hereof, is qualified to do business in California, and has full power to consummate the transactions contemplated.

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



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

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

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

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

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

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

4.9. **TITLE OF PERSONALTY.** All Personalty is vested solely in Borrower, free of all claims, liens, and encumbrances, and the security interest of Lender in the Personalty shall be subordinate to the lien of the Security Instrument (the "Security Instrument") as defined in the Project Loan Agreement dated as of \_\_\_\_\_ day of \_\_\_\_\_, 2020, among the Lender, the Borrower and U.S. Bank National Association, as Fiscal Agent (the "Project Loan Agreement").

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

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

4.12. **PLANS AND SPECIFICATIONS.** The Plans and Specifications are satisfactory to Borrower and the General Contractor and have been approved by the Lender and all other construction lenders. There are no structural defects in the Project as shown in the Plans and Specifications that are known to or reasonably should have been known to Borrower or its agents and employees, and to the best of Borrower's knowledge, no violation of any Governmental Requirement exists.

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

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

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

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

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

5.4. **CLOSING IN ADVANCE OF SENIOR LOAN.** Lender will subordinate this Loan to the Senior Loan, provided that the Senior Loan does not require modification of this Loan Agreement or Lender's entering into any agreements containing new or modified Loan terms. Such subordination shall be pursuant to Prudential/Freddie Mac Loan then current form subordination agreement. "Senior Loan" means (1) a construction loan (the "Construction Loan") from Wells Fargo, N.A. ("Bank") in the approximate amount of Twelve Million Five Hundred Thousand Dollars and No Cents (\$12,500,000.00) funded with tax-exempt bonds issued by the Housing Authority of the County of Sacramento (the "Bonds"); and (2) a permanent loan from the Housing Authority of the County of Sacramento (the "Tax Exempt Loan") using proceeds from a separate loan made by Prudential Affordable Mortgage Company, LLC, or affiliate, which will be purchased by Freddie Mac, in the approximate amount of Three Million Two Hundred Forty-Two Thousand Three Hundred Dollars and No Cents (\$3,242,300.00), (the "Prudential/Freddie Mac Loan"); and that certain loan from Lender to Borrower evidenced by a Project Note given by Borrower to Lender and secured by a Multifamily Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing given by Borrower to Lender, as assigned to U.S. Bank National Association, as Fiscal Agent, or the Permanent Loan.

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

5.6. **REGULATORY AGREEMENT AND RAD USE AGREEMENT.** The Regulatory Agreement and RAD Use Agreement imposing covenants, conditions and restrictions running with the land is a material consideration for the making of the Loan. Borrower shall execute the Regulatory Agreement and RAD Use Agreement prior to Close of Escrow and deliver it to Escrow for recordation. The Regulatory Agreement and RAD Use Agreement shall both be recorded in senior position to all other liens.

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

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

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

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

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

**6.3. CONDITIONS TO BORROWER'S PERFORMANCE.** Borrower's obligation to perform under this Loan Agreement is subject to satisfaction of all of the following conditions: (a) the closing conditions as defined in the Escrow Instructions have been fulfilled as of Close of Escrow; (b) Lender has met the Conditions to Close of Escrow, (c) 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 (d) the Loan Agreement continues to be in full force and effect, no default on the part of Lender has occurred under the Loan Agreement, and no event has occurred that, with the giving of notice or the passage of time, will constitute a default by Lender under the Loan Agreement.

**7. RELOCATION.** Lender is required by law to provide relocation services and make relocation payments to eligible tenants that are displaced as a result of the Project. Borrower shall comply fully with all relocation laws that are the obligation of Lender or are otherwise applicable to the Project. Borrower's compliance with the relocation requirements as stated in this Section 7 is a material element of this Loan. Borrower's failure to comply with the relocation requirements as stated in this Section 7 is an Event of Default, subject to Borrower's opportunity to cure in accordance with applicable law.

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

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

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

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

**9. CONSTRUCTION.** As a condition of the Loan, Borrower will diligently proceed with construction in accordance with the Scope of Development as approved by Lender. Borrower shall complete such work on or before the Completion Date, subject to Unavoidable Delay.

**9.1. CHANGES.** In order to assure sufficient funding for the Project, Borrower shall not authorize any Change without the prior written consent of Lender. If in the judgment of Lender, a Change, together with all other Changes contemplated or previously approved by Lender, will cause an increase in the cost of the Project in excess of the contingency reserve identified in the Budget, then Borrower will, as a condition precedent to Lender's consent,

provide Lender with proof that the contingency reserve has been increased as necessary to pay for all such Changes. Borrower will submit any such Change to Lender for approval on a form acceptable to Lender, together with approvals by the Project architect, if any, and the General Contractor. Borrower shall maintain funds available in the contingency reserve that are in substantially the same percentage of the original contingency reserve as the percentage of the Project then remaining to be completed.

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

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

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

**9.3.2. ECONOMIC OPPORTUNITY EMPLOYMENT REQUIREMENTS.** This Loan requires that to the greatest extent feasible, opportunities for training and employment be given to lower income residents in and around the area of the project. Borrower will instruct its General Contractor and its subcontractors to utilize lower income project area residents as employees to the greatest extent feasible:

- (1) Identifying the number of positions in the various occupational categories including skilled, semi-skilled, and unskilled labor, needed to perform each phase of phase of the Project;
- (2) Identifying the positions described in Paragraph (1) of this Section, the number of positions in the various occupational categories which are currently occupied by regular, permanent employees;
- (3) Identifying the positions described in Paragraph (1) of this Section, the number of positions in the various occupational categories which are not currently occupied by regular permanent employees;
- (4) Establishing the positions described in Paragraph (3) of this Section, a goal which is consistent with the purpose of this subpart within each occupational category of the number of positions to be filled by lower income residents of the Section 3 covered project area; and
- (5) Making a good faith effort to fill all of the positions identified in Paragraph (4) of this Section with lower income project area residents, through the First Source Program, Greater Sacramento Urban League, Sacramento Works, Sacramento Employment Training Agency, or similar local workforce agencies.

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

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

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

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

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

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

9.6. **PAYMENT AND PERFORMANCE BONDS.** As a condition precedent to beginning construction of the Project, the Borrower shall provide the Lender a performance bond and a labor and material payment bond obtained by Borrower or its general contractor in favor of the Borrower and Lender as named dual obligees, in form and amount as approved by the Lender and securing, respectively, completion of the work and payment of all labor and material suppliers and subcontractors for the work as stated in the construction contract for the Project. The bonds shall be written with a surety listed as acceptable to the federal government on its most recent list of sureties. Borrower shall assure compliance with all requirements of the surety. Borrower shall permit no changes in the work to be performed by the general contractor and shall make no advance payments to the general contractor without prior written notice to the surety and the Lender, if such change or payment could release the surety of its obligations under the bonds.

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

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

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

9.10. **PREVAILING WAGES.** In accordance with Labor Code Section 1720(c)(6)(E)), so long as the public subsidy for the Project consists of below market rate loans, and the Project restricts occupancy on at least 40% of the

units for at least 20 years to individuals or families earning no more than 80% of the area median income, the Project is not subject to prevailing wages. Borrower represents to Lender that Borrower has obtained no public subsidy for the Project that does not meet such criteria. If Borrower takes any actions which would otherwise require the payment of prevailing wages, Developer shall pay prevailing wages for the Project. Therefore, Developer indemnifies, holds harmless and defends the Lender from all additional wages, benefits, fees, penalties, fines, legal fees, court costs, arbitration costs, and other costs arising from the improper application of California prevailing wage laws to the Project by Developer or Contractor or both of them.

This Project is funded with federal funds, specifically the Capital Fund, therefore, Borrower shall comply with Davis-Bacon prevailing wage requirements as described in the Federal Requirements.

## **10. LOAN DISBURSEMENT PROCEDURES.**

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

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

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

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

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

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

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

**10.2. CONDITIONS PRECEDENT TO FIRST DISBURSEMENT.** Borrower's request for the first disbursement of Loan Proceeds (the "First Disbursement") is a representation and warranty by Borrower that there has been no material adverse change in Borrower's financial capacity or in any representation made to Lender in Borrower's application for the Loan or Borrower's supporting documentation. Lender shall make the First Disbursement when the following conditions precedent and the conditions precedent stated in Section 10.1 have been met:

10.2.1. There is no legal action threatened or pending against Borrower or affecting the Property;

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

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

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

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

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

**10.3. CONDITIONS PRECEDENT TO FINAL DISBURSEMENT.** Lender shall make the final loan disbursement under this Loan Agreement when the following conditions precedent and the conditions precedent stated in Section 10.1 have been met:

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

- a. That the Project has been duly completed in a good and proper manner using sound, new materials;
- b. That the Project complies with the Plans and Specifications, the requirements of all Governmental
- c. Authorities and any other party having enforceable rights regarding the construction of the Project; and
- d. That the Project is structurally sound.

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

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

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

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

- a. The General Contractor and subcontractors and material suppliers and their subcontractors and material suppliers have been paid in full;
- b. Borrower has obtained final permit sign-offs for all of the Project;
- c. All other permits and approvals necessary for the construction, equipping, management, operation, use, or ownership of the Project have been obtained, subject only to those conditions approved by Lender; and
- d. The completed Project complies with all applicable zoning regulations, subdivision map acts, building code provisions, and similar governmental laws and regulations, and has all utilities and adequate ingress and egress from public streets, that evidence to be in the form of a certificate executed by Borrower in favor of Lender.

10.3.6. That Borrower has provided to Lender an inventory showing make, model, value, cost, and location of all furniture, fixtures, and equipment and other personal property used in the management, maintenance, and operation of the Project, that are included in the collateral for the Loan.

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

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

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

10.4. **MAKING DISBURSEMENT.** Lender shall pay each disbursement request within twenty (20) business days after the disbursement request is submitted to Lender, subject to fulfillment of the conditions precedent as stated in Section 10.1. Lender shall disburse the actual cost of the work represented in the disbursement request by Borrower, reduced by the cost of work included in the request and not satisfactorily completed and by the amount of the Retention to be withheld.

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

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

10.7. **APPROVAL OF OTHER LENDER DRAW AND DISBURSEMENTS.** Borrower shall concurrently submit to Lender each Other Lender Draw. Delivery of such Other Lender Draw shall be made in the same manner as any other notice, except that it shall also be marked "OTHER LENDER DRAW REQUEST" and delivered to the person named in writing by the Lender as the recipient of such requests or, in the absence thereof, to the Lender's Portfolio Management office.

Borrower shall provide Lender with true, accurate and correct copies of each Other Lender Draw, including without limitation all supporting information, documents, and other required submittals.

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

## 11. RESIDENTIAL OPERATIONS.

11.1. **PROPERTY MANAGEMENT COMPANY.** The Borrower agrees that at all times the Project shall be managed by a property manager (i) approved by the Lender in its reasonable discretion and (ii) who has successfully managed



at least five projects over forty units in size and subject to a recorded regulatory agreement or RAD Use Agreement for at least three years' prior to the application, without any record of material violations of discrimination restrictions or other state or federal laws or regulations or local governmental requirements applicable to such projects (the "Manager"). The Borrower shall submit to the Lender from time to time such information about the background, experience and financial condition of any existing or proposed Manager as the Lender may reasonably require to determine whether such Manager meets the requirements for a Manager set forth herein. The Lender reserves the right to conduct periodic reviews of the management practices of the Manager to determine if the Project is being operated and managed in accordance with the requirements and standards of this Loan Agreement. The Borrower agrees to cooperate with the Lender in such reviews.

If the Lender determines in its reasonable judgment that the Project is not being operated and managed in accordance with one or more of the material requirements or standards of this Loan Agreement, the Lender may deliver notice to the Borrower requesting replacement of the Manager, which notice shall state clearly the reasons for such request. The Borrower agrees that, upon receipt of such notice, the Borrower shall within 60 days submit to the Lender, a proposal to engage a new Manager meeting the requirements of this provision. The Lender shall respond within 30 days to such proposal or such approval shall be deemed given. Upon receipt of such consent or deemed consent, the Borrower shall promptly terminate the existing Manager's engagement and engage the new Manager. In addition, all management agreements between the Borrower and Manager shall include a clause alerting the Manager that Lender may require Borrower to terminate the management agreement for the aforementioned reasons.

The Borrower shall not enter into any management agreement or arrangement with any party with respect to the management of the Project without the Lender's prior written consent, such consent not to be unreasonably withheld or delayed. The Borrower shall not materially modify, amend or terminate any approved management agreement (other than as required to comply with the terms of this Loan Agreement and/or applicable law) without the Lender's prior written consent, which consent will not be unreasonably withheld or delayed; provided, however, that such consent shall not be required to extend the term of an existing management agreement.

**11.2. REPLACEMENT RESERVES.** Borrower shall maintain reserves for replacement and repairs required to be made to the Property, fixtures on the Property or personal property used on the Property, or otherwise as approved by Lender, in an amount, at all times, not less than Three Hundred Dollars (\$300) for each residential unit in the Project

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

**11.4. SECURITY AND LIGHTING.** Project shall include a security camera system approved by Lender and lighting adequate to properly illuminate the parking area and all common spaces. In addition, Project will include security patrol, if necessary.

**11.5. RESIDENT SERVICES PLAN:** Borrower shall provide resident service based on the needs of the residents. Services should include the Family Self-Sufficiency or other similar program, education, financial literacy, health, enrichment, and training and job opportunities.

**11.6. SMOKE FREE ENVIRONMENT.** At least 50% of the buildings and no less than 50% percent of the residential units must be smoke free. Additionally, all indoor common areas must be smoke free.

## **12. DEFAULT**

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

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

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

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

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

12.1.5. Borrower's failure to complete the construction of the Project by the Completion Date, subject to Unavoidable Delay.

12.1.6. The filing of any lien against the Property or Project or the service on Lender of any bonded stop notice related to the Loan, if the claim of lien or bonded stop notice continues for sixty (60) days without discharge, satisfaction, or the making of provision for payment (including bonding) to the satisfaction of Lender.

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

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

### 13. REMEDIES

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

13.1.1. Terminate its obligation to make disbursements.

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

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

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

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

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

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

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

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

14.1. **LIABILITY INSURANCE POLICY LIMITS.** Borrower shall obtain all insurance under this Section 14 written with a deductible of not more than ONE HUNDRED THOUSAND DOLLARS (\$100,000) or an amount approved by Lender, and for limits of liability which shall not be less than the following:

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

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

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

**14.5. PROPERTY INSURANCE.** For the duration of the RAD Use Agreements, Borrower shall obtain and maintain property insurance in ISO policy form CP 10 30 - Building and Personal Property Coverage - Causes of Loss - Special Form, to the full insurable value of the Property with no coinsurance penalty (and with endorsements of Builder's Risk until completion of construction of the Project), Boiler and Machine to the extent necessary to obtain full insurance coverage, and with such other endorsements and in such amounts as the Lender may reasonably require to protect the Project and the Property. In the event of damage to the Project and subject to the requirements of Lender, Borrower shall use the proceeds of such insurance to reconstruct the Project and the public improvements.

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

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

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

**14.6.3. CERTIFIED POLICY COPY.** Borrower shall provide Lender with a certified copy of each required policy of insurance, upon request by Lender. Borrower shall provide Lender with a Certificate of Insurance of Insurance for each policy on the applicable ACORD form. And, specific sections of the policy may be requested by Lender for review. The ACORD form shall not substitute for the policy, if the policy is requested. The most current ACORD 25-S "Certificate of Liability Insurance shall be used for liability insurance.

a) **CANCELLATION.** Each policy shall bear an endorsement precluding cancellation or termination of the policy or reduction in coverage unless the Lender has been given written notice of such intended action at least thirty (30) days prior to its effective date. In the alternative to such endorsement, Borrower will provide the Lender with the cancellation clause and/or any amendatory endorsements that modify or change the policy cancellation clause of the insurance policies in force. It is the Borrower's responsibility to notify the Lender of any notice of cancellation, non-renewal or non-payment of premium in accordance with your policy provisions. In the event insurance is cancelled or not renewed, the Borrower shall notify the Lender within forty-eight (48) hours of such cancellation or non-renewal.

\_\_\_\_\_ **Borrower's Initials**

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

**14.8. BLANKET COVERAGE.** Borrower's obligation to carry insurance as required under this Section 16 may be satisfied by coverage under a "blanket" policy or policies of insurance (as the term is customarily used in the insurance industry); provided, however, that the Lender shall nevertheless be named as an additional insured under such blanket policy or policies to the extent required by this Section, the coverage afforded the Lender will not be reduced or diminished thereby, and all of the other requirements of this Section 14 with respect to such insurance shall otherwise be satisfied by such blanket policy.

## 15. MISCELLANEOUS.

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

15.2. **CURE BY PARTY OTHER THAN BORROWER.** Any lender whose loan is secured by the property, including any assignee of the Project Loan Agreement and Security Instrument, and any principal or limited partner of Borrower may cure a default of the Loan, provided that such cure rights shall be the same as Borrower's cure rights. Such other curing party must cure by the date on which Borrower was obligated to cure, except if Lender is obligated by this Loan Agreement to give separate notice to such other curing party, in which instance, the cure period shall begin when Lender makes such notice to such other curing party.

15.3. **CONDEMNATION.** The proceeds of any award or claim for damages, direct or consequential, in connection with any condemnation or other taking of all or any part of the Property, or for conveyance in lieu of condemnation, are hereby assigned and shall be paid to Lender. In the event of a taking of all of the Property, the proceeds shall be applied to the sums provided by this Loan, subject to any claims of prior lienholder, with the excess, if any, paid to junior lienholders and Borrower, as they may determine. In the event of the partial taking of the Property, unless Borrower and Lender otherwise agree in writing, and subject to any claims of prior lienholders, there shall be applied to the sums secured by this Deed of Trust such proportion of the proceeds as is equal to that proportion which the amount of the sums secured by this Deed of Trust immediately prior to the date of taking bears to the fair market value of the Property immediately prior to the date of taking, with the balance of the proceeds paid to junior lienholders and Borrower, as they may determine. Notwithstanding anything herein to the contrary, so long as the value of Lender's lien is not impaired, any condemnation proceeds may be used by Borrower for repair and/or restoration of the Premises.

If the condemnor offers to make an award or settle a claim for damages to the Property and: (1) the Property is abandoned by Borrower; or (2) after notice by Lender to Borrower of the condemnor's offer, Borrower fails to respond to Lender within 30 days after the date such notice is mailed, then the Lender is authorized to collect and apply the proceeds to the restoration or repair of the Property. However should there be a total taking or continuing event of default, then the proceeds shall be applied to the sums secured by this Deed of Trust.

Unless Lender and Borrower otherwise agree in writing, any such application of proceeds to principal shall not extend or postpone the due date of any payment or change the amount of such payment.

15.4. **SUBORDINATION.** Lender will subordinate this Loan to the Senior Loan, provided that the Senior Loan for the Project indicated in the Budget meets all requirements of this Loan Agreement, and that the Senior Loan does not require modification of this Loan Agreement, Lender's execution of any agreements containing new or modified Loan terms or Lender's execution of any agreement creating a contractual relationship between Lender and the senior lender including obligations or liabilities between Lender and the senior lender.

15.5. **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.

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

15.7. **FINANCIAL STATEMENTS.** Borrower shall provide Financial Statements when requested by Lender, but in any event not more often than quarterly during construction of the Project or annually, thereafter. Borrower shall assure that Financial Statements are prepared in accordance with generally accepted accounting principles. If requested by Lender as reasonably necessary to assure the security of its Loan, Borrower shall provide Financial Statements prepared or reviewed by a licensed Certified Public Accountant or Public Accountant and fully reflecting the assets and liabilities of the party concerning whom they were prepared.

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

15.9. **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 hereunder.

15.10. **NO JOINT VENTURE, PARTNERSHIP, OR OTHER RELATIONSHIP.** Nothing contained in this Agreement or in any other document executed in connection with this Agreement shall be construed as creating a joint venture or partnership between Lender and Borrower. Each Party is acting as an independent entity and not as an agent of the other in any respect. No relationship exists as between Lender and Borrower other than that of a lender and a borrower.

15.11. **NOTICES.** Borrower irrevocably appoints Lender as its agent (the agency being coupled with an interest) to file for record any notices of completion, cessation of labor, or any other notice that Lender deems necessary or desirable to protect its interests under this Loan Agreement or under the Loan Documents.

15.11.1. **METHOD.** All notices to be given under this Loan Agreement shall be in writing and sent to the addresses stated above for the respective recipient by one or more of the following methods.

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

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

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

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

15.11.2. **SHORT TERM NOTICES.** Notices, including requests for approval, requiring action in less than thirty (30) days may only be given by the foregoing overnight courier or hand delivery method, and shall include the following language on its face: "URGENT – TIME SENSITIVE – IMMEDIATE ACTION REQUIRED" and marked for delivery to Portfolio Management. Such notice shall include the time allowed under this Loan Agreement for action.

15.12. **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. This Section does not apply to actions or proceedings between the parties.

15.13. **SIGNS.** Borrower agrees that on the request of Lender, Borrower will erect and place on or in the immediate vicinity of the Property a sign indicating that Lender has provided construction financing for the Project, which sign shall remain for the duration of construction. If Borrower places a sign on the Property during construction stating the names of the Project participants, it shall also name "Sacramento Housing and Redevelopment Agency" as a participant in the Project. Lender's name on the sign shall be in letters not less than size of letters used to name any of the other participants.

15.14. **ASSIGNMENT.** The terms of this Loan Agreement will be binding on and inure to the benefit of successors and assigns of the parties. However, Borrower shall not assign this Loan Agreement or any interest it may have in the monies due or, except as otherwise provided, convey or encumber the Property without the prior written consent of Lender to a party other than a general partner or managing member of Borrower or a single asset entity wholly owned and controlled by Borrower or a general partner or managing member of Borrower. However, if there is an assignment, conveyance, or encumbrance, Lender may nevertheless at its option continue to make disbursements under this Loan Agreement to Borrower or to those who succeed to Borrower's title, and all sums so disbursed will be deemed to be disbursements under this Loan Agreement and not modifications, and will be secured by the Trust Deed. Lender may at any time assign the Loan Documents to any affiliate of Lender or to a national bank or other lender having experience with construction lending, and the assignee will assume the obligations of Lender, and Lender will have no further obligation of any nature. In that case, the provisions of this Loan Agreement will continue to apply to the Loan, and the assignee will be substituted in the place and stead of Lender, with all rights, obligations, and remedies of Lender, including, without limitation, the right to further assign the Loan Documents. In addition, Lender may at any time assign a participation in the Loan to any other party, provided that Lender continues to be primarily obligated under this Loan Agreement.

15.15. **ACCELERATION ON TRANSFER OR REFINANCING OF THE PROPERTY; ASSUMPTION.** Except as otherwise provided in the Loan Agreement, if all or any part of the Property or an interest in the Property is sold, transferred or conveyed to any person, or refinanced by Borrower such that additional debt is added to the property or the cash flows change without Lender's prior written consent, Lender may, at Lender's option, declare all the sums secured by this Deed of Trust to be immediately due and payable. Lender shall have waived such option to accelerate if, prior to the refinancing, sale or transfer, Lender and the person to whom the Property is to be sold or transferred reach agreement in writing that the loan may be assumed. If Lender has waived the option to accelerate provided in this Section and if Borrower's successor in interest has executed a written assumption agreement accepted in writing by Lender, Lender shall release Borrower from all obligations under this Deed of Trust and the Note. Notwithstanding anything herein to the contrary, Lender acknowledges and agrees that Borrower shall have the right to refinance the Senior Loan without penalty.

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

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

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

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

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

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

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

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

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

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

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

15.24. **NO REPRESENTATIONS BY LENDER.** By accepting or approving anything required to be observed, performed, or fulfilled, or to be given to Lender pursuant to this Loan Agreement or pursuant to the Loan Documents, including, but not limited to, any officer's certificate, balance sheet, statement of income and expense, or other Financial Statement, survey, appraisal, or insurance policy, Lender will not be deemed to have warranted or



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

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

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

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

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

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

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

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

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

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

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

15.35. **NUMBER, IDENTITY AND GENDER.** When the context and construction so require, all words used in the singular will be deemed to have been used in the plural and vice versa. Person means any natural person, corporation, firm, partnership, association, trust, government, governmental agency, or any other entity, whether

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

**THE PARTIES HAVE EXECUTED THIS LOAN AGREEMENT** in Sacramento, California as of the Effective Date.

**BORROWER :**

**RAD PILOT LP, A CALIFORNIA LIMITED**

By: RAD Pilot LLC, a California limited liability company, its managing general partner

By: Sacramento Housing Authority Repositioning Program, Inc., a California nonprofit public benefit corporation, its sole member and manager

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James Shields, President

**Exhibit 1: Legal Description**

**Legal Description of Rio Garden - 8223 Walerga Road, Antelope, CA 95843**

SITE E: 8223 Walerga Road

The land described herein is situated in the State of California, County of Sacramento, unincorporated area, described as follows:

All buildings and improvements situated on the following property, the buildings and improvements are and shall remain real property, pursuant to that certain Grant Deed dated To Be Recorded, recorded To Be Determined, as To Be Determined, of Official Records:

Parcel A of that certain Parcel Map entitled "A portion of the Southwest one-quarter of Section 18, Township 10 North, Range 6 East, M.D.B. & M.", filed June 24, 1976 in Book 26 of Parcel Maps, Page 48 in the office of the recorder, Sacramento County.

APN: 203-0070-041-0000

**Legal Description of Pointe Lagoon - 4930 El Paraiso Avenue, Sacramento, CA 95824**

SITE C: 4930 El Paraiso Avenue

The land described herein is situated in the State of California, County of Sacramento, unincorporated area, described as follows:

All buildings and improvements situated on the following property, the buildings and improvements are and shall remain real property, pursuant to that certain Grant Deed dated To Be Recorded, recorded To Be Determined, as To Be Determined, of Official Records:

Lot A, as shown on the "Revised Plat of Country Place" filed in the office of the recorder of Sacramento County, in Book 149 of Maps, Map No. 16.

Excepting therefrom, that portion of said land granted to the Redevelopment Agency of the County of

Sacramento, in Grand Deed recorded August 24, 1984 as Book 840824, Page 370, Official Records, described as follows:

Beginning at the Northerly corner of Lot A that lies on the centerline of Sampson Boulevard as said Boulevard is shown on said Map; thence from said point of beginning along said centerline and the most Westerly line of said Lot A South 0° 00' 00" West, 52.50 feet; thence leaving said centerline along a portion of the Southerly boundary of said Lot A, South 88° 12' 00" East, 212.00 feet; thence leaving last said line, North 6° 50' 00" East, 59.71 feet to a point on the Northerly boundary of said Lot A; thence along last line South 89° 58' 00" West, 219.00 feet to the point of beginning.

APN: 037-0224-047-0000

**Legal Description of Pointe Lagoon - 4500 Perry Avenue, Sacramento, CA 95820**

SITE D: 4500 and 4530 Perry Avenue

The land described herein is situated in the State of California, County of Sacramento, unincorporated area, described as follows:

All buildings and improvements situated on the following property, the buildings and improvements are and shall remain real property, pursuant to that certain Grant Deed dated To Be Recorded, recorded To Be Determined, as To Be Determined, of Official Records:

Lot 10 as shown on the "Amended Plat of Hunger Tract No. 1", recorded in Book 15 of Maps, Map No. 8, records of said County.

Pursuant to that certain Certificate of Compliance, recorded September 20, 2019, Instrument No. 201909200647 Official Records.

APN: 022-0052-011-0000 and 022-0052-012-0000

**Exhibit 2: Scope of Development**

**Scope of Development: Pointe Lagoon, 4500 Perry Avenue, Sacramento (10 units)**

<b>Item</b>	<b>Description</b>
1	Parking/Striping
2	Landscaping
3	Replacement of Plywood Sheeting (Stucco)
4	Drywall Repairs
5	Final Clean
6	Interior Paint (Units)
7	Exterior Paint (Units)
8	Kitchen Cabinet (Refacing)
9	Kitchen and Bath Countertop Replacement - Upgraded
10	Window Replacement
11	Roof Replacement
12	Exterior Door Replacement
13	Interior Door Replacement
14	Interior Door Replacement (sliding closet doors)
15	HVAC
16	Flooring (w/Luxury Vinyl Plank)
17	Load center 120/240 , 125 AMP replacement in units
18	Interior Lights
19	Exterior Lights (CFL Ballast)
20	Exterior Lights (Light Poles)
21	Replace Kitchen Ranges and Hoods
22	Replace Refrigerators
23	Plumbing Fixtures
24	Shower Surrounds
25	Toilet Tank Replacement
26	Kitchen and Bathroom Sink Replacement
27	Replace bathroom vanity cabinet and cultured sink top
28	Water Heater Replacement
29	New Smoke/CO Detectors (battery operated)
30	ADA Kitchen Modification (1 unit)
31	ADA Hearing/Visual Impairment modification (1 unit)
32	ADA Bathroom full reconfiguration
33	Laundry Room (large) Interior Paint and Prep
34	Laundry Room (small) Interior Paint and Prep
35	Laundry Room Water Heater replacement
36	Laundry Room Load Center (120/240 V, 125 AMP to 225)
37	Laundry Room Lighting Upgrade
38	Laundry Room ADA Doorway Modification
39	Laundry Room ADA Miscellaneous Budgetary Allowance
40	Landscaping - drought tolerant and address drainage issues
41	Sidewalk repair/replacement as needed
42	Site drainage will be addressed as needed
43	Kitchen Cabinets will be replaced
44	Window Coverings
45	ADA Trash Enclosure Modifications
46	Slab Patch at Unit #2

47	Signage Replacement at units, building addresses
48	Bathroom exhaust fan replacement

**Add Alternatives (contingent on budget availability, with the exception of the carports and related scope if required by the County of Sacramento):**

1. Carports (if waiver is not granted by the County of Sacramento)
2. Carport lighting (if waiver is not granted by the County of Sacramento)
3. Trenching for carport lighting (if waiver is not granted by the County of Sacramento)
4. Door bells
5. Laundry room flooring
6. Laundry room base boards
7. Garbage Disposals
8. Dedicated Circuits for Garbage Disposals
9. Grading and Drainage

**Scope of Development: Pointe Lagoon, 4930 El Paraiso Avenue, Sacramento (36 units)**

Item	Description
1	Patch asphalt seal and stripe parking lot
2	Parking lots Mill and Overlay
3	Metal Halide Lighting Fixture, pulse start 150 W
4	Furnace, electric, 26 to 40 MBH replacement
5	New Interior and Exterior Paint
6	New hardware at Entry door
7	Replace windows and sliders
8	Replace screen doors
9	Replace water heaters
10	Replace interior and exterior lights (incl light poles)
11	Replace kitchen ranges and range hoods
12	Replace refrigerators 14-18 CF (36)
13	Replace plumbing fixtures
14	Toilet/flush tank replacement
15	Replace shower surrounds and mixing valves
16	Bathroom exhaust fan replacement
17	Bathroom vanity cabinet (wood) with cultured marble top 24-30" (Reface)
18	Replace kitchen sinks
19	New smoke and CO detectors (battery operated)
20	Remove nurse call stations and patch holes
21	Replace flooring with LVP
22	ADA bathroom renovation
23	Replace laundry flooring and countertops, install folding table
24	Community Room improvements (floors, cabinets)
25	Comm. Room (ADA, paint, water heater (com + laundry room), HVAC)
26	Final Clean
27	Demolition
28	Drywall
29	Sidewalk repair/replacement as needed
30	Site drainage will be addressed as needed
31	Kitchen - all cabinets will be replaced

32	Kitchen countertops will be replaced with solid surface
33	Window Coverings
34	Bathroom tubs will be replaced as needed
35	ADA Parking Modifications
36	Concrete walkway modifications for Path of Travel
37	Barge rafter and fascia repairs
38	Laundry Folding Table
39	Bathroom exhaust fans
40	Interior light fixture replacement/new install
41	Landscaping/Irrigation repair and improvement

**Add Alternatives (contingent on budget availability):**

1. Unit entry light fixture replacements
2. Stucco Patch at window/siding locations
3. T1-11 repairs
4. Metal Fence repairs
5. Unit Subfloor repairs (will be done if needed)
6. New fiber cement siding
7. Pole light head fixture replacement  
Pole light pole, base, and fixture
8. HVAC replacement (units)
9. Building base trim replacement
10. Garbage Disposals
11. New dedicated circuits for garbage disposals
12. Grading and Drainage improvements

**Scope of Development: Rio Garden, 8223 Walerga Road, Antelope (24 units)**

Item	Description
1	Interior and Exterior Light Fixtures
2	Light pole upgrade 135 to 1000 W
3	Load center 120/240 V, 50 AMP to 100
4	Kitchen ranges and hoods
5	Refrigerator replacement (14-18CF)
6	Replace water heaters (30 to 50 gallon)
7	Replace condensate pans on HVAC
8	Replace plumbing fixtures
9	Replace shower surrounds
10	Replace countertops in kitchen/bathroom
11	Full cabinet replacement
12	New Interior/Exterior Paint
13	New flooring (LVP)
14	Install new smoke/CO detectors (battery operated)
15	New shower door (upper floor bathrooms) (just shower curtains& splash guard)
16	Toilet tank replacement
17	Sink replacement
18	Bathroom vanity replacement (cultured marbled 24-30)
19	Replace interior doors (sliding hollow core)
20	Replace interior doors (hollow core bedrm)
21	Ceiling lights in all bedrooms

22	Sprinkler head (per sq ft @ 37800 sq. ft)
23	Fire extinguisher replacement
24	Parking lot (asphalt pavement, seal and stripe)
25	Parking lot (Mill and Overlay)
26	Pedestrian pavement/sidewalk concrete repl. 15000 SF
27	Final clean
28	Demolition
29	Drywall miscellaneous repair
30	ADA Kitchen Post-formed replace kitchen sink, counter, full reconfigure
31	ADA Restroom full reconfiguration
32	Unit Accessories (mirror, towel bars, toilet paper holder)
33	Window Coverings
34	Bathroom tubs will be replaced as needed
35	ADA Path of Travel improvements – concrete and curb
36	ADA Parking – Grading and Slope correction
37	Site railing repair
38	Landscape and irrigation improvements

**Add Alternatives (some items will be replaced as needed/discovered and contingent on budget availability):**

1. Standard unit entry light fixtures
2. ADA unit entry light fixtures
3. Trash Enclosure gates
4. Catch basin clean out
5. Storm Drain Scope and repair
6. New HVAC
7. Bathroom exhaust fans
8. Laundry exhaust fans
9. Stucco patching (if needed)
10. Unit subfloor repair (if needed)
11. Monument sign light fixtures

**Attachment 1: Lender’s Minimum Construction Standards exhibit is on the following page.**

### **Attachment 1: Lender's Minimum Construction Standards**

This attachment is from Exhibit 5 from the Lender's Multifamily Lending Policies adopted in 2009.

## **RENTAL PROPERTY MINIMUM CONSTRUCTION STANDARDS**

The following is a list of the required construction standards that must be incorporated into projects participating in the Agency's investor assistance programs. All rental units and sites associated with these projects must meet or exceed these standards.

### **General Requirements**

1. Any component of the project which does or may present a health or safety hazard to the public or tenants shall be corrected to the satisfaction of the local building department.
2. A useful life of 15 years for all systems located within the approved complex. This can be met in one of two ways, installing and maintaining systems with at least a 15-year scheduled life or install, maintain and replace as needed for a period of 15 years.

Any component of a rehabilitation project whose useful life expectancy has exceeded the useful life identified in the section, "Useful Life Expectancy," shall be replaced unless waived by the Agency in writing. It is not the intent of the Agency to replace systems that appear to have some economic life remaining and appear to be maintained and functioning effectively. It is the intent of the Agency to be assured that systems will be maintained and replaced as needed for a period of 15 years. The preferred method is by replacement and maintenance at the outset of the project; and by setting aside replacement reserves sufficient to address the needs based on current and projected conditions.

3. A clear pest inspection report will be required at the conclusion of the construction work.
4. All materials funded under this loan must be new unless previously approved. Recycled items must be approved in writing by the Agency prior to their use.
5. All work shall comply with Federal and State ADA accessibility requirements. When there are differences the stricter of the two shall apply. Special attention needs to be applied when federal funding is involved.
6. For all structures built before 1979, a report of compliance with the initial certified inspection report of lead-based paint and asbestos is required.
7. All units shall be approved for occupancy by the local building department at the conclusion of the work and prior to occupancy, if applicable.
8. Web-based security cameras and the equipment to record events are required for primary ingress/egress points to and from the site and for the principal parking and common areas.
9. Site lighting is required for all parking and outside public spaces.

### **Site Work**



1. All landscaping and irrigation systems must be in a well-maintained condition. Trees and large shrubs must be trimmed, grass areas must be mowed, and all planter areas must be weed-free. All landscaped areas must be served by a programmable automated irrigation system. Irrigation cannot be spraying on building. Sprinklers should minimize overspray that runs to storm drain drop inlets. Areas that show evidence of erosion of soil shall be landscaped to eliminate problem.
2. All fencing must be in good and serviceable condition.
3. All driveways and sidewalks must be in good condition. All cracked or uplifted areas (more than ¼") determined in need of repair by the Agency shall be repaired or replaced.
4. All projects shall meet the parking requirements of the local Agency having jurisdiction over the project. "Grandfathered Projects" will need to show that they are in fact "Grandfathered" by the Local Agency having jurisdiction. All projects shall meet the governing ADA requirements for parking.
5. A two percent (2%) slope shall be maintained for a distance of five feet from all structures and no standing water shall remain on the site. Provide an on- site drainage system if necessary.

#### **Building Envelope and Moisture Protection**

1. All wet areas must be sealed and watertight.
  2. Roofs must have 15 years or more of remaining life with no visible signs of leakage. A third layer of shingles is not allowed. Provide a 15 year certification if requested by the Agency.
- C. All siding must have 15 years or more of remaining life. Provide a 15 year certification if requested by the Agency.

#### **Doors and Windows**

1. All units must have screens on all windows that are designed to open. Windows designed to open must have functional locks and must operate freely without excessive effort. All windows must at least be low e, double pane energy efficient.
2. All doors and doorjamb must be in good condition. No damaged or worn doorjamb or doors are allowed.
3. All exterior doors must have deadbolt locks, keyed latch assemblies, viewers, and 2-inch screws in strike plates.
4. All sliding exterior doors shall have screen doors and shall have functional locks and must operate freely without excessive effort.
5. All doors and windows must meet current egress standards.

#### **Casework**

1. All cabinets shall be in very good condition both structurally and in appearance.

2. All counter tops shall be in very good condition with no significant imperfections, scratches, burns, or other imperfections.

### **Finishes**

1. Floor coverings must be in good, useable condition - no holes, tears, rips, or stains.
2. All kitchens and bathrooms must be floored in sheet goods or tile to provide a cleanable, impervious surface.
3. All exterior and interior surfaces must be painted. No peeling, cracking, chipping, or otherwise failing paint will be allowed. All painted surfaces must be new, or in near new condition and appearance.

### **Equipment**

1. All appliances must be new or in very good operating condition. All new appliances must be energy star.
2. Dishwashers are required in all non- permanent supportive housing, disabled, SRO, and homeless projects unless a waiver has been granted by the Executive Director. Permanente supportive, disabled, and homeless projects will be encouraged to provide dishwashers in each unit but will be reviewed and approved on a case-by case basis.
3. All kitchens must have adequate cabinet and counter space.

### **Furnishings**

1. All units must have window coverings on all windows.

### **Special Construction**

1. Non-habitable structures on property must be painted to match primary buildings and must be structurally sound.
2. Laundry facilities must be provided on the basis of one washer and dryer for every ten units, consistent with CTCAC requirements. If the project is more than 20 units, then 1 set of ADA accessible laundry machines must be provided.
3. Laundry facilities must be provided on the basis of one washer dryer for every ten units, consistent with the TCAC requirements. If a project is more than 20 units, then 1 set of ADA accessible laundry machines must be provided
4. Public pools will have a self-closing gate. Fence and gate shall meet applicable current codes and standards. Joints between coping and concrete deck shall be appropriately caulked.
5. In the case of new construction or substantial upgrade to existing pool, a handicap chair lift is the minimum requirement. The pool will meet applicable standards and codes.

### **Mechanical/Plumbing**

1. Water heaters must be in enclosures in all habitable rooms and must be insulated and have earthquake strapping and pressure relief valves with lines that terminate to the exterior.
2. All units must have heating and air conditioning. Wall mount or central systems are acceptable. Evaporated coolers are not acceptable.
3. All plumbing fixtures shall be new or in very good working condition.
4. All toilets, sinks, and tubs shall be chip and stain free.

### **Electrical**

1. All new electrical panels must be of the breaker type. Fused disconnects must be approved by the Agency.
2. All units must have at least one hard-wired smoke detector per bedroom corridor and a minimum of one battery-operated smoke detector per bedroom.
3. All bathrooms must have at least one GFCI protected outlet, and tub surrounds must be a minimum of 1/8" laminated plastic.
4. Kitchens must have all GFCI protected outlets within 6 feet of the sink.

### **Resident Services Community Space**

All properties, regardless of project type (i.e. senior, family, or large family), must devote space to actual resident services in the following minimum amounts:

Less than 100 units: 12 s.f. per unit (but no less than 400 s.f. in total)  
100 units and over: 1,200 s.f.

Resident services space includes common kitchens, computer rooms, meeting rooms and general gathering space. It does not include public restrooms, leasing offices, laundry facilities and lobbies.

### **Useful Life Expectancy**

A useful life expectancy list has been established and is available upon request to benchmark the lives of certain components on a multifamily site.

### **End of Scope of Development**

**Exhibit 3: Promissory Note Form**

**PROMISSORY NOTE  
RAD 1**

**Sacramento Housing and Redevelopment Agency  
4500 PERRY AVENUE AND 4930 EL PARAISO AVENUE, SACRAMENTO, CALIFORNIA;  
AND 8223 WALERGA ROAD, ANTELOPE, CALIFORNIA**

**CONSTRUCTION AND PERMANENT LOAN AGREEMENT**

Borrower HAS MADE THIS PROMISSORY NOTE (“NOTE”) AS OF THE EFFECTIVE DATE. The Lender is making the Loan pursuant to the terms and conditions of the Loan Agreement and this Note. This Note includes all attachments and Exhibits listed below, which are attached to and incorporated in this Note by this reference. The capitalized terms in this Note shall have the meanings assigned in the following table of definitions and as defined in the body of the Note. (Terms being defined are indicated by quotation marks. If an item in the table is marked “None, Not Applicable, N/A or equivalent or is left blank, that defined term is not applicable to this Note or the referenced item is not required or is not included in this Note as the context may indicate.) The Lender is making the Loan to Borrower in consideration of Borrower making this Note and delivering it to Lender.

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

<b>DEFINED TERM:</b>	<b>DEFINITION:</b>
“Effective Date”	_____, 2020 _____, 2020
“Lender”	Sacramento Housing and Redevelopment Agency
“Borrower”	RAD Pilot LP
“Borrower Legal Status”	A California limited partnership
“Loan Agreement”	The Construction and Permanent Loan Agreement by and between the Borrower and Lender as of the Effective Date for making of the loan (“Loan”) evidenced by this Note.
“Principal Amount”	Nine Hundred Fifty Thousand Dollars and No Cents (\$950,000.00) HOME Investment Partnership Program
“Interest Rate”	Three percent (3%) annually, simple interest
“Accrual Date”	Interest shall accrue starting on the following “Accrual Date”: Date of ownership transfer to Borrower.
“Special Terms”	Residual receipt loan with payments as based on the formula provided below in Payment Amount(s).
<b>PAYMENT SCHEDULE.</b> Repayment of this Note shall be made the following amounts:	
“Maturity Date”	The first day of the 684 <sup>th</sup> calendar month following the Effective Date: February 1, 2077.
“Payment Start Date”	Commencing on the first day of the 40th month following the Effective Date of this Loan Agreement, May 1, 2023, annual payments of interest and principal shall be due in arrears subject to review of annual audited financial statement as described below in Payment Amount(s).

<p>“Payment Amount(s)”</p>	<p><b>ANNUAL REPAYMENT:</b> Annual principal and interest payments shall be deferred from the Loan’s Effective Date through the first 39 months. Beginning in month 40, May 1, 2023, annual payments will be made on a Residual Receipts, as defined below, basis until the maturity date. Annual payments shall be applied first to outstanding interest accrued and unpaid and then to principal.</p> <p>“Residual Receipts” is defined as follows: May 1, 2023, annual installments (as described in Sections [f] through [l] of this paragraph) are to begin. Based on the annual audited financial statement from the preceding year, payments will be made upon a “Residual Cash Flow” basis meaning Net Operating Income (NOI) less:</p> <ul style="list-style-type: none"> <li>(a) Debt service on the senior loan</li> <li>(b) Monitoring fees to the County of Sacramento Housing Authority on the mortgage revenue bond issuance;</li> <li>(c) If applicable, to the limited partner for any amounts owed to the limited partner pursuant to the Borrower’s Amended and Restated Partnership Agreement;</li> <li>(d) Asset management fees up to \$8,000 annually as of the Loan’s Effective Date escalating at 3% annually;</li> <li>(e) Partnership management fee up to \$8,000 annually as of the Loan’s Effective Date escalating at 3% annually;</li> <li>(f) Deferred developer fee;</li> </ul> <p>After Sections (a) through (f) of this paragraph are paid,</p> <ul style="list-style-type: none"> <li>(g) Fifty percent (50%) of the available cash flow from NOI to the Housing Authority of the City of Sacramento Construction and Permanent Loan, divided equally first to the Capital Funds Note, then to Cash Proceeds Note, including principal and interest, and</li> <li>(h) Fifty percent (50%) of the available cash flow from NOI to the Housing Authority of the County of Sacramento Construction and Permanent Loan, divided equally first to the Capital Funds Note, then to Cash Proceeds Note, including principal and interest;</li> </ul> <p>After Sections (a) through (h) of this paragraph are paid,</p> <ul style="list-style-type: none"> <li>(i) Fifty percent (50%) of the available cash flow from NOI to the Housing Authority of the County of Sacramento Seller Carryback Loan (Improvements), and</li> <li>(j) Fifty percent (50%) of the available cash flow from NOI to the Housing Authority of the City of Sacramento Seller Carryback Loan (Improvements);</li> </ul> <p>After Sections (a) through (j) of this paragraph are paid,</p> <ul style="list-style-type: none"> <li>(k) One hundred percent (100%) of the available cash flow from NOI to Sacramento Housing and Redevelopment Agency Construction and Permanent Loan,</li> </ul> <p>After Sections (a) through (k) of this paragraph are paid,</p> <ul style="list-style-type: none"> <li>(l) Fifty percent (50%) of the available cash flow from NOI to the Housing Authority of the County of Sacramento Ground Lease, and</li> <li>(m) Fifty percent (50%) of the available cash flow from NOI to the Housing Authority of the City of Sacramento Ground Lease.</li> </ul> <p>The Net Operating Income is defined as periodic “Revenue” less “Operating Expenses.” “Revenue” means all revenue from the leasing of the Project, including but not limited to all rents, fees, and charges paid by tenants as well as rental subsidy payments regardless of the source of these subsidies, forfeited tenant deposits, rent increases, proceeds from vending machines and laundry room machines. Revenue shall not include tenants’ security deposits (unless forfeited), interest on those deposits, loan proceeds, capital contributions or similar advances, or amounts released from reserves or interest on reserves.</p> <p>“Operating Expenses” shall mean actual costs, fees and expenses as evidenced by invoices attributable to the operation, recordkeeping, maintenance, taxes and management of the Project, including property management fees; taxes and assessments; payroll, benefits and payroll taxes of for property employees; insurance; security; painting, cleaning, repairs, and alterations; landscaping; sewer charges; utility charges; advertising, promotion and publicity; cable television, satellite and other similar services; office, janitorial, cleaning and building supplies; recreational amenities and supplies; purchase, repair, servicing and installation of appliances; costs and expenses associated with the provision of social and/or community services to the residents of the Project; equipment, fixtures and furnishing; fire alarm and elevator monitoring; fees and expenses of accountants, attorneys, consultants and other professionals. The definition will include deposits into operating and/or replacement reserves maintained by the Borrower but will not include initial deposits to capitalize the reserve accounts or amounts expended from a reserve account, or capital costs.</p>
<p>RAD 1 – Sacramento Housing and Redevelopment Agency Construction and Permanent Loan Agreement</p>	<p>Page 36</p>

	The first day of the 684th calendar month following the Effective Date: February 1, 2077.	Principal and accrued interest due in full
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**FOR VALUE RECEIVED, THE UNDERSIGNED, JOINTLY AND SEVERALLY, PROMISES TO PAY** to Lender, or its successors or assigns, the Principal Amount or such lesser amount as may be endorsed on this Note on behalf of Lender. The Loan shall bear interest on the outstanding principal balance, computed from the Accrual Date at the Interest Rate.

1. This Note evidences the obligation of Borrower to Lender for repayment of funds loaned to Borrower under that certain Loan Agreement between Borrower and Lender dated as of the Effective Date ("Loan Agreement"). The terms and covenants of the Loan Agreement are incorporated in this Note by reference. The Loan Agreement provides for and incorporates the Regulatory Agreement ("Regulatory Agreement") and RAD Use Agreement ("RAD Use Agreement"), the making of each being further consideration for this Note.

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

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

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

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

6. 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 Interest Rate from the date of the advancement of the Loan's proceeds, subject to applicable cure periods, set forth herein or in the Loan Agreement or Trust Deed if any:

a. Borrower defaults in the payment of any principal or interest when due and fails to cure within 10 (ten) days.

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

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

d. Borrower defaults or breaches any of the terms of Loan Agreement, the Trust Deed, the Regulatory Agreement, the RAD Use Agreement or this Note and Borrower fails to cure within 30 days after receipt of notice, provided, however, that if such cure cannot reasonably be effected within such 30 day period, such failure shall not be a default so long as Borrower promptly (and in any event, within ten (10) days after receipt of such notice) commences such cure and thereafter diligently (and in any event, within ninety (90) days after receipt of such notice) prosecutes such cure to completion.. Any limited partner of Borrower is entitled to the notice and cure provisions set forth in Section 16 of the Trust Deed.

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

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

g. The occurrence of any of the following:

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

2) Proceedings for the appointment of a receiver, trustee or liquidator of the assets of Borrower or a substantial part of such assets, being authorized or instituted by or against the Borrower which are not stayed within 90 days.

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 which are not stayed within 90 days.

7. Any limited partner of Borrower is entitled to the notice and cure provisions set forth in Section 16 of the Trust Deed.

8. 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.

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

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

11. This Loan is a non-recourse 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.

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

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

**Borrower:**

**RAD PILOT LP, A CALIFORNIA LIMITED PARTNERSHIP**

By: RAD Pilot LLC, a California limited liability company,  
its managing general partner

By: Sacramento Housing Authority Repositioning Program, Inc.,  
a California nonprofit public benefit corporation, its sole member and manager

---

James Shields, President



**Exhibit 4: Trust Deed Form**

**NO FEE DOCUMENT:**

Entitled to free recording  
per Government Code 27383.

When recorded, return to: SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY  
801 12<sup>th</sup> Street  
Sacramento, CA 95814  
Attention: Portfolio Management

**DEED OF TRUST AND ASSIGNMENT OF RENTS  
CONSTRUCTION AND PERMANENT LOAN  
RAD 1**

**SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY**

4500 Perry Avenue (APN: 022-0052-011-0000 and 022-0052-012-0000); 4930 El Paraiso Avenue (APN: 037-0224-047-0000); Sacramento, California; and 8223 Walerga Road, Antelope, California (APN203-0070-041-0000)

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

“Effective Date”	_____, 2020	
“Trustor” and “Borrower”	RAD Pilot LP, a California limited partnership	
“Borrower Address”	c/o SHARP, 801 12 Street, Sacramento, California 95814	
“Trustee”	Placer Title Company, 2901 K Street, Suite 390, Sacramento, CA 95816	
“Beneficiary” and “Lender”	Sacrament Housing and Redevelopment Agency	
“Lender Address”	801 12th Street, Sacramento, California 95814	
“Property”	Which consists of the Improvements and leasehold estate in real property located in the County of Sacramento and the State of California as more particularly described in the Legal Description.	
	Address and Assessor’s Parcel Number (APN)	4500 Perry Avenue, Sacramento, Ca 95820 (APN 022-0052-011-0000 and 022-0052-012-0000)
		4930 El Paraiso Avenue, Sacramento, Ca 95824 (APN 037-0224-047-0000) 8223 Walerga Road, Antelope, Ca 95843 (APN 203-0070-041-0000)
“Legal Description”	The Legal Description of the Property which is more particularly described in the attached <b><u>Exhibit 1 Legal Description</u></b> , which is incorporated in and an integral part of this Deed of Trust.	
“Loan”	Which is Lender’s loan to Borrower evidenced by the Note and which is secured by this Deed of Trust.	
“Loan Agreement”	Which is the Construction and Permanent Loan Agreement between Lender and Borrower stating the term and conditions of the Loan.	
	Which is dated:	_____, 2020

<p>“Additional Notices”</p>	<p>Lender shall give copies of notices required to be delivered to Borrower to the following parties at the following addresses; provided, however that Borrower acknowledges that such notice is an accommodation and the failure of the Lender to properly deliver any such notice shall not give rise to any claims or defenses of Borrower or any third party:</p>	
	<p><b>TAX CREDIT EQUITY INVESTOR</b>  NEF Assignment Corporation  Attention: General Counsel  10 South Riverside Plaza, Suite 1700  Chicago, IL 60606</p> <p><b>CONSTRUCTION LENDER</b>  Wells Fargo Bank, National Association  Community Lending and Investment  333 Market Street, 17<sup>th</sup> Floor  MAC# A0119-177  San Francisco, California 94105  Attention: Loan Administration Officer  Loan No. 1019305</p> <p><b>PERMANENT LENDER</b>  Prudential Affordable Mortgage Company, LLC, or affiliate  C/O PRUDENTIAL ASSET RESOURCES  2100 ROSS AVENUE, SUITE 2500  DALLAS, TEXAS 75201  ATTN: ASSET MANAGEMENT DEPARTMENT  Agency-Notice@prudential.com</p> <p>With a copy to:</p> <p>Federal Home Loan Mortgage Corporation  8100 Jones Branch Drive, MS B4P  McLean, Virginia 22102  Attention: Multifamily Operations - Loan Accounting  Email: mfla@freddiemac.com  Telephone: (703) 714-4177</p> <p>with a copy to: Federal Home Loan Mortgage Corporation  8200 Jones Branch Drive, MS 210  McLean, Virginia 22102  Attention: Managing Associate General Counsel –  Multifamily Legal Division  Email: joshua_schonfeld@freddiemac.com  Telephone: (703) 903 2000</p> <p><b>FISCAL AGENT</b>  U.S. Bank Global Corporate Trust  Attention: RAD 1  1 California Street, Suite 1000  San Francisco, CA 94111</p>	
<p>“Note”</p>	<p>Which collectively refers to Borrower's promissory notes made in accordance with the Loan Agreement together evidencing the following principal sum or such lesser amount as shall equal the aggregate amount disbursed to Borrower by Lender, with interest.</p>	
	<p>Which have a total principal sum of</p>	<p>Nine Hundred Fifty Thousand Dollars and No Cents (\$950,000.00)</p>

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

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

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

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

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

Borrower and Lender covenant and agree as follows:

1. Payment of Principal and Interest. Borrower shall promptly pay when due the principal and interest, if any, on the indebtedness evidenced by the Note. All payments received by Lender under the Note shall be applied by Lender first to interest payable on the Note and thereafter to the unpaid principal of the Note.
2. Charges; Liens. Borrower shall pay all taxes, assessments and other charges, fines and impositions attributable to the Property and leasehold payments or ground rents, if any by Borrower making payment, when due, directly to the appropriate payee. Borrower shall promptly furnish to Lender all notices of amounts due under this paragraph, and in the event that Borrower makes payment directly, Borrower shall promptly furnish to Lender receipts evidencing such payments. Borrower shall pay when due any encumbrance, charge and lien, with interest in accordance with its terms, on the Property or any portion which is inferior or superior to this Deed of Trust. Provided, however, Borrower shall have the right to contest such amount in good faith provided that Borrower causes any such lien to be released from the Property by the posting of a bond or by other appropriate means.
3. Hazard Insurance. Borrower shall keep the improvements now existing or later erected on the Property insured against loss of fire or hazards under a policy approved by Lender consistent with the insurance requirements of the Loan Agreement. In addition, Borrower shall insure against loss of all furniture, equipment and other personal property owned by Borrower related to Borrower's operation of the Property. Lender shall have the right to hold the policies and policy renewals, and Borrower shall promptly furnish to Lender all renewal notices and all receipts of paid premiums. In the event of loss, Borrower shall give prompt notice to the insurance carrier and Lender. Lender may make proof of loss if not made promptly by Borrower.

Unless Lender and Borrower otherwise agree in writing, insurance proceeds shall be applied to restoration or repair of the Property damaged, as and to the extent provided in the Loan Agreement.

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

acquisition shall pass to Lender to the extent of the sums secured by this Deed of Trust immediately prior to such sale or acquisition.

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

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

6. Protection of Lender's Security. Borrower shall appear and defend any action or proceeding purporting to affect the security under this Deed of Trust or the rights of the Lender. If Borrower fails to perform the covenants and agreements contained in this Deed of Trust, or if any action or proceeding is commenced which materially affects Lender's interest in the Property, including, but not limited to, foreclosure, involuntary sale, eminent domain, insolvency, code enforcement, or arrangements or proceedings involving a bankrupt or decedant, then Lender may, upon notice to Borrower, make such appearances, disburse such sums and take such actions as are necessary to protect Lender's interest, including, but not limited to, disbursement of judgments, costs or reasonable attorney's fees and entry upon the Property to make repairs.

Any amounts disbursed by Lender pursuant to this Section 6, with interest, shall become additional indebtedness of Borrower secured by this Deed of Trust. Unless Borrower and Lender agree to other terms of payment, such amounts shall be payable upon notice from Lender to Borrower requesting payment, and shall bear interest from the date of disbursement at the highest rate permissible under applicable law. In any event, this Section shall be construed as a right and an option of Lender and shall not be construed to require Lender to incur any expense or take any action.

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

8. Condemnation. The proceeds of any award or claim for damages, direct or consequential, in connection with any condemnation or other taking of all or any part of the Property, or for conveyance in lieu of condemnation, shall be applied as provided in the Loan Agreement.

If the Property is abandoned by Borrower, or if, after notice by Lender to Borrower that the condemnor offers to make an award or settle a claim for damages, Borrower fails to respond to Lender within 30 days after the date such notice is mailed, Lender is authorized to collect and apply the proceeds, at Lender's option, either to restoration or repair of the Property or to the sums secured by this Deed of Trust.

Unless Lender and Borrower otherwise agree in writing, any such application of proceeds to principal shall not extend or postpone the due date of any payment or change the amount of such payment.

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

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

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

12. Successors and Assigns Bound; Joint and Several Liability Captions. The covenants and agreements contained in this Deed of Trust shall bind, and the rights under this Deed of Trust shall inure to, the respective successors and assigns of Lender and Borrower, subject to the provisions of Section 15. All covenants and agreements of Borrower shall be joint and several. The captions and headings of the paragraphs of this Deed of Trust are for convenience only and are not to be used to interpret or to define its provisions.

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

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

15. Acceleration on Transfer or Refinancing of the Property; Assumption. Except as otherwise provided in the Loan Agreement, if all or any part of the Property or an interest in the Property is sold or transferred or refinanced by Borrower without Lender's prior written consent, Lender may, at Lender's option, declare all the sums secured by this Deed of Trust to be immediately due and payable. Lender shall have waived such option to accelerate if, prior to the refinancing, sale or transfer, Lender and the person to whom the Property is to be sold or transferred reach agreement in writing that the loan may be assumed. If Lender has waived the option to accelerate provided in this Section and if Borrower's successor in interest has executed a written assumption agreement accepted in writing by Lender, Lender shall release Borrower from all obligations under this Deed of Trust and the Note. Lender's prior approval is not required for (1) the sale or transfer of the limited partner's interest to one or more of the other partners that currently comprise the Borrower's entity, (2) the admission of the limited partner or an affiliate of National Equity Fund, Inc. to the Borrower and the transfer of its interest to an affiliate thereof so long as the general partner, or managing member, of the transferor, or an affiliate thereof, is the general partner, or managing member of the transferee, or partner; however, Borrower is obligated to notify Lender within 30 days from the date of such sale or transfer, (3) the removal of the general partner of the Borrower by the limited partner for a default under Borrower's partnership agreement, provided that any replacement general partner is approved by Lender, which approval shall not be unreasonably withheld, conditioned or delayed.

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

16. Acceleration on Breach; Remedies. Except as provided in Section 15, upon Borrower's breach of any covenant or agreement of Borrower in this Deed of Trust, the Note, (including the covenants to pay when due any sums secured by this Deed of Trust and restricting transfer of the Property), the Regulatory Agreement, the RAD Use Agreement, or Loan Agreement, Lender shall mail notice to Borrower and the limited partner specifying: (1) the breach; (2) the action required to cure such breach; (3) a date, no less than 30 days from the date the notice is mailed to Borrower, and the limited partner by which breach must be cured; and (4) that failure to cure such breach on or before the date specified in the notice may result in acceleration of the sums secured by this Deed of Trust and sale of the Property. If the breach is not cured on or before the date specified in the notice, Lender at Lender's option may declare all of the sums secured by this Deed of Trust to be immediately due and payable without further demand and may invoke the power of sale and any other remedies permitted by applicable law, provided, however, that if such cure cannot reasonably be effected within such 30 day period, such failure shall not be a default so long as Borrower promptly (and in any event, within ten (10) days after receipt of such notice) commences such cure and thereafter diligently (and in any event, within ninety (90) days after receipt of such notice) prosecutes such cure to completion. The limited partner is entitled to cure any defaults on behalf of the Borrower within the same specified time periods; said cure periods shall not extend statutory periods and times for notice and commencement of foreclosure; provided, however, that if, in order to cure any such default the limited partner must first remove a general partner of Borrower, then, provided that the limited partner notifies Lender of such removal and removes such general partner within a reasonable period, then the limited partner shall have until the date 30 days after the effective date of such removal to effect such cure. In any event, such cure process shall not exceed 120 days.

Lender shall be entitled to collect from the Borrower, or sale proceeds, if any, all reasonable costs and expenses incurred in pursuing the remedies provided in this Section, including, but not limited to reasonable attorney's fees.

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

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

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

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

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

19. Nonrecourse. Notwithstanding any provision of this Deed of Trust or any document evidencing or securing this Loan, Borrower, and Borrower's principals, partners, agents, officers, and successors in interest shall not be personally liable for the payment of the Loan or any obligation of the Loan and Lender's sole recourse is to the collateral secured by this Deed of Trust.

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

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

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

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

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

25. Extended Use Agreement. In order to receive an allocation of federal low income housing tax credits, Borrower will be required to record in the real property records of the County in which the property is located, an “extended low-income housing commitment” (as defined in Section 42(h)(6)(B) of the Internal Revenue Code of 1986, as amended (“Code”)) (“Extended Use Agreement”). Lender acknowledges and agrees that, in the event of a foreclosure of its interest under this Deed of Trust or delivery by the Borrower of a deed in lieu thereof (collectively, a “Foreclosure”), Lender agrees to comply with all the following rule contained in Section 42(h)(6)(E)(ii) of the Code shall apply: For a period of three (3) years from the date of Foreclosure, with respect to any unit that had been regulated by the Extended Use Agreement, (i) none of the eligible tenants occupying those units at the time of Foreclosure may be evicted or their tenancy terminated (other than for good cause, including but not limited to, the tenants’ ineligibility pursuant to regulations of Section 42 of the Code), (ii) nor may any rent be increased except as otherwise permitted under Section 42 of the Code.

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

**BORROWER (Trustor):**  
**RAD PILOT LP, A CALIFORNIA LIMITED PARTNERSHIP**

By: RAD Pilot LLC, a California limited liability company,  
its managing general partner

By: Sacramento Housing Authority Repositioning Program, Inc.,  
a California nonprofit public benefit corporation, its sole member and manager

\_\_\_\_\_  
James Shields, President

**Exhibit 5: Escrow Instructions Form**

**JOINT ESCROW INSTRUCTIONS  
FOR AGENCY (AS LENDER, ISSUER, AND GROUND LESSOR),  
AND BORROWER (AS BORROWER AND GROUND LESSEE)**

<b>“Effective Date”</b>	_____, 2020
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Agency and Borrower execute these Escrow Instructions as of the Effective Date. This document, including attachments and any amendments and additions, shall constitute the joint escrow instructions of Agency and Borrower for the transactions described below.

**ARTICLE I. GENERAL TERMS.**

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

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

<b>“Title Company”</b>	Placer Title Company		
	<b>Address:</b>	301 University Avenue, Suite 120, Sacramento, CA 95825	
<b>“Escrow” with Title Company</b>	<b>Escrow Number:</b>	P-362723-3	<b>Attention:</b> Jenny Vega
	<b>Agency</b>	Sacramento Housing and Redevelopment Agency	
	<b>Address:</b>	801 12 <sup>th</sup> Street, Sacramento, California 95814	
	<b>Attention:</b>	Anne Nicholls	
<b>“Bank”</b>	Wells Fargo Bank, National Association		
<b>“Borrower”</b>	RAD Pilot LP, a California limited partnership		
	<b>Address:</b>	c/o SHARP 801 12th Street, Sacramento, California 95814	
	<b>Attention:</b>	James Shields, President	
<b>“Closing Date”</b>	_____, 2020 or mutually agreed upon Closing Date.		
<b>“HACS”</b>	Housing Authority of the City of Sacramento, a public body, corporate and politic		
<b>“HACS Improvements”</b>	The improvements on the HACS Sites (defined below).		
<b>“HACS Sites”</b>	4921 Folsom Boulevard, Sacramento, CA 95819 (APN: 008-0341-044-0000) 1043 43rd Avenue, Sacramento, CA 95822 (APN: 029-0184-017-0000, 029-0184-001-0000 and 029-0184-002-0000)		
<b>“HACOS”</b>	Housing Authority of the County of Sacramento, a public body, corporate and politic		
<b>“HACOS Improvements”</b>	The improvements on HACOS Sites.		
<b>“HACOS Sites”</b>	4500 Perry Avenue, Sacramento, Ca 95820 (APN 022-0052-011-0000 and 022-0052-012-0000) (“Perry”)		
	4930 El Paraiso Avenue, Sacramento, Ca 95824 (APN 037-0224-047-0000) (“El Paraiso”)		
	9205 Elk Grove Boulevard, Elk Grove, Ca 95624 (APN 125-0270-051-0000) (“Elk Grove”)		
	8223 Walerga Road, Antelope, Ca 95843 (APN 203-0070-041-0000) (“Walerga”)		
<b>“HUD”</b>	The United States Department of Housing and Urban Development		
<b>“Property”</b>	HACOS Sites and the HACS Sites, collectively.		



<p><b>Description of the transaction</b></p>	<ol style="list-style-type: none"> <li>1. HACOS is the fee owner of HACOS Sites, which is comprised of Perry, El Paraiso, Elk Grove, and Walerga. HUD previously recorded declarations of trust against the Authority's fee interest in Elk Grove (the "<b>Elk Grove Declaration</b>"), Perry (the "<b>Perry Declaration</b>"), El Paraiso (the "<b>El Paraiso Declaration</b>"), and Walerga (the "<b>Walerga Declaration</b>"). Through this escrow, HUD will fully release the Elk Grove Declaration through a release (the "<b>Elk Grove Release</b>"); partially release the Perry Declaration from Perry through a release (the "<b>Perry Release</b>"); fully release the El Paraiso Declaration through a release (the "<b>El Paraiso Release</b>"); and fully release the Walerga Declaration through a release (the "<b>Walerga Release</b>").</li> <li>2. The Borrower will finance and develop a one hundred twenty-four (124) unit affordable housing development on the Property (the "<b>Project</b>"). In connection with the Project, HACOS will convey a fee interest in HACOS Improvements to the Borrower by four (4) grant deeds (the "<b>Grant Deeds</b>").</li> <li>3. Concurrently with conveyance of the Improvements by the Grant Deeds, HACOS and the Borrower will enter into a ground lease whereby the Borrower will acquire a leasehold interest in HACOS Sites (the "<b>Ground Lease</b>"). The Ground Lease will be evidenced by a memorandum of ground lease (the "<b>Memorandum of Ground Lease</b>") to be recorded on HACOS's fee interest in HACOS Sites.</li> <li>4. As part of this Project, HUD will require a use agreement by and among HACOS, HACS, HUD, and the Borrower to be recorded against HACOS's and HACS' fee interests in the Property and on the Borrower's leasehold interest in the Property (the "<b>RAD Use Agreement</b>"). The RAD Use Agreement is to be recorded first and remain in senior position to all other Bank items, Borrower Items (defined below), HACOS Items and Agency Items (defined below).</li> <li>5. To finance the Project, HACOS will make a mortgage loan (the "<b>HACOS Project Loan</b>") to the Borrower with proceeds received from the separate loan made to HACOS by the Bank (the "<b>Bank Funding Loan</b>"). In connection with HACOS Project Loan, HACOS will record a tax regulatory agreement and declaration of restrictive covenants against the Borrower's leasehold interest in Perry (the "<b>Perry Regulatory Agreement</b>"); a tax regulatory agreement and declaration of restrictive covenants against the Borrower's leasehold interest in El Paraiso (the "<b>El Paraiso Regulatory Agreement</b>"); a tax regulatory agreement and declaration of restrictive covenants against the Borrower's leasehold interest in Elk Grove (the "<b>Elk Grove Regulatory Agreement</b>"); and a tax regulatory agreement and declaration of restrictive covenants against the Borrower's leasehold interest in Walerga (the "<b>Walerga Regulatory Agreement</b>") (collectively the "<b>Tax Regulatory Agreements</b>"). The Bank will secure the Bank Funding Loan with a first lien leasehold deed of trust with assignment of rents, security agreement and fixture filing recorded against the Borrower's leasehold interest in the Property (the "<b>Bank Deed of Trust</b>", and, together with the Tax Regulatory Agreements, the "<b>Tax Exempt Loan Documents</b>").</li> <li>6. To finance the Project, the Bank will also make a construction-permanent loan pursuant to a loan agreement evidenced by a promissory note secured by a deed of trust with assignment of rents, security agreement and fixture filing recorded against the Borrower's leasehold interest in the Property (the "<b>Bank Construction-Permanent Loan DOT</b>").</li> <li>7. HACOS is making the following three loans to Borrower. The first loan is the Construction and Permanent Loan, made pursuant to a loan agreement (the "<b>HACOS Construction-Permanent Loan Agreement</b>"), evidenced by two promissory notes (the "<b>HACOS Construction-Permanent Loan Notes</b>") secured by a deed of trust (the "<b>HACOS Construction-Permanent Loan DOT</b>"); the second loan is the Ground Lease Loan for the capitalized rent due under the Ground Lease, which loan is evidenced by a promissory note (the "<b>HACOS Ground Lease Loan Promissory Note</b>") secured by a leasehold deed of trust with assignment of rents, security agreement and fixture filing (the "<b>HACOS Ground Lease Loan DOT</b>"); and the third is the Seller Carry Back Loan for the acquisition of the Improvements, which loan is evidenced by a promissory note (the "<b>HACOS Seller Carryback Note</b>") secured by a deed of trust with assignment of rents, security agreement and fixture filing (the "<b>HACOS Seller Carryback DOT</b>").</li> </ol>
<p>RAD 1 – Sacramento Housing and Redevelopment Agency Construction and Permanent Loan Agreement</p>	<p>By a promissory note (the "<b>HACOS Ground Lease Loan Promissory Note</b>") secured by a leasehold deed of trust with assignment of rents, security agreement and fixture filing (the "<b>HACOS Ground Lease Loan DOT</b>"); and the third is the Seller Carry Back Loan for the acquisition of the Improvements, which loan is evidenced by a promissory note (the "<b>HACOS Seller Carryback Note</b>") secured by a deed of trust with assignment of rents, security agreement and fixture filing (the "<b>HACOS Seller Carryback DOT</b>").</p>



<p><b>“Recorded Documents”- The following documents are to be recorded against the interests specified, and in the order listed (top being first in priority). Copies of the Recorded documents are attached.</b></p>	<p><b>Documents:</b></p> <ol style="list-style-type: none"> <li>1. Elk Grove Release, recorded against HACOS’s fee interest in Elk Grove only</li> <li>2. Perry Release, recorded against HACOS’s fee interest in Perry only</li> <li>3. El Paraiso Release, recorded against HACOS’s fee interest in El Paraiso only</li> <li>4. Walerga Release, recorded against HACOS’s fee interest in Walerga only</li> <li>5. Grant Deeds, recorded against HACOS’s fee interest in HACOS Sites</li> <li>6. Memorandum of Ground Lease and TCAC Lease Rider, recorded against HACOS’s fee interest in HACOS Sites</li> <li>7. RAD Use Agreement, recorded against HACOS’s and HACS’ fee interests in the Property and the Borrower’s leasehold interest in the Property</li> <li>8. Perry Regulatory Agreement, recorded against the Borrower’s leasehold interest in Perry</li> <li>9. El Paraiso Regulatory Agreement, recorded against the Borrower’s leasehold interest in El Paraiso</li> <li>10. Elk Grove Regulatory Agreement, recorded against the Borrower’s leasehold interest in Elk Grove</li> <li>11. Walerga Regulatory Agreement, recorded against the Borrower’s leasehold interest in Walerga</li> <li>12. Agency Regulatory Agreement, recorded against Borrower’s leasehold interest in Perry, El Paraiso, and Walerga</li> <li>13. Bank Construction-Permanent Loan DOT, recorded against the Borrower’s leasehold interest in the Property</li> <li>14. Agreement to subordinate the Tax Exempt Loan Documents to the RAD Use Agreement., by and among HACOS, HACS, the Bank, and Borrower, recorded against the Borrower’s leasehold interest in the Property</li> <li>15. HACOS Construction-Permanent Loan DOT, recorded against the Borrower’s leasehold interest in HACOS Sites and HACOS Improvements</li> <li>16. Agency Construction-Permanent Loan DOT, recorded against Borrower’s leasehold interest in Perry, El Paraiso, and Walerga</li> <li>17. HACOS Ground Lease Loan DOT, recorded against the Borrower’s leasehold interest in HACOS Sites</li> <li>18. HACOS Seller Carryback Loan DOT, recorded against the Borrower’s leasehold interest in HACOS Sites and HACOS Improvements</li> <li>19. Agreement to subordinate HACOS Construction-Permanent Loan DOT to the RAD Use Agreement, by and between HACOS and the Borrower, recorded against the Borrower’s leasehold interest in HACOS Sites</li> <li>20. Agreement to subordinate the Bank Construction-Permanent Loan DOT to the RAD Use Agreement, by and among HACOS, the Bank, and the Borrower, recorded against the Borrower’s leasehold interest in HACOS Sites</li> <li>21. Memorandum of Option, by and between HACOS and the Borrower, recorded against the Borrower’s leasehold in the Property</li> <li>22. Agreement to subordinate Memorandum of Ground Lease to the RAD Use Agreement, recorded against the Borrower’s leasehold interest in the Property</li> <li>23. Agreement to subordinate TCAC Lease Rider to the RAD Use Agreement, recorded against the Borrower’s leasehold interest in the Property</li> </ol>	<p><b>Marked for return to:</b> The Agency (address above) or the Borrower (address above), whichever entity possesses the interest being encumbered by the recorded document.</p>
<p>RAD 1 – Sacramento Housing and Redevelopment Agency Construction and Permanent Loan Agreement</p>	<p>Agreement recorded against the Borrower’s leasehold interest in the Property</p>	<p>Page 50</p>

<b>“Agency Items”</b>	Agency Construction-Permanent Loan Documents
<b>“Borrower Items”</b>	Loan proceeds in the amount of [ \$ _____ ] The conforming copies of the recorded documents
<b>“HACOS Items”</b>	<ol style="list-style-type: none"> <li>1. HACOS Construction-Permanent Loan Notes</li> <li>2. HACOS Ground Lease Loan Note</li> <li>3. HACOS Seller Carryback Note</li> <li>4. HACOS Construction-Permanent Loan Agreement</li> <li>5. Ground Lease</li> <li>6. Disposition and Development Agreement</li> <li>7. Authorizing resolutions for all Borrower signatories</li> </ol>

<b>“Special Provisions”:</b>	<p>The RAD Use Agreement is to be in first position and senior to all the other transaction documents/items</p> <p>The Agency Regulatory Agreement is to be in second position and senior to all the other transaction documents/items, except the RAD Use Agreement</p> <p>Title Policy shall, in addition to customary endorsements, bear the following endorsements:</p>
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<b>“Agency Lender’s Title Policy” in the form of an ALTA Agency’s Lender’s Policy insuring that the following are valid liens against HACOS Sites:</b>	<b>Documents:</b>	<b>Coverage amount:</b>
	The Tax Exempt Loan Documents	In the amount of the loan secured
<b>“HACOS Fee Owner’s Title Policy” in the form of an ALTA HACOS’s Owner’s Policy insuring that the following are valid liens against HACOS’s fee interest in HACOS Sites</b>	<ol style="list-style-type: none"> <li>1. The RAD Use Agreement</li> <li>2. The Agency Regulatory Agreement</li> <li>3. Memorandum of Ground Lease</li> </ol>	In the amount of [ \$ _____ ]
<b>“Borrower Leasehold Owner’s Title Policy” in the form of an ALTA Borrower’s Owner’s Policy insuring that the following are valid liens against the Borrower’s leasehold interest in HACOS Sites</b>	<ol style="list-style-type: none"> <li>1. Perry Regulatory Agreement</li> <li>2. El Paraiso Regulatory Agreement</li> <li>3. Elk Grove Regulatory Agreement</li> <li>4. Walerga Regulatory Agreement</li> <li>5. Bank Construction-Permanent Loan DOT</li> <li>6. HACOS Construction-Permanent Loan DOT</li> <li>7. HACOS Ground Lease Loan DOT</li> <li>8. HACOS Seller Carryback Loan DOT</li> <li>9. Agreement to subordinate HACOS Construction-Permanent Loan DOT to the RAD Use Agreement</li> <li>10. Memorandum of Option</li> </ol>	In the amount of [Debt plus Equity]
<b>The title policies shall be</b>	Items	<b>Dated:</b> October 3, 2019

subject only to the following “Conditions of Title”:		Number:	P-362723-2
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THE PARTIES HAVE EXECUTED THESE ESCROW INSTRUCTIONS in Sacramento, California as of the date first written above.

**BORROWER:**

**RAD PILOT LP, A CALIFORNIA LIMITED PARTNERSHIP**

By: RAD Pilot LLC, a California limited liability company,  
its managing general partner

By: Sacramento Housing Authority  
Repositioning Program, Inc., a California  
nonprofit public benefit corporation, its sole  
member and manager

By: \_\_\_\_\_  
James Shields, President

**AGENCY:**

**SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY, A JOINT POWERS AUTHORITY**

By: \_\_\_\_\_  
La Shelle Dozier, Executive Director

Approved as to form:

\_\_\_\_\_  
Agency Counsel

## ARTICLE II. INSTRUCTIONS

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

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

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

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

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

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

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

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

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

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

2.2.1. Assure fulfillment of the Special Provisions;

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

2.2.3. Obtain full execution of all unexecuted documents;

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

2.2.5. Record the Recorded Documents in the priority listed;

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

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

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

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

2.4. **COMMISSIONS.** Agency is not responsible, by the Agency Loan Documents or otherwise, to pay commissions in relation to this transaction.

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**ACCEPTANCE OF ESCROW INSTRUCTIONS**

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

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

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

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

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

Dated: \_\_\_\_\_

**TITLE COMPANY  
PLACER TITLE COMPANY**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Its authorized agent and signatory



**Exhibit 6: Regulatory Agreement**

**NO FEE DOCUMENT:**

Entitled to free recording  
per Government Code §§6103 & 27383.

When recorded, return to:

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY  
801 12<sup>th</sup> Street  
Sacramento, CA 95814

**REGULATORY AGREEMENT FOR RESIDENTIAL RENTAL PROPERTY  
AND DECLARATION OF RESTRICTIVE COVENANTS AFFECTING REAL PROPERTY**

<b>PROJECT NAME:</b>	Pointe Lagoon and Rio Garden
<b>PROJECT ADDRESSES AND APN:</b>	<ul style="list-style-type: none"> <li>• 4500 Perry Avenue, Sacramento, Ca 95820 (APN 022-0052-011-0000 and 022-0052-012-0000)</li> <li>• 4930 El Paraiso Avenue, Sacramento, Ca 95824 (APN 037-0224-047-0000)</li> <li>• 8223 Walerga Road, Antelope, Ca 95843 (APN 203-0070-041-0000)</li> </ul>

**FOR GOOD AND VALUABLE CONSIDERATION, THE RECEIPT OF WHICH IS ACKNOWLEDGED, AGENCY AND OWNER HAVE ENTERED THIS REGULATORY AGREEMENT AND DECLARATION OF RESTRICTIVE COVENANTS AFFECTING REAL PROPERTY (REGULATORY AGREEMENT) AS OF THE EFFECTIVE DATE.**

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

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

<b>TERM</b>	<b>DEFINITION</b>		
“Effective Date”	This Regulatory Agreement shall be effective as of the following date:		_____ __, 2020
“Agency”	Sacramento Housing and Redevelopment Agency The Agency is a joint powers agency.		
“Owner”	RAD Pilot LP		
“Agency Address”	Agency’s business address is 801 12th Street, Sacramento, California 95814		
“Owner Address”	Owner’s business address is as follows:	c/o 801 12th Street, Sacramento, California 95814	
“Jurisdiction”	County of Sacramento		
“Property”	That certain real property which is subject to this Regulatory Agreement as further described in the legal description, attached as <b>Attachment 1 – Legal Description of the Property</b> and incorporated in this Regulatory Agreement by this reference		
“Funding Agreement”	The Funding Agreement between Agency and Owner as follows:	Titled:	Construction and Permanent Loan Agreement
		Dated:	_____ __, 2020
“Agency Funding”	The funding made by Agency to Owner under the Funding Agreement for development of the Property		
“Agency Funding Amount”	The amount of the Agency Funding, as follows:	\$950,000.00	HOME Investment Partnership Program

“Funding Requirements”	The legal restrictions on the use of the funds that Agency has used to make the Agency Funding, as applicable to and restricting the Property. The Funding Requirements are set out in <b>Attachment 2 – HOME Funding Requirements.</b>	
“Approved Use”	The only permitted use of the Property, which is as a residential property available for rent by the general public and containing not less than the following number of units:	

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

Agency Funding Source:	Other Funding Source:	Affordability Level:	Number of Units:	Restricted Units:	Initial Rent per Unit per Month <sup>1</sup> :
County HOME	4% Low Income Housing Tax Credits (LIHTC) and RAD PBV	Low HOME Rent Very Low Income (50% AMI)	3 Units at 4390 El Paraiso Ave	One Bedroom	\$751
County HOME	4% LIHTC and RAD PBV	Low HOME Rent Very Low Income (50% AMI)	1 Unit at 4500 Perry Avenue	Three Bedroom	\$1,041
County HOME	4% LIHTC and RAD PBV	Low HOME Rent Very Low Income (50% AMI)	1 Unit at 8223 Walerga Road	Three Bedroom	\$1,041
<b>TOTAL RESTRICTED UNITS:</b>			<b>5</b>		

<sup>1</sup>Subsection §92.252(b)(2): Qualification as affordable housing - Rental housing: If the unit receives Federal or State project-based rental subsidy and the very low-income family pays as a contribution toward rent not more than 30 percent of the family's adjusted income, then the maximum rent (i.e., tenant contribution plus project-based rental subsidy) is the rent allowable under the Federal or State project-based rental subsidy program.

**5. MANAGEMENT AGREEMENT.** The Owner agrees that at all times the Project shall be managed by a property manager (i) approved by the Agency in its reasonable discretion and (ii) who has successfully managed at least five projects over forty units in size and subject to a recorded regulatory agreement for at least three years' prior to the application, without any record of material violations of discrimination restrictions or other state or federal laws or regulations or local governmental requirements applicable to such projects (the “Manager”). The Owner shall submit to the Agency from time to time such information about the background, experience and financial condition of any existing or proposed Manager as the Agency may reasonably require to determine whether such Manager meets the requirements for a Manager set forth herein. The Agency reserves the right to conduct periodic reviews of the management practices and of the Manager to determine if the Project is being operated and managed in accordance with the requirements and standards of this Loan. The Owner agrees to cooperate with the Agency in such reviews.

If the Agency determines in its reasonable judgment that the Project is not being operated and managed in accordance with one or more of the material requirements or standards of the Funding Agreement, the Agency may deliver notice to the Owner requesting replacement of the Manager, which notice shall state clearly the reasons for

such request. The Owner agrees that, upon receipt of such notice, the Owner shall within 60 days submit to the Agency, a proposal to engage a new Manager meeting the requirements of this provision. The Agency shall respond within 30 days to such proposal or such approval shall be deemed given. Upon receipt of such consent or deemed consent, the Owner shall promptly terminate the existing Manager’s engagement and engage the new Manager.

The Owner shall not enter into any management agreement or arrangement with any party with respect to the management of the Project without the Agency's prior written consent, such consent not to be unreasonably withheld or delayed. The Owner shall not materially modify, amend or terminate any approved management agreement (other than as required to comply with the terms of the Funding Agreement and/or applicable law or without the Agency's prior written consent, which consent will not be unreasonably withheld or delayed; provided, however, that such consent shall not be required to extend the term of an existing management agreement.

<b>Approved Management Company</b>
Housing Authority of the County of Sacramento

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

Provision	Term
Annual Administrative Fee: The Owner agrees to pay an Annual Administrative Fee (Fee) to Agency as compensation for monitoring compliance with regulatory restrictions and the administration of the Loan. Owner shall pay annually a Fee equal to \$100 for each HOME assisted unit.	Fee payments commence on the Closing Date for the prorated semiannual period from the Closing Date to and including June 30, 2020, and in equal semiannual installments in advance on each January 1 and July 1 of each year thereafter throughout the Loan Term.

**7. REPRESENTATIONS.** Agency has provided Agency Funding to Owner to develop the Property, subject to the terms of the Funding Agreement. This Regulatory Agreement is a substantial part of the consideration to Agency for making the Agency Funding. The funds used by Agency under the Funding Agreement are funds from public funding sources administered by Agency and their use is subject to certain requirements some of which are embodied in this Regulatory Agreement. Further, Agency has made the Agency Funding in accordance with the laws, rules and regulations to which Agency is subject. Therefore, Agency has made the Agency Funding conditioned upon Owner’s agreement, for itself and its successors and assigns, to comply with all provisions of this Regulatory Agreement, including without limitation, the Funding Agreement. Owner has had full opportunity to make itself independently familiar with such limitations and restrictions, and Owner accepts them and agrees to comply fully with them.

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

- a. Owner shall use and permit others to use the Property only for the Approved Use.
- b. Owner shall assure full compliance with the Funding Requirements.
- c. Owner shall not transfer or encumber any of the Property or permit the conveyance, transfer, or encumbrance of the Property unless such assignee, transferee or encumbrancer has agreed, in writing and in a form suitable for recordation, to be bound by the terms of this Regulatory Agreement.
- d. Owner shall not cause and shall not permit expansion, reconstruction, or demolition of any part of improvements on the Property, except as provided by the Funding Agreement.
- e. Owner shall maintain the Property and the building improvements, grounds and equipment of the Property in good repair and condition and in compliance with all applicable housing quality standards and local code requirements. Owner shall maintain the Property in good condition and shall keep the Property reasonably free from graffiti and unrepaired vandalism and from accumulation of abandoned property, inoperable vehicles, unenclosed

storage, debris, and waste materials. In the event of a casualty loss, Owner shall cause the restoration or replacement of the Property, in a timely manner and provided that such restoration or replacement is then economically feasible.

f. Owner shall not cause and shall not permit discrimination based on race, color, national origin, religion, sexual orientation, gender, familial status, age or disability in the sale, lease, or rental or in the use or occupancy of the Property. Owner covenants by and for him/her/itself, his/her/its heirs, executors, administrators, and assigns, and all persons claiming under or through them that there shall be no discrimination against or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the Property. This covenant against discrimination shall continue in perpetuity.

g. Owner shall not refuse to rent, evict, or otherwise treat someone differently because of that person's status as a victim of domestic violence, dating violence, sexual assault, or stalking, in compliance with the Violence Against Women Act. This protection is available regardless of sex, gender identity, or sexual orientation.

h. Owner shall assure compliance with the obligations imposed by the federal Personal Responsibility and Work Opportunity Act (Public Law 104-193, commonly known as the Welfare Reform Act) as amended by California Welfare and Institutions Code Section 17851, which restrict the Agency funding of federal, state or local benefits to persons who are not citizens or qualified aliens as defined in such act.

i. Owner shall provide or cause to be provided by the Housing Authority of the County of Sacramento, or an entity approved by the Agency in writing prior to its appointment, resident services for the tenants residing in the Project which, from time to time, are to be determined by the Owner in consultation with the Agency. The Owner shall provide resident services based on the needs of the residents. Services should include the Family Self-Sufficiency or other similar program, education, financial literacy, health, enrichment, and training and job opportunities, provided, however, the above resident services may be amended upon the written agreement of the Owner and the Agency. Such amended resident services categories shall be incorporated herein by reference. Immediately following the Effective Date of this Regulatory Agreement, the Owner or its managing general partner shall forward in writing to the Agency a needs assessment identifying the classes/programs of interest to the residents based upon the aforementioned resident services categories.

The Owner or its managing general partner shall provide written reports to the Agency on each January 1, April 1, July 1 and October 1, commencing on the first day of the quarterly period beginning no more than six months following the first day of the Effective Date of this Regulatory Agreement. The written reports shall be due no later than the tenth day after the beginning of each quarterly period, and the Owner or its managing general partner shall verify therein that the resident services being provided are accurate by completing and submitting to the Agency the following documents: (i) resident services plan, (ii) quarterly resident services certification, and (iii) resident services certificate of compliance.

j. Owner shall not pass utility charges paid by Owner, including water, sewer, and garbage collection charges, through to tenants as an add-on to their contracted rent subject to adjustments permitted by applicable utility allowances.

k. Owner shall not make payment of rental insurance premiums a condition of occupancy. If owners require renters' insurance, the policy premium must be deducted from the tenant's rent. The owner shall not add the insurance premium to the tenant's rent in either the initial or subsequent years.

l. Owner shall make all of the units, indoor common areas and buildings smoke free.

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

10. **TERM.** The term of this Regulatory Agreement shall commence on the Effective Date and continue until the terms of all of the covenants, including without limitation, the terms stated in the Funding Requirements, have expired or otherwise been terminated. Notwithstanding the term in the Funding Requirements, the term of this Regulatory Agreement shall be fifteen (15) years from the date of the completion of the rehabilitation of the Property, as evidenced by a Certificate of Occupancy or building permit sign offs by the Building Department of the County of Sacramento.

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

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

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

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

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

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

17. **CHANGES WITHOUT CONSENT OF TENANTS, LESSEES, OR OTHERS.** Only Agency and its successors and assigns, and Owner (subject to the reasonable approval of Owner's lender in accordance with its rights under its loan terms) shall have the right to consent and agree to changes in, or to eliminate in whole or in part, any of the covenants or restrictions contained in this Agreement without the consent of any easement holder, licensee, other mortgagee, trustee, beneficiary under a deed of trust or any other person or entity having any interest less than a fee in the Site.

18. **DEFAULT.** Upon a breach of any of the provisions of this Regulatory Agreement by Owner, the Agency may give written notice of such breach to Owner by registered or certified mail. If such violation is not corrected to the

satisfaction of Agency within sixty (60) days after the date such notice is mailed or within such further time as the Agency may reasonably determine is necessary to correct the breach, and without further notice to Owner, the Agency may declare a default under the Agreement, effective on the date of such declaration of default, and upon such default the Agency may: (a) take any action then available under the Funding Agreement for a default under the Funding Agreement and (b) apply to any court for specific performance of this Regulatory Agreement, for an injunction against any violation of the Agreement, for the appointment of a receiver to take over and operate the Property in accordance with the terms of this Regulatory Agreement, for money damages or for such other relief as may be appropriate, since the injury to the Agency arising from a default under any of the terms in this Regulatory Agreement would be irreparable, and the amount of damage would be difficult to ascertain. The limited partner of Owner shall have the option to cure a default on behalf of the Owner and the Agency will accept such cure as if tendered by the Owner.

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

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

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

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

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

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

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

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

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

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

Agency shall give copies of notices required to be delivered to Owner to the following parties at the following addresses; provided, however that Owner acknowledges that such notice is an accommodation and the failure of the Agency to properly deliver any such notice shall not give rise to any claims or defenses of Owner or any third party:

**TAX CREDIT EQUITY INVESTOR**

NEF Assignment Corporation  
Attention: General Counsel  
10 South Riverside Plaza, Suite 1700  
Chicago, IL 60606

**CONSTRUCTION LENDER**

Wells Fargo Bank, National Association  
Community Lending and Investment  
333 Market Street, 17<sup>th</sup> Floor  
MAC# A0119-177  
San Francisco, California 94105  
Attention: Loan Administration Officer  
Loan No. 1019305

**PERMANENT LENDER**

Prudential Affordable Mortgage Company, LLC, or affiliate  
C/O PRUDENTIAL ASSET RESOURCES  
2100 ROSS AVENUE, SUITE 2500  
DALLAS, TEXAS 75201  
ATTN: ASSET MANAGEMENT DEPARTMENT  
Agency-Notice@prudential.com

With a copy to:

Federal Home Loan Mortgage Corporation  
8100 Jones Branch Drive, MS B4P  
McLean, Virginia 22102  
Attention: Multifamily Operations - Loan Accounting  
Email: mfla@freddiemac.com  
Telephone: (703) 714-4177

with a copy to: Federal Home Loan Mortgage Corporation  
8200 Jones Branch Drive, MS 210  
McLean, Virginia 22102  
Attention: Managing Associate General Counsel –  
Multifamily Legal Division  
Email: joshua\_schonfeld@freddiemac.com  
Telephone: (703) 903 2000

**FISCAL AGENT**

U.S. Bank Global Corporate Trust  
Attention: RAD 1  
1 California Street, Suite 1000  
San Francisco, CA 94111

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

**OWNER : RAD PILOT LP, A CALIFORNIA LIMITED PARTNERSHIP**

By: RAD Pilot LLC, a California limited liability company, its managing general partner

By: Sacramento Housing Authority Repositioning Program, Inc., a California nonprofit public benefit corporation, its sole member and manager

\_\_\_\_\_  
James Shields, President

**AGENCY: THE SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY, A JOINT POWERS AUTHORITY**

By: \_\_\_\_\_  
La Shelle Dozier, Executive Director

Date: \_\_\_\_\_

Approved as to form: \_\_\_\_\_  
Agency Counsel



**ATTACHMENT 1 – Property Subject to this Regulatory Agreement**

**Legal Description of Rio Garden - 8223 Walerga Road, Antelope, CA 95843**

SITE E: 8223 Walerga Road

The land described herein is situated in the State of California, County of Sacramento, unincorporated area, described as follows:

All buildings and improvements situated on the following property, the buildings and improvements are and shall remain real property, pursuant to that certain Grant Deed dated To Be Recorded, recorded To Be Determined, as To Be Determined, of Official Records:

Parcel A of that certain Parcel Map entitled "A portion of the Southwest one-quarter of Section 18, Township 10 North, Range 6 East, M.D.B. & M.", filed June 24, 1976 in Book 26 of Parcel Maps, Page 48 in the office of the recorder, Sacramento County.

APN: 203-0070-041-0000

**Legal Description of Pointe Lagoon - 4930 El Paraiso Avenue, Sacramento, CA 95824**

SITE C: 4930 El Paraiso Avenue

The land described herein is situated in the State of California, County of Sacramento, unincorporated area, described as follows:

All buildings and improvements situated on the following property, the buildings and improvements are and shall remain real property, pursuant to that certain Grant Deed dated To Be Recorded, recorded To Be Determined, as To Be Determined, of Official Records:

Lot A, as shown on the "Revised Plat of Country Place" filed in the office of the recorder of Sacramento County, in Book 149 of Maps, Map No. 16.

Excepting therefrom, that portion of said land granted to the Redevelopment Agency of the County of Sacramento, in Grand Deed recorded August 24, 1984 as Book 840824, Page 370, Official Records, described as follows:

Beginning at the Northerly corner of Lot A that lies on the centerline of Sampson Boulevard as said Boulevard is shown on said Map; thence from said point of beginning along said centerline and the most Westerly line of said Lot A South 0° 00' 00" West, 52.50 feet; thence leaving said centerline along a portion of the Southerly boundary of said Lot A, South 88° 12' 00" East, 212.00 feet; thence leaving last said line, North 6° 50' 00" East, 59.71 feet to a point on the Northerly boundary of said Lot A; thence along last line South 89° 58' 00" West, 219.00 feet to the point of beginning.

APN: 037-0224-047-0000

**Legal Description of Pointe Lagoon - 4500 Perry Avenue, Sacramento, CA 95820**

SITE D: 4500 and 4530 Perry Avenue

The land described herein is situated in the State of California, County of Sacramento, unincorporated area, described as follows:

All buildings and improvements situated on the following property, the buildings and improvements are and shall remain real property, pursuant to that certain Grant Deed dated To Be Recorded, recorded To Be Determined, as To Be Determined, of Official Records:

Lot 10 as shown on the "Amended Plat of Hunger Tract No. 1", recorded in Book 15 of Maps, Map No. 8, records of said County.

Pursuant to that certain Certificate of Compliance, recorded September 20, 2019, Instrument No. 201909200647 Official Records.

APN: 022-0052-011-0000 and 022-0052-012-0000

## ATTACHMENT 2: HOME Funding Requirements

### HOME FUNDING AND OTHER FEDERAL REQUIREMENTS RENTAL PROJECT

These “HOME Funding and Other Federal Requirements” are attached to the Loan Documents (Loan Agreement and Regulatory Agreement), and are incorporated in the Loan Documents. The capitalized terms used in these HOME and Other Federal Funding Requirements shall have the meanings below in the body of these HOME Funding and other Federal Requirements. Terms being defined are indicated by quotation marks. Capitalized terms in these HOME Funding and Other Federal Requirements that are not defined below are defined in the Loan Documents. References to the CFR are to the Code of Federal Regulations. Project specific restrictions are set forth in Section 3 of this Regulatory Agreement.

1. **DEFINITIONS.** For the purposes of the Loan Documents and in addition to the definitions made elsewhere in the Loan Documents, the following capitalized words and phrases contained in this Contract shall have the following meanings:

a. “HOME” is the federal HOME Investment Partnership program (Catalogue of Federal Domestic Assistance FDA 14.239) administered by the U.S. Department of Housing and Urban Development.

b. The “HOME Requirements” are the laws, rules and regulations which are specifically applicable to this contract. A substantial portion of the Federal Requirements included in this Attachment 2.

c. “Exhibits” to this Attachment 2 contain a substantial portion of the Federal Requirements, and are incorporated into this Agreement in the form of a USB/cloud share file.

**Borrower acknowledges receipt of the USB/cloud share file by initialing here: \_\_\_\_.**

The Exhibits included the following:

- i) Exhibit 1 – HOME Regulations: 24 Code of Federal Regulations (CFR) Part 92.
- ii) Exhibit 2 – Requirements for nonprofit subgrantees; 2 CFR §200.70; Appendix VIII to 2 CFR Part 200
- iii) Exhibit 3 –Restrictions on Lobbying; 24 CFR Part 87; *see also* 2 CFR §200.450
- iv) Exhibit 4- Federal Labor Standards Provisions: 29 CFR Part 5

2. **RECITALS.** The Agency Funding includes proceeds of the federal HOME Investment Partnerships Act (“HOME”) and its implementing regulations (commencing at 24 CFR Part 92) (“HOME Funds”). The Agency has approved the Agency Funding on condition that the property described in the Loan Documents (“Property”) is rehabilitated or developed as residential rental property (“Project”) with certain units regulated in accordance with laws, rules and regulations regarding the use of HOME funds for the benefit of low-income persons (“HOME Restricted Units”) by recordation of these Home Funding and Other Federal Restrictions as covenants running with the land. HOME Restricted Units are made affordable by such regulation to persons and households that qualify as low-income or very low-income as indicated in the table in Article I.

3. **USE OF HOME FUNDS.** Owner shall assure that the HOME Funds are used only for qualified uses. HOME Funds may only be used to provide incentives to develop and support affordable rental housing and homeownership affordability through the acquisition (including assistance to homebuyers), new construction, reconstruction, or rehabilitation of non-luxury housing with suitable amenities, including real property acquisition, site improvements, conversion, demolition, and other expenses, including financing costs, relocation expenses of any displaced persons, families, businesses, or organizations; to provide tenant-based rental assistance, including security deposits; to provide payment of reasonable administrative and planning costs; and to provide for the payment of operating expenses of community housing development organizations, all as further defined in 24 CFR §§ 92.205-92.209. The HOME Funds shall not be used for project reserve accounts except as expressly authorized or to provide operating subsidies.

Owner shall not utilize the Project for explicitly religious activities, including activities that involve overt religious content such as worship, religious instruction, or proselytization, and to the extent that Owner engages in such explicitly religious activities, it shall perform such activities and offer such services outside of the program pursuant to which Owner is developing the Project pursuant to this Agreement. The Owner further represents that the Project units are available to all persons regardless of religion, religious belief, a refusal to hold a religious belief, or a refusal to attend or participate in a religious practice; and that there are no religious or membership criteria for tenants of the Property.

**4. PROPERTY STANDARDS.** Upon completion, the Project will comply with the applicable property standards of 24 CFR § 92.251. For the term of these Funding Requirements, Owner shall provide Agency access at all reasonable times for inspection to assure compliance with such standards. Such provisions are generally as follows:

a. If the Project is new construction, it must meet all applicable local codes, rehabilitation standards, ordinances, and zoning ordinances at the time of project completion. Newly constructed housing must meet the current edition of the Model Energy Code published by the Council of American Building Officials.

b. All other HOME-assisted housing (such as acquisition) must meet all applicable State and local housing quality standards and code requirements.

c. The housing must meet the accessibility requirements at 24 CFR part 8, which implements Section 504 of the Rehabilitation Act of 1973 (29 United States Code (USC) Section 794) and covered multifamily dwellings, as defined at 24 CFR §100.201, must also meet the design and construction requirements at 24 CFR §100.205, which implement the Fair Housing Act (42 USC §§ 3601et. seq.).

d. Construction of all manufactured housing must meet the Manufactured Home Construction and Safety Standards established in 24 CFR Part 3280. These standards pre-empt State and local codes covering the same aspects of performance for such housing. Also, installation of manufactured housing units must comply with applicable State and local laws or codes, or in the absence of such laws or codes, the participating jurisdiction must comply with the manufacturer's written instructions for installation of manufactured housing units. Manufactured housing that is rehabilitated using HOME funds must meet the requirements set out in Section 4.a.

e. Owner must maintain the housing in compliance with all applicable State and local housing quality standards and code requirements and if there are no such standards or code requirements, the housing must meet the housing quality standards in 24 CFR §982.401.

**5. LEAD-BASED PAINT.** Owner shall comply with the Lead-Based Paint Poisoning Prevention Act (42 USC §4821et. seq.), the Residential Lead-Based Paint Hazard Reduction Act of 1992 (42 U.S.C. §4851et. seq.), and implementing regulations.

**6. AFFORDABILITY REQUIREMENTS.** Owner shall assure that the of HOME Restricted Units shall be rented at or below the following rates:

a. Low-Income Units shall be rented for amounts that do not exceed thirty percent (30%) of sixty-five percent (65%) of the Sacramento Metropolitan Statistical Area median income (“Median Income”), as determined annually by the federal Department of Housing and Urban Development (“HUD”), as adjusted for family size appropriate to the size and number of bedrooms in the respective HOME Restricted Unit, provided however that if the tenant is paying for utilities and services for the HOME Restricted Unit, the rent shall not exceed the maximum amount calculated as set forth in this subdivision minus a monthly allowance for utilities and services as set forth in the maximum monthly allowances for utilities and services established and updated annually by the Agency pursuant to 24 CFR §92.252(d).

b. Very Low-Income Units shall be rented for amounts that do not exceed thirty percent of fifty-percent (50%) of the Median Income as adjusted for family size appropriate to the size and number of bedrooms in the respective HOME Restricted Unit, provided however that if the tenant is paying for utilities and services for the HOME Restricted Unit, the rent shall not exceed the maximum amount calculated as set forth in this subdivision minus a monthly allowance for utilities and services as set forth in the maximum monthly allowances for utilities and services established and updated annually by the Agency pursuant to 24 CFR §92.252(d).

c. Notwithstanding any other provision, the maximum rent on any HOME-Restricted Unit shall not exceed the “Fair Market Rent” as established by HUD under 24 CFR §888.111.

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

e. Such maximum rent limits shall be recalculated periodically after HUD determination of the Fair Market Rent or the Median Income; provided, however, that the rents are not required to be lower than the initial rent for the HOME-Restricted Units. Owner shall give tenants not less than thirty (30) days’ notice of a change in rents.

f. The Agency shall review and approve rents proposed by Owner for the HOME Restricted Units, subject to the maximum rent limitations as set forth in section 6(a), (b) and (c) of this Agreement. The Agency will provide Owner with information on updated HOME rent limits. Owner must annually provide the Agency with information on rents and occupancy of HOME Restricted Units to demonstrate compliance with this Section 6. The Agency must review rents for compliance and approve or disapprove them every year.

g. The foregoing affordability requirements may, with the consent of the Agency, terminate on foreclosure or deed in lieu of foreclosure; provided, however, that the affordability requirements will revive according to the original terms if the Owner at the time of foreclosure, or any entity that includes such Owner or anyone with whom such Owner has or had family or business ties, obtains an ownership interest in the Project or Property.

**7. OCCUPANCY REQUIREMENTS.** Owner shall assure that all HOME Restricted Rental Units shall be initially occupied by households earning less than sixty-five percent (65%) of the Median Income, as verified by the Agency. Notwithstanding any other provision, if five or more units in the Project are HOME-Restricted Units, not less than twenty percent of the HOME-Restricted Units shall be Very Low-Income Units and shall be occupied by families whose annual income does not exceed fifty-percent (50%) of the Median Income. If a tenant of a HOME-Restricted Unit no longer qualifies as for the HOME-Restricted Unit as a result of an increase in family income, the HOME-Restricted Unit continues to qualify under these Funding Requirements so long as actions satisfactory to HUD are being taken to ensure that all vacancies are filled in accordance with these Funding Requirements until the noncompliance is corrected. Such tenants shall pay as rent the lesser of the amount payable by the tenant under State or local law or thirty percent (30%) of the family’s adjusted income, except that tenants of HOME-assisted units that have been allocated low-income housing tax credits by a housing credit agency pursuant to section 42 of the Internal Revenue Code of 1986 (26 USC Section 42) must pay rent governed by such section. In addition, for projects where HOME units are designated as floating pursuant to 24 CFR §92.252(j), tenants who no longer qualify as low-income are not required to pay as rent an amount that exceeds the market rent for comparable, unassisted units in the neighborhood. If the HOME-Restricted Units are not occupied by eligible tenants within six months following the date of Project completion, Owner shall, in accordance with the requirements of 24 CFR §92.252, submit marketing information to Agency and to HUD and, if appropriate, submit a marketing plan. If any HOME-Restricted Unit has not been rented to eligible tenants 18 months after the date of project completion, Owner shall repay the HOME funds invested in such HOME-Restricted Unit to HUD.

**8. INCOME VERIFICATION.** Owner shall fully cooperate with Agency by requiring every prospective tenant of a HOME Restricted Unit to provide to Owner, prior to initial occupancy of a Home-Restricted Unit and annually, all information required to verify income-eligibility of the prospective tenant to assure income eligibility in accordance with 24 CFR § 92.203. For the initial eligibility determination, Owner shall cause the tenant to provide the Agency with at least two months of source documents evidencing annual income (by way of example, wage statement, interest statement, unemployment compensation statement) for the family. Thereafter, Owner shall cause the tenant to provide the Owner with such source documents; a written statement of the amount of the family's annual income and family size, with a certification that the information is complete and accurate and assurance that the family will provide source documents upon request; or a written statement from the administrator of a government program under which the family receives benefits and which examines each year the annual income of the family, stating the tenant's family size and the amount of the family's annual income or alternatively, stating the current dollar limit for very low or low-income families for the family size of the tenant and state that the tenant's annual income does not exceed such limit.

**9. TENANT PROTECTIONS; LEASE PROVISIONS.** Owner shall comply with the following provisions for protection of tenants in HOME-Restricted Units.

a. Owner shall enter into an initial lease with a tenant of a HOME-Restricted Unit for not less than one year, unless by mutual agreement between the tenant and the Owner and not required by Owner as a condition of entering into the lease. Such lease shall not contain any of the following provisions, in addition to any other applicable requirements of law:

- 1) Agreement by the tenant to be sued, to admit guilt, or to a judgment in favor of the Owner in a lawsuit brought in connection with the lease;
- 2) Agreement by the tenant that the Owner may take, hold, or sell personal property of household members without notice to the tenant and a court decision on the rights of the parties; excepting an agreement by the tenant concerning disposition of personal property remaining in the housing unit after the tenant has moved out of the unit that is in accordance with State law;
- 3) Agreement by the tenant not to hold the Owner or the Owner's agents legally responsible for any action or failure to act, whether intentional or negligent;
- 4) Agreement of the tenant that the Owner may institute a lawsuit without notice to the tenant;
- 5) Agreement by the tenant that the Owner may evict the tenant or household members without instituting a civil court proceeding in which the tenant has the opportunity to present a defense, or before a court decision on the rights of the parties;
- 6) Agreement by the tenant to waive any right to a trial by jury;
- 7) Agreement by the tenant to waive the tenant's right to appeal, or to otherwise challenge in court, a court decision in connection with the lease; and
- 8) Agreement by the tenant to pay attorney's fees or other legal costs, even if the tenant wins in a court proceeding by the Owner against the tenant. The tenant, however, may be obligated to pay costs if the tenant loses.
- 9) Agreement by the tenant (other than a tenant in transitional housing) to accept supportive services that are offered.

b. An Owner may not terminate the tenancy or refuse to renew the lease of a tenant of rental housing assisted with HOME funds except for serious or repeated violation of the terms and conditions of the lease; for violation of applicable Federal, State, or local law; for completion of the tenancy period for transitional housing or failure to follow any required transitional housing supportive services plan; or for other good cause. Good cause does not include an increase in the tenant's income or refusal of the tenant to purchase the housing. To terminate or refuse to renew tenancy, the Owner must serve written notice upon the tenant specifying the grounds for the action at least 30 days before the termination of tenancy.

c. Owner must adopt and follow written tenant selection policies and criteria that:

- 1) Limit the housing to very low-income and low-income families;
- 2) Are reasonably related to program eligibility and the applicants' ability to perform the obligations of the lease (i.e., to pay the rent, not to damage the housing; not to interfere with the rights and quiet enjoyment of other tenants);
- 3) Limit eligibility or give a preference to a particular segment of the population if required in the Loan Documents (and only if the limitation or preference is described in the Agency's consolidated plan).
  - a) Any limitation or preference must not violate nondiscrimination requirements in 24 CFR §92.350. A limitation or preference does not violate nondiscrimination requirements if the housing also receives funding from a Federal program that limits eligibility to a particular segment of the population (e.g., the Housing Opportunity for Persons with AIDS program under 24 CFR Part 574, the Shelter Plus Care program under 24 CFR Part 582, the Supportive Housing program under 24 CFR Part 583, supportive housing for the elderly or persons with disabilities under 24 CFR Part 891), and the limit or preference is tailored to serve that segment of the population.
  - b) If the Project does not receive funding from a Federal program that limits eligibility to a particular segment of the population, the project may have a limitation or preference for persons with disabilities who need services offered at a project only if:
    - i) The limitation or preference is limited to the population of families (including individuals) with disabilities that significantly interfere with their ability to obtain and maintain housing;
    - ii) Such families will not be able to obtain or maintain themselves in housing without appropriate supportive services; and
    - iii) Such services cannot be provided in a non-segregated setting. The families must not be required to accept the services offered at the Project. In advertising the Project, Owner may advertise the Project as

offering services for a particular type of disability; however, the Project must be open to all otherwise eligible persons with disabilities who may benefit from the services provided in the Project.

4) Provide for the selection of tenants from a written waiting list in the chronological order of their application, insofar as is practicable; and

5) Give prompt written notification to any rejected applicant of the grounds for any rejection.

d. Owner shall not refuse to lease a HOME-Restricted unit to a certificate or voucher holder under 24 CFR Part982 – Section 8 Tenant-Based Assistance: Unified Rule for Tenant-Based Assistance under the Section 8 Rental Certificate Program and the Section 8 Rental Voucher Program or to the holder of a comparable document evidencing participation in a HOME tenant-based rental assistance program because of the status of the tenant as a holder of such certificate, voucher or comparable certification.

**10. UNIT QUALITY & DETERMINATION OF COST ALLOCATION.** OWNER shall assure that HOME Restricted Units assisted with HOME Funds must be comparable in size and amenities to other units in the Project. If the assisted and non-assisted units are comparable in terms of size, features and number of bedrooms, the actual cost of the HOME Restricted units can be determined by pro-rating the total HOME eligible development costs of the Project so that the proportion of the total development costs charged to the HOME program does not exceed the proportion of the HOME Restricted units in the Project. If the assisted and non-assisted units are not comparable, the actual costs may be determined based on a method of cost allocation.

**11. COMPLIANCE WITH LOAN DOCUMENTS.** Owner shall comply with any and all applicable provisions of the Loan Agreement for so long as they continue to be in effect.

**12. REPAYMENT ON DEFAULT OR EARLY TERMINATION.** If the Agency determines the Project does not comply with HOME requirements for affordability as specified in 24 CFR §§ 92.252 or 92.254; or if the Project is terminated before completion, either voluntarily or otherwise; or if Owner does not comply with these funding restrictions; or if the Project is determined to be an ineligible activity under HOME, Owner must repay to Agency any HOME Funds invested in the Project upon demand.

**13. PROGRAM INCOME.** If Project income is considered to be HOME program income, it shall nevertheless be paid to or retained by Owner in accordance with the agreement between Agency and Owner.

**14. ADMINISTRATIVE REQUIREMENTS.** Owners that are governmental or non-profit organizations shall comply with the provisions of 24 CFR §92.505 regarding uniform administrative requirements. Owner shall cooperate fully with the Agency and provide all documents and records required by Agency in preparing for HOME related audits. Owner shall comply with all applicable requirements under HOME, including without limitation, recordkeeping and reporting.

**15. GOVERNMENTAL ENTITIES, NON-PROFITS, CHDOS.** Special HOME regulations apply to an Owner that is governmental or non-profit entities or a community housing development organization. Such Owner is responsible for knowledge of and shall fully comply with such regulations.

**16. TERM.** These covenants shall burden and regulate the HOME Restricted Units assisted with HOME Funds for the following term as applicable, unless a longer term is specified in the body of the document to which this attached:

a. For rehabilitation or acquisition of existing housing, five (5) years if the subsidy for each of HOME-Restricted Unit is less than \$15,000;

b. For ten (10) years if such subsidy is \$15,000 or more but not more than \$40,000;

c. for fifteen (15) years if such subsidy is more than \$40,000 or if the project involves refinancing of an existing loan; and

d. For new construction or acquisition of newly constructed housing, twenty (20) years.

**17. NO TERMINATION ON RECAPTURE.** Notwithstanding any other provisions of the Regulatory Agreement, the provisions of this HOME Funding and Other Federal Restrictions shall continue for the duration of the applicable preceding term.

**ATTACHMENT 3: Compliance Violations and Actions**

**COMPLIANCE VIOLATIONS AND ACTIONS  
(All payments due and payable within 30-days of assessment)**

<b>Tenant Eligibility and Affordability Violations</b>		
<b>Compliance Violation</b>	<b>Fees and Actions*</b>	<b>Corrective Time Period</b>
Tenants over income at initial move-in	Initial \$500 per unit, again every 90 days until another income qualified tenant is housed. Correction: Evict tenant if tenant fraud. Otherwise, next available unit <b>must</b> be Affordable and rented to an Income-Qualified tenant.	90 days from discovery date to avoid additional \$500 charge every 90-days the problem is not corrected.
Incorrect eligibility documentation	Initial \$50 per file for incorrect calculations, verifications, or required documents. Additional \$50 per month if not corrected. Correction: Submit copies of corrections to compliance staff as applicable.	30 days from discovery date to submit copies of corrections to compliance staff to avoid additional \$50 per month if not corrected
Failure to complete annual recertifications	Initial \$250 for each incomplete file. Additional \$50 per month if not corrected. Correction: Submit copies of recertifications to compliance staff.	30 days from discovery date to submit corrections to avoid additional \$50 per month if not corrected.
Failure to maintain tenant eligibility records	Initial \$500 per unit, again every 90-days thereafter until new records in place. Additional \$100 per unit per month the project remains out of compliance. Correction: Immediately establish new files/records.	30 days from discovery date to submit copies of new records to avoid additional \$100 per unit per month the project remains out of compliance.
Incorrect Rents	Reimbursement to tenant of the entire amount overcharged. \$100 payment to Agency for each over-charged unit. Correction: Refund tenant with letter of correction.	30 days from discovery date to avoid additional \$100 per overcharged unit per month fee to Agency.
Failure to submit complete and accurate monthly Bond Report by due date	Initial \$100 per report. Additional \$100 per day until complete and accurate report submitted. Correction: Submit copies of corrections to compliance staff as applicable.	7 days from discovery date to submit complete and accurate report to avoid additional \$100 per day charge.
Failure to comply with approved Management Plan	Initial \$100 per report. Additional \$100 per day until complete and accurate report submitted. Correction: Submit copies of corrections to compliance staff as applicable.	30 days from discovery date to submit corrections to avoid additional \$100 per day charge.



Failure to submit complete and accurate quarterly Resident Services report by due date	Initial \$100 per report. Additional \$100 per day until complete and accurate report submitted. Correction: Submit copies of corrections to compliance staff as applicable.	7 days from discovery date to submit corrections to avoid additional \$100 per day charge.
Failure to provide a resident service required by Resident Services Plan	Initial \$250 per service. Additional \$100 per day until service is provided. Correction: Implement required service or new resident services plan submitted and approved; approved plan implemented.	7 days from discovery date to implement required service or provide new resident services plan to avoid additional \$100 per day charge; 30 days from discovery date to implement new plan to avoid additional \$100 per day charge.
Noncompliant lease	\$100 per noncompliant lease. Correction: Prepare and execute approved lease or addendum to address the deficiency.	30 days from discovery date to avoid additional \$100 per noncompliant lease per month charge to Agency.

Housing Quality Standards Violations		
Compliance Violation	Fees and Actions*	Corrective Time Period
Verifiable existence of Toxic Mold	\$200 per unit. Additional \$75 per day charge each time efforts fall outside of corrective timeframes. Correction: Prepare and submit action plan that addresses scope of work and timetable to complete. Relocate tenant if necessary. Obtain certified clearance that mold has been abated and unit is safe to occupy once again.	3-days from discovery date to submit action plan to address. 10-days to relocate tenant if necessary. 30-days to obtain certification that unit is mold free. \$75 per day additional charge each time efforts fall outside of these timeframes.
Broken pipes and plumbing facilities	\$200 per unit. Additional \$75 charge per day if not corrected. Correction: Repair/replace as necessary	7-days from discovery date to avoid additional \$75 per day each day thereafter corrective action not taken.
Smoke detectors not working in the units	\$200 per unit with non-functional smoke detector. Additional \$75 charge per day if not corrected. Correction: Replace batteries or non-working unit within 24 hours.	Within 24 hours of discovery date to avoid \$75 per day additional charge each day thereafter corrective action not taken.
Windows with large cracks or missing glass	\$200 per unit. Additional \$75 charge per day if not corrected. Correction: Repair/replace as necessary.	7-days from date of discovery to avoid \$75 per day additional charge each day thereafter corrective action not taken.
Infestation of roaches or vermin	\$200 per infested unit. Additional \$75 charge per day if not corrected. Correction: Letter from pest control company verifying removal of pests with paid invoice to compliance staff.	7-days from date of discovery to avoid \$75 per day additional charge each day thereafter corrective action not taken.
Non-working heating unit (Winter) or air conditioning unit (Summer)	\$500 per nonworking unit. Additional \$75 charge per day if not corrected. \$75 re-inspection fee if necessary to verify problem corrected. Correction: Repair/replace as necessary.	Within 24 hours of discovery date to avoid \$75 per day additional charge each day thereafter corrective action not taken.
Excessive amount of urine/ feces	\$200 per unit. Additional \$75 charge per day if not corrected. Correction: Clean unit as necessary and address problem as the lease allows. Submit correction letter with documentation to compliance staff.	7-days from date of discovery to avoid \$75 per day additional charge each day thereafter corrective action not taken.
Excessive amount of	\$75 per unit. Additional \$75 charge per	14-days from date of discovery to avoid an

trash/garbage in the unit	day if not corrected. Correction: Clean unit and send letter of correction to compliance staff.	additional \$75 per day thereafter each day corrective action not taken.
Hazardous exterior conditions	\$500 for hazardous conditions. Additional \$75 charge per day if not corrected. \$75 re-inspection fee. Correction: Clean and/or repair as necessary. Re-inspection to verify problem addressed.	7-days from date of discovery to avoid \$75 per day additional charge each day corrective action not taken.
Large holes walls/ceiling	\$100 per unit. Additional \$75 charge per day if not corrected. Correction: Submit correction letter with documentation to compliance staff.	30-days from date of discovery to avoid \$75 per day additional charge each day corrective action not taken.
Non-Operable Security Gate	\$500 per non-working gate. Additional \$75 charge per day if not corrected. \$75 re-inspection fee if necessary to verify problem corrected. Correction: Repair/replace as necessary.	7-days from date of discovery to avoid \$75 per day additional charge each day corrective action not taken.
No Security Cameras (if cameras required)	\$250 per discovery. Additional \$75 charge per day if not corrected. \$75 re-inspection charge to verify problem corrected. Correction: Replace cameras.	30-days from the date of discovery to avoid \$75 per day additional charge each day thereafter corrective action not taken.
Non-working Security Cameras	\$100 per camera per discovery. Additional \$75 charge per day if not corrected. \$75 re-inspection charge to verify problem corrected. Correction: Repair/replace as necessary.	7-days from date of discovery to avoid \$75 per day additional charge each day corrective action not taken.
Non-working or non-accessible amenities/services	\$100 per item per discovery. Additional \$75 charge per day if not corrected. \$75 re-inspection charge to verify problem corrected. Correction: Repair/replace as necessary.	7-days from date of discovery to avoid \$75 per day additional charge each day corrective action not taken.

\* No compliance fee will be assessed for one incident of each type of compliance violation per annual inspection provided the violation is corrected within the specified corrective time period. The second and subsequent violations will be assessed compliance fees as detailed in the Tenant Eligibility and Affordability Violations and Housing Quality Standards Violations tables.

**Exhibit 7: RAD Use Agreement**

**Recording Requested By:  
When Recorded Mail To:**

Housing Authority of the County of Sacramento  
801 12th Street, 6th Floor  
Sacramento, CA 95814  
Attention: Executive Director

No fee for recording pursuant to  
Government Code Section 27383 and 27388.1

\_\_\_\_\_SPACE ABOVE THIS LINE FOR RECORDER'S USE\_\_\_\_\_

**Rental Assistance Demonstration  
Use Agreement  
(RAD Pilot)**

**Rental Assistance  
Demonstration  
Use Agreement**

**U.S. Department of Housing  
and Urban Development**  
Office of Housing  
Office of Public and Indian Housing

**OMB Approval No. 2502-0612  
(Exp. 04/30/2020)**

**Public reporting burden** for this collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the Reports Management Officer, Paperwork Reduction Project (2577-0276), Office of Information Technology, U.S. Department of Housing and Urban Development, Washington, D.C. 20410-3600. This agency may not collect this information, and you are not required to complete this form, unless it displays a currently valid OMB control number.

Prepared by:

Housing Authority of the County of Sacramento  
801 12th Street, 6th Floor  
Sacramento, CA 95814  
Attention: Executive Director

Housing Authority of the City of Sacramento  
801 12th Street, 6th Floor  
Sacramento, CA 95814  
Attention: Executive Director

After recording return to:

Housing Authority of the County of Sacramento  
801 12th Street, 6th Floor  
Sacramento, CA 95814  
Attention: Executive Director

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**This Rental Assistance Demonstration Use Agreement** (hereinafter called the “Agreement”) is made as of \_\_\_\_\_, 2020 for the benefit of and agreed to by the United States Department of Housing and Urban Development, acting by and through the Secretary, his or her successors, assigns or designates (hereinafter called “HUD”) by RAD Pilot LP, a California limited partnership, (“Project Owner”), the Housing Authority of the County of Sacramento, a public body corporate and politic (the “County PHA”), and the Housing Authority of the City of Sacramento, a public body corporate and politic (the “City PHA”) (collectively, the “PHA”).

**Whereas**, Rental Assistance Demonstration (hereinafter called “RAD”) provides the opportunity to test the conversion of public housing and other HUD-assisted properties to long-term, project-based Section 8 rental assistance to achieve certain goals, including the preservation and improvement of these properties through access to private debt and equity to address immediate and long-term capital needs.

**Whereas**, the County PHA is the fee owner of the real property described on Exhibit A, Exhibit B, Exhibit C and Exhibit D, and the City PHA is the fee owner of the real property described on Exhibit E and Exhibit F (collectively the “Property”), upon which is or will be located improvements owned or to be owned by Project Owner receiving assistance converted pursuant to RAD, which project will commonly be known as RAD Pilot (the “Project”). The

Project will contain 124 dwelling units, of which 118 (“Assisted Units”) are subject to a RAD Housing Assistance Payment contract, as the same may be renewed, amended or replaced from time to time (“RAD HAP contract”).

**Whereas**, pursuant to the Consolidated and Further Continuing Appropriations Act of 2012 (Public Law 112-55, approved November 18, 2011, as amended from time to time, the “RAD Statute”); and the corresponding PIH Notice 2012-32, rev-2, as amended from time to time, and any successor document and/or regulations (hereinafter called the “RAD Notice”), which this Agreement incorporates by this reference, the PHA and/or the Project Owner, as applicable, has agreed to encumber the Property and the Project Owner has agreed to operate the Project in accordance with this Agreement in exchange for HUD’s agreement to execute or permit the execution of the RAD HAP contract and the assistance provided thereby;

**Whereas**, in accordance with the RAD Statute and RAD Notice, except as otherwise agreed in writing by HUD, this Agreement is to be recorded superior to other liens on the Property, run until the conclusion of the initial term of the RAD HAP contract, automatically renew upon each extension or renewal of the RAD HAP contract for a term that runs with each renewal term of the RAD HAP contract, and remain in effect even in the case of abatement or termination of the RAD HAP contract for the term the RAD HAP contract would have run, absent the abatement or termination.

**Now Therefore**, in consideration of the foregoing, conversion of assistance pursuant to RAD, provision of rental assistance pursuant to the RAD HAP contract and other valuable consideration, the parties hereby agree as follows:

1. **Definitions.** All terms used in this Agreement and not otherwise defined have the same meaning as set forth in the RAD Notice.

2. **Term.** The initial term of this Agreement commences upon the date this Agreement is entered into and shall run until the conclusion of the initial term of the RAD HAP contract. The RAD HAP contract is effective for 20 years. Unless otherwise approved by HUD, this Agreement shall remain in effect through the initial term of the RAD HAP contract and for additional periods to coincide with any renewal term of the RAD HAP contract or any replacement HAP contract. It is the intention of the parties that the RAD HAP and this Agreement shall each renew upon the completion of its initial term. Therefore, this Agreement shall remain in effect until a release is recorded as contemplated by Section 8. Such release shall be the evidence of the non-renewal of the HAP Contract, of the determination not to execute a replacement HAP contract and of the termination of this Agreement. This Agreement will survive abatement of assistance or termination of the RAD HAP contract unless otherwise approved by HUD.

3. **Use Restriction and Tenant Incomes.** The Assisted Units shall be leased in accordance with the RAD HAP contract, including any applicable eligibility and/or income-targeting requirements. In the case that the RAD HAP contract is terminated prior to the completion of the term or renewal term, if applicable, of this Agreement (by way of illustration and not limitation, for breach or non-compliance), for the remainder of the term of this Agreement new tenants leasing the Assisted Units (except if any of the Assisted Units is a HUD-approved manager unit) must have incomes at or below 80 percent of the Area Median Income (AMI) at the time of admission (“Eligible Tenants”). Additionally, rents for such Assisted Units must not exceed 30% of 80% of the AMI for households of the size occupying an appropriately sized unit. Notwithstanding the foregoing, in the event the Project Owner so requests and is able to demonstrate to HUD’s satisfaction that despite the Project Owner’s good faith and diligent efforts to do so, the Project Owner is unable either (1) to rent a sufficient percentage of Assisted Units to Eligible Tenants in order to satisfy the restrictions in this paragraph, or (2) to otherwise provide for the financial viability of the Project, HUD may, in its sole discretion, agree to reduce the percentage of units subject to the restriction under this paragraph or otherwise modify this restriction in a manner acceptable to the Project Owner and HUD. Any such modification of the restrictions listed in this paragraph shall be evidenced by a written amendment to this Agreement executed by each of the parties hereto.

4. **Survival.** This Agreement will survive foreclosure and bankruptcy.

5. **Fair Housing and Civil Rights Requirements.** The Project Owner and its agents, where applicable, shall ensure that the Project complies with applicable federal fair housing and civil rights laws, regulations, and other legal authorities, including those identified at 24 C.F.R. § 5.105.

6. **Accessibility Requirements.** The Project Owner and its agents, where applicable, shall ensure that the Project complies with all applicable federal accessibility requirements under the Fair Housing Act and implementing

regulations at 24 CFR Part 100, Section 504 of the Rehabilitation Act of 1973 and implementing regulations at 24 CFR Part 8, and Titles II and III of the Americans with Disabilities Act and implementing regulations at 28 CFR Parts 35 and 36, respectively.

**7. Restrictions on Transfer.** HUD has been granted and is possessed of an interest in the above described Project. Except as authorized below, the Project Owner and, if a party hereto, the PHA, shall not transfer, convey, encumber or permit or suffer any transfer, conveyance, assignment, lease, mortgage, pledge or other encumbrance of said Project and/or Property or any part thereof without prior written consent of HUD. Notwithstanding the foregoing, HUD hereby authorizes (a) leases in the normal operation of the Project, (b) subordinate liens contemplated by a RAD Conversion Commitment executed in connection with the Project, whether such liens are recorded concurrent with the recordation of this Use Agreement or recorded subsequent hereto (such as permanent financing to replace construction-period financing), and (c) conveyance or dedication of land for use as streets, alleys, or other public rights-of-way and grants and easements for the establishment, operation and maintenance of public utilities. Except as otherwise approved in writing by HUD, any lien on the Project and/or Property shall be subject and subordinate to this Agreement. Unless this Agreement is released by HUD, any transferee of the Project and/or Property shall take title subject to this Agreement. In the event of a default under the RAD HAP contract including, without limitation, upon any transfer of the Property or Project without HUD consent, upon expiration of any applicable notice and/or cure periods, HUD may transfer the RAD HAP contract and the rental assistance contemplated therein to another entity and/or Property and/or Project. The Project Owner has constituted HUD as its attorney-in-fact to effect any such transfer.

**8. Amendment or Release.** This Agreement may not be amended without HUD consent. This Agreement shall remain as an encumbrance against the Property unless and until HUD executes a release for recording. This Agreement may only be released by HUD in its sole discretion. In the event that the RAD HAP is, in accordance with all applicable laws and RAD program requirements, not renewed or replaced, HUD shall not unreasonably fail to provide such a release upon the completion of the applicable term of this Agreement.

**9. Enforcement.** In the event of a breach or threatened breach of any of the provisions of this Agreement, any eligible tenant or applicant for occupancy within the Project, or the Secretary or his or her successors or delegates, may institute proper legal action to enforce performance of such provisions, to enjoin any acts in violation of such provisions, to recover whatever damages can be proven, and/or to obtain whatever other relief may be appropriate.

**10. Severability.** The invalidity, in whole or in part, of any of the provisions set forth in this Agreement shall not affect or invalidate any remaining provisions.

**11. Conflicts.** Any conflicts between this Agreement and the RAD HAP contract or any other applicable HUD program requirements shall be conclusively resolved by the Secretary.

**12. Execution of Other Agreements.** The Project Owner and, if a party hereto, the PHA, agrees that it has not and will not execute any other agreement with provisions contradictory to, or in opposition to, the provisions of this Agreement, and that in any event, the provisions of this Agreement are paramount and controlling as to the rights and obligations set forth and supersede any other conflicting requirements.

**13. Subsequent Statutory Amendments.** If revisions to the provisions of this Agreement are necessitated by subsequent statutory amendments, the Project Owner and, if a party hereto, the PHA, agrees to execute modifications to this Agreement that are needed to conform to the statutory amendments. At HUD's option, HUD may implement any such statutory amendment through rulemaking.

**14. Lender Provisions.**

- A. Nothing in this Agreement prohibits any holder of a mortgage or other lien against the Property or Project from foreclosing its lien or accepting a deed in lieu of foreclosure. Any lien holder shall give HUD, as a courtesy, written notice prior to declaring an event of default. Any lien holder shall provide HUD concurrent notice with any written filing of foreclosure filed in accordance with state law provided that the foreclosure sale shall not occur sooner than sixty days (60) days after such notice to HUD. The Notice to HUD may be personally delivered or sent by U.S. certified or registered mail, return receipt requested, first class postage prepaid, addressed as follows:

If for PBRA transactions:  
U.S. Department of Housing and Urban Development  
451 7<sup>th</sup> Street SW, Room 9100  
Washington, DC 20410  
Attention: Office of the Assistant Secretary for Housing - Rental Assistance Demonstration

If for PBV transactions:  
U.S. Department of Housing and Urban Development  
451 7<sup>th</sup> Street SW, Room 4100  
Washington, DC 20410  
Attention: Office of the Assistant Secretary for Public and Indian Housing - Rental Assistance Demonstration

B. Notwithstanding any lien holder's foreclosure rights, this Agreement survives foreclosure and any new owners of the Property or the Project take ownership subject to this Agreement.

C. Transfer of title to the Property or the Project may be grounds for termination of assistance under the RAD HAP contract. However, HUD may permit, through prior written consent by HUD, the new owner of the Property or the Project to assume the RAD HAP contract, subject to the terms included therein, or enter into a new HAP contract. Any HUD consent to continued HAP assistance is subject to the RAD Statute and other RAD program requirements.

D. Each entity interested in purchasing the Property in a foreclosure sale administered under state foreclosure law may submit a written request to HUD to continue RAD HAP contract assistance in the event of such entity's successful acquisition at the foreclosure sale. Such request shall be submitted by the latter of ten business days after first publication of the foreclosure sale or 60 days prior to such foreclosure sale.

15. **Successors and Assigns.** This Agreement shall be binding upon the Project Owner and, if a party hereto, the PHA, and all future successors and assigns of either with respect to any portion of the Property or the Project.





**Project Owner:**

RAD Pilot LP, a California limited partnership

By: RAD Pilot LLC, a California limited liability company, its managing general partner

By: Sacramento Housing Authority Repositioning Program, Inc., a California nonprofit public benefit corporation, its sole member and manager

\_\_\_\_\_  
James Shields, President

Date: \_\_\_\_\_

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA )  
 )  
COUNTY OF \_\_\_\_\_ )

On \_\_\_\_\_, before me, \_\_\_\_\_, Notary Public, personally appeared \_\_\_\_\_, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify UNDER PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

\_\_\_\_\_  
Name: \_\_\_\_\_  
Notary Public

**PHA/Fee Owner:**

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

By: \_\_\_\_\_  
La Shelle Dozier, Executive Director

Date: \_\_\_\_\_

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA )  
 )  
COUNTY OF \_\_\_\_\_ )

On \_\_\_\_\_, before me, \_\_\_\_\_, Notary Public, personally appeared \_\_\_\_\_, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify UNDER PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

\_\_\_\_\_  
Name: \_\_\_\_\_  
Notary Public



## **EXHIBIT A – Property Subject to this RAD Use Agreement**

### **Legal Description of Pointe Lagoon - 9205 Elk Grove Boulevard, Elk Grove, CA 95624**

SITE F: 9205 Elk Grove Boulevard

The land described herein is situated in the State of California, County of Sacramento, City of Elk Grove, described as follows:

Parcel No. 1:

All buildings and improvements situated on the following property, the buildings and improvements are and shall remain real property, pursuant to that certain Grant Deed dated To Be Recorded, recorded To Be Determined, as To Be Determined, of Official Records:

All that portion of the Southeast one-quarter of Section 31, Township 7 North, Range 6 East, described as follows:

Beginning at a point on the South line of said Section 31 bears West (measured along the South line of said Section 31) 1408.5 feet distant; thence from said point of beginning, North 231 feet; thence West 88.5 feet; thence South 231 feet to a point on the South line of said Section 31; thence along the South line of said Section 31, East 88.5 feet to the point of beginning.

Parcel No. 2:

All buildings and improvements situated on the following property, the buildings and improvements are and shall remain real property, pursuant to that certain Grant Deed dated To Be Recorded, recorded To Be Determined, as To Be Determined, of Official Records:

All that portion of the Southeast one-quarter of Section 31, Township 7 North, Range 6 East, described as follows:

Beginning at a point on the South line of said Section 31, from which point the Southwest corner of the Southeast one-quarter of Section 31 bears West (measured along the South line of said Section 31) South 231 feet to a point on the South line of said Section 31; East 50 feet to the point of beginning.

Parcel No. 3:

All buildings and improvements situated on the following property, the buildings and improvements are and shall remain real property, pursuant to that certain Grant Deed dated To Be Recorded, recorded To Be Determined, as To Be Determined, of Official Records:

All that portion of the Southeast one-quarter of Section 31, Township 7 North, Range 6 East, described as follows:

Beginning at a point on the South line of said Section 31, from which point the Southwest corner of the Southeast one-quarter of said Section 31 bears West (measured along the South line of said Section 31) 1508.5 feet distant; from said point of beginning, North 231 feet, thence West 50 feet; thence South 231 feet to a point on the South line of said Section 31; thence, along the South line of said Section 31, East 50 feet to the point of beginning.

APN: 125-0270-051-0000

**EXHIBIT B – Property Subject to this RAD Use Agreement**

**Legal Description of Rio Garden - 8223 Walerga Road, Antelope, CA 95843**

SITE E: 8223 Walerga Road

The land described herein is situated in the State of California, County of Sacramento, unincorporated area, described as follows:

All buildings and improvements situated on the following property, the buildings and improvements are and shall remain real property, pursuant to that certain Grant Deed dated To Be Recorded, recorded To Be Determined, as To Be Determined, of Official Records:

Parcel A of that certain Parcel Map entitled "A portion of the Southwest one-quarter of Section 18, Township 10 North, Range 6 East, M.D.B. & M.", filed June 24, 1976 in Book 26 of Parcel Maps, Page 48 in the office of the recorder, Sacramento County.

APN: 203-0070-041-0000

## **EXHIBIT C – Property Subject to this RAD Use Agreement**

### **Legal Description of Pointe Lagoon - 4930 El Paraiso Avenue, Sacramento, CA 95824**

SITE C: 4930 El Paraiso Avenue

The land described herein is situated in the State of California, County of Sacramento, unincorporated area, described as follows:

All buildings and improvements situated on the following property, the buildings and improvements are and shall remain real property, pursuant to that certain Grant Deed dated To Be Recorded, recorded To Be Determined, as To Be Determined, of Official Records:

Lot A, as shown on the "Revised Plat of Country Place" filed in the office of the recorder of Sacramento County, in Book 149 of Maps, Map No. 16.

Excepting therefrom, that portion of said land granted to the Redevelopment Agency of the County of Sacramento, in Grand Deed recorded August 24, 1984 as Book 840824, Page 370, Official Records, described as follows:

Beginning at the Northerly corner of Lot A that lies on the centerline of Sampson Boulevard as said Boulevard is shown on said Map; thence from said point of beginning along said centerline and the most Westerly line of said Lot A South 0° 00' 00" West, 52.50 feet; thence leaving said centerline along a portion of the Southerly boundary of said Lot A, South 88° 12' 00" East, 212.00 feet; thence leaving last said line, North 6° 50' 00" East, 59.71 feet to a point on the Northerly boundary of said Lot A; thence along last line South 89° 58' 00" West, 219.00 feet to the point of beginning.

APN: 037-0224-047-0000

**EXHIBIT D – Property Subject to this RAD Use Agreement**

**Legal Description of Pointe Lagoon - 4500 Perry Avenue, Sacramento, CA 95820**

SITE D: 4500 and 4530 Perry Avenue

The land described herein is situated in the State of California, County of Sacramento, unincorporated area, described as follows:

All buildings and improvements situated on the following property, the buildings and improvements are and shall remain real property, pursuant to that certain Grant Deed dated To Be Recorded, recorded To Be Determined, as To Be Determined, of Official Records:

Lot 10 as shown on the "Amended Plat of Hunger Tract No. 1", recorded in Book 15 of Maps, Map No. 8, records of said County.

Pursuant to that certain Certificate of Compliance, recorded September 20, 2019, Instrument No. 201909200647 Official Records.

APN: 022-0052-011-0000 and 022-0052-012-0000

## **EXHIBIT E – Property Subject to this RAD Use Agreement**

### **Legal Description of Oak Park – 4921 Folsom Boulevard, Sacramento, CA 95819**

TRACT B:

SITE B: - 4921 Folsom Boulevard

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

All buildings and improvements situated on the following property, the buildings and improvements are and shall remain real property, pursuant to that certain Grant Deed dated To Be Recorded, recorded To Be Determined, as To Be Determined, of Official Records:

All that real property situate in the City of Sacramento, County of Sacramento, State of California, and being a portion of Lot 5, as said lot is shown and so designated on that certain Map entitled "Portion of Tullar Homestead Tract Owned by Philip Wolf, Jr., Sacramento California", filed in the office of the recorder of Sacramento County on June 7, 1898, in Book "A" of Surveys, Map No. 57, and a portion of the land Southerly of and adjacent to the South line of said Lot 5, more particularly described as follows:

Beginning at an iron pipe marking the Northwest corner of said lot 5, and the Southwest corner of Lot 7, as said lot is shown and so designated on that certain Map entitled "Love Tract", filed in the office of the recorder of Sacramento County on June 24, 1947, in Book 26 of Maps, Map No. 22; thence from said point of beginning, Easterly along the North line of Lot 5, South 70° 35' 00" East 119.33 feet to the West line of that certain parcel of land described in the Deed from Chester A. Moore, et ux, to Martine P. Cupich, et ux, filed in the office of the recorder of Sacramento County in Book 713 of Deeds, Page 522; thence, Southerly along said West line South 19° 53' 00" West 273.44 feet, more or less, to the South line of said Lot 5 and the Northeasterly line of Folsom Boulevard, a public road; thence, Northwesterly along the Northeasterly line of Folsom Boulevard North 63° 00' 00" West 39.28 feet to a point on the East line of that certain parcel of land described in the Deed from Chester A. Moore, et ux, to W.L. Young, et ux, filed in the office of the Recorder of Sacramento County in Book 56 of Official Records, Page 19, said point located South 63° 00' 00" East, along the Northeasterly line of Folsom Boulevard, 80.6 feet from the projected West line of Lot 5; thence continuing along the Northeasterly line of Folsom Boulevard, North 63° 00' 00" West 80.60 feet to a point on the Southerly projection of said Lot 5, located South 19° 35' 00" West 1.30 feet from the original Southwest corner of Lot 5; thence, North 19° 35' 00" East 1.30 feet to the Southwest corner of said Lot 5; thence, Northerly along the West line of Lot 5 North 19° 45' 10" East 256.31 feet to the point of beginning and described on that certain Certificate of Compliance for Lot Merger executed by the Department of Public Works and recorded January 25, 1995 as Book 950125, Page 1097, Official Records.

APN: 008-0341-044-0000



## **EXHIBIT F – Property Subject to this RAD Use Agreement**

### **Legal Description of Meadow Commons – 1043 43<sup>rd</sup> Avenue, Sacramento, CA 95822**

SITE A: 1043 43rd Avenue

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

Parcel No. 1:

All buildings and improvements situated on the following property, the buildings and improvements are and shall remain real property, pursuant to that certain Grant Deed dated To Be Recorded, recorded To Be Determined, as To Be Determined, of Official Records:

All that portion of Lot B of South Land Park Hills Unit No. 31; according to the official plat thereof, filed in the office of the Recorder of Sacramento County, California, on July 12, 1961, in Book 66 of Maps, Map No. 5, described as follows:

BEGINNING at the Southwest corner of said Lot B, thence from said point of beginning along the Westerly boundary of said Lot B the following three (3) courses and distances: (1) North 36° 16' 50" East 118.48 feet, (2) North 44° 12' 10" West 115.09 feet, and (3) North 51° 44' 50" East 165.17 feet; thence South 64° 06' 12" East 114.27 feet; thence South 13° 31' 16" West 305.00 feet to a point located on the Southerly boundary of said Lot B; thence along said Southerly boundary, Westerly, curving to the right on an arc of 390.19 feet radius, said arc being subtended by a chord bearing North 66° 20' 32" West 164.92 feet to the point of beginning.

Parcel No. 2:

All buildings and improvements situated on the following property, the buildings and improvements are and shall remain real property, pursuant to that certain Grant Deed dated To Be Recorded, recorded To Be Determined, as To Be Determined, of Official Records:

All that portion of 43rd Avenue and Lot C, of South Land Park Hills Unit No. 31; according to the official plat thereof, filed in the office of the Recorder of Sacramento County, California, on July 12, 1961, in Book 66 of Maps, Map No. 5, described as follows:

BEGINNING at the most Southerly corner of Lot 16 as said Lot is shown on the official plat of said South Land Park Hills Unit No. 31; thence from said point of beginning along the Southerly boundary of Lot B as said Lot is shown and so designated on the official plat of said South Land Park Hills Unit No. 31, Southerly, curving to the left on an arc of 390.19 feet radius, said arc being subtended by a chord bearing South 66° 20' 32" East 164.92 feet; thence South 13° 31' 16" West 73.56 feet; thence Westerly, curving to the right on an arc of 900.00 feet radius, said arc being subtended by a chord bearing South 79° 10' 15" West 51.82 feet; thence curving to the right on an arc of 20.00 feet radius, said arc being subtended by a chord bearing North 51° 51' 17" West 29.41 feet; thence curving to the left on an arc of 200.00 feet radius, said arc being subtended by a chord bearing North 25° 17' 43" West 141.81 feet; thence North 36° 16' 50" East 1.30 feet to the point of beginning.

APN: 029-0184-017-0000

Parcel No. 3:

All buildings and improvements situated on the following property, the buildings and improvements are and shall remain real property, pursuant to that certain Grant Deed dated To Be Recorded, recorded To Be Determined, as To Be Determined, of Official Records:

Lots 16 and 17, as shown on the official plat of South Land Park Hills Unit No. 31, according to the official plat thereof, filed in the office of the Recorder of Sacramento County, California, on July 12, 1961, in Book 66 of Maps, Map No. 5.

APN: 029-0184-001-0000 and 029-0184-002-0000

**Exhibit 8: HOME Funding Requirements**

**HOME FUNDING AND OTHER FEDERAL REQUIREMENTS  
RENTAL PROJECT**

These “HOME Funding and Other Federal Requirements” are attached to the Loan Documents (Loan Agreement and Regulatory Agreement), and are incorporated in the Loan Documents. The capitalized terms used in these HOME and Other Federal Funding Requirements shall have the meanings below in the body of these HOME Funding and other Federal Requirements. Terms being defined are indicated by quotation marks. Capitalized terms in these HOME Funding and Other Federal Requirements that are not defined below are defined in the Loan Documents. References to the CFR are to the Code of Federal Regulations. Project specific restrictions are set forth in Section 3 of this Regulatory Agreement.

1. **DEFINITIONS.** For the purposes of the Loan Documents and in addition to the definitions made elsewhere in the Loan Documents, the following capitalized words and phrases contained in this Contract shall have the following meanings:

a. “HOME” is the federal HOME Investment Partnership program (Catalogue of Federal Domestic Assistance FDA 14.239) administered by the U.S. Department of Housing and Urban Development.

b. The “HOME Requirements” are the laws, rules and regulations which are specifically applicable to this contract. A substantial portion of the Federal Requirements included in this Attachment 2.

c. “Exhibits” to this Attachment 2 contain a substantial portion of the Federal Requirements, and are incorporated into this Agreement in the form of a Compact Disc (CD).

**Borrower acknowledges receipt of the CD by initialing here: \_\_\_\_.**

The Exhibits included the following:

i) Exhibit 1 – HOME Regulations: 24 Code of Federal Regulations (CFR) Part 92.

ii) Exhibit 2 – Requirements for nonprofit subgrantees; 2 CFR §200.70; Appendix VIII to 2 CFR Part 200

iii) Exhibit 3 –Restrictions on Lobbying; 24 CFR Part 87; see also 2 CFR §200.450

iv) Exhibit 4- Federal Labor Standards Provisions: 29 CFR Part 5

2. **RECITALS.** The Agency Funding includes proceeds of the federal HOME Investment Partnerships Act (“HOME”) and its implementing regulations (commencing at 24 CFR Part 92) (“HOME Funds”). The Agency has approved the Agency Funding on condition that the property described in the Loan Documents (“Property”) is rehabilitated or developed as residential rental property (“Project”) with certain units regulated in accordance with laws, rules and regulations regarding the use of HOME funds for the benefit of low-income persons (“HOME Restricted Units”) by recordation of these Home Funding and Other Federal Restrictions as covenants running with the land. HOME Restricted Units are made affordable by such regulation to persons and households that qualify as low-income or very low-income as indicated in the table in Article I.

3. **USE OF HOME FUNDS.** Owner shall assure that the HOME Funds are used only for qualified uses. HOME Funds may only be used to provide incentives to develop and support affordable rental housing and homeownership affordability through the acquisition (including assistance to homebuyers), new construction, reconstruction, or rehabilitation of non-luxury housing with suitable amenities, including real property acquisition, site improvements, conversion, demolition, and other expenses, including financing costs, relocation expenses of any displaced persons, families, businesses, or organizations; to provide tenant-based rental assistance, including security deposits; to provide payment of reasonable administrative and planning costs; and to provide for the payment of operating expenses of community housing development organizations, all as further defined in 24 CFR §§ 92.205-92.209. The HOME Funds shall not be used for project reserve accounts except as expressly authorized or to provide operating subsidies.

Owner shall not utilize the Project for explicitly religious activities, including activities that involve overt religious content such as worship, religious instruction, or proselytization, and to the extent that Owner engages in such explicitly religious activities, it shall perform such activities and offer such services outside of the program pursuant to which Owner is developing the Project pursuant to this Agreement. The Owner further represents that the Project units are available to all persons regardless of religion, religious belief, a refusal to hold a religious belief, or a refusal to attend or participate in a religious practice; and that there are no religious or membership criteria for tenants of the Property.

**4. PROPERTY STANDARDS.** Upon completion, the Project will comply with the applicable property standards of 24 CFR § 92.251. For the term of these Funding Requirements, Owner shall provide Agency access at all reasonable times for inspection to assure compliance with such standards. Such provisions are generally as follows:

a. If the Project is new construction, it must meet all applicable local codes, rehabilitation standards, ordinances, and zoning ordinances at the time of project completion. Newly constructed housing must meet the current edition of the Model Energy Code published by the Council of American Building Officials.

b. All other HOME-assisted housing (such as acquisition) must meet all applicable State and local housing quality standards and code requirements.

c. The housing must meet the accessibility requirements at 24 CFR part 8, which implements Section 504 of the Rehabilitation Act of 1973 (29 United States Code (USC) Section 794) and covered multifamily dwellings, as defined at 24 CFR §100.201, must also meet the design and construction requirements at 24 CFR §100.205, which implement the Fair Housing Act (42 USC §§ 3601et. seq.).

d. Construction of all manufactured housing must meet the Manufactured Home Construction and Safety Standards established in 24 CFR Part 3280. These standards pre-empt State and local codes covering the same aspects of performance for such housing. Also, installation of manufactured housing units must comply with applicable State and local laws or codes, or in the absence of such laws or codes, the participating jurisdiction must comply with the manufacturer's written instructions for installation of manufactured housing units. Manufactured housing that is rehabilitated using HOME funds must meet the requirements set out in Section 4.a.

e. Owner must maintain the housing in compliance with all applicable State and local housing quality standards and code requirements and if there are no such standards or code requirements, the housing must meet the housing quality standards in 24 CFR §982.401.

**5. LEAD-BASED PAINT.** Owner shall comply with the Lead-Based Paint Poisoning Prevention Act (42 USC §4821et. seq.), the Residential Lead-Based Paint Hazard Reduction Act of 1992 (42 U.S.C. §4851et. seq.), and implementing regulations.

**6. AFFORDABILITY REQUIREMENTS.** Owner shall assure that the of HOME Restricted Units shall be rented at or below the following rates:

a. Low-Income Units shall be rented for amounts that do not exceed thirty percent (30%) of sixty-five percent (65%) of the Sacramento Metropolitan Statistical Area median income (“Median Income”), as determined annually by the federal Department of Housing and Urban Development (“HUD”), as adjusted for family size appropriate to the size and number of bedrooms in the respective HOME Restricted Unit, provided however that if the tenant is paying for utilities and services for the HOME Restricted Unit, the rent shall not exceed the maximum amount calculated as set forth in this subdivision minus a monthly allowance for utilities and services as set forth in the maximum monthly allowances for utilities and services established and updated annually by the Agency pursuant to 24 CFR §92.252(d).

b. Very Low-Income Units shall be rented for amounts that do not exceed thirty percent of fifty-percent (50%) of the Median Income as adjusted for family size appropriate to the size and number of bedrooms in the respective HOME Restricted Unit, provided however that if the tenant is paying for utilities and services for the HOME Restricted Unit, the rent shall not exceed the maximum amount calculated as set forth in this subdivision minus a monthly allowance for utilities and services as set forth in the maximum monthly allowances for utilities and services established and updated annually by the Agency pursuant to 24 CFR §92.252(d).

c. Notwithstanding any other provision, the maximum rent on any HOME-Restricted Unit shall not exceed the "Fair Market Rent" as established by HUD under 24 CFR §888.111.

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

e. Such maximum rent limits shall be recalculated periodically after HUD determination of the Fair Market Rent or the Median Income; provided, however, that the rents are not required to be lower than the initial rent for the HOME-Restricted Units. Owner shall give tenants not less than thirty (30) days' notice of a change in rents.

f. The Agency shall review and approve rents proposed by Owner for the HOME Restricted Units, subject to the maximum rent limitations as set forth in section 6(a), (b) and (c) of this Agreement. The Agency will provide Owner with information on updated HOME rent limits. Owner must annually provide the Agency with information on rents and occupancy of HOME Restricted Units to demonstrate compliance with this Section 6. The Agency must review rents for compliance and approve or disapprove them every year.

g. The foregoing affordability requirements may, with the consent of the Agency, terminate on foreclosure or deed in lieu of foreclosure; provided, however, that the affordability requirements will revive according to the original terms if the Owner at the time of foreclosure, or any entity that includes such Owner or anyone with whom such Owner has or had family or business ties, obtains an ownership interest in the Project or Property.

**7. OCCUPANCY REQUIREMENTS.** Owner shall assure that all HOME Restricted Rental Units shall be initially occupied by households earning less than sixty-five percent (65%) of the Median Income, as verified by the Agency. Notwithstanding any other provision, if five or more units in the Project are HOME-Restricted Units, not less than twenty percent of the HOME-Restricted Units shall be Very Low-Income Units and shall be occupied by families whose annual income does not exceed fifty-percent (50%) of the Median Income. If a tenant of a HOME-Restricted Unit no longer qualifies as for the HOME-Restricted Unit as a result of an increase in family income, the HOME-Restricted Unit continues to qualify under these Funding Requirements so long as actions satisfactory to HUD are being taken to ensure that all vacancies are filled in accordance with these Funding Requirements until the noncompliance is corrected. Such tenants shall pay as rent the lesser of the amount payable by the tenant under State or local law or thirty percent (30%) of the family's adjusted income, except that tenants of HOME-assisted units that have been allocated low-income housing tax credits by a housing credit agency pursuant to section 42 of the Internal Revenue Code of 1986 (26 USC Section 42) must pay rent governed by such section. In addition, for projects where HOME units are designated as floating pursuant to 24 CFR §92.252(j), tenants who no longer qualify as low-income are not required to pay as rent an amount that exceeds the market rent for comparable, unassisted units in the neighborhood. If the HOME-Restricted Units are not occupied by eligible tenants within six months following the date of Project completion, Owner shall, in accordance with the requirements of 24 CFR §92.252, submit marketing information to Agency and to HUD and, if appropriate, submit a marketing plan. If any HOME-Restricted Unit has not been rented to eligible tenants 18 months after the date of project completion, Owner shall repay the HOME funds invested in such HOME-Restricted Unit to HUD.

**8. INCOME VERIFICATION.** Owner shall fully cooperate with Agency by requiring every prospective tenant of a HOME Restricted Unit to provide to Owner, prior to initial occupancy of a Home-Restricted Unit and annually, all information required to verify income-eligibility of the prospective tenant to assure income eligibility in accordance with 24 CFR § 92.203. For the initial eligibility determination, Owner shall cause the tenant to provide the Agency with at least two months of source documents evidencing annual income (by way of example, wage statement, interest statement, unemployment compensation statement) for the family. Thereafter, Owner shall cause the tenant to provide the Owner with such source documents; a written statement of the amount of the family's annual income and family size, with a certification that the information is complete and accurate and assurance that the family will provide source documents upon request; or a written statement from the administrator of a government program under which the family receives benefits and which examines each year the annual income of the family, stating the tenant's family size and the amount of the family's annual income or alternatively, stating the current dollar limit for very low or low-income families for the family size of the tenant and state that the tenant's annual income does not exceed such limit.

**9. TENANT PROTECTIONS; LEASE PROVISIONS.** Owner shall comply with the following provisions for protection of tenants in HOME-Restricted Units.

a. Owner shall enter into an initial lease with a tenant of a HOME-Restricted Unit for not less than one year, unless by mutual agreement between the tenant and the Owner and not required by Owner as a condition of entering into the lease. Such lease shall not contain any of the following provisions, in addition to any other applicable requirements of law:

1) Agreement by the tenant to be sued, to admit guilt, or to a judgment in favor of the Owner in a lawsuit brought in connection with the lease;

2) Agreement by the tenant that the Owner may take, hold, or sell personal property of household members without notice to the tenant and a court decision on the rights of the parties; excepting an agreement by the tenant concerning disposition of personal property remaining in the housing unit after the tenant has moved out of the unit that is in accordance with State law;

3) Agreement by the tenant not to hold the Owner or the Owner's agents legally responsible for any action or failure to act, whether intentional or negligent;

4) Agreement of the tenant that the Owner may institute a lawsuit without notice to the tenant;

5) Agreement by the tenant that the Owner may evict the tenant or household members without instituting a civil court proceeding in which the tenant has the opportunity to present a defense, or before a court decision on the rights of the parties;

6) Agreement by the tenant to waive any right to a trial by jury;

7) Agreement by the tenant to waive the tenant's right to appeal, or to otherwise challenge in court, a court decision in connection with the lease; and

8) Agreement by the tenant to pay attorney's fees or other legal costs, even if the tenant wins in a court proceeding by the Owner against the tenant. The tenant, however, may be obligated to pay costs if the tenant loses.

9) Agreement by the tenant (other than a tenant in transitional housing) to accept supportive services that are offered.

b. An Owner may not terminate the tenancy or refuse to renew the lease of a tenant of rental housing assisted with HOME funds except for serious or repeated violation of the terms and conditions of the lease; for violation of applicable Federal, State, or local law; for completion of the tenancy period for transitional housing or failure to follow any required transitional housing supportive services plan; or for other good cause. Good cause does not include an increase in the tenant's income or refusal of the tenant to purchase the housing. To terminate or refuse to renew tenancy, the Owner must serve written notice upon the tenant specifying the grounds for the action at least 30 days before the termination of tenancy.

c. Owner must adopt and follow written tenant selection policies and criteria that:

1) Limit the housing to very low-income and low-income families;

2) Are reasonably related to program eligibility and the applicants' ability to perform the obligations of the lease (i.e., to pay the rent, not to damage the housing; not to interfere with the rights and quiet enjoyment of other tenants);

3) Limit eligibility or give a preference to a particular segment of the population if required in the Loan Documents (and only if the limitation or preference is described in the Agency's consolidated plan).

a) Any limitation or preference must not violate nondiscrimination requirements in 24 CFR §92.350. A limitation or preference does not violate nondiscrimination requirements if the housing also receives funding from a Federal program that limits eligibility to a particular segment of the population (e.g., the Housing Opportunity for Persons with AIDS program under 24 CFR Part 574, the Shelter Plus Care program under 24 CFR Part 582, the Supportive Housing program under 24 CFR Part 583, supportive housing for the elderly or persons with disabilities under 24 CFR Part 891), and the limit or preference is tailored to serve that segment of the population.

b) If the Project does not receive funding from a Federal program that limits eligibility to a particular segment of the population, the project may have a limitation or preference for persons with disabilities who need services offered at a project only if:

i) The limitation or preference is limited to the population of families (including individuals) with disabilities that significantly interfere with their ability to obtain and maintain housing;

ii) Such families will not be able to obtain or maintain themselves in housing without appropriate supportive services; and

iii) Such services cannot be provided in a non-segregated setting. The families must not be required to accept the services offered at the Project. In advertising the Project, Owner may advertise the Project as offering services for a particular type of disability; however, the Project must be open to all otherwise eligible persons with disabilities who may benefit from the services provided in the Project.

- 4) Provide for the selection of tenants from a written waiting list in the chronological order of their application, insofar as is practicable; and
- 5) Give prompt written notification to any rejected applicant of the grounds for any rejection.

d. Owner shall not refuse to lease a HOME-Restricted unit to a certificate or voucher holder under 24 CFR Part982 – Section 8 Tenant-Based Assistance: Unified Rule for Tenant-Based Assistance under the Section 8 Rental Certificate Program and the Section 8 Rental Voucher Program or to the holder of a comparable document evidencing participation in a HOME tenant-based rental assistance program because of the status of the tenant as a holder of such certificate, voucher or comparable certification.

**10. UNIT QUALITY & DETERMINATION OF COST ALLOCATION.** OWNER shall assure that HOME Restricted Units assisted with HOME Funds must be comparable in size and amenities to other units in the Project. If the assisted and non-assisted units are comparable in terms of size, features and number of bedrooms, the actual cost of the HOME Restricted units can be determined by pro-rating the total HOME eligible development costs of the Project so that the proportion of the total development costs charged to the HOME program does not exceed the proportion of the HOME Restricted units in the Project. If the assisted and non-assisted units are not comparable, the actual costs may be determined based on a method of cost allocation.

**11. COMPLIANCE WITH LOAN DOCUMENTS.** Owner shall comply with any and all applicable provisions of the Loan Agreement for so long as they continue to be in effect.

**12. REPAYMENT ON DEFAULT OR EARLY TERMINATION.** If the Agency determines the Project does not comply with HOME requirements for affordability as specified in 24 CFR §§ 92.252 or 92.254; or if the Project is terminated before completion, either voluntarily or otherwise; or if Owner does not comply with these funding restrictions; or if the Project is determined to be an ineligible activity under HOME, Owner must repay to Agency any HOME Funds invested in the Project upon demand.

**13. PROGRAM INCOME.** If Project income is considered to be HOME program income, it shall nevertheless be paid to or retained by Owner in accordance with the agreement between Agency and Owner.

**14. ADMINISTRATIVE REQUIREMENTS.** Owners that are governmental or non-profit organizations shall comply with the provisions of 24 CFR §92.505 regarding uniform administrative requirements. Owner shall cooperate fully with the Agency and provide all documents and records required by Agency in preparing for HOME related audits. Owner shall comply with all applicable requirements under HOME, including without limitation, recordkeeping and reporting.

**15. GOVERNMENTAL ENTITIES, NON-PROFITS, CHDOS.** Special HOME regulations apply to an Owner that is governmental or non-profit entities or a community housing development organization. Such Owner is responsible for knowledge of and shall fully comply with such regulations.

**16. TERM.** These covenants shall burden and regulate the HOME Restricted Units assisted with HOME Funds for the following term as applicable, unless a longer term is specified in the body of the document to which this attached:

- a. For rehabilitation or acquisition of existing housing, five (5) years if the subsidy for each of HOME-Restricted Unit is less than \$15,000;
- b. For ten (10) years if such subsidy is \$15,000 or more but not more than \$40,000;
- c. for fifteen (15) years if such subsidy is more than \$40,000 or if the project involves refinancing of an existing loan; and
- d. For new construction or acquisition of newly constructed housing, twenty (20) years.

**17. NO TERMINATION ON RECAPTURE.** Notwithstanding any other provisions of the Regulatory Agreement, the provisions of this HOME Funding and Other Federal Restrictions shall continue for the duration of the applicable preceding term.

**Exhibit 9: New Hire Form**



**NEW HIRE TRACKING SUMMARY**

**Contractor/Subcontractor:** \_\_\_\_\_

**Project Name:** \_\_\_\_\_ **Project Number:** \_\_\_\_\_

**Total number of employees who performed work on this project:** \_\_\_\_\_

You are required to furnish the following information to comply with the terms of the contract for this project. It is the responsibility of the prime contractor to collect the completed form from all subcontractors working on this project and compile the information on one form to submit for the entire project.

During the course of the project you and/or your subcontractor(s) may find the need to hire new workers. "New Hires" are defined as persons hired specifically to perform work on this project. Should "New Hires" be necessary, you are encouraged to hire Section 3 residents<sup>1</sup>. Each new hire applicant is to complete a New Hire Questionnaire at the time of applying for a position.

Collect, tally and record the following information during the course of the project (use additional sheets if necessary). This requirement applies to **all** contractors and subcontractors working on this project.

Number of new hires: \_\_\_\_\_ Number of Section 3 new hires: \_\_\_\_\_

Number of job inquiries: \_\_\_\_\_

Number of job applicants: \_\_\_\_\_ Number of Section 3 job applicants: \_\_\_\_\_

Number of Section 3 resident job offers: \_\_\_\_\_

Number of Section 3 resident hires: \_\_\_\_\_

**In the table below, please list:**

1. What trades/classifications/professions (e.g. carpenter, plumber, laborer, architect, engineer, etc.) were hired specifically for this project.
2. Total number of New Hires for each trade/classification/profession.
3. Number of New Hires that were Section 3.

TRADE/CLASSIFICATION/PROFESSION	TOTAL NEW HIRES	SECTION 3 NEW HIRES

I declare that the above is true and correct to the best of my knowledge.

\_\_\_\_\_  
**Signature**

\_\_\_\_\_  
**Print Name and Title**

\_\_\_\_\_  
**Date**



**SECTION 3 CLAUSE**

**(1) 24 CFR §135.38 Section 3 clause.** All Section 3 covered contract shall include the following clause (referred to as the Section 3 Clause):

- A. The work to be performed under this contract is subject to the requirements of section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. 1701u (Section 3). The purpose of Section 3 is to ensure that employment and other economic opportunities generated by HUD assistance or HUD-assisted projects covered by Section 3, shall, to the greatest extent feasible, be directed to low- and very low-income persons, particularly persons who are recipients of HUD assistance for housing.
- B. The parties to this contract agree to comply with HUD's regulations in 24 CFR part 135, which implement Section 3. As evidenced by their execution of this contract, the parties to this contract certify that they are under no contractual or other impediment that would prevent them from complying with the part 135 regulations.
- C. The contractor agrees to send to each labor organization or representative or workers with which the contractor has a collective bargaining agreement or other understanding, if any, a notice advising the labor organization or workers' representative of the contractor's commitments under this Section 3 clause, and will post copies of the notice in conspicuous places at the work site where both employees and applicants for training and employment positions can see the notice. The notice shall describe the Section 3 preference, shall set forth minimum number and job titles subject to hire, availability of apprenticeship and training positions, the qualifications for each; and the name and location of the person(s) taking applications for each of the positions; and the anticipated date the work shall begin.
- D. The contractor agrees to include this Section 3 clause in every subcontract subject to compliance with regulations in 24 CFR part 135, and agrees to take appropriate action, as provided in an applicable provision of the subcontract or in this Section 3 clause, upon a finding that the subcontractor is in violation of the regulations in 24 CFR part 135. The contractor will not subcontract with any subcontractor where the contractor has notice or knowledge that the subcontractor has been found in violation of the regulations in 24 CFR part 135.
- E. The contractor will certify that any vacant employment positions, including training positions, that are filled (1) after the contractor is selected but before the contract is executed, and (2) with persons other than those to whom the regulations of 24 CFR part 135 require employment opportunities to be directed, were not filled to circumvent the contractor's obligations under 24 CFR part 135.
- F. Noncompliance with HUD's regulations in 24 CFR part 135 may result in sanctions, termination of this contract for default, and debarment or suspension from future HUD assisted contracts.
- G. With respect to work performed in connection with Section 3 covered Indian housing assistance, section 7(b) of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450e) also applies to the work to be performed under this contract. Section 7(b) requires that to the greatest extent feasible (i) preference and opportunities for training and employment shall be given to Indians, and (ii) preference in the award of contracts and subcontracts shall be given to Indian organizations and Indian-owned Economic Enterprises. Parties to this contract that are subject to the provisions of Section 3 to the maximum extent feasible, but not in derogation of compliance with section 7(b).

DISPOSITION AND DEVELOPMENT AGREEMENT  
RAD 1  
COUNTY OF SACRAMENTO  
**4500 PERRY AVENUE; 4930 EL PARAISO AVENUE;  
9205 ELK GROVE BOULEVARD; AND 8223 WALERGA ROAD  
SACRAMENTO COUNTY, CALIFORNIA**

THE HOUSING AUTHORITY OF THE COUNTY OF SACRAMENTO

AND

RAD PILOT LP

\_\_\_\_\_, 2020

**DISPOSITION AND DEVELOPMENT AGREEMENT  
RAD 1  
COUNTY OF SACRAMENTO  
4500 PERRY AVENUE; 4930 EL PARAISO AVENUE;  
9205 ELK GROVE BOULEVARD; AND 8223 WALERGA ROAD  
SACRAMENTO COUNTY, CALIFORNIA**

THE HOUSING AUTHORITY OF THE COUNTY OF SACRAMENTO (“AUTHORITY”), and RAD PILOT LP (“Developer”) enter into this Disposition and Development Agreement, also called DDA, as of \_\_\_\_\_, 2020. For purposes of this Agreement, the capitalized terms shall have the meanings assigned in Section 16.

**RECITALS**

A. Authority is the owner of real property consisting of land and improvements located at 4500 Perry Avenue, 4930 El Paraiso Avenue, 9205 Elk Grove Boulevard, 8223 Walegra Road all in the County of Sacramento, State of California, more particularly described in the Property Description (the “Property”).

B. The primary purpose of this DDA is to provide for the Developer to acquire, rehabilitate, and preserve affordable residential units. In order to accomplish such purpose, this DDA provides the Authority will transfer a portion of the Authority's interests in these Properties to the Developer by selling the improvements (the “Improvements”) and leasing the land on which they are situated (the “Land”) collectively, the “Project” to Developer upon the express condition that Developer will rehabilitate and operate the Project for the uses described in and assured by this DDA.

C. This DDA effectuates the Option Agreement by and between Housing Authority of the County of Sacramento, and the Sacramento Housing Authority Repositioning Program (“SHARP”), the Optionee under the Option Agreement originally dated July 23, 2019 as amended.

D. Developer desires to acquire and rehabilitate the Project, by leasing the Land and purchasing the Improvements thereon and Authority desires to lease the Land and sell the Improvements for acquisition and rehabilitation, on the terms and conditions in this DDA.

**AGREEMENT**

**NOW THEREFORE**, the parties acknowledge that the foregoing Recitals are true and correct, and based upon such Recitals and in consideration of the following mutual covenants, obligations

and agreements and for other good and valuable consideration, the receipt and adequacy of which are acknowledged, the parties agree as follows:

1. **PERFORMANCE.** The parties shall perform their obligations at the times and in the manner specified in this DDA. The time for performance is stated in this DDA and in the Schedule of Performances; provided, however that such times shall be extended for periods of Unavoidable Delay.

2. **PROJECT DESCRIPTION.** Authority is entering into this DDA and conveying the Project to Developer solely for the purposes of acquiring and rehabilitating the Project. The Project shall be the following:

- A. 4500 Perry Avenue, Sacramento, California, consisting of 10 units (APN 022-0052-011-0000 and 022-0052-012-0000);
- B. 4930 El Paraiso Avenue, Sacramento, California, consisting of 36 units (APN 037-0224-047-0000);
- C. 9205 Elk Grove Boulevard, Elk Grove, California, consisting of 16 units (APN 125-0270-051-0000);
- D. 8223 Walerga Road, Antelope, California, consisting of 24 units (APN 203-0070-041-0000).

Rehabilitation includes, but is not limited to, life-safety and code compliance improvements; lighting; energy efficiency improvements, and other minor, physical updates as more fully described in the Scope of Work attached hereto and incorporated herein as Exhibit 3).

3. **GROUND LEASE AND PURCHASE AND SALE OF IMPROVEMENTS.**

3.1. **THE IMPROVEMENTS.** Authority agrees to sell and Developer agrees to purchase the Improvements subject to the terms and conditions in this DDA. This DDA, if executed by Developer only, constitutes Developer's offer to purchase the Improvements and enter into the Ground Lease on the terms and conditions contained in this DDA and subject to the covenants, conditions and restrictions contained in the RAD Use Agreement to be executed by the Authority and Developer and recorded on the Land and the Improvements upon conveyance of the Improvements to Developer.

3.1.1. **PURCHASE PRICE.** The Purchase Price for the Improvements shall be Six Million Five Hundred Ten Thousand Dollars and no cents (\$6,510,000.00) and shall be payable as pursuant to the seller carryback loan as described in Section 4, below.

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

3.2. **GROUND LEASE.** The Authority and Developer agree to enter into a ground lease for the purpose of leasing the Land in conjunction with the Project as defined in this DDA and the subject to the terms and conditions in the Ground Lease (attached hereto and incorporated herein as Exhibit 7: the Ground Lease), including a capitalized ground lease payment in the amount of

One Million Twenty Thousand Dollars and no cents (\$1,020,000) payable pursuant to a promissory note secured by a deed of trust (the "Ground Lease Loan").

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

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

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

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

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

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

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

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

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

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

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

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

b) Developer has caused a Phase I environmental study to be performed for Project and Developer by Geocon Consultants, Inc., dated May 29 and 30, 2019, and June 5, 2019. To the extent, if any, that Developer relies on the study, Developer does so at Developer's own risk.

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

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

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

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

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

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

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

Authority shall convey the Project to Developer pursuant to the terms and conditions contained in this DDA.

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

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

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

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

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

e) Developer has the financial capital, the equity and the financing necessary to fulfill its obligations under this DDA and acquire the Project. Developer represents that any equity and funding commitments represented by Developer to Authority as available to the Project are unencumbered and that Developer has not represented to any other party that it will use such funds for any purpose other than the Project (and covenants that it will not use them for any other purpose) without prior written Authority consent.

f) Developer is duly organized, validly existing and in good standing under the laws of the State of California, and this DDA and all other documents delivered for the Close of Escrow have been duly authorized, executed, and delivered by Developer; are binding obligations of Developer; and do not violate the provisions of any agreements to which Developer is a party.

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

a) Developer covenants by and for itself and assigns, and all persons claiming under or through it, that it shall not discriminate on the basis of race, color, national origin, religion, sexual orientation or gender identity, gender, language proficiency, familial status, age (except that a minimum age qualification is acceptable to maintain this property's status as "senior housing") or disability in the sale, lease, or rental or in the use or occupancy of the Property. Owner covenants by and for him/her/itself, his/her/its heirs, executors, administrators, and assigns, and all persons claiming under or through them that there shall be no discrimination against or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the Property.

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

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

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

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

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

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

**3.6. DAMAGE, DESTRUCTION AND CONDEMNATION BEFORE CLOSE OF ESCROW.** If, prior to the Close of Escrow: (a) damage occurs to any portion of the Project by earthquake, mudslide, fire, release of or exposure to any Hazardous Substances, or any other casualty (other than any damage caused by Developer or its employees, agents, Contractor or subcontractors) resulting in repairs or remediation costs that will exceed five percent (5%) of the Purchase Price; or (b) any portion of the Project is taken by eminent domain or otherwise, or is the subject of a threatened or pending taking action resulting in a five percent (5%) or more decrease in the after-taking value of the Project, Authority shall notify Developer in writing of the damage, destruction or condemnation. Developer may, within fifteen (15) days after such notice, elect to terminate this DDA by written notice to Authority.

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

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

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

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

**4. AUTHORITY FUNDING.** The Authority shall provide funding for the Project as follows: a seller carryback loan for the improvements and payment of capitalized rent pursuant to the ground lease. All terms and conditions specifically related to the seller carryback loan are in the loan agreement. The rent shall be financed pursuant to the terms and conditions of the Ground



Lease. As to this Authority Funding, the order of repayment priority shall be the seller carryback loan for the Improvements first, and the ground lease rent, second.

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

**5.1. EXTENT AND CHARACTER OF PLAN REVIEW.** Authority's right of review includes, without limitation, the right to review architectural and engineering plans and specifications, off-site plans and specifications, and landscaping designs and specifications. Authority's approval of Plans is neither a representation of nor an assurance of their adequacy or correctness. Authority has reserved approval rights solely (a) to assure that the Plans further the objectives of the Project; (b) to assure that the Final Plans conform to the Plans; and (c) to assure that Authority's purposes are fulfilled and any Authority funds which may be obligated under this DDA are used as intended by the Authority. This DDA is a financing document and not a land use or planning document. Approval of the Project and Plans under this DDA is only an approval by Authority of the Project design "concept" as presented in this DDA. Such approval by Authority is not and shall not be considered an approval of land use entitlements, structural design of the Project, or the aesthetic design of the Project. Developer shall comply with all applicable land use, planning and design laws, rules and regulations of each Governmental Authority acting in proper exercise of its respective jurisdiction, including without limitation, departments, staff, boards and commissions of the County.

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

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

**5.4. PREPARATION OF FINAL PLANS AND RELATED DOCUMENTS.** Developer has prepared the Final Plans that shall include all construction plans, drawings, specifications and other documents necessary to obtain all required building permits for the construction of the Project. Developer has submitted the Final Plans to the Authority for Authority's review. The Final Plans shall conform in all material respects to this DDA, including without limitation, Plans and the Scope of Development. To the extent that this DDA has insufficient detail or is unclear, this DDA shall be deemed to provide that the Project shall contain high-quality materials, and shall conform to all applicable laws, regulations, zoning, design and usage guidelines. The Final Plans included all changes or corrections approved as provided in this DDA. The Final Plans incorporated all related mitigation measures required, if any there are, for compliance with approvals under CEQA and or NEPA and any conditions of County approval of the project, unless otherwise fulfilled. Developer agrees that it is complying with the requirements of the County of Sacramento Design Review/Preservation Board to the extent of its jurisdiction.

5.5. **DELIVERY.** Developer has delivered the Final Plans or changes to the Final Plans for Authority review.

5.6. **GOVERNMENTAL CHANGES.** If any revisions or corrections of the Final Plans shall be required by any government official, Authority, department or bureau in exercise of its proper jurisdiction, the Developer shall inform the Authority. Developer shall incorporate the change and it shall be deemed approved by Authority.

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

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

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

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

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

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

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

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

g) Any changes requiring approval of, or any change required by, any County, County or state board, body, commission or officer.

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

5.7.2. **MISREPRESENTATION.** If the Authority's approval of the Final Plans is reasonably based upon a material misrepresentation to Authority by Developer or by anyone on Developer's behalf, the Authority may, within a reasonable time after discovery of the misrepresentation, take any action permitted by law with regard to any such misrepresentation, notwithstanding

Authority's prior approval, including without limitation, rescission of the approval or such other equitable remedies as may then be appropriate to such rescission.

6. **DEVELOPMENT PROVISIONS.** As stated in detail in this Section 6, Developer shall construct and manage the Project according to the requirements established in this DDA, which includes, without limitation, the Scope of Development, the Schedule of Performances and the Plans. Developer shall promptly begin, diligently prosecute and timely complete the construction of the Project.

6.1. **NOTICE TO PROCEED.** Developer shall not enter the Property or begin work on the Project until the Authority has issued to Developer a written notice to proceed with the work. Authority will issue a notice to proceed after, County's issuance of a building permit, Developer's compliance with all governmental requirements for start of construction, Developer's provision of required policies of insurance, and Developer's provision of proof of construction financing in an amount adequate to begin the Project work.

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

6.3. **GOVERNMENTAL REVIEW PROCESS.** Notwithstanding any other provision of this DDA, Developer is subject to all building, planning, design and other plan review requirements that are otherwise applicable to the project, including without limitation those of the County of Sacramento. Conditions to the project imposed by the County shall be considered obligations of the Developer under this DDA. If a dispute with County staff arises regarding such County conditions, Developer shall accept the decision of the County's Planning Commission interpreting, imposing and enforcing such County conditions, subject to any applicable appeals process of the Planning Commission.

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

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

6.6. **LOCAL, STATE AND FEDERAL LAWS.** The Developer shall assure that the construction of the Project is carried out in conformity with all applicable laws and regulations, including all applicable federal and state labor standards. Before commencement of construction or development of any buildings, structures or other work of improvement upon the Property,

Developer shall at its own expense secure any and all certifications and permits which may be required by any Governmental Authority having jurisdiction over such construction, development or work. Authority shall cooperate in securing certifications and permits which require consent of the owner of the Property. Developer shall permit only persons or entities which are duly licensed in the State of California, City of Sacramento and County of Sacramento, as applicable, to perform work on or for the Project.

**PREVAILING WAGES.** Developer agrees to comply federal Davis Back prevailing wage laws (40 U.S.C 276 et al). There are federal funds including project based housing choice vouchers from the United States Department of Housing and Urban Development which require that Davis-Bacon prevailing wages to be paid on this Project. Developer shall inform the Contractor and shall require the Contractor to inform all subcontractors and materialmen furnishing goods or services to the Project of Authority's determination of the applicability of Davis –Bacon prevailing wage requirements.

Developer and General Contractor have made their own independent determinations of the applicability of prevailing wage laws and have independently implemented such determinations. Developer indemnifies, holds harmless and defends the Authority from all additional wages, benefits, fees, penalties, fines, legal fees, court costs, arbitration costs, and other costs arising from the improper application of these prevailing wage laws to the Project by Developer or General Contractor or both of them.

California state prevailing wages are not applicable pursuant to 24 CFR § 965.101.

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

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

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

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

(1) Identifying the number of positions in the various occupational categories including skilled, semi-skilled, and unskilled labor, needed to perform each phase of phase of the Project;

(2) Identifying the positions described in Paragraph (1) of this Section, the number of positions in the various occupational categories which are currently occupied by regular, permanent employees;

(3) Identifying the positions described in Paragraph (1) of this Section, the number of positions in the various occupational categories which are not currently occupied by regular permanent employees;

(4) Establishing the positions described in Paragraph (3) of this Section, a goal which is consistent with the purpose of this subpart within each occupational category of the number of positions to be filled by lower income residents of the Section 3 covered project area; and

(5) Making a good faith effort to fill all of the positions identified in Paragraph (4) of this Section with lower income project area residents.

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

**6.8.4. MONITORING PROVISIONS.** Developer, Contractor and subcontractors shall comply with the requirements of the Authority for monitoring the anti-discrimination and all applicable labor requirements.

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

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

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

inspection discovers issues of a nature that require further third-party review or investigation, Developer shall bear the costs of such third party review.

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

6.12. **CERTIFICATE OF COMPLETION.** After the Authority has determined that Developer has completed the construction of the Project in accordance with the Final Plans and Developer's obligations under this DDA, the Authority will furnish the Developer with the Certificate of Completion certifying such completion. The Authority's issuance of the Certificate of Completion shall be a conclusive determination of satisfaction and termination of the agreements and covenants in this DDA with respect to the obligations of the Developer to rehabilitate the Project as of the Completion Date specified in the Schedule of Performances, subject to any qualifications or limitations stated in such certification. Authority shall prepare and execute the Certificate of Completion in a form suitable for recording in the Official Records of Sacramento County.

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

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

6.12.3. This DDA pertains to four development projects which make the Project on the Property. Should these development projects reach completion at different times, Authority shall issue Certificates of Partial Completion as to each specific development project which Developer has completed to Authority's satisfaction and Authority's issuance of a Certificate of Partial Completion shall be a conclusive determination of satisfaction and termination of the agreements and covenants in this DDA with respect to the obligations of the Developer as to the development project to which it applies. Authority shall prepare and execute a Certificate of Partial Completion in a form suitable for recording in the official records of Sacramento County with respect to each completed development project.

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

**6.14. NOTIFICATION OF GENERAL CONTRACTORS, ARCHITECTS AND ENGINEERS.**

Developer shall assure notification of the Project contractors, architects and engineers for the Project of the requirements of this DDA. Developer shall include, where applicable, the provisions of this DDA in construction contracts, subcontracts, materials and supplies contracts and services and consulting contracts for the Project, and Developer shall undertake the enforcement of such provisions.

**6.15. PROPERTY IS TRANSFERRED IN ITS AS-IS CONDITION.** The Project is being transferred in it as-is condition. Developer, at Developer's expense, shall conduct any investigation beyond those provided by Authority under this DDA and which Developer may consider necessary to determine the condition of the Property for the development of the Project. As between the Authority and Developer, Developer shall be solely responsible for the adequacy of such investigations. Except as provided in this DDA, if the condition of the Project is not in all respects entirely suitable for the use or uses to which the Project will be put, it is the sole responsibility and obligation of the Developer to take such reasonable actions as may be necessary to place the condition of the Project in a condition which is entirely suitable for its development in accordance with the construction plans and drawings approved by Authority. Authority shall not be responsible for removing any surface or subsurface obstructions, or structures of any kind on or under the Project.

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

**6.17. HAZARDOUS SUBSTANCES.** Developer has obtained such Hazardous Substances assessments as Developer deems reasonably necessary to assure the development of the Project in accordance with all applicable laws, rules and regulations; provided, however that such assessments are prepared by a qualified environmental specialist in accordance with nationally recognized standards to determine the existence of and to quantify the extent of Hazardous Substances on the Property. As between the Authority and Developer, Developer shall be solely responsible. Developer is relying on these assessments, as adequate Hazardous Substances investigations. If Hazardous Substances are known to be present, based on these assessments, Developer shall remediate or encapsulate such Hazardous Substances to the extent required by any federal, state or local Authority having jurisdiction regarding Hazardous Substances standards or remediation and as may be necessary to avoid incurring liability or further liability under any federal, State and local law or regulation. If Hazardous Substances are discovered after conveyance of the project to Developer and have not been released after conveyance to Developer and the cost to remediate such Hazardous Substances is reasonably estimated to exceed Fifty Thousand Dollars (\$50,000), Developer may elect to terminate this DDA, upon reconveyance of the Property to Authority and return of all monies and properties delivered by Authority to Developer pursuant to or in furtherance of this DDA.

**6.18. DEVELOPER ACCESS TO PROPERTY.** Prior to the conveyance of the Project by Authority to Developer, the Authority shall permit representatives of Developer to have access, without charge, to the Project, at all reasonable times for the purpose of obtaining data and

making various tests necessary to carry out Developer's obligations under this DDA; provided, however, that Developer shall not enter the Property except (a) after execution by Developer and Authority of Authority's standard "Permit for Entry" and (b) after Developer has obtained insurance coverage then required by Authority. No work shall be performed on the Property until a "Notice of Nonresponsibility" has been recorded and posted in accordance with applicable laws, assuring that the Authority's interest in the Project shall not be subject to mechanic's liens related to such work. Developer shall not commence any work on the Project without Authority's written approval of the work to be done, and in any event, Developer shall not commence any work which might be construed as commencement of the work of the Project for establishment of mechanic's lien rights.

7. **RELOCATION.** Authority is required by law to provide relocation services and make relocation payments to eligible tenants that are displaced as a result of the Project. Developer shall comply fully with all relocation laws that are the obligation of Authority or are otherwise applicable to the Project. Developer's compliance with the relocation requirements as stated in this Section 7 is a material element of this DDA. Developer's failure to comply with the relocation requirements as stated in this Section 7 is an Event of Default, subject to Developer's opportunity to cure in accordance with applicable law.

7.1. **RELOCATION COSTS.** Relocation costs shall be borne by Developer.

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

7.3. **DEVELOPER AS RELOCATION AGENT.** Developer is acting as Authority's agent in accomplishing relocation. Developer may enter into agreements for the provision of relocation services, or Developer may perform such services directly. Developer shall, by provisions in its agreements or by direction to its staff, assure that the entity performing the relocation services: (a) complies with all applicable laws; (b) fully informs Authority of all relocation activities; (c) makes all requests for direction or clarification to Authority; and (d) responds to and follow the Authority's instruction and direction.

8. **DEVELOPMENT FINANCING.** Except as specifically provided in this DDA, Developer shall be responsible for and shall pay all costs of developing the Project in accordance with this DDA. As a condition precedent to Authority's conveyance of the Project to Developer, Developer shall provide the Authority with a complete and firm Project budget including all proposed sources and uses of funds, all "hard" and "soft" costs and contingencies and reflecting, as possible, firm bids or accepted contracts and with evidence of sufficient funds to meet all budget requirements. To the extent that funds specified in this DDA for the Project are insufficient to fully fund the Project, the Developer shall provide evidence, satisfactory to the Authority, of the additional required construction and permanent financing. Authority is not obligated by this DDA or otherwise to make any contribution beyond its obligations stated in this DDA.



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

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

**8.3. EVIDENCE OF DEVELOPER EQUITY.** Developer shall provide proof of an equity commitment for the Project in the amount of approximately \$7,000,000 in Tax Credit Equity.

**8.4. Other Financing:** Developer, as a requirement of this DDA and Authority Funding (Section 4 above), shall procure and deliver to Authority evidence satisfactory to Authority that Developer has obtained the following described financing which may be secured by a lien upon the Improvements (Developer's Leasehold Interest) superior or subordinate to Authority's liens, and which shall be otherwise on terms and conditions acceptable to Authority:

8.4.1. As a condition precedent to the sale of the Authority Improvements, financing from a private lender(s) in an amount(s) sufficient to complete construction of the Property according to a scope of work as approved by Authority and made for a term not less than that specified in the Schedule of Performance for completion of construction, and in any event not less than the time necessary to fulfill all conditions precedent to funding of the permanent financing.

8.4.2. Commitments for seller carryback loan financing in an amount equal to appraised value of the Improvements and Ground Lease with capitalized rent amount equal to appraised value of the Land.

8.4.3. Commitments for permanent financing sufficient to "take out" all liens senior to the Authority's liens.

Such commitments for financing shall not require modification of Authority loan documents, or ground lease or any term of this DDA.

Such commitments shall not be based upon sources and uses of Project funds that are different from those approved by Authority for the Project or be subject to conditions which require amendment of the Authority loan documents or other agreements.

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

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

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

Authority shall indemnify, protect, defend and hold Developer harmless from any and all liability from bodily injury, death and property damage caused by or resulting from the acts or omissions of Authority, its officers, commission members, employees, advisory committee members or agents and for any and all costs incurred by Developer in defending against such liability claims, including reasonable attorney's fees, except for injury, death or property damage caused by the negligent act or willful misconduct of Developer. This indemnification provision (Section 10) shall survive the termination of this Agreement.

**11. LIABILITY INSURANCE.** With regard to this DDA, the Developer shall obtain and maintain for the life of the Ground Lease, defined in Section 16.14, below, in connection with the Authority Ground Lease Loan, and require the Contractor and subcontractors for the Project to obtain and maintain for the term of the development of the Project, such insurance as will protect them, respectively, from the following claims which may result from the operations of the Developer, Contractor, subcontractor or anyone directly or indirectly employed by any of them,

or by anyone for whose acts any of them may be liable: (a) claims under workers' compensation benefit acts; (b) claims for damages because of bodily injury, occupational sickness or disease, or death of its employees; (c) claims for damages because of bodily injury, sickness or disease, or death of any person other than its employees; (d) claims for damages insured by usual personal injury liability coverage which are sustained (1) by any person as a result of an offense directly or indirectly related to the employment of such person by the Developer, or (2) by any other person, claims for damages, other than to the construction itself, because of injury to or destruction of tangible property, including resulting loss of use; (e) claims for damages because of bodily injury or death of any person or property damage arising out of the ownership, maintenance or use of any motor vehicle; and (f) claims for contractual liability arising from the Developer's obligations under this DDA.

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

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

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

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

**11.5 PROPERTY INSURANCE.** For the duration of the RAD Use Agreement, Developer shall obtain and maintain property insurance in ISO policy form CP 10 30 - Building and Personal Property Coverage - Causes of Loss - Special Form, to the full insurable value of the Property with no coinsurance penalty (and with endorsements of Builder's Risk until completion of construction of the Project), Boiler and Machine to the extent necessary to obtain full insurance coverage, and with such other endorsements and in such amounts as the Authority may reasonably require to protect the Project. In the event of damage to the Project and subject to the requirements of lender, Developer shall use the proceeds of such insurance to reconstruct the Project and the public improvements.

**11.6 INSURANCE PROVISIONS.** Each policy of insurance required under this DDA shall be obtained from a provider licensed to do business in California and having a current Best's

Insurance Guide rating of A+ VII, which rating has been substantially the same or increasing for the last five (5) years, or such other equivalent rating, as may reasonably be approved by Authority's legal counsel. Each policy shall contain the following provisions as applicable, unless otherwise approved by Authority's legal counsel in writing in advance:

**11.6.1 ADDITIONAL INSURED.** Developer shall obtain a policy in ISO form CG 20 33 or better, naming the “Sacramento Housing and Redevelopment Agency and its constituent entities, including but not limited the Housing Authority of the County of Sacramento,” as additional insured under the Commercial General Liability Policy.

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

**11.6.3 CERTIFIED POLICY COPY.** Developer shall provide Authority with a certified copy of each required policy of insurance. Pending delivery of the certified policy, Developer shall provide Authority with a Certificate of Insurance for each policy on the applicable ACORD form. The ACORD form shall not substitute for the policy. ACORD 25-S “Certificate of Liability Insurance shall be used for liability insurance deleting the sentence in the top right-hand block immediately below the title (commencing “This certificate is issued as a matter of information . . .) and in the bottom right-hand box above the authorized representative signature, deleting the words “endeavor to” and “but failure to do so shall impose no obligation or liability of any kind upon the insurer, its agents or representatives.”

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

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

\_\_\_\_\_ **Developer’s Initials**

**11.6.5 FAILURE TO MAINTAIN.** If Developer fails to obtain or maintain, or cause to be obtained and maintained, any insurance required by this DDA, the Authority shall have the right, but not the obligation, to purchase the insurance on Developer’s behalf, and Developer shall

promptly reimburse the full cost of such insurance to the Authority. If Developer fails to reimburse the Authority for insurance, the amount of unpaid reimbursement shall bear interest at the maximum rate permissible under the law until paid. Failure to maintain the insurance required by this Section 11 shall be a default under this DDA (see Section 12, below).

**11.6.7. BLANKET COVERAGE.** Developer's obligation to carry insurance as required under this Section 11 may be satisfied by coverage under a "blanket" policy or policies of insurance (as the term is customarily used in the insurance industry); provided, however, that the Authority shall nevertheless be named as an additional insured under such blanket policy or policies to the extent required by this Section, the coverage afforded the Authority will not be reduced or diminished thereby, and all of the other requirements of this Section 12 with respect to such insurance shall otherwise be satisfied by such blanket policy.

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

Notwithstanding anything to the contrary contained herein, so long as any General Partner of the Developer is affiliated with the Authority, the Authority shall not declare a default or exercise any remedies available hereunder without the prior written consent of the Developer's tax credit equity investor and each holder of any Approved Financing (as defined in the Ground Lease).

**13. ENCUMBRANCE OF PROJECT AND LENDER PROTECTIONS.** Before issuance of a Certificate of Completion, if Developer has obtained Authority's prior written approval, which approval Authority may withhold in exercise of its reasonable discretion and in consideration of the commercially reasonable protection of its interests under this DDA, the Developer may obtain a loan and encumber the Project as security for the loan, provided either that the proceeds of the loan are used solely for construction of the Project improvements upon usual and customary and commercially reasonable terms or that the loan is permanent project financing made upon usual and customary and commercially reasonable terms. Each lender shall be a federal or state chartered financial institution, a pension fund, an insurance company or such other lender which Authority may approve in writing in advance. Authority has approved the Approved Financing (as defined in the Ground Lease). After issuance of a Certificate of Completion, the Authority shall have no rights of approval regarding financing secured by the Project, except as provided

by the RAD Use Agreement or Authority loan documents. As a condition to Authority's approval of a loan, Developer shall provide the Authority with a conformed copy of all documents related to the loan. Authority acknowledges that a lender will rely upon this DDA in making the loan and that Authority's obligations under this DDA are inducements to lender's making of the loan. If a lender or any successor foreclosed on the Project or obtains a deed in lieu of foreclosure, neither the lender nor any successor shall be liable for any actions, inactions, liability or damages incurred or suffered by the Developer prior to date such party acquires the Project.

**13.1. NOTICES.** If the Authority gives any notice of default to Developer under this DDA, the Authority shall contemporaneously give a copy of such notice to each lender who has requested such notice in the following form of request for notice at the address stated in such request for notice, as provided in Section 15.12.3. Any such default notice that is not so delivered to a lender shall not be effective or binding with regard to lender or otherwise affect lender, but failure to deliver such default notice to lender shall not affect its validity with respect to Developer. Any lender shall use the following form for requesting notice:

[Date]

The undersigned, whose address for notices is stated immediately below its signature, does hereby certify that it is the Lender as such term is defined in that certain Disposition and Development Agreement dated \_\_\_\_\_, 2020 between the Housing Authority of the County of Sacramento and **RAD Pilot LP** ("DDA"). The lender requests, in accordance with this DDA, that if any default notice shall be given to Developer under this DDA, a copy of such default notice shall be given to the lender.

[Lender Name and Address for Notice]

**13.2. ASSIGNMENTS AND TRANSFERS OF THE LOAN.** Authority shall not be bound to recognize any assignment of lender's loan or related encumbrance of the Project unless and until lender has given Authority written notice of the name and address of the assignee (and if more than one person is an assignee, the designated name and address for notices) and such assignee qualifies as a lender under this DDA. Thereafter, such assignee shall be considered a lender with respect to the loan and the related encumbrance on the Project.

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

**13.4. LENDER'S AND LIMITED PARTNER'S OPTION TO CURE DEFAULTS.** After any default of Developer's obligations under this DDA, each lender shall have the right, at its option, to cure or remedy such default, within the time for cure allowed to Developer, and to add the cost of such cure to the debt and the lien secured by the Project. The Authority shall accept such performance as if it had been performed by Developer; provided, however, that such lender shall not be subrogated to the rights of the Authority by undertaking such performance. If the breach or default relates to construction of the Project, however, lender shall not undertake or continue the construction of the Project (beyond the extent necessary to conserve or protect Project or

construction already made) unless lender assumes, in writing satisfactory to the Authority, Developer's obligations to complete the Project on the Project in the manner provided in this DDA. Any lender who properly completes the Project as provided in this DDA shall be entitled, upon written request made to the Authority, to a Certificate of Completion from the Authority in a manner provided in this DDA. Such certification shall mean that any remedies or rights with respect to the Project that the Authority may have, because of Developer's failure to cure any default with respect to the construction of the Project, or because of any other default of this DDA by the Developer, shall not apply to the part of the Project to which such Certification relates. Nothing in this Section shall be deemed to limit, modify or release any claim or remedy that the Authority may have against the Developer for such default. The Developer's limited partner has the same cure rights afforded to the Developer in this Section 13.

**13.5. DEFAULT BY DEVELOPER.** In the event of a default by Developer, Authority shall not terminate this DDA unless and until the Authority has given notice to Developer of such default, and Developer has failed to cure such default no later than 60 business days after receiving notice.

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

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

**13.6. FORECLOSURE.** Foreclosure of any encumbrance securing the loan of lender, or any sale under such encumbrance, whether by judicial proceedings or by virtue of any power contained in such encumbrance, or any conveyance of the Project from the Developer to the lender or its designee through, or in lieu of, foreclosure or other appropriate proceedings in the nature of foreclosure, shall not require the consent of the Authority. Upon such foreclosure, sale or conveyance, the Authority shall recognize the resulting purchaser or other transferee as the Developer under this DDA, provided that such purchaser or transferee expressly assumes each and every obligation of the Developer under this DDA (except for the obligation to pay damages

except to the extent of any monies due and unpaid from Developer under this DDA) by assumption agreement satisfactory to the Authority. If any lender or its designee acquires Developer's right, title and interest under this DDA as a result of a judicial or nonjudicial foreclosure under any power contained in such encumbrance, or any conveyance of the Property from the Developer to the lender or its designee through, or in lieu of, foreclosure or other appropriate proceedings in the nature of foreclosure, such lender or its designee shall have the right to assign or transfer Developer's right, title and interest under this DDA to an assignee; provided, however, that the assignee or transferee shall thereafter be subject to all of the terms and conditions of this DDA.

**13.7. MODIFICATIONS.** No modification or amendment to this DDA which materially and adversely affects the Authority's interest in the Project shall be valid and effective unless the Authority's written consent to such modification or amendment has first been obtained, which consent shall not be unreasonably withheld.

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

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

**13.10. PROHIBITIONS AGAINST ASSIGNMENT AND TRANSFER.** In reliance on the financial capability and experience of Developer, substantial public financing and other public aids have been made available by law and by the federal and local governments to make development of the Property possible. Developer shall not, prior to issuance of a Certificate of Completion, which in accordance with Section 6.13 may terminate this DDA subject to provisions expressly stated to survive this DDA, assign Developer's interests or obligations under this DDA or undertake any act or transaction resulting in a significant change in the interests of the principals of Developer or the degree of their control of Developer without the prior written consent of Authority. The transfer or assignment, pursuant to this Section, requires the transferee or assignee to execute and deliver to Authority a valid, binding, written assumption of all obligations of Developer. Such a transfer as permitted in this Section shall not relieve Developer, or any other party bound in any way by this DDA, from any of its obligations under this DDA. With respect to this provision, the Developer and the parties signing this DDA on behalf of the Developer represent that they have the authority of all of Developer's principals to agree to and bind them to this provision.



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

14.1. **RAD USE AGREEMENT.** The Rental Assistance Demonstration Use Agreement is to be recorded against the land and the leasehold estate of each of the four sites within the Project (RAD Use Agreement, Exhibit 5). This DDA shall in all respects be subordinated to the RAD Use Agreement. Subordination continues in effect with respect to any future amendment, extension, renewal, or any other modification of the RAD Use Agreement or this DDA. If any of the provisions of this DDA conflict with the terms of the RAD Use Agreement, the provisions of the RAD Use Agreement shall control.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

15.12.1. Addresses for notices are as follows:

a) Authority: Housing Authority of the County of Sacramento, 801 12th Street, Sacramento, California 95814, Attention: Portfolio Management Division.

b) Developer: RAD Pilot LP, c/o SHARP, 801 12<sup>th</sup> Street, Sacramento, California 95814, Attention: President of SHARP.

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

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

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

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

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

15.12.3. **Additional Notices.** Authority shall give copies of notices required to be delivered to Developer to the following parties at the following addresses; provided, however that Developer acknowledges that such notice is an accommodation and the failure of the Authority to properly deliver any such notice shall not give rise to any claims or defenses of Developer or any third party:

**TAX CREDIT EQUITY INVESTOR**

NEF Assignment Corporation  
Attention: General Counsel  
10 South Riverside Plaza, Suite 1700  
Chicago, IL 60606

**CONSTRUCTION LENDER**

Wells Fargo Bank, National Association  
Community Lending and Investment  
333 Market Street, 17<sup>th</sup> Floor  
MAC# A0119-177  
San Francisco, California 94105  
Attention: Loan Administration Officer  
Loan No. 1019305

**PERMANENT LENDER**

Prudential Affordable Mortgage Company, LLC, or affiliate  
C/O PRUDENTIAL ASSET RESOURCES  
2100 ROSS AVENUE, SUITE 2500  
DALLAS, TEXAS 75201  
ATTN: ASSET MANAGEMENT DEPARTMENT  
Agency-Notice@prudential.com

With a copy to:

Federal Home Loan Mortgage Corporation  
8100 Jones Branch Drive, MS B4P  
McLean, Virginia 22102  
Attention: Multifamily Operations - Loan Accounting  
Email: mfla@freddiemac.com  
Telephone: (703) 714-4177

with a copy to: Federal Home Loan Mortgage Corporation  
8200 Jones Branch Drive, MS 210  
McLean, Virginia 22102

Attention: Managing Associate General Counsel –

Multifamily Legal Division  
Email: joshua\_schonfeld@freddiemac.com  
Telephone: (703) 903 2000

**FISCAL AGENT**  
U.S. Bank Global Corporate Trust  
Attention: RAD 1  
1 California Street, Suite 1000  
San Francisco, CA 94111

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

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

16.1. "Authority" is the Housing Authority of the County of Sacramento. The Authority is a public body, corporate and politic, exercising governmental functions and powers, and organized and existing under the Housing Authorities Law of the State of California. The principal office of the Authority is located at 801 12th Street, Sacramento, California, 95814. Authority as used in this DDA includes the Sacramento Housing and Redevelopment Agency and any assignee of or successor to its rights, powers and responsibilities.

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

16.3. "Certificate of Completion" or "Certificate of Partial Completion" is the certificate issued by the Authority certifying Developer's completion, or partial completion of the Project.

16.4. "County" is the County of Sacramento in the State of California.

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

16.6. "General Contractor" is Precision General Commercial Contractor, the contractor or contractors with whom Developer has contracted for the rehabilitation of the Project.

16.7. "Completion Date" is the date for completion of construction of the Project to the satisfaction of the Authority, which date shall be not sooner than the issuance of a certificate of occupancy or permit sign-off for the entire Project. The Completion Date is stated in the Schedule of Performances.

16.8. "DDA" is this Disposition and Development Agreement including the attachments to this DDA consisting of the exhibits named in and attached to this DDA, the Preliminary Plans the Final Plans and any other item expressly incorporated in this DDA, all of which are

incorporated in this DDA as if included in full as provisions in the body of this DDA. A default of any of the items incorporated in this DDA by reference is a default of this DDA.

16.9. “Developer” is RAD Pilot LP, a California limited partnership. The principal office of the Developer is located at 801 12<sup>th</sup> Street, Sacramento, California 95814. The principal of Developer, Sacramento Housing Authority Repositioning Program, Inc. (James Shields, President).

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

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

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

16.13. “Grant Deed” is the grant deed for the transfer of the Improvements to Developer under this DDA. The Grant Deed contains covenants that run with the land, easements and a reverter provision **Exhibit 4: Grant Deed**.

16.14. “Ground Lease” is the Ground Lease dated concurrently with recording of this DDA by and between the Housing Authority of the County of Sacramento and the Developer for the land upon which the Improvements are situated **Exhibit 6: Form of Ground Lease**.

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

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

16.17. “Plans” are the Project designs and elevations, prepared by the Project architects HMR Architects, Inc., dated September 30, 2019 for 9205 Elk Grove Boulevard and dated September 30, 2019 for 4930 El Paraiso Avenue; and Moniz Architecture, dated September 30, 2019 for 4500 Perry Avenue and dated September 30, 2019 for 8223 Walerga Road, a portion of which (consisting of various elevations) is attached to the staff report for approval of this DDA. Authority has approved the Plans concurrently with the approval of this DDA.

16.18. “Project” is the leasehold in the land and fee in the improvements to be acquired and rehabilitated as described in this DDA for the uses stated in this DDA.

16.19. “Property Description” is the legal description of the four scattered sited within the Property by this DDA. The Property Description is attached as **Exhibit 1: Property Description**.

16.20. “Purchase Price” is the purchase price for the Improvements as set out in Section 3.1.

16.21. “Seller Carry-Back Loan” is the loan from the Housing Authority of the County of Sacramento to the Developer for the purchase of the Improvements subject to this DDA.

16.22. “Schedule of Performance” is the schedule that establishes the dates by which obligations of the parties under this DDA must be performed and on which conditions must be satisfied. The Schedule of Performance is attached as **Exhibit 2: Schedule of Performance**.

16.23. “Scope of Development” is the detailed description of the construction parameters for the Project. The Scope of Development is attached as **Exhibit 3: Scope of Development**.

16.24. “Title Company” is Placer Title Company, if approved by lender and investor. Title Company is the insurer of title under this DDA and the Escrow holder. The Title Company address is 301 University Avenue, Suite 120, Sacramento, CA 95825.

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

16.26. "RAD" is the Rental Assistance Demonstration Program of the United States Department of Housing and Urban Development.

16.27. "RAD Use Agreement" is, collectively, the use agreement entered into by and among the Authority, Lessee, and United States Department of Housing and Urban Development (HUD) specifying the affordability and use restrictions governing the Project under the RAD Program, and recorded against the Authority's fee interest in the Leased Premises and the Lessee's leasehold interest in the Leased Premises. The RAD Use Agreement is attached hereto and incorporated herein as **Exhibit 5: RAD Use Agreement**.

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

**DEVELOPER: RAD PILOT LP, A CALIFORNIA LIMITED PARTNERSHIP**

By: RAD Pilot LLC, a California limited liability company, its managing general partner

By: Sacramento Housing Authority Repositioning Program, Inc., a California nonprofit public benefit corporation, its sole member and manager

\_\_\_\_\_  
James Shields, President

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

By:

\_\_\_\_\_  
La Shelle Dozier, Executive Director

Date: \_\_\_\_\_

Approved as to form:

\_\_\_\_\_  
Authority Counsel

## Exhibit 1: Property Description

### **Legal Description of Pointe Lagoon - 9205 Elk Grove Boulevard, Elk Grove, CA 95624**

SITE F: 9205 Elk Grove Boulevard

The land described herein is situated in the State of California, County of Sacramento, City of Elk Grove, described as follows:

Parcel No. 1:

All buildings and improvements situated on the following property, the buildings and improvements are and shall remain real property, pursuant to that certain Grant Deed dated To Be Recorded, recorded To Be Determined, as To Be Determined, of Official Records:

All that portion of the Southeast one-quarter of Section 31, Township 7 North, Range 6 East, described as follows:

Beginning at a point on the South line of said Section 31 bears West (measured along the South line of said Section 31) 1408.5 feet distant; thence from said point of beginning, North 231 feet; thence West 88.5 feet; thence South 231 feet to a point on the South line of said Section 31; thence along the South line of said Section 31, East 88.5 feet to the point of beginning.

Parcel No. 2:

All buildings and improvements situated on the following property, the buildings and improvements are and shall remain real property, pursuant to that certain Grant Deed dated To Be Recorded, recorded To Be Determined, as To Be Determined, of Official Records:

All that portion of the Southeast one-quarter of Section 31, Township 7 North, Range 6 East, described as follows:

Beginning at a point on the South line of said Section 31, from which point the Southwest corner of the Southeast one-quarter of Section 31 bears West (measured along the South line of said Section 31) South 231 feet to a point on the South line of said Section 31; East 50 feet to the point of beginning.

Parcel No. 3:

All buildings and improvements situated on the following property, the buildings and improvements are and shall remain real property, pursuant to that certain Grant Deed dated To Be Recorded, recorded To Be Determined, as To Be Determined, of Official Records:

All that portion of the Southeast one-quarter of Section 31, Township 7 North, Range 6 East, described as follows:

Beginning at a point on the South line of said Section 31, from which point the Southwest corner of the Southeast one-quarter of said Section 31 bears West (measured along the South line of said Section 31) 1508.5 feet distant; from said point of beginning, North 231 feet, thence West 50 feet; thence South 231 feet to a point on the South line of said Section 31; thence, along the South line of said Section 31, East



50 feet to the point of beginning.

APN: 125-0270-051-0000

**Legal Description of Rio Garden - 8223 Walerga Road, Antelope, CA 95843**

SITE E: 8223 Walerga Road

The land described herein is situated in the State of California, County of Sacramento, unincorporated area, described as follows:

All buildings and improvements situated on the following property, the buildings and improvements are and shall remain real property, pursuant to that certain Grant Deed dated To Be Recorded, recorded To Be Determined, as To Be Determined, of Official Records:

Parcel A of that certain Parcel Map entitled "A portion of the Southwest one-quarter of Section 18, Township 10 North, Range 6 East, M.D.B. & M.", filed June 24, 1976 in Book 26 of Parcel Maps, Page 48 in the office of the recorder, Sacramento County.

APN: 203-0070-041-0000

**Legal Description of Pointe Lagoon - 4930 El Paraiso Avenue, Sacramento, CA 95824**

SITE C: 4930 El Paraiso Avenue

The land described herein is situated in the State of California, County of Sacramento, unincorporated area, described as follows:

All buildings and improvements situated on the following property, the buildings and improvements are and shall remain real property, pursuant to that certain Grant Deed dated To Be Recorded, recorded To Be Determined, as To Be Determined, of Official Records:

Lot A, as shown on the "Revised Plat of Country Place" filed in the office of the recorder of Sacramento County, in Book 149 of Maps, Map No. 16.

Excepting therefrom, that portion of said land granted to the Redevelopment Agency of the County of Sacramento, in Grand Deed recorded August 24, 1984 as Book 840824, Page 370, Official Records, described as follows:

Beginning at the Northerly corner of Lot A that lies on the centerline of Sampson Boulevard as said Boulevard is shown on said Map; thence from said point of beginning along said centerline and the most Westerly line of said Lot A South 0° 00' 00" West, 52.50 feet; thence leaving said centerline along a portion of the Southerly boundary of said Lot A, South 88° 12' 00" East, 212.00 feet; thence leaving last said line, North 6° 50' 00" East, 59.71 feet to a point on the Northerly boundary of said Lot A; thence along last line South 89° 58' 00" West, 219.00 feet to the point of beginning.

APN: 037-0224-047-0000

**Legal Description of Pointe Lagoon - 4500 Perry Avenue, Sacramento, CA 95820**

SITE D: 4500 and 4530 Perry Avenue

The land described herein is situated in the State of California, County of Sacramento, unincorporated area, described as follows:

All buildings and improvements situated on the following property, the buildings and improvements are and shall remain real property, pursuant to that certain Grant Deed dated To Be Recorded, recorded To Be Determined, as To Be Determined, of Official Records:

Lot 10 as shown on the "Amended Plat of Hunger Tract No. 1", recorded in Book 15 of Maps, Map No. 8, records of said County.

Pursuant to that certain Certificate of Compliance, recorded September 20, 2019, Instrument No. 201909200647 Official Records.

APN: 022-0052-011-0000 and 022-0052-012-0000

Exhibit 2: Schedule of Performances

July 2019	Governing Board Approval of Bond Issuance, Option Agreement, and Loan Commitment for a Seller Carry-Back (Improvements) Loan and Construction and Permanent Loan.
September 2019	Weekly closing calls begin.
September 2019	Comments on loan documents.
October 2019	4% LIHTC and MRB Allocation Awards.
January 2020	Governing Board Approval of Final Loan and Bond Documents. Close financing and begin Construction.
January 2022	Construction Completion deadline.

### Exhibit 3: Scope of Development

#### **Scope of Development: Pointe Lagoon, 4500 Perry Avenue, Sacramento (10 units)**

Item	Description
1	Parking/Striping
2	Landscaping
3	Replacement of Plywood Sheeting (Stucco)
4	Drywall Repairs
5	Final Clean
6	Interior Paint (Units)
7	Exterior Paint (Units)
8	Kitchen Cabinet (Refacing)
9	Kitchen and Bath Countertop Replacement - Upgraded
10	Window Replacement
11	Roof Replacement
12	Exterior Door Replacement
13	Interior Door Replacement
14	Interior Door Replacement (sliding closet doors)
15	HVAC
16	Flooring (w/Luxury Vinyl Plank)
17	Load center 120/240 , 125 AMP replacement in units
18	Interior Lights
19	Exterior Lights (CFL Ballast)
20	Exterior Lights (Light Poles)
21	Replace Kitchen Ranges and Hoods
22	Replace Refrigerators
23	Plumbing Fixtures
24	Shower Surrounds
25	Toilet Tank Replacement
26	Kitchen and Bathroom Sink Replacement
27	Replace bathroom vanity cabinet and cultured sink top
28	Water Heater Replacement
29	New Smoke/CO Detectors (battery operated)
30	ADA Kitchen Modification (1 unit)
31	ADA Hearing/Visual Impairment modification (1 unit)
32	ADA Bathroom full reconfiguration
33	<del>New Laundry Room Flooring</del>
34	<del>Laundry Room Exterior Door</del>
35	Laundry Room (large) Interior Paint and Prep
36	Laundry Room (small) Interior Paint and Prep
37	Laundry Room Water Heater replacement
38	Laundry Room Load Center (120/240 V, 125 AMP to 225)
39	Laundry Room Lighting Upgrade
40	Laundry Room ADA Doorway Modification
41	Laundry Room ADA Miscellaneous Budgetary Allowance
42	Landscaping - drought tolerant and address drainage issues
43	Sidewalk repair/replacement as needed
44	Site drainage will be addressed as needed
45	Kitchen Cabinets will be replaced
46	Window Coverings

47	ADA Trash Enclosure Modifications
48	Slab Patch at Unit #2
49	Signage Replacement at units, building addresses
50	Bathroom exhaust fan replacement

**Add Alternatives (contingent on budget availability, with the exception of the carpports and related scope if required by the County of Sacramento):**

1. Carports (if waiver is not granted by the County of Sacramento)
2. Carport lighting (if waiver is not granted by the County of Sacramento)
3. Trenching for carport lighting (if waiver is not granted by the County of Sacramento)
4. Door bells
5. Laundry room flooring
6. Laundry room base boards
7. Garbage Disposals
8. Dedicated Circuits for Garbage Disposals
9. Grading and Drainage

**Scope of Development: Pointe Lagoon, 4930 El Paraiso Avenue, Sacramento (36 units)**

Item	Description
1	Patch asphalt seal and stripe parking lot
2	Parking lots Mill and Overlay
3	Metal Halide Lighting Fixture, pulse start 150 W
4	Furnace, electric, 26 to 40 MBH replacement
5	New Interior and Exterior Paint
6	New hardware at Entry door
7	Replace windows and sliders
8	Replace screen doors
9	Replace water heaters
10	Replace interior and exterior lights (incl light poles)
11	Replace kitchen ranges and range hoods
12	Replace refrigerators 14-18 CF (36)
13	Replace plumbing fixtures
14	Toilet/flush tank replacement
15	Replace shower surrounds and mixing valves
16	Bathroom exhaust fan replacement
17	Bathroom vanity cabinet (wood) with cultured marble top 24-30" (Reface)
18	Replace kitchen sinks
19	New smoke and CO detectors (battery operated)
20	Remove nurse call stations and patch holes
21	Replace flooring with LVP
22	ADA bathroom renovation
23	Replace laundry flooring and countertops, install folding table
24	Community Room improvements (floors, cabinets)
25	Comm. Room (ADA, paint, water heater (com + laundry room), HVAC)
26	Final Clean
27	Demolition
28	Drywall
29	Sidewalk repair/replacement as needed
30	Site drainage will be addressed as needed

31	Kitchen - all cabinets will be replaced
32	Kitchen countertops will be replaced with solid surface
33	Window Coverings
34	Bathroom tubs will be replaced as needed
35	ADA Parking Modifications
36	Concrete walkway modifications for Path of Travel
37	Barge rafter and fascia repairs
38	Laundry Folding Table
39	Bathroom exhaust fans
40	Interior light fixture replacement/new install
41	Landscaping/Irrigation repair and improvement

**Add Alternatives (contingent on budget availability):**

1. Unit entry light fixture replacements
2. Stucco Patch at window/siding locations
3. T1-11 repairs
4. Metal Fence repairs
5. Unit Subfloor repairs (will be done if needed)
6. New fiber cement siding
7. Pole light head fixture replacement  
Pole light pole, base, and fixture
8. HVAC replacement (units)
9. Building base trim replacement
10. Garbage Disposals
11. New dedicated circuits for garbage disposals
12. Grading and Drainage improvements

**Scope of Development: Pointe Lagoon, 9205 Elk Grove Blvd, Elk Grove (16 units)**

Item	Description
1	Patch asphalt and seal and stripe parking lot
2	Replace HVAC systems (SMUD Rebate)
3	Furnace, electric 26 to 40 MBH replacement
4	New hardware at all entry doors
5	Load Center 120/240 V 125 AMP replacement
6	Interior Door (Hollow core) replacement
7	Replace all flooring with LVP
8	New interior and exterior paint
9	Replace laundry area doors
10	Replace interior and exterior light fixtures
11	Replace kitchen ranges and hoods (SMUD Rebate)
12	Kitchen sink replacement (stainless steel)
13	Replace shower surrounds and mixing valves
14	Replace plumbing fixtures (toilets, shower heads, faucets)
15	Replace countertops in kitchen and baths
16	Reface cabinetry in kitchen and baths
17	Install new smoke/CO detectors (Battery op-4@\$68 each)
18	Replace laundry bldg water heater (SMUD Rebate)
19	Replace laundry room flooring
20	Replace laundry room folding table

21	Laundry Room exterior paint 1250 sq ft
22	Laundry Room exterior door
23	Laundry Room replace sink (vitreous china)
24	Final clean
25	Drywall
26	ADA unit - visual bell and strobe, hearing impaired
27	Demolition
28	Sidewalk repair/replacement as needed
29	Kitchen Cabinets replace
30	Window Coverings
31	Bathroom tubs will be replaced as needed
32	Dry Rot Repair
33	Shower doors
34	Window coverings
35	New bathroom exhaust fans
36	Unit Landing lights
37	Laundry room interior lights
38	Landscaping and irrigation repairs and improvements

**Add Alternatives (some items will be replaced as needed/discovered and contingent on budget availability):**

1. Unit Entry lights
2. Grading and Drainage
3. Cobbles in drainage basin
4. Concrete Swale
5. Unit Subfloor repair (if needed item)
6. Building Eave repair (if needed item)
7. Stucco patching
8. Signage
9. Unit Screen doors
10. Unit Water Heaters
11. Pole light head globes
12. Catch basin clean out
13. Storm drain flush
14. Garbage disposals
15. Micro-hoods
16. ADA unit countertop microwave
17. Perimeter fence repair (if needed item)
18. Standard unit microwave bracket
19. ADA unit microwave bracket

**Scope of Development: Rio Garden, 8223 Walerga Road, Antelope (24 units)**

<b>Item</b>	<b>Description</b>
1	Interior and Exterior Light Fixtures
2	Light pole upgrade 135 to 1000 W
3	Load center 120/240 V, 50 AMP to 100
4	Kitchen ranges and hoods
5	Refrigerator replacement (14-18CF)
6	Replace water heaters (30 to 50 gallon)
7	Replace condensate pans on HVAC
8	Replace plumbing fixtures
9	Replace shower surrounds
10	Replace countertops in kitchen/bathroom
11	Full cabinet replacement
12	New Interior/Exterior Paint
13	New flooring (LVP)
14	Install new smoke/CO detectors (battery operated)
15	New shower door (upper floor bathrooms) (just shower curtains& splash guard)
16	Toilet tank replacement
17	Sink replacement
18	Bathroom vanity replacement (cultured marbled 24-30)
19	Replace interior doors (sliding hollow core)
20	Replace interior doors (hollow core bedrm)
21	Ceiling lights in all bedrooms
22	Sprinkler head (per sq ft @ 37800 sq. ft)
23	Fire extinguisher replacement
24	Parking lot (asphalt pavement, seal and stripe)
25	Parking lot (Mill and Overlay)
26	Pedestrian pavement/sidewalk concrete repl. 15000 SF
27	Final clean
28	Demolition
29	Drywall miscellaneous repair
30	ADA Kitchen Post-formed replace kitchen sink, counter, full reconfigure
31	ADA Restroom full reconfiguration
32	Unit Accessories (mirror, towel bars, toilet paper holder)
33	Window Coverings
34	Bathroom tubs will be replaced as needed
35	ADA Path of Travel improvements – concrete and curb
36	ADA Parking – Grading and Slope correction
37	Site railing repair
38	Landscape and irrigation improvements



**Add Alternatives (some items will be replaced as needed/discovered and contingent on budget availability):**

1. Standard unit entry light fixtures
2. ADA unit entry light fixtures
3. Trash Enclosure gates
4. Catch basin clean out
5. Storm Drain Scope and repair
6. New HVAC
7. Bathroom exhaust fans
8. Laundry exhaust fans
9. Stucco patching (if needed)
10. Unit subfloor repair (if needed)
11. Monument sign light fixtures

**Attachment 1: SHRA's Minimum Construction Standards exhibit is on the following page.**

## **Attachment 1: SHRA's Minimum Construction Standards**

This attachment is from Exhibit 5 from the SHRA's Multifamily Lending Policies adopted in 2009.

### **RENTAL PROPERTY MINIMUM CONSTRUCTION STANDARDS**

The following is a list of the required construction standards that must be incorporated into projects participating in the Agency's investor assistance programs. All rental units and sites associated with these projects must meet or exceed these standards.

#### **General Requirements**

- A. Any component of the project which does or may present a health or safety hazard to the public or tenants shall be corrected to the satisfaction of the local building department.
- B. A useful life of 15 years for all systems located within the approved complex. This can be met in one of two ways, installing and maintaining systems with at least a 15-year scheduled life or install, maintain and replace as needed for a period of 15 years.

Any component of a rehabilitation project whose useful life expectancy has exceeded the useful life identified in the section, "Useful Life Expectancy," shall be replaced unless waived by the Agency in writing. It is not the intent of the Agency to replace systems that appear to have some economic life remaining and appear to be maintained and functioning effectively. It is the intent of the Agency to be assured that systems will be maintained and replaced as needed for a period of 15 years. The preferred method is by replacement and maintenance at the outset of the project; and by setting aside replacement reserves sufficient to address the needs based on current and projected conditions.

- C. A clear pest inspection report will be required at the conclusion of the construction work.
- D. All materials funded under this loan must be new unless previously approved. Recycled items must be approved in writing by the Agency prior to their use.
- E. All work shall comply with Federal and State ADA accessibility requirements. When there are differences the stricter of the two shall apply. Special attention needs to be applied when federal funding is involved.
- F. For all structures built before 1979, a report of compliance with the initial certified inspection report of lead-based paint and asbestos is required.
- G. All units shall be approved for occupancy by the local building department at the conclusion of the work and prior to occupancy, if applicable.
- H. Web-based security cameras and the equipment to record events are required for primary ingress/egress points to and from the site and for the principal parking and common areas.
- I. Site lighting is required for all parking and outside public spaces.

#### **Site Work**

- A. All landscaping and irrigation systems must be in a well-maintained condition. Trees and large shrubs must be trimmed, grass areas must be mowed, and all planter areas must be weed-free. All landscaped areas must be served by a programmable automated irrigation system. Irrigation cannot be spraying on building. Sprinklers should minimize overspray that runs to storm drain drop inlets. Areas that show evidence of erosion of soil shall be landscaped to eliminate problem.
- B. All fencing must be in good and serviceable condition.
- C. All driveways and sidewalks must be in good condition. All cracked or uplifted areas (more than ¼") determined in need of repair by the Agency shall be repaired or replaced.
- D. All projects shall meet the parking requirements of the local Agency having jurisdiction over the project. "Grandfathered Projects" will need to show that they are in fact "Grandfathered" by the Local Agency having jurisdiction. All projects shall meet the governing ADA requirements for parking.
- E. A two percent (2%) slope shall be maintained for a distance of five feet from all structures and no standing water shall remain on the site. Provide an on- site drainage system if necessary.

#### **Building Envelope and Moisture Protection**

- A. All wet areas must be sealed and watertight.
- B. Roofs must have 15 years or more of remaining life with no visible signs of leakage. A third layer of shingles is not allowed. Provide a 15 year certification if requested by the Agency.
- C. All siding must have 15 years or more of remaining life. Provide a 15 year certification if requested by the Agency.

### **Doors and Windows**

- A. All units must have screens on all windows that are designed to open. Windows designed to open must have functional locks and must operate freely without excessive effort. All windows must at least be low e, double pane energy efficient.
- B. All doors and doorjamb must be in good condition. No damaged or worn doorjamb or doors are allowed.
- C. All exterior doors must have deadbolt locks, keyed latch assemblies, viewers, and 2-inch screws in strike plates.
- D. All sliding exterior doors shall have screen doors and shall have functional locks and must operate freely without excessive effort.
- E. All doors and windows must meet current egress standards.

### **Casework**

- A. All cabinets shall be in very good condition both structurally and in appearance.
- B. All counter tops shall be in very good condition with no significant imperfections, scratches, burns, or other imperfections.

### **Finishes**

- A. Floor coverings must be in good, useable condition - no holes, tears, rips, or stains.
- B. All kitchens and bathrooms must be floored in sheet goods or tile to provide a cleanable, impervious surface.
- C. All exterior and interior surfaces must be painted. No peeling, cracking, chipping, or otherwise failing paint will be allowed. All painted surfaces must be new, or in near new condition and appearance.

### **Equipment**

- A. All appliances must be new or in very good operating condition. All new appliances must be energy star.
- B. Dishwashers are required in all non- permanent supportive housing, disabled, SRO, and homeless projects unless a waiver has been granted by the Executive Director. Permanente supportive, disabled, and homeless projects will be encouraged to provide dishwashers in each unit but will be reviewed and approved on a case-by case basis.
- C. All kitchens must have adequate cabinet and counter space.

### **Furnishings**

- A. All units must have window coverings on all windows.

### **Special Construction**

- A. Non-habitable structures on property must be painted to match primary buildings and must be structurally sound.
- B. Laundry facilities must be provided on the basis of one washer and dryer for every ten units, consistent with CTCAC requirements. If the project is more than 20 units, then 1 set of ADA accessible laundry machines must be provided.
- C. Laundry facilities must be provided on the basis of one washer dryer for every ten units, consistent with the TCAC requirements. If a project is more than 20 units, then 1 set of ADA accessible laundry machines must be

provided

- D. Public pools will have a self-closing gate. Fence and gate shall meet applicable current codes and standards. Joints between coping and concrete deck shall be appropriately caulked.
- E. In the case of new construction or substantial upgrade to existing pool, a handicap chair lift is the minimum requirement. The pool will meet applicable standards and codes.

**Mechanical/Plumbing**

- A. Water heaters must be in enclosures in all habitable rooms and must be insulated and have earthquake strapping and pressure relief valves with lines that terminate to the exterior.
- B. All units must have heating and air conditioning. Wall mount or central systems are acceptable. Evaporated coolers are not acceptable.
- C. All plumbing fixtures shall be new or in very good working condition.
- D. All toilets, sinks, and tubs shall be chip and stain free.

**Electrical**

- A. All new electrical panels must be of the breaker type. Fused disconnects must be approved by the Agency.
- B. All units must have at least one hard-wired smoke detector per bedroom corridor and a minimum of one battery-operated smoke detector per bedroom.
- C. All bathrooms must have at least one GFCI protected outlet, and tub surrounds must be a minimum of 1/8" laminated plastic.
- D. Kitchens must have all GFCI protected outlets within 6 feet of the sink.

**Resident Services Community Space**

All properties, regardless of project type (i.e. senior, family, or large family), must devote space to actual resident services in the following minimum amounts:

Less than 100 units:	12 s.f. per unit (but no less than 400 s.f. in total)
100 units and over:	1,200 s.f.

Resident services space includes common kitchens, computer rooms, meeting rooms and general gathering space. It does not include public restrooms, leasing offices, laundry facilities and lobbies.

**Useful Life Expectancy**

A useful life expectancy list has been established and is available upon request to benchmark the lives of certain components on a multifamily site.

**End of Scope of Development**

## Exhibit 4: Grant Deed Form

NO FEE DOCUMENT:

Entitled to free recording  
per Government Code §§ 6103 and 27383.

Recording Requested by the  
HOUSING AUTHORITY OF THE COUNTY OF SACRAMENTO  
801 12<sup>th</sup> Street  
Sacramento, California 95814  
Attention: Portfolio Management

Mail Tax Statements to:

HOUSING AUTHORITY OF THE COUNTY OF SACRAMENTO  
C/O SHARP, Inc.  
801 12<sup>th</sup> Street  
Sacramento, California 95814

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## GRANT DEED

(WITH REVESTMENT PROVISIONS, COVENANTS, RESTRICTIONS AND RESERVATIONS)

For valuable consideration, receipt of which is hereby acknowledged,

THE HOUSING AUTHORITY OF THE COUNTY OF SACRAMENTO, a public body, corporate and politic, of the State of California (the "Grantor"), acting to carry out rehabilitation and operation of residential units, the ("Project"), under the Housing Authority Law of California, hereby grants to RAD Pilot LP, a California limited partnership (the "Grantee"), the Improvements, only (the "Property"), as, described in **Exhibit 1** which is attached to, and incorporated in this Deed by this reference, and as situated upon certain real property, subject to the covenants, restrictions and reservations set forth below which covenants, restrictions and reservations shall inure to the benefit of, and bind, each and every successor, assign or successor in interest of the parties, including any heirs, executors, administrators, transferees or any other person or entity claiming through the parties.

The Property is conveyed in accordance with, and subject to, (i) the Disposition and Development Agreement (DDA) dated \_\_\_\_\_, 2020.

1. The Grantee covenants and agrees that the Property shall be devoted only to the uses specified in the applicable provisions of the Rental Assistance Demonstration Program Use Agreement of the United States Department of Housing and Urban Development ("RAD Use Agreement"), this Deed and any and all instruments recorded pursuant to the Disposition and Development Agreement, including such Agreement, duly recorded by Grantor and affecting the Property. Grantee hereby covenants and agrees that the Grantee, such successors and such assigns shall rehabilitate, use, and maintain the Property as follows: residential units available for rent by the general public, containing not less than 86 units affordable to tenants having an income of not more than 80% of the Area Median Income as determined by the United States Department of Housing and Urban Development.

2. Grantee acknowledges and agrees that the Property shall be subject to the RAD Use Agreement as recorded against the Property.

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

2.2. Grantee shall maintain the Improvements and any other improvements on the Property in good condition and order, shall keep the Property free from accumulation of debris and waste materials and shall permit no action or

inaction on the Property such that the Property detracts from the surrounding neighborhood in any substantial manner.

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

3. The Grantee covenants and agrees that:

3.1. There shall be no discrimination against or segregation of any person on the basis of sex, race, color, religion, ancestry, national origin, disability, medical condition, marital status, language proficiency or sexual orientation or gender identity, in the sale, lease, or rental or in the use or occupancy of the Property. Grantee covenants by and for itself, its successors and assigns, and all persons claiming under or through them that there shall be no discrimination against or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the Property. Grantee covenants by and for himself, his heirs, executors, administrators, and assigns, and all persons claiming under or through them that there shall be no discrimination against or segregation with reference to the selection, location, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the Property. The foregoing covenants shall run with the land.

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

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

5. All covenants contained in this Deed shall be covenants running with the land and equitable servitudes thereon. Every covenant contained in this Deed shall terminate thirty (30) years from the date of recordation in the official records of Sacramento County, except that the covenants against discrimination contained in Section 3 of this Grant Deed shall remain in perpetuity.

6. All covenants without regard to technical classification or designation shall be binding for the benefit of the Grantor, its successors and assigns, the County of Sacramento, California, any successor in interest to the Property, the owner of any other land (or of any interest in such land) in Project which is subject to the covenants against discrimination contained in Section 3.1 shall be binding for the benefit of the Grantor, the County of Sacramento and the United States of America and such covenants shall run in favor of the Grantor, the County of Sacramento and the United States of America, for the entire period during which such covenants shall be in force and effect, without regard to whether the Grantor or the County of Sacramento, is or remains an owner of any land or interest therein to which such covenants relate. The Grantor, in the event of any breach of any such covenant, and the County of Sacramento (and the United States of America, in the event of any such breach of the covenants in Section 3), shall have the right to exercise all the rights and remedies, and to maintain any actions at law or suits in equity or other property proceedings to enforce the curing of such breach against Grantee, its successors to and assigns of the Property or any part or interest in the Property, any subcontracting party or parties or other transferees under the DDA, and any party in possession or occupancy of all or any part of the Property.

7. Both before and after issuance of a Certificate of Completion, the Grantor and Grantee and their successors and assigns only shall have the right to mutually consent and agree to changes in, or to eliminate in whole or in part, any of the covenants, easements, or other restrictions contained in this Deed or to subject the Property to additional covenants, easements, or other restrictions, and Grantor and Grantee may do so without the consent of any tenant, lessee, easement holder, licensee, or any other such person or entity having any interest less than a fee in the Property other than lenders with loans secured by the Property.

8. The covenants contained in this Deed shall not be construed as conditions which might result in forfeiture of title, except for the covenants and conditions contained in Section 3 of this Grant Deed.

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

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

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

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

IN WITNESS WHEREOF, the Grantor and the Grantee have caused this instrument to be executed on their behalf by their respective and duly authorized officers.

**GRANTEE: RAD PILOT LP, A CALIFORNIA LIMITED PARTNERSHIP**

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

By: RAD Pilot LLC, a California limited liability company, its managing general partner

By: Sacramento Housing Authority Repositioning Program, Inc., a California nonprofit public benefit corporation, its sole member and manager

By: \_\_\_\_\_  
La Shelle Dozier, Executive Director

Approved as to form:

\_\_\_\_\_  
James Shields, President

\_\_\_\_\_  
Agency Counsel

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA )  
 )  
COUNTY OF \_\_\_\_\_ )

On \_\_\_\_\_, before me, \_\_\_\_\_, Notary Public, personally appeared \_\_\_\_\_, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify UNDER PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

\_\_\_\_\_  
Name: \_\_\_\_\_  
Notary Public



Exhibit 5: RAD Use Agreement

**Recording Requested By:**  
**When Recorded Mail To:**

Housing Authority of the County of Sacramento  
801 12th Street, 6th Floor  
Sacramento, CA 95814  
Attention: Executive Director

No fee for recording pursuant to  
Government Code Section 27383 and 27388.1

\_\_\_\_\_  
SPACE ABOVE THIS LINE FOR RECORDER'S USE  
\_\_\_\_\_

**Rental Assistance Demonstration  
Use Agreement  
(RAD Pilot)**

**Rental Assistance  
Demonstration  
Use Agreement**

**U.S. Department of Housing  
and Urban Development**  
Office of Housing  
Office of Public and Indian Housing

**OMB Approval No. 2502-0612  
(Exp. 04/30/2020)**

**Public reporting burden** for this collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the Reports Management Officer, Paperwork Reduction Project (2577-0276), Office of Information Technology, U.S. Department of Housing and Urban Development, Washington, D.C. 20410-3600. This agency may not collect this information, and you are not required to complete this form, unless it displays a currently valid OMB control number.

Prepared by:  
Housing Authority of the County of Sacramento  
801 12th Street, 6th Floor  
Sacramento, CA 95814  
Attention: Executive Director

Housing Authority of the City of Sacramento  
801 12th Street, 6th Floor  
Sacramento, CA 95814  
Attention: Executive Director

After recording return to:  
Housing Authority of the County of Sacramento  
801 12th Street, 6th Floor  
Sacramento, CA 95814  
Attention: Executive Director

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**This Rental Assistance Demonstration Use Agreement** (hereinafter called the “Agreement”) is made as of \_\_\_\_\_, 2020 for the benefit of and agreed to by the United States Department of Housing and Urban Development, acting by and through the Secretary, his or her successors, assigns or designates (hereinafter called “HUD”) by RAD Pilot LP, a California limited partnership, (“Project Owner”), the Housing Authority of the County of Sacramento, a public body corporate and politic (the “County PHA”), and the Housing Authority of the City of Sacramento, a public body corporate and politic (the “City PHA”) (collectively, the “PHA”).

**Whereas**, Rental Assistance Demonstration (hereinafter called “RAD”) provides the opportunity to test the conversion of public housing and other HUD-assisted properties to long-term, project-based Section 8 rental assistance to achieve certain goals, including the preservation and improvement of these properties through access to private debt and equity to address immediate and long-term capital needs.

**Whereas**, the County PHA is the fee owner of the real property described on Exhibit A, Exhibit B, Exhibit C and Exhibit D, and the City PHA is the fee owner of the real property described on Exhibit E and Exhibit F (collectively the “Property”), upon which is or will be located improvements owned or to be owned by Project Owner receiving assistance converted pursuant to RAD, which project will commonly be known as RAD Pilot (the “Project”). The Project will contain 124 dwelling units, of which 118 (“Assisted Units”) are subject to a RAD Housing Assistance Payment contract, as the same may be renewed, amended or replaced from time to time (“RAD HAP contract”).

**Whereas**, pursuant to the Consolidated and Further Continuing Appropriations Act of 2012 (Public Law 112-55, approved November 18, 2011, as amended from time to time, the “RAD Statute”); and the corresponding PIH Notice 2012-32, rev-2, as amended from time to time, and any successor document and/or regulations (hereinafter called the “RAD Notice”), which this Agreement incorporates by this reference, the PHA and/or the Project Owner, as applicable, has agreed to encumber the Property and the Project Owner has agreed to operate the Project in accordance with this Agreement in exchange for HUD’s agreement to execute or permit the execution of the RAD HAP contract and the assistance provided thereby;

**Whereas**, in accordance with the RAD Statute and RAD Notice, except as otherwise agreed in writing by HUD, this Agreement is to be recorded superior to other liens on the Property, run until the conclusion of the initial term of the RAD HAP contract, automatically renew upon each extension or renewal of the RAD HAP contract for a term that runs with each renewal term of the RAD HAP contract, and remain in effect even in the case of abatement or termination of the RAD HAP contract for the term the RAD HAP contract would have run, absent the abatement or termination.

**Now Therefore**, in consideration of the foregoing, conversion of assistance pursuant to RAD, provision of rental assistance pursuant to the RAD HAP contract and other valuable consideration, the parties hereby agree as follows:

1. **Definitions.** All terms used in this Agreement and not otherwise defined have the same meaning as set forth in the RAD Notice.

2. **Term.** The initial term of this Agreement commences upon the date this Agreement is entered into and shall run until the conclusion of the initial term of the RAD HAP contract. The RAD HAP contract is effective for 20 years. Unless otherwise approved by HUD, this Agreement shall remain in effect through the initial term of the RAD HAP contract and for additional periods to coincide with any renewal term of the RAD HAP contract or any replacement HAP contract. It is the intention of the parties that the RAD HAP and this Agreement shall each renew upon the completion of its initial term. Therefore, this Agreement shall remain in effect until a release is recorded as contemplated by Section 8. Such release shall be the evidence of the non-renewal of the HAP Contract, of the determination not to execute a replacement HAP contract and of the termination of this Agreement. This Agreement will survive abatement of assistance or termination of the RAD HAP contract unless otherwise approved by HUD.

3. **Use Restriction and Tenant Incomes.** The Assisted Units shall be leased in accordance with the RAD HAP contract, including any applicable eligibility and/or income-targeting requirements. In the case that the RAD HAP contract is terminated prior to the completion of the term or renewal term, if applicable, of this Agreement (by way of illustration and not limitation, for breach or non-compliance), for the remainder of the term of this Agreement new tenants leasing the Assisted Units (except if any of the Assisted Units is a HUD-approved manager unit) must have incomes at or below 80 percent of the Area Median Income (AMI) at the time of admission (“Eligible Tenants”). Additionally, rents for such Assisted Units must not exceed 30% of 80% of the AMI for households of the size occupying an appropriately sized unit. Notwithstanding the foregoing, in the event the Project Owner so requests and is able to demonstrate to HUD’s satisfaction that despite the Project Owner’s good faith and diligent efforts to do so, the Project Owner is unable either (1) to rent a sufficient percentage of Assisted Units to Eligible Tenants in order to satisfy the restrictions in this paragraph, or (2) to otherwise provide for the financial viability of the Project, HUD may, in its sole discretion, agree to reduce the percentage of units subject to the restriction under this paragraph or otherwise modify this restriction in a manner acceptable to the Project Owner and HUD. Any such modification of the restrictions listed in this paragraph shall be evidenced by a written amendment to this Agreement executed by each of the parties hereto.

4. **Survival.** This Agreement will survive foreclosure and bankruptcy.

5. **Fair Housing and Civil Rights Requirements.** The Project Owner and its agents, where applicable, shall ensure that the Project complies with applicable federal fair housing and civil rights laws, regulations, and other legal authorities, including those identified at 24 C.F.R. § 5.105.

**6. Accessibility Requirements.** The Project Owner and its agents, where applicable, shall ensure that the Project complies with all applicable federal accessibility requirements under the Fair Housing Act and implementing regulations at 24 CFR Part 100, Section 504 of the Rehabilitation Act of 1973 and implementing regulations at 24 CFR Part 8, and Titles II and III of the Americans with Disabilities Act and implementing regulations at 28 CFR Parts 35 and 36, respectively.

**7. Restrictions on Transfer.** HUD has been granted and is possessed of an interest in the above described Project. Except as authorized below, the Project Owner and, if a party hereto, the PHA, shall not transfer, convey, encumber or permit or suffer any transfer, conveyance, assignment, lease, mortgage, pledge or other encumbrance of said Project and/or Property or any part thereof without prior written consent of HUD. Notwithstanding the foregoing, HUD hereby authorizes (a) leases in the normal operation of the Project, (b) subordinate liens contemplated by a RAD Conversion Commitment executed in connection with the Project, whether such liens are recorded concurrent with the recordation of this Use Agreement or recorded subsequent hereto (such as permanent financing to replace construction-period financing), and (c) conveyance or dedication of land for use as streets, alleys, or other public rights-of-way and grants and easements for the establishment, operation and maintenance of public utilities. Except as otherwise approved in writing by HUD, any lien on the Project and/or Property shall be subject and subordinate to this Agreement. Unless this Agreement is released by HUD, any transferee of the Project and/or Property shall take title subject to this Agreement. In the event of a default under the RAD HAP contract including, without limitation, upon any transfer of the Property or Project without HUD consent, upon expiration of any applicable notice and/or cure periods, HUD may transfer the RAD HAP contract and the rental assistance contemplated therein to another entity and/or Property and/or Project. The Project Owner has constituted HUD as its attorney-in-fact to effect any such transfer.

**8. Amendment or Release.** This Agreement may not be amended without HUD consent. This Agreement shall remain as an encumbrance against the Property unless and until HUD executes a release for recording. This Agreement may only be released by HUD in its sole discretion. In the event that the RAD HAP is, in accordance with all applicable laws and RAD program requirements, not renewed or replaced, HUD shall not unreasonably fail to provide such a release upon the completion of the applicable term of this Agreement.

**9. Enforcement.** In the event of a breach or threatened breach of any of the provisions of this Agreement, any eligible tenant or applicant for occupancy within the Project, or the Secretary or his or her successors or delegates, may institute proper legal action to enforce performance of such provisions, to enjoin any acts in violation of such provisions, to recover whatever damages can be proven, and/or to obtain whatever other relief may be appropriate.

**10. Severability.** The invalidity, in whole or in part, of any of the provisions set forth in this Agreement shall not affect or invalidate any remaining provisions.

**11. Conflicts.** Any conflicts between this Agreement and the RAD HAP contract or any other applicable HUD program requirements shall be conclusively resolved by the Secretary.

**12. Execution of Other Agreements.** The Project Owner and, if a party hereto, the PHA, agrees that it has not and will not execute any other agreement with provisions contradictory to, or in opposition to, the provisions of this Agreement, and that in any event, the provisions of this Agreement are paramount and controlling as to the rights and obligations set forth and supersede any other conflicting requirements.

**13. Subsequent Statutory Amendments.** If revisions to the provisions of this Agreement are necessitated by subsequent statutory amendments, the Project Owner and, if a party hereto, the PHA, agrees to execute modifications to this Agreement that are needed to conform to the statutory amendments. At HUD's option, HUD may implement any such statutory amendment through rulemaking.

**14. Lender Provisions.**

- A. Nothing in this Agreement prohibits any holder of a mortgage or other lien against the Property or Project from foreclosing its lien or accepting a deed in lieu of foreclosure. Any lien holder shall give HUD, as a courtesy, written notice prior to declaring an event of default. Any lien holder shall provide HUD

concurrent notice with any written filing of foreclosure filed in accordance with state law provided that the foreclosure sale shall not occur sooner than sixty days (60) days after such notice to HUD. The Notice to HUD may be personally delivered or sent by U.S. certified or registered mail, return receipt requested, first class postage prepaid, addressed as follows:

If for PBRA transactions:

U.S. Department of Housing and Urban Development

451 7<sup>th</sup> Street SW, Room 9100

Washington, DC 20410

Attention: Office of the Assistant Secretary for Housing - Rental Assistance Demonstration

If for PBV transactions:

U.S. Department of Housing and Urban Development

451 7<sup>th</sup> Street SW, Room 4100

Washington, DC 20410

Attention: Office of the Assistant Secretary for Public and Indian Housing - Rental Assistance Demonstration

B. Notwithstanding any lien holder's foreclosure rights, this Agreement survives foreclosure and any new owners of the Property or the Project take ownership subject to this Agreement.

C. Transfer of title to the Property or the Project may be grounds for termination of assistance under the RAD HAP contract. However, HUD may permit, through prior written consent by HUD, the new owner of the Property or the Project to assume the RAD HAP contract, subject to the terms included therein, or enter into a new HAP contract. Any HUD consent to continued HAP assistance is subject to the RAD Statute and other RAD program requirements.

D. Each entity interested in purchasing the Property in a foreclosure sale administered under state foreclosure law may submit a written request to HUD to continue RAD HAP contract assistance in the event of such entity's successful acquisition at the foreclosure sale. Such request shall be submitted by the latter of ten business days after first publication of the foreclosure sale or 60 days prior to such foreclosure sale.

15. **Successors and Assigns.** This Agreement shall be binding upon the Project Owner and, if a party hereto, the PHA, and all future successors and assigns of either with respect to any portion of the Property or the Project.

In Witness Whereof, these declarations are made as of the first date written above.

**Department of Housing and Urban Development**

By: \_\_\_\_\_

Name:

Title:

Date: \_\_\_\_\_

District of Columbia )  
 ) ss:  
 )

Before me, \_\_\_\_\_, a Notary Public in and for the District of Columbia on this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, personally appeared \_\_\_\_\_, who is personally known to me to be the person who executed the foregoing instrument by virtue of the authority vested in him by the Department of Housing and Urban Development, and did acknowledge the signing thereof to be a free and voluntary act and done on behalf of the Secretary of Housing and Urban Development for the uses, purposes and considerations therein set forth.

Witness my hand and official seal this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.  
(Seal)

\_\_\_\_\_ (Notary Public)

My commission expires \_\_\_\_\_, 20\_\_\_\_.

**Project Owner:**

RAD Pilot LP, a California limited partnership

By: RAD Pilot LLC, a California limited liability company, its managing general partner

By: Sacramento Housing Authority Repositioning Program, Inc., a California nonprofit public benefit corporation, its sole member and manager

\_\_\_\_\_  
James Shields, President

Date: \_\_\_\_\_

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA )  
 )  
COUNTY OF \_\_\_\_\_ )

On \_\_\_\_\_, before me, \_\_\_\_\_, Notary Public, personally appeared \_\_\_\_\_, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify UNDER PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

\_\_\_\_\_  
Name: \_\_\_\_\_  
Notary Public





**PHA/Fee Owner:**

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

By: \_\_\_\_\_  
La Shelle Dozier, Executive Director

Date: \_\_\_\_\_

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA )  
 )  
COUNTY OF \_\_\_\_\_ )

On \_\_\_\_\_, before me, \_\_\_\_\_, Notary Public, personally appeared \_\_\_\_\_, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify UNDER PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

\_\_\_\_\_  
Name: \_\_\_\_\_  
Notary Public

## **EXHIBIT A – Property Subject to this RAD Use Agreement**

### **Legal Description of Pointe Lagoon - 9205 Elk Grove Boulevard, Elk Grove, CA 95624**

SITE F: 9205 Elk Grove Boulevard

The land described herein is situated in the State of California, County of Sacramento, City of Elk Grove, described as follows:

Parcel No. 1:

All buildings and improvements situated on the following property, the buildings and improvements are and shall remain real property, pursuant to that certain Grant Deed dated To Be Recorded, recorded To Be Determined, as To Be Determined, of Official Records:

All that portion of the Southeast one-quarter of Section 31, Township 7 North, Range 6 East, described as follows:

Beginning at a point on the South line of said Section 31 bears West (measured along the South line of said Section 31) 1408.5 feet distant; thence from said point of beginning, North 231 feet; thence West 88.5 feet; thence South 231 feet to a point on the South line of said Section 31; thence along the South line of said Section 31, East 88.5 feet to the point of beginning.

Parcel No. 2:

All buildings and improvements situated on the following property, the buildings and improvements are and shall remain real property, pursuant to that certain Grant Deed dated To Be Recorded, recorded To Be Determined, as To Be Determined, of Official Records:

All that portion of the Southeast one-quarter of Section 31, Township 7 North, Range 6 East, described as follows:

Beginning at a point on the South line of said Section 31, from which point the Southwest corner of the Southeast one-quarter of Section 31 bears West (measured along the South line of said Section 31) South 231 feet to a point on the South line of said Section 31; East 50 feet to the point of beginning.

Parcel No. 3:

All buildings and improvements situated on the following property, the buildings and improvements are and shall remain real property, pursuant to that certain Grant Deed dated To Be Recorded, recorded To Be Determined, as To Be Determined, of Official Records:

All that portion of the Southeast one-quarter of Section 31, Township 7 North, Range 6 East, described as follows:

Beginning at a point on the South line of said Section 31, from which point the Southwest corner of the Southeast one-quarter of said Section 31 bears West (measured along the South line of said Section 31)

1508.5 feet distant; from said point of beginning, North 231 feet, thence West 50 feet; thence South 231 feet to a point on the South line of said Section 31; thence, along the South line of said Section 31, East 50 feet to the point of beginning.

APN: 125-0270-051-0000

## **EXHIBIT B – Property Subject to this RAD Use Agreement**

### **Legal Description of Rio Garden - 8223 Walerga Road, Antelope, CA 95843**

SITE E: 8223 Walerga Road

The land described herein is situated in the State of California, County of Sacramento, unincorporated area, described as follows:

All buildings and improvements situated on the following property, the buildings and improvements are and shall remain real property, pursuant to that certain Grant Deed dated To Be Recorded, recorded To Be Determined, as To Be Determined, of Official Records:

Parcel A of that certain Parcel Map entitled "A portion of the Southwest one-quarter of Section 18, Township 10 North, Range 6 East, M.D.B. & M.", filed June 24, 1976 in Book 26 of Parcel Maps, Page 48 in the office of the recorder, Sacramento County.

APN: 203-0070-041-0000

## **EXHIBIT C – Property Subject to this RAD Use Agreement**

### **Legal Description of Pointe Lagoon - 4930 El Paraiso Avenue, Sacramento, CA 95824**

SITE C: 4930 El Paraiso Avenue

The land described herein is situated in the State of California, County of Sacramento, unincorporated area, described as follows:

All buildings and improvements situated on the following property, the buildings and improvements are and shall remain real property, pursuant to that certain Grant Deed dated To Be Recorded, recorded To Be Determined, as To Be Determined, of Official Records:

Lot A, as shown on the "Revised Plat of Country Place" filed in the office of the recorder of Sacramento County, in Book 149 of Maps, Map No. 16.

Excepting therefrom, that portion of said land granted to the Redevelopment Agency of the County of Sacramento, in Grand Deed recorded August 24, 1984 as Book 840824, Page 370, Official Records, described as follows:

Beginning at the Northerly corner of Lot A that lies on the centerline of Sampson Boulevard as said Boulevard is shown on said Map; thence from said point of beginning along said centerline and the most Westerly line of said Lot A South 0° 00' 00" West, 52.50 feet; thence leaving said centerline along a portion of the Southerly boundary of said Lot A, South 88° 12' 00" East, 212.00 feet; thence leaving last said line, North 6° 50' 00" East, 59.71 feet to a point on the Northerly boundary of said Lot A; thence along last line South 89° 58' 00" West, 219.00 feet to the point of beginning.

APN: 037-0224-047-0000

## **EXHIBIT D – Property Subject to this RAD Use Agreement**

### **Legal Description of Pointe Lagoon - 4500 Perry Avenue, Sacramento, CA 95820**

SITE D: 4500 and 4530 Perry Avenue

The land described herein is situated in the State of California, County of Sacramento, unincorporated area, described as follows:

All buildings and improvements situated on the following property, the buildings and improvements are and shall remain real property, pursuant to that certain Grant Deed dated To Be Recorded, recorded To Be Determined, as To Be Determined, of Official Records:

Lot 10 as shown on the "Amended Plat of Hunger Tract No. 1", recorded in Book 15 of Maps, Map No. 8, records of said County.

Pursuant to that certain Certificate of Compliance, recorded September 20, 2019, Instrument No. 201909200647 Official Records.

APN: 022-0052-011-0000 and 022-0052-012-0000

## EXHIBIT E – Property Subject to this RAD Use Agreement

### Legal Description of Oak Park – 4921 Folsom Boulevard, Sacramento, CA 95819

TRACT B:

SITE B: - 4921 Folsom Boulevard

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

All buildings and improvements situated on the following property, the buildings and improvements are and shall remain real property, pursuant to that certain Grant Deed dated To Be Recorded, recorded To Be Determined, as To Be Determined, of Official Records:

All that real property situate in the City of Sacramento, County of Sacramento, State of California, and being a portion of Lot 5, as said lot is shown and so designated on that certain Map entitled "Portion of Tullar Homestead Tract Owned by Philip Wolf, Jr., Sacramento California", filed in the office of the recorder of Sacramento County on June 7, 1898, in Book "A" of Surveys, Map No. 57, and a portion of the land Southerly of and adjacent to the South line of said Lot 5, more particularly described as follows:

Beginning at an iron pipe marking the Northwest corner of said lot 5, and the Southwest corner of Lot 7, as said lot is shown and so designated on that certain Map entitled "Love Tract", filed in the office of the recorder of Sacramento County on June 24, 1947, in Book 26 of Maps, Map No. 22; thence from said point of beginning, Easterly along the North line of Lot 5, South 70° 35' 00" East 119.33 feet to the West line of that certain parcel of land described in the Deed from Chester A. Moore, et ux, to Martine P. Cupich, et ux, filed in the office of the recorder of Sacramento County in Book 713 of Deeds, Page 522; thence, Southerly along said West line South 19° 53' 00" West 273.44 feet, more or less, to the South line of said Lot 5 and the Northeasterly line of Folsom Boulevard, a public road; thence, Northwesterly along the Northeasterly line of Folsom Boulevard North 63° 00' 00" West 39.28 feet to a point on the East line of that certain parcel of land described in the Deed from Chester A. Moore, et ux, to W.L. Young, et ux, filed in the office of the Recorder of Sacramento County in Book 56 of Official Records, Page 19, said point located South 63° 00' 00" East, along the Northeasterly line of Folsom Boulevard, 80.6 feet from the projected West line of Lot 5; thence continuing along the Northeasterly line of Folsom Boulevard, North 63° 00' 00" West 80.60 feet to a point on the Southerly projection of said Lot 5, located South 19° 35' 00" West 1.30 feet from the original Southwest corner of Lot 5; thence, North 19° 35' 00" East 1.30 feet to the Southwest corner of said Lot 5; thence, Northerly along the West line of Lot 5 North 19° 45' 10" East 256.31 feet to the point of beginning and described on that certain Certificate of Compliance for Lot Merger executed by the Department of Public Works and recorded January 25, 1995 as Book 950125, Page 1097, Official Records.

APN: 008-0341-044-0000

## EXHIBIT F – Property Subject to this RAD Use Agreement

### Legal Description of Meadow Commons – 1043 43<sup>rd</sup> Avenue, Sacramento, CA 95822

SITE A: 1043 43rd Avenue

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

Parcel No. 1:

All buildings and improvements situated on the following property, the buildings and improvements are and shall remain real property, pursuant to that certain Grant Deed dated To Be Recorded, recorded To Be Determined, as To Be Determined, of Official Records:

All that portion of Lot B of South Land Park Hills Unit No. 31; according to the official plat thereof, filed in the office of the Recorder of Sacramento County, California, on July 12, 1961, in Book 66 of Maps, Map No. 5, described as follows:

BEGINNING at the Southwest corner of said Lot B, thence from said point of beginning along the Westerly boundary of said Lot B the following three (3) courses and distances: (1) North 36° 16' 50" East 118.48 feet, (2) North 44° 12' 10" West 115.09 feet, and (3) North 51° 44' 50" East 165.17 feet; thence South 64° 06' 12" East 114.27 feet; thence South 13° 31' 16" West 305.00 feet to a point located on the Southerly boundary of said Lot B; thence along said Southerly boundary, Westerly, curving to the right on an arc of 390.19 feet radius, said arc being subtended by a chord bearing North 66° 20' 32" West 164.92 feet to the point of beginning.

Parcel No. 2:

All buildings and improvements situated on the following property, the buildings and improvements are and shall remain real property, pursuant to that certain Grant Deed dated To Be Recorded, recorded To Be Determined, as To Be Determined, of Official Records:

All that portion of 43rd Avenue and Lot C, of South Land Park Hills Unit No. 31; according to the official plat thereof, filed in the office of the Recorder of Sacramento County, California, on July 12, 1961, in Book 66 of Maps, Map No. 5, described as follows:

BEGINNING at the most Southerly corner of Lot 16 as said Lot is shown on the official plat of said South Land Park Hills Unit No. 31; thence from said point of beginning along the Southerly boundary of Lot B as said Lot is shown and so designated on the official plat of said South Land Park Hills Unit No. 31, Southerly, curving to the left on an arc of 390.19 feet radius, said arc being subtended by a chord bearing South 66° 20' 32" East 164.92 feet; thence South 13° 31' 16" West 73.56 feet; thence Westerly, curving to the right on an arc of 900.00 feet radius, said arc being subtended by a chord bearing South 79° 10' 15" West 51.82 feet; thence curving to the right on an arc of 20.00 feet radius, said arc being subtended by a chord bearing North 51° 51' 17" West 29.41 feet; thence curving to the left on an arc of 200.00 feet radius, said arc being subtended by a chord bearing North 25° 17' 43" West 141.81 feet; thence North 36° 16' 50" East 1.30 feet to the point of beginning.



APN: 029-0184-017-0000

Parcel No. 3:

All buildings and improvements situated on the following property, the buildings and improvements are and shall remain real property, pursuant to that certain Grant Deed dated To Be Recorded, recorded To Be Determined, as To Be Determined, of Official Records:

Lots 16 and 17, as shown on the official plat of South Land Park Hills Unit No. 31, according to the official plat thereof, filed in the office of the Recorder of Sacramento County, California, on July 12, 1961, in Book 66 of Maps, Map No. 5.

APN: 029-0184-001-0000 and 029-0184-002-0000

Exhibit 6: Ground Lease

GROUND LEASE

By and Between

THE HOUSING AUTHORITY OF THE COUNTY OF SACRAMENTO,

a public body, corporate and politic

and

RAD PILOT LP,

a California limited partnership

\_\_\_\_\_, 2020

**GROUND LEASE**  
**(HACOS to RAD Pilot LP)**

This Ground Lease (the "Lease") is entered into as of \_\_\_\_\_, 2020, (the "Effective Date") by and between THE HOUSING AUTHORITY OF THE COUNTY OF SACRAMENTO, a public body, corporate and politic (the "Authority") and RAD PILOT LP, a California limited partnership ("Lessee").

RECITALS

A. The Authority and the Housing Authority of the City of Sacramento (the "City Authority") are the constituent entities of the Sacramento Housing and Redevelopment Agency, a joint powers authority ("SHRA"). The Authority and the City Authority were selected to undertake a joint scattered site rehabilitation project under the Rental Assistance Demonstration ("RAD") program, authorized under the Consolidated and Further Continuing Appropriations Act of 2012 and administered by the United States Department of Housing and Urban Development ("HUD") pursuant to Notice PIH-2012-32 (HA), REV-4 issued September 5, 2019, as such authorization or notice may be amended or revised (collectively, the "RAD Program"). The Authority and City properties are presently operated as public housing, as defined in the United States Housing Act of 1937, 42. U.S.C.A. 1437 et seq.

B. The Authority owns four separate properties in the County of Sacramento, California as listed in this Recital (the "Authority Sites"). The land underlying the Authority Sites constitutes the "Leased Premises" as defined in Article 1 of this Lease and is more particularly described in **Exhibit A**. The Authority Sites presently consist of eighty-six (86) residential housing units as follows:

1. 4500 Perry Avenue, Sacramento, California, consisting of 10 units on 0.91 acres of underlying land;
2. 4930 El Paraiso Avenue, Sacramento, California, consisting of 36 units on 2.61 acres of underlying land;
3. 9205 Elk Grove Boulevard, Elk Grove, California, consisting of 16 units on 0.85 acres of underlying land; and
4. 8223 Walerga Road, Antelope, California, consisting of 24 units on 1.89 acres of underlying land.

C. The City Authority owns two properties in the City of Sacramento, California (the "City Sites") presently consisting of thirty-eight (38) residential housing units, which will be leased to Lessee under a separate lease (the "City Lease").

D. The sole member of the managing general partner of Lessee is the Sacramento Housing Authority Repositioning Program, Inc., a California nonprofit public benefit ("SHARP"), an affiliate of SHRA.

E. Lessee is to rehabilitate the Authority Sites and the City Sites together as a single low-income housing project under the RAD Program (collectively, the "Project"). To effectuate the Project, the following will occur simultaneously: (i) the Authority will lease the Leased Premises to Lessee by executing this Lease, (ii) the City Authority will lease the land underlying the City Sites to Lessee by executing the City Lease, and (iii) the Authority and the City Authority each will convey to Lessee a fee interest in the improvements in the Authority Sites and the City Sites, respectively.

F. Pursuant to the Approved Financing described in Article 1 below, the Authority and the City will each provide separate financing to the Project. However, all other Approved Financing will apply jointly to the Authority Sites and the City Sites.

G. The Authority desires to lease the Leased Premises to Lessee for a period of Ninety-nine (99) years pursuant to the terms of this Lease, so long as Lessee complies with the terms of this Lease.

H. Capitalized terms which are referred to and utilized throughout this Lease are defined in Article 1 of this Lease.

NOW, THEREFORE, for and in consideration of the foregoing premises, the covenants, representations, warranties and agreements set forth herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows:

## **ARTICLE 1. DEFINITIONS AND EXHIBITS**

For purposes of this Lease, the following defined terms shall have the meanings given them in this Article 1.

### 1.1 Definitions.

The following terms shall have the following meanings in this Lease:

(a) "AMI" or Area Median Income means the median gross yearly income adjusted for actual household size in Sacramento County, California, as published from time to time by HUD.

(b) "Appraisal" means the appraisal of the Authority Sites conducted by Smith and Associates, Inc. Real Estate Appraisal and Consulting firm dated as of August 14, 2019.

(c) "Approved Financing" means all mortgage loans made by Authority to Lessee and such other financing as Authority may approve. Approved Financing as of the date hereof includes the following:

i. A construction loan (the "Construction Loan") from Wells Fargo, N.A. ("Bank") in the approximate amount of Twelve Million Five Hundred Thousand Dollars

and No Cents (\$12,500,000.00) funded with tax-exempt bonds issued by Authority (the "Bonds");

ii. A permanent loan from the Authority (the "Tax Exempt Loan") using proceeds from a separate loan made by Prudential Affordable Mortgage Company, LLC, or affiliate, which will be purchased by the Freddie Mac, in the approximate amount of Four Million Dollars and No Cents (\$4,000,000.00), (the "Prudential/Freddie Mac Loan");

iii. Low Income Housing Tax Credit/Investor equity funds in the approximate amount of Seven Million Dollars and No Cents (\$7,000,000.00), (the "Tax Credit Equity").

iv. A General Partnership Contribution (RAD Pilot LLC, a California limited liability company) in the approximate amount Seven Hundred Fifty Thousand Dollars and No Cents (\$750,000.00), (the "GP Contribution");

v. A Deferred Developer Fee from the Lessee in the approximate amount of Six Hundred Thousand Dollars and No Cents (\$600,000.00), (the "Deferred Developer Fee");

vi. A seller carryback loan from the Authority for the purchase of the Improvements, in an amount not to exceed Four Million Nine Hundred Thousand Dollars and No Cents (\$4,900,000.00), or an amount justified by an updated fair market value appraisal, (the "County Seller Carryback Loan");

vii. A construction/permanent loan from the Authority in an amount not to exceed Three Million Two Hundred Ninety-Eight Thousand Six Hundred Forty-Six Dollars and No Cents (\$3,298,646) , which is being made pursuant to a capital funds promissory note in the amount of Eight Hundred Seven Thousand Forty-Six Dollars and No Cents (\$807,046) and a cash proceeds promissory note (from the sale of improvements) in the amount of Two Million Four Hundred Ninety-One Thousand Six Hundred Dollars and No Cents (\$2,491,600.00) (the "County Construction/Permanent Loan");

viii. A ground lease loan from the Authority in an amount not to exceed One Million Twenty Thousand Dollars and No Cents (\$1,020,000.00), or an amount justified by an updated fair market value appraisal, (the "County Ground Lease Loan");

ix. A seller carryback loan from the City Authority for the purchase of the improvements in the City Sites, in an amount not to exceed One Million Forty-Two Thousand Six Hundred Dollars and No Cents (\$1,042,600.00), or an amount justified by an updated fair market value appraisal (the "City Seller Carryback Loan");

x. A construction/permanent loan from the City Authority in an amount not to exceed Two Million Nine Hundred Ninety-Three Thousand Five Hundred

Seventy-One Dollars and No Cents (\$2,993,571.00) which is being made pursuant to a capital funds promissory note in the amount of Two Million Three Hundred Seventy-One Thousand Eight Hundred Seventy One Dollars and No Cents (\$2,371,871.00) and a cash proceeds promissory note (from the sale of improvements) in the amount of Six Hundred Twenty-One Thousand Seven Hundred Dollars and No Cents (\$621,700.00) (the "City Construction/Permanent Loan"); and

xi. A ground lease loan from the City Authority in an amount not to exceed One Million Three Hundred Forty Thousand Dollars and No Cents (\$1,340,000.00), or an amount justified by an updated fair market value appraisal, (the "City Ground Lease Loan").

xii. A construction/permanent loan from the Sacramento Housing and Redevelopment Agency (SHRA) in an amount not to exceed Nine Hundred Fifty Thousand Dollars and No Cents (\$950,000.00), which is being made pursuant to a County HOME Investment Partnerships Program (HOME) promissory note (the "SHRA Construction/Permanent Loan");

(d) "Authority" means the Housing Authority of the County of Sacramento, and its successors and assigns.

(e) "Bond Regulatory Agreement" means, collectively, the four (4) regulatory agreements executed by the Authority and Lessee as required in connection with the issuance of the Bonds.

(f) "Casualty" has the meaning defined in Article 13 of this Lease.

(g) "CFR" means the Code of Federal Regulations.

(h) "City" means the City of Sacramento, California.

(i) "DDA" means that certain Disposition and Development Agreement relating to the Authority Sites, by and between the Authority and Lessee, dated as of \_\_\_\_\_, 2020, as it may be amended by the parties, as recorded against the Project.

(j) "Effective Date" means the date first written above.

(k) "Final Plans" means the 100% complete plans, which were completed by the Project Architect(s) that include an approved scope of work agreed upon by the Authority, Lessee, and all members included in the Partnership Agreement.

(l) "Freddie Mac" means the Federal Home Loan Mortgage Corporation, a shareholder-owned government-sponsored enterprise.

(m) "Governmental Authority" and "Governmental Authorities" means any applicable federal, state or local governmental or quasi-governmental entities, subdivisions,

agencies, authorities or instrumentalities having jurisdiction over the Leased Premises, the Improvements, the Authority, or Lessee.

(n) "HAP Contract" means a Housing Assistance Payment Contract provided by the Authority in order to subsidize the Tenant Households' monthly rent in five (5) PBV Units.

(o) "Hazardous Materials" means any oil or any fraction thereof or petroleum products or "hazardous substance" as defined in Section 101(14) of CERCLA (42 U.S.C. Section 9601(14)) or Section 25281(h) or 25316 of the California Health and Safety Code at such time; any "hazardous waste," "infectious waste" or "hazardous material" as defined in Section 25117, 25117.5 or 25501(j) of the California Health and Safety Code at such time; any other waste, substance or material designated or regulated in any way as "toxic" or "hazardous" in the RCRA (42 U.S.C. Section 6901 et seq.), CERCLA Federal Water Pollution Control Act (33 U.S.C. Section 1251 et seq.), Safe Drinking Water Act (42 U.S.C. Section 300(f) et seq.), Toxic Substances Control Act (15 U.S.C. Section 2601 et seq.), Clean Air Act (42 U.S.C. Section 7401 et seq.) California Health and Safety Code (Section 25100 et seq., Section 39000 et seq.), or California Water Code (Section 13000 et seq.) at such time; and any additional wastes, substances or material which at such time are classified, considered or regulated as hazardous or toxic under any other present or future environmental or other similar laws relating to the Leased Premises, but excluding any substances or materials used in the construction, development, maintenance or operation of the Leased Premises, so long as the same are used in accordance with all applicable laws.

(p) "Hazardous Materials Law" means all federal, state, and local laws, ordinances, regulations, orders and directives pertaining to Hazardous Materials in, on or under the Leased Premises or any portion thereof.

(q) "HUD" means the United States Department of Housing and Urban Development.

(r) "Impositions" means all taxes including property taxes, assessments, water and sewer charges, charges for public utilities, excises, levies, license and permit fees and other charges that shall or may be assessed, levied or imposed during the Term by any Governmental Authorities upon the Leased Premises or any part thereof, including the buildings or improvements now or hereafter located thereon; provided, however, that the term "Impositions" shall not include any income tax, capital levy, estate, succession, inheritance, transfer or similar taxes of the Authority, or any franchise tax imposed upon any owner of the fee of the Leased Premises, or any income, profits or revenue tax, assessment or charge imposed upon the rent or other benefit received by the Authority under this Lease by any Governmental Authorities.

(s) "Improvements" means, collectively, the buildings, structures, and other improvements, including the building fixtures therein, now or hereafter located on the Leased Premises.

(t) "Investor Limited Partner" means NEF Assignment Corporation, as

nominee, an Illinois not-for-profit corporation, and its successors and assigns.

(u) "Lease" means this ground lease between the Authority and Lessee and shall include any and all amendments made to this Lease.

(v) "Leased Premises" means, collectively, that certain real property, not including the Improvements thereon, described in Exhibit A attached hereto and together with all and singular rights, easements, licenses, privileges and appurtenances thereunto attaching or in any way belonging thereto.

(w) "Lease Term" means the Ninety-nine (99) year period during which this Lease will be in effect as described in Section 2.2, unless earlier terminated as provided herein.

(x) "Lease Year" means a calendar year, except that the first Lease Year shall commence on the date of this Lease and end on the following \_\_\_\_\_, 2020. The last Lease Year shall begin on January 1 of that year and end on the last day of this Lease.

(y) "Leasehold Estate" means the estate held by Lessee pursuant to and created by this Lease.

(z) "Lessor's Estate" means the Authority's fee estate in the Leased Premises.

(aa) "Leasehold Mortgage" means any mortgage, deed of trust, security agreement or collateral assignment encumbering the Leasehold Estate created hereunder as a leasehold mortgage lien.

(bb) "Leasehold Mortgagee" means the holder, mortgagee, grantee or secured party under any Leasehold Mortgage, including Prudential Affordable Mortgage Company, LLC, or affiliate, and/or Freddie Mac for so long as the Prudential/Freddie Mac Loan is outstanding.

(cc) "Legal Requirements" means the RAD Requirements and all laws, statutes, codes, ordinances, orders, rules, regulations and requirements of all Governmental Authorities and the appropriate agencies, officers, departments, boards and commissions thereof, whether now or hereafter in force, applicable to the Authority, Lessee, the Leased Premises, the Improvements, or any portion thereof, to the extent so applicable.

(dd) "Lessee" has the meaning set forth in the first sentence of this Lease.

(ee) "Memorandum of Ground Lease" means the memorandum of the Lease to be recorded against the Leased Premises in the official records of Sacramento County in the form attached here to as Exhibit B.

(ff) "Net Condemnation Award" means the net amounts owed or paid to the Parties or to which either of the Parties may be or become entitled by reason of any Taking or pursuant to any agreement with any condemning authority which has been made in settlement of any proceeding relating to a Taking, less any costs and expenses incurred by the Parties in



collecting such award or payment.

(gg) "Option Agreement" means that certain [Purchase Option and Right of First Refusal Agreement] by and among the Authority, Lessee, and the Investor Limited Partner with respect to the Project, a memorandum of which will be recorded currently with the Memorandum of Lease, which agreement and memorandum are and shall remain subject and subordinate in all respects to the terms and provisions of this Lease and any Leasehold Mortgage.

(hh) "Partnership Agreement" means that certain Amended and Restated Agreement of Limited Partnership by and among RAD Pilot LLC, a California limited liability company as the general partner and Investor Limited Partner as the limited partner, dated as of \_\_\_\_\_, 2020.

(ii) "Party" means the Authority or Lessee, as applicable. The Authority and Lessee shall be referred to collectively as the "Parties."

(jj) "PBVs" means Project-Based Section 8 Vouchers.

(kk) "PBV Units" means Units receiving PBVs.

(ll) "Permanent Lender" means the Authority, and so long as the Prudential/Freddie Mac Loan is outstanding, Prudential Affordable Mortgage Company, LLC, or affiliate, or Freddie Mac.

(mm) "RAD Conversion Commitment" means the Rental Assistance Demonstration Conversion Commitment among HUD, the Authority, and Lessee dated as November 14, 2019.

(nn) "RAD Documents" means, collectively, the RAD Conversion Commitment, the RAD Use Agreement, the RAD HAP Contract, and any other documents applicable to the Project under the RAD Program.

(oo) "RAD HAP Contract" means, collectively, the HAP contract to be entered into between the Lessee and the Authority for the Project that sets forth the rights and duties of Lessee and the Authority with respect to the 81 RAD PBV Units and the payments under the contract. For the purpose of this Lease the term means collectively, the following documents: Rental Assistance Demonstration for the Conversion of Public Housing to the Section 8 Project-Based Voucher Program- Parts I & II (HUD Form 52530A) and Addendum to HAP Contract – Labor Standards, in the form attached to the RAD Conversion Commitment.

(pp) "RAD Program" has the meaning set forth in Recital A.

(qq) "RAD PBVs" means the project-based vouchers provided under the RAD Program.

(rr) "RAD PBV Units" means the Units receiving RAD PBVs.

(ss) "RAD Requirements" means all requirements of the RAD Program applicable to Lessee as set forth in the RAD Documents and any other rules or regulations promulgated by HUD for the RAD Program.

(tt) "RAD Use Agreement" means the Rental Assistance Demonstration Use Agreement entered into by and among the Authority, Lessee, and HUD specifying the affordability and use restrictions governing the Project under the RAD Program, and recorded against the Authority's fee interest in the Leased Premises and the Lessee's leasehold interest in the Leased Premises.

(uu) "Regulatory Agreements" refers to the RAD Use Agreement and any other recorded restrictions related to the other Approved Financing, including the Bond Regulatory Agreement and the Tax Credit Restrictive Covenant, setting forth certain terms and conditions under which the Leased Premises will be operated.

(vv) "Rent" means the rent from Lessee to the Authority as described in Section 2.3, below.

(ww) "Senior Leasehold Mortgagee" means the Bank or the Permanent Lender along with their respective successors and assigns.

(xx) "SHARP" has the meaning set forth in Recital D.

(yy) "Taking" means during the Term hereof of all or any part of the Leased Premises and/or the Improvements, or any interest therein or right accruing thereto, as a result of the exercise of the right of condemnation or eminent domain or a change in grade materially affecting the Leased Premises or any part thereof. A conveyance in lieu of or in anticipation of the exercise of any such right of condemnation or eminent domain shall be considered a Taking. Any such Taking shall be deemed to have occurred upon the earlier to occur of (a) the date on which the property, right or interest so taken must be surrendered to the condemning authority, or (b) the date title vested in a condemning authority or other party pursuant to any Taking.

(zz) "TCAC" means the California Tax Credit Allocation Committee.

(aaa) "Tenant Household" means any household authorized by Lessee to occupy a Unit.

(bbb) "Tenant Rent" means the Tenant Household's share of rent charged for a Unit.

(ccc) "Transfer" means any sale, assignment, transfer, conveyance, encumbrance, mortgage, or hypothecation, in any manner or form or any agreement to do any of the foregoing.

(ddd) "Total Tenant Payment" has the meaning set forth in 24 CFR Part 5.628.

(eee) "Units" means the residential units in the Improvements, excluding one manager's unit, which shall be occupied by the Tenant Households.

1.2 Exhibits. The Exhibits referred to in this Lease and attached hereto are:

Exhibit A Leased Premises

Exhibit B Memorandum of Ground Lease

Exhibit C Hazardous Materials Disclosure

Exhibit D Federal Requirements

## **ARTICLE 2. LEASE OF THE LAND; RENTAL PROVISIONS**

2.1 Lease of the Land.

The Authority, for and in consideration of the Rent and the covenants and agreements to be kept and performed by Lessee, leases the Leased Premises to Lessee, and in consideration thereof, Lessee does take, hire and lease the Leased Premises from the Authority pursuant to the terms of this Lease. Lessee or its designee shall operate the Leased Premises in compliance with all applicable laws.

2.2 Term.

The term of this Lease (the "Lease Term" or the "Term") shall commence on the Effective Date, and shall continue from such date until the expiration of Ninety-nine (99) years, unless earlier terminated in accordance with this Lease.

2.3 Rent.

Lessee shall pay the Authority on the Effective Date capitalized rent in the amount of One Million Twenty Thousand Dollars and No Cents (\$1,020,000.00), which amount reflects the appraised value of the Leased Premises as set forth in the Appraisal, and which amount shall be paid in accordance with the terms of the Ground Lease Loan.

2.4 Additional Rent.

In addition to the Rent specified in Section 2.3 hereof, any and all of the payments that Lessee is required to make under this Lease to or for the benefit of the Authority shall be deemed to be "Additional Rent." All such Additional Rent shall be payable in accordance with the provisions of the Sections of this Lease specifying the payment of such Additional Rent. The

Rent specified in Section 2.3 hereof and Additional Rent payable under this Lease collectively shall be deemed "Rents" reserved by the Authority, and any remedies now or hereafter given to the Authority under the laws of the State of California for collection of the Rents shall exist in favor of the Authority, in addition to any and all other remedies specified in this Lease.

## 2.5 Payments.

All Rents or other sums, if any, due the Authority under this Lease shall be paid by Lessee to the Authority at the address of the Authority set forth hereinafter for notices, or to such other person and/or at such other address as the Authority may direct by written notice to Lessee, without notice or demand, and without abatement, deduction or set off.

## ARTICLE 3. THE IMPROVEMENTS

### 3.1 Construction.

Lessee shall cause the commencement of rehabilitation of the Improvements within thirty (30) days following recordation of the Memorandum of Lease. Lessee shall cause the Improvements to be rehabilitated in substantial compliance with the construction plans and specifications for the Improvements that have been previously approved by the Authority pursuant to the DDA. Any and all Improvements rehabilitated by or on behalf of Lessee shall be constructed in a good and workman-like manner, in compliance with all applicable Legal Requirements, including, without limitation, the requirements of the Approved Financing, MBE & WBE, and the RAD Requirements below. Lessee shall take no action to effectuate any material amendments, modifications or alterations to the plans and specifications unless the Authority has approved such in accordance with the DDA. Lessee acknowledges that the RAD Requirements require the Improvements to be constructed in compliance with the laws, regulations and administrative requirements governing the RAD Program including (but not limited to) the following:

(a) The prevailing wage requirements of the Davis-Bacon Act and implementing rules and regulations (40 U.S.C. 3141-3148); the Copeland "Anti-Kickback" Act (40 U.S.C. 276(c)); the Contract Work Hours and Safety Standards Act – CWHSSA (40 U.S.C. 3701-3708); and Title 29, Code of Federal Regulations, Subtitle A, Parts 1, 3 and 5 are the regulations and procedures issued by the Secretary of Labor for the administration and enforcement of the Davis-Bacon Act, as amended.

(b) The requirements of Section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. 1701u requiring that to the greatest extent feasible opportunities for training and employment be given to lower income residents of the project area and agreements for work in connection with the project be awarded to business concerns which are located in, or owned in substantial part by persons residing in, the areas of the project.

(c) The requirement of the Lead-Based Paint Poisoning Prevention Act, as

amended (42 U.S.C. 4821 et seq.); and the Residential Lead-Based Paint Hazard Reduction Act (42 U.S.C. 4851 et seq.), and implementing regulations at 24 C.F.R. Part 35.

(d) The requirements of the Fair Housing Act (42 U.S.C. 3601 et seq.) and implementing regulations at 24 C.F.R. Part 100; Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794), and federal regulations issued pursuant thereto; and the applicable requirements of Title II and/or Title III of the Americans with Disabilities Act of 1990 (42 U.S.C. 12131 et seq.), and federal regulations issued pursuant thereto.

(e) The requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (42 U.S.C. 4601, et seq.), and implementing regulations at 49 C.F.R. Part 24.

### 3.2 No Liens.

Lessee shall not have any right, authority or power to bind the Authority, Lessor's Estate or any other interest of the Authority in the Leased Premises, for any claim for labor or material or for any other charge or expense, lien or security interest incurred in connection with the development, construction or operation of the Improvements or any change, alteration or addition thereto. Lessee shall not have any right to encumber the Leasehold Estate without the written consent of the Authority, other than as set forth in the preliminary title report and other than with Leasehold Mortgages for Approved Financing, the Regulatory Agreements, utility easements and other customary easements necessary and incidental to the development, construction and operation of the Improvements, which easements are subject to the approval of the Authority, which shall not be unreasonably withheld.

The Lessee shall promptly pay and discharge all claims for work or labor done, supplies furnished or services rendered at the request of the Lessee and shall keep the Leased Premises free and clear of all mechanics' and materialmen's liens in connection therewith. If any claim of lien is filed against the Leased Premises or a stop notice is served on the Authority or other third party in connection with the development, construction or operation of the Improvements or any change, alteration or addition thereto, then Lessee shall, within thirty (30) days after such filing or service, either pay and fully discharge the lien or stop notice, effect the release of such lien or stop notice by delivering to the Authority a surety bond in sufficient form and amount, or provide the Authority with other assurance satisfactory to the Authority that the claim of lien or stop notice will be paid or discharged, provided that the Authority provides written notice of such claim of lien or stop notice to the Lessee promptly upon receipt by the Authority.

If Lessee fails to discharge any lien, encumbrance, charge, or claim in the manner required in this Section, then in addition to any other right or remedy, the Authority may (but shall be under no obligation to) discharge such lien, encumbrance, charge, or claim at Lessee's expense and, Lessee shall pay to the Authority as Additional Rent any such amounts expended by the Authority within thirty (30) days after written notice is received from the Authority of the amount expended. Alternately, the Authority may require Lessee to immediately deposit with the Authority the amount necessary to satisfy such lien or claim and any costs, pending

resolution thereof. The Authority may use such deposit to satisfy any claim or lien that is adversely determined against Lessee.

Lessee shall file a valid notice of cessation or notice of completion upon cessation of construction of the Improvements for a continuous period of thirty (30) days or more, except in the event such cessation of construction is caused by adverse weather conditions, and shall take all other reasonable steps to forestall the assertion of claims of lien against the Leased Premises. The Authority shall have the right to post or keep posted on the Leased Premises, or in the immediate vicinity thereof any notices of non-responsibility for any construction, alteration or repair of the Leased Premises by Lessee. Lessee authorizes the Authority, but without any obligation, to record any notices of completion or cessation of labor, or any other notice that the Authority deems necessary or desirable to protect its interest in the Leased Premises.

3.3 Permits, Licenses and Easements. Lessee shall be responsible for obtaining any and all permits, licenses, easements and other authorizations required by any Governmental Authority with respect to any construction or other work to be performed on the Leased Premises and to grant or cause to be granted all permits, licenses, easements and other governmental authorizations that are necessary or helpful for electric, telephone, gas, cable television, water, sewer, drainage, access and such other public or private utilities or facilities as may be reasonably necessary or desirable in connection with the construction or operation of the Improvements. Lessee shall be entitled, without separate payment to the Authority for tap or connection fees, to tap into the existing lines, facilities and systems of applicable electric, gas, cable, water, sewer, sewer treatment and other utilities serving the Leased Premises, provided Lessee remains responsible for payment of such fees therefor as are required by the City. The Authority agrees to use reasonable efforts to assist Lessee to obtain waiver, reduction or deferral, as applicable, of all fees and other charges otherwise payable in connection with obtaining any permits, licenses, easements and other authorizations required by any Governmental Authority with respect to any construction or other work to be performed on the Leased Premises in connection with the Improvements.

3.4 Title to Improvements During the Term. The Authority hereby grants to Lessee, without warranty express or implied, any right, title, or interest that the Authority has or may have in the Improvements now or hereafter located on the Leased Premises which improvements are and shall remain real property. Notwithstanding any provision in this Lease to the contrary, the Improvements and all alterations, additions, equipment and fixtures built, made or installed by Lessee in, on, under or to the Leased Premises or Improvements shall be the sole property of Lessee or its successors and/or assigns and Lessee shall hold title to all such Improvements until the expiration of the Term or other termination of this Lease; provided, however, that Lessee shall have no right to destroy, demolish or remove the Improvements except as necessary to effect the rehabilitation of the Authority Sites during the construction loan period and except as specifically provided for in this Lease or as approved in writing by the Authority. It is the intent of the parties hereto that this Lease shall create a constructive notice of severance of the Improvements from the Leased Premises without the necessity of a deed from the Authority.

(b) After the Term. Upon the expiration of the Term or other termination of the Lease, the Improvements and all alterations, additions, equipment and fixtures shall be deemed to be and shall automatically become the property of the Authority, without cost or charge to the Authority. The Authority agrees that Lessee, at any time prior to the sixtieth (60th) day after the expiration or other termination of this Lease, may remove from the Leased Premises any and all equipment which Lessee has furnished for maintenance purposes or for the use of the management agent, provided that Lessee shall repair any physical damage to the Leased Premises caused by the removal of such equipment and property. Lessee agrees to execute, at the request of the Authority at the end of the Term, a quitclaim deed of the Improvements to the Authority to be recorded at the Authority's option and expense and any other documents that may be reasonably required by the Authority or the Authority's title company to provide the Authority title to the Leased Premises and the Improvements free and clear of all monetary liens and monetary encumbrances not caused or agreed to by the Authority.

3.5 **Benefits of Improvements During Term.** The Authority acknowledges and agrees that any and all depreciation, amortization, profits, losses, income and tax credits for federal or state tax purposes relating to the Improvements located on the Leased Premises and any and all additions thereto, substitutions therefor, fixtures therein and other property relating thereto shall be deducted or credited exclusively to Lessee during the Term and for the tax years during which the Term begins and ends.

3.6 **Restrictions Applicable to Units.** The Lessee shall, at all times throughout the Term, comply with all applicable requirements of the Regulatory Agreements that are then encumbering Leasehold Estate. To the extent applicable, in no event will any action be taken which violates Section 42(h)(6)(E)(ii) of the U.S. Internal Revenue Code of 1986, as amended, regarding prohibitions against evicting, terminating tenancy or increasing rent of tenants for a period of three (3) years after acquisition of a building by foreclosure or deed-in-lieu of foreclosure.

3.7 **Equal Opportunity.** During the rehabilitation of the Improvements, Lessee shall not discriminate against any person or group of persons on the grounds of race, color, creed, religion, sex, sexual orientation or gender identity, marital status, disability, national origin, ancestry, language proficiency or age in the hiring, firing, promoting or demoting of any person engaged in the construction work. Lessee shall comply with and adhere to the covenants contained in the MBE & WBE Requirements, as set forth in Exhibit D.

#### **ARTICLE 4. AFFORDABILITY AND OCCUPANCY**

##### **4.1 Occupancy and Rent Requirements.**

At a minimum, the Units shall be affordable to and occupied by households having an income not greater than eighty percent (80%) of AMI at admission. Income averaging may be used to ensure that this income threshold is met. Tenant Rent and the Units shall continue to be

affordable to and occupied by households having incomes no greater than eighty percent (80%) of AMI at admission for the Term of this Lease.

#### 4.2 RAD Project Based Vouchers and Other Project Based Vouchers.

Lessee will enter into a RAD HAP Contract with the Authority for the eighty-one (81) RAD PBV Units in the Leased Premises pursuant to which Lessee will receive RAD PBVs that will be implemented in accordance with the RAD Program and the Authority's Section 8 Administrative Plan. It is anticipated that Lessee will enter into a HAP Contract with the Authority for five (5) PBV Units in the Leased Premises pursuant to which it will receive PBVs authorized by the United States Housing Act of 1937 (42 U.S.C.A. 1437(o)(13)) and implemented in accordance with the Authority's Section 8 Administrative Plan. The RAD HAP Contract shall be automatically renewed pursuant to the RAD Program. With respect to the five (5) PBV Units, Lessee agrees to accept PBVs or any equivalent rental subsidy if the Project Based Voucher program ceases to exist, and to apply for an extension of the term of the HAP Contract for the Term of this Lease, so long as the occupancy and rent requirements of Section 4.1 are in effect.

Pursuant to the RAD HAP Contract and the HAP Contract, the Authority will pay Lessee the difference between the Tenant Rent and the rent to owner amount determined pursuant to the RAD Program and 24 CFR Part 983.301, respectively, or any successor rules or regulations.

Notwithstanding anything to the contrary herein, so long as there is a RAD HAP Contract or HAP Contract for the Leased Premises, the amount of Tenant Rent payable by a Tenant Household eligible to receive Section 8 assistance shall be determined pursuant to the RAD Program, the RAD HAP Contract and HAP Contract, the Authority's Section 8 Administrative Plan, and applicable HUD regulations.

Nothing in this Lease shall limit the maximum amount payable to Lessee pursuant to any RAD HAP Contract or HAP Contract.

### ARTICLE 5. INCOME CERTIFICATION AND REPORTING

#### 5.1 Tenant Selection Plan.

Lessee, **to the extent required under or in connection with the RAD HAP Contract or HAP Contract**, shall only lease Units to households from the Authority's waiting lists or, as applicable, from a waiting list approved in writing by the Authority. Lessee agrees to comply with all federal rules that apply to the RAD Program and the Authority's Project-Based Section 8 Voucher program, including those regarding income targeting. Authority agrees and acknowledges that the Units shall also be leased in accordance with and subject to Section 42 of the Internal Revenue Code and a regulatory agreement to be entered into with the California Tax Credit Allocation Committee for the term of that regulatory agreement.



## 5.2 Income Certification.

Lessee shall insure that Tenant Households are income certified consistent with the requirements provided to it by the Authority.

## 5.3 Annual Report to the Authority.

Lessee shall submit to the Authority not later than the fifteenth (15th) day after the close of each fiscal year of the Lessee, or such other date as may be requested by the Authority, a statistical report, including income, occupancy, rent, and work order data for all Units, or as otherwise requested by the Authority.

## 5.4 Additional Information.

Lessee shall provide any additional information reasonably requested by the Authority or HUD. The Authority and HUD shall have the right, upon reasonable notice during regular business hours, to examine and make copies of all books, records or other documents of Lessee which pertain to any of the Leased Premises.

## 5.5 Tenant Records.

(a) Lessee shall keep and maintain in accordance with generally accepted accounting principles consistently applied, complete, accurate and current records pertaining to the Leased Premises, and shall permit any duly authorized representative of the Authority or HUD to inspect records, including records pertaining to income and household size of Tenant Households, and rent charged Tenant Households. All Tenant lists, applications and waiting lists relating to the Leased Premises shall at all times be kept separate and identifiable from any other business of Lessee and shall be maintained as required by the Authority, in a reasonable condition for proper audit and subject to examination during business hours by representatives of the Authority or HUD. The Authority shall retain copies of all materials obtained or produced with respect to occupancy of the Units for a period of at least five (5) years after creation.

(b) The Authority shall notify Lessee of any records it deems insufficient. Lessee shall have fifteen (15) calendar days after the receipt of such a notice to correct any deficiency in the records specified by the Authority in such notice, or if a period longer than fifteen (15) days is reasonably necessary to correct the deficiency, then Lessee shall begin to correct the deficiency within fifteen (15) days and correct the deficiency as soon as reasonably possible.

## 5.6 On-Site Inspection.

The Authority shall have the right to perform an on-site inspection of the Leased Premises at least one (1) time per year to verify compliance with the requirements of this Lease. Lessee agrees to cooperate in such inspection. If the Authority desires to inspect the interior of

the residential units, the Authority shall give Lessee sufficient notice to allow Lessee to provide state law required notice to Tenant Households.

## **ARTICLE 6. PROPERTY MANAGEMENT AND MAINTENANCE; RESERVES**

### **6.1 Management Responsibilities.**

Lessee is responsible for all management functions with respect to the Leased Premises, including without limitation the selection of tenants, certification and recertification of household size and income, evictions, collection of rents and deposits, maintenance, landscaping, routine and extraordinary repairs, replacement of capital items, and security. Lessee shall contract with the Authority to manage the Leased Premises, or, upon approval of the Authority in its sole discretion, retain a professional property management company approved by the Authority in its reasonable discretion to perform the property management duties hereunder. The Authority shall have no responsibility over management of the Leased Premises unless pursuant to a separate contract for management between the Parties. The rental subsidy programs for the Leased Premises shall be administered in accordance with the RAD Program and the Authority's Section 8 Administrative Plan.

### **6.2 Management Agent; Periodic Reports.**

If the Authority directs or agrees upon request of Lessee, to allow for the management of the Leased Premises, by other than the Authority, then management shall be by an experienced management agent acceptable to the Authority, with demonstrated ability to operate residential facilities like the Leased Premises in a manner that will provide decent, safe, and sanitary housing (as approved, the "Management Agent"). Lessee shall submit for the Authority's approval the identity of any proposed Management Agent. Lessee shall also submit such additional information about the background, experience and financial condition of any proposed Management Agent as is reasonably necessary for the Authority to determine whether the proposed Management Agent meets the standard for a qualified Management Agent set forth above. If the proposed Management Agent meets the standard for a qualified Management Agent set forth above, the Authority shall approve the proposed Management Agent by notifying Lessee in writing. Notwithstanding the foregoing, the proposed Management Agent will be deemed approved in the event that Prudential Affordable Mortgage Company, LLC, or affiliate, and/or Freddie Mac approve of such proposed Management Agent.

### **6.3 Performance Review.**

The Authority reserves the right to conduct an annual (or more frequently, if deemed necessary by the Authority) review of the management practices and financial status of the Lessee and the Leased Premises. The purpose of each periodic review will be to enable the Authority to determine if the Leased Premises are being operated and managed in accordance

with the requirements and standards of this Lease. Lessee shall cooperate with the Authority in such reviews.

#### 6.4 Replacement of Management Agent.

If, as a result of a periodic review, the Authority determines in its reasonable judgment that the Leased Premises are not being operated and managed in accordance with any of the material requirements and standards of this Lease, the Authority shall deliver notice to Lessee of its intention to cause replacement of the Management Agent, if other than the Authority, including the reasons therefor subject to the requirements of the loan documents evidencing the Prudential/Freddie Mac Loan. Within fifteen (15) days of receipt by Lessee of such written notice, the Authority's staff and Lessee shall meet in good faith to consider methods for improving the financial and operating status of the Leased Premises, including, without limitation, replacement of the Management Agent.

If, after such meeting, the Authority's staff recommends in writing the replacement of the Management Agent, Lessee shall promptly, and in no event later than 60 business days after receiving the recommendation, dismiss the Management Agent consistent with the approved property management contract, and shall appoint as the Management Agent a person or entity meeting the standards for a Management Agent set forth in Section 6.2 above and approved by the Authority pursuant to Section 6.2 above. The Authority will notify Prudential Affordable Mortgage Company, LLC, or affiliate, and/or Freddie Mac of the Authority's recommendation to the Lessee to replace the Management Agent.

Any contract for the operation or management of the Leased Premises entered into by Lessee shall provide that the contract can be terminated as set forth above. Failure to remove the Management Agent in accordance with, and subject to the provisions of this Section shall constitute an Event of Default under this Lease.

#### 6.5 Approval of Management Policies.

Lessee shall have control in the selection of tenants pursuant to a Management Plan and/or Tenant Selection Plan that has been approved by the Authority.

#### 6.6 Property Maintenance.

Lessee shall maintain the interior and exterior of all Improvements, including landscaping, in good condition and repair (and, as to landscaping, in a healthy condition) and in accordance with all applicable laws, rules, ordinances, orders and regulations of all federal, state, county, municipal, and other governmental agencies and bodies having or claiming jurisdiction over the Property and all their respective departments, bureaus, and officials.

The Authority places prime importance on quality maintenance to ensure that the Leased Premises are not allowed to deteriorate due to below-average maintenance. Normal wear and

tear of the Leased Premises will be acceptable to the Authority so long as Lessee makes all repairs and replacements necessary to keep the Improvements in good condition and repair.

Lessee shall be responsible for the cost of the following utilities: water and sewer, common area electricity and waste removal supplied to the Leased Premises. Subject to Section 8.2(d), Lessee shall pay utilities or cause same to be paid currently and as due.

#### 6.7 Authority's Approval.

Any repairs, alterations or replacements to the Leased Premises, after the recording of the Lessee's Notice of Completion for the rehabilitation anticipated to cost in excess of One-hundred Thousand dollars (\$100,000) must be approved in advance by the Authority.

#### 6.8 Replacement Reserve.

Lessee shall establish and maintain a Replacement Reserve ("Replacement Reserve") until the termination of this Lease. The Replacement Reserve shall be funded by deposits in the amount of at least Three Hundred Dollars (\$300) per unit per year or such greater amount as required by the Investor Limited Partner or the Senior Leasehold Mortgagee, due on the first day of each month. The Authority may adjust, (though not decrease, without the consent of the Senior Leasehold Mortgagee) at any time, the amount of the monthly payments to be made into the Replacement Reserve as necessary to, in its sole discretion, keep pace with increases in the costs of replacing structural elements and equipment of the Leased Premises. The Replacement Reserve shall be used upon the Authority's written approval to replace major structural elements or equipment of the Leased Premises or for any other purpose consistent with maintaining the financial and physical integrity of the Improvements. Notwithstanding the foregoing, for so long as the Prudential/Freddie Mac Loan is outstanding, (a) the Replacement Reserve shall be held by Prudential Affordable Mortgage Company, LLC, or affiliate, (or such other servicer approved by Freddie Mac), and (b) the disbursement of the Replacement Reserve shall be governed by the requirements of the loan documents evidencing the Prudential/Freddie Mac Loan.

#### 6.9 Operating Reserve.

Lessee shall establish and maintain an Operating Reserve funded by an initial deposit in the amount of Three Thousand Seven Hundred Forty-Seven Dollars and no cents (\$3,747) per unit or such greater amount required by the Senior Leasehold Mortgagee or the Investor Limited Partner, due at the time the Senior Leasehold Mortgagee loan converts to permanent financing. The Operating Reserve shall be used upon Authority approval to cover operating deficits.

## ARTICLE 7. ASSURANCES OF LESSEE; TAXES AND ASSESSMENTS

### 7.1 Assurances of Lessee.

Lessee shall use the Leased Premises for the operation of the Improvements in accordance with the restrictions and assurances set forth in this Lease. Further, Lessee agrees and warrants:

- (a) That Lessee will use commercially reasonable efforts to prevent any member of any Tenant Household from committing or maintaining any nuisance or unlawful conduct on or about the Leased Premises and that Lessee will not use or allow the Leased Premises to be used for any disorderly or unlawful purpose;
- (b) That Lessee will use commercially reasonable efforts to prevent any member of any Tenant Household from violating any of the covenants and conditions of this Lease with respect to the Authority Sites;
- (c) Subject to all applicable laws and the rights of Tenant Households, that Lessee will take commercially reasonable action, if necessary, to abate any violation of this Lease by any member of any Tenant Household upon notice from the Authority; and
- (d) Lessee shall operate the Leased Premises in compliance with the RAD Requirements.

### 7.2 Taxes and Assessments.

(a) Payment of Taxes and Assessments. Except as provided in Section 8.2(e), Lessee covenants and agrees during the entire Lease Term, at its own cost and expense, to pay the public officers charged with their collection, as the same become due and payable and before any fine, penalty, interest, or other charge may be added to them for non-payment, all real estate taxes, general and special, ordinary and extraordinary, unforeseen as well as foreseen, of any kind and nature, made, assessed, levied or imposed upon, or due and payable in connection with, or which become a lien upon, the Leased Premises, the Improvements, or any part of the Leased Premises or Improvements, or upon this Lease, as well as assessments for sidewalks, streets, sewers, water, or any other public improvements and any other improvements or benefits which shall, during the Lease Term, be made, assessed, levied, or imposed upon or become due and payable in connection with, or a lien upon the Leased Premises, the Improvements, or any part of the Leased Premises or Improvements, or upon this Lease. Lessee shall be responsible for obtaining a low-income housing property tax exemption, as available, or necessary. Upon the written request of the Authority, Lessee shall exhibit and deliver to the Authority evidence satisfactory to the Authority of payment of all Impositions. Lessee recognizes and agrees that this Lease creates a possessory interest which is subject to taxation, and that this Lease requires Lessee to pay any and all possessory interest taxes levied upon Lessee's interest pursuant to an assessment lawfully made by the applicable governmental assessor. Lessee further acknowledges that any sublease or transfer permitted under this Lease may constitute a change in ownership, within the meaning of

the California Revenue and Taxation Code, and therefore may result in a transfer tax and reassessment of any possessory interest created hereunder in accordance with applicable law.

(b) Payment of Fees. Except as provided in Section 8.2(e), Lessee covenants and agrees during the entire Lease Term, at its own cost and expense, to pay, as the same become due and payable and before any fine, penalty, interest, or other charge may be added to them for non-payment, license and permit fees, charges for public utilities of any kind, and any and all governmental charges relating to the use or occupancy of the Improvements.

(c) Copies of Notices to Lessee. The Authority agrees promptly to send to Lessee copies of any and all notices received by it in respect to any taxes, assessments, charges, or fees for which Lessee is liable pursuant to this Section 7.2.

(d) Lessee's Right to Contest. If Lessee disputes any amount or validity of any Impositions, including but not limited to any liens, taxes, assessments, charges, penalties or claims, and any liens or claims of material suppliers, mechanics or laborers, upon the Leased Premises or the Improvements, regardless of whether such amounts are payable by the Authority or Lessee, Lessee may contest and defend against the same at its cost, and in good faith diligently conduct any necessary proceedings in connection therewith to prevent and avoid the same; provided, however, that such contest shall be prosecuted to a final conclusion as speedily as possible. The Authority agrees to render to Lessee all reasonable assistance, at no expense to the Authority, in contesting the validity or amount of any such taxes, assessments or charges, including joining in the signing of any protests or pleadings which Lessee may deem advisable to file. During any such contest, Lessee shall (by the payment of such disputed taxes, assessments, or charges, if necessary) prevent any advertisement of tax sale, any foreclosure of, or any divesting thereby of title, reversion or other interest in or to the Leased Premises. Nothing contained in this Section 8.2(d), however, shall be construed to allow any such contested Imposition to remain unpaid for a length of time which shall permit the Leased Premises, or any part thereof, to be sold by any Governmental Authorities for the non-payment of such Imposition. Lessee shall promptly furnish the Authority copies of all notices, appeals, pleadings, motions and orders in any proceedings commenced with respect to such contested Imposition. During such contest, Lessee shall (by the payment of such disputed taxes, assessments, or charges, if necessary) prevent any advertisement of tax sale, any foreclosure of, or any divesting thereby of Authority's title, reversion or other interest in or to the Leased Premises and the Improvements.

(e) The Authority's Obligations. The provisions of this Lease shall not be deemed to require Lessee to pay any municipal, county, state, or federal income or gross receipts or excess profits taxes assessed against the Authority, or any municipal, county, state, or federal capital levy, estate, succession, inheritance, gift, or transfer taxes of the Authority, or franchise taxes imposed upon any owner in fee of the Leased Premises. Any rebate made on account of any taxes or charges paid by the Authority and not reimbursed by Lessee shall belong and be paid to the Authority; otherwise such rebate shall belong to Lessee.

## ARTICLE 8. HAZARDOUS MATERIALS.

### 8.1 Certain Covenants and Agreements.

Lessee hereby covenants and agrees that at all times during the Term:

(a) Lessee shall not knowingly permit the Leased Premises or any portion thereof to be a site for the use, generation, treatment, manufacture, storage, disposal or transportation of Hazardous Materials in violation of any applicable law or otherwise knowingly permit the presence of Hazardous Materials in, on or under the Leased Premises in violation of any applicable law;

(b) Lessee shall keep and maintain the Leased Premises and each portion thereof in compliance with, and shall not cause or permit the Leased Premises or any portion thereof to be in violation of, any Hazardous Materials Laws;

(c) Upon receiving actual knowledge of the following Lessee shall immediately advise the Authority in writing of:

i. any and all enforcement, cleanup, removal or other governmental or regulatory actions instituted, completed or threatened against Lessee or the Leased Premises pursuant to any applicable Hazardous Materials Laws;

ii. any and all claims made or threatened by any third party against Lessee or the Leased Premises relating to damage, contribution, cost recovery, compensation, loss or injury resulting from any Hazardous Materials (the matters set forth in the foregoing clause (i) and this clause (ii) are hereinafter referred to as "Hazardous Materials Claims"); or

iii. the presence of any Hazardous Materials in, on or under the Leased Premises.

If the Authority reasonably determines that Lessee is not adequately responding to a Hazardous Material Claim or any condition in Sections 9.1(c)(iii) or (iv), the Authority shall have the right to join and participate in, as a party if it so elects, any legal proceedings or actions initiated in connection with any such Hazardous Materials Claims and to have its reasonable attorney's fees in connection therewith paid by Lessee.

(d) Without the Authority's prior written consent, which shall not be unreasonably withheld or delayed, Lessee shall not take any remedial action in response to the presence of any Hazardous Materials on, under, or about the Leased Premises, nor enter into any settlement agreement, consent decree, or other compromise in respect to any Hazardous Materials Claims.

(e) [The Authority acknowledges that the Leased Premises contain existing Hazardous Materials in the form of asbestos and lead based paint that was present in building

materials used in construction of the Improvements prior to Lessee's ownership, as described in the report(s) listed on Exhibit C, and the Authority has agreed that, in compliance with all regulatory and statutory requirements, Lessee shall remediate and remove an agreed upon portion of said Hazardous Materials in accordance with the Final Plans and will also be encapsulating and leaving in place within the Leased Premises the remaining portion of said Hazardous Materials in accordance with the Final Plans.]

## 8.2 Indemnity.

Without limiting the generality of the indemnification set forth in Section 11.4 below, Lessee hereby agrees to indemnify, protect, hold harmless and defend (by counsel reasonably satisfactory to the Authority) the Authority, its board members, commissioners, officers, agents, successors, assigns and employees (the "Indemnitees") from and against any and all claims, losses, damages, liabilities, fines, penalties, charges, administrative and judicial proceedings and orders, judgments, remedial action requirements, enforcement actions of any kind, and all costs and expenses incurred in connection therewith (including, but not limited to, attorney's fees and expenses), arising directly or indirectly, in whole or in part, out of:

(a) The failure of Lessee or any other person or entity (other than an indemnitee) on or after the Effective Date (or prior to the Effective Date if due to the negligence or willful misconduct of Lessee or any other person under the control of Lessee to the extent resulting in material harm to an Indemnatee), to comply with any Hazardous Materials Law relating in any way whatsoever to the handling, treatment, presence, removal, storage, decontamination, cleanup, transportation or disposal of Hazardous Materials into, on, under or from the Leased Premises;

(b) Any release or discharge of any Hazardous Materials into, on, under or from the Leased Premises, arising on or after the Effective Date, or the presence in, on, or under the Leased Premises of any Hazardous Materials that occurs on the Leased Premises after the Effective Date (or prior to the Effective Date if due to the negligence or willful misconduct of Lessee or any person under the control of Lessee to the extent resulting in material harm to an Indemnatee); or

(c) Any activity or omission of activity carried on or undertaken on or off the Leased Premises, on or after the Effective Date (or prior to the Effective Date if due to the negligence or willful misconduct of Lessee or any employees, agents, contractors or subcontractors of Lessee to the extent resulting in material harm to an Indemnatee), and whether by Lessee or any employees, agents, contractors or subcontractors of Lessee or any successor in title that is related to Lessee occupying or present on the Leased Premises, in connection with the handling, treatment, removal, storage, decontamination, cleanup, transport or disposal of any Hazardous Materials located or present on or under the Leased Premises. Lessee's indemnity obligations as they pertain to activities occurring off the Leased Premises shall only extend to activities performed by or arising from activities performed by Lessee or any employees, agents, contractors or subcontractors of Lessee.



The foregoing indemnity shall further apply to any residual contamination on or under the Leased Premises, or affecting any natural resources, and to any contamination of any property or natural resources in connection with the generation, use, handling, treatment, storage, transport or disposal of any such Hazardous Materials, and irrespective of whether any of such activities were or will be undertaken in accordance with Hazardous Materials Laws. The provisions of this subsection shall survive expiration of the Term or other termination of this Lease, and shall remain in full force and effect. This indemnity obligation shall not extend to any claim arising solely from any Indemnitee's negligence or willful misconduct.

### 8.3 No Limitation.

Lessee hereby acknowledges and agrees that Lessee's duties, obligations and liabilities under this Lease, including, without limitation, under Section 9.2 above, are in no way limited or otherwise affected by any information the Authority may have concerning the Leased Premises and/or the presence on the Leased Premises of any Hazardous Materials, whether the Authority obtained such information from Lessee or from its own investigations, except to the extent the Authority's knowledge prior to the Effective Date and failure to act on such knowledge constituted negligence or willful misconduct on the part of the Authority.

### 8.4 As-Is Conveyance.

This Lease is made "AS IS," with no warranties or representations by the Authority concerning the condition of the Leased Premises, including the presence or absence of any Hazardous Materials, except as expressly set forth in Section 9.5, below. Lessee hereby agrees and acknowledges that except in the event of any fraud, misrepresentation, or withholding of information by the Authority: (i) neither the Authority, nor anyone acting for or on behalf of the Authority, has made any representation, statement, warranty or promise to Lessee concerning the development potential or condition of the Leased Premises except as set forth in Section 9.5 below; and (ii) in entering into this Lease, Lessee has not relied on any representation, statement or warranty of the Authority, or anyone acting for or on behalf of the Authority, other than as may expressly be contained in writing in this Lease; (iii) all matters concerning the Leased Premises have been or shall be independently verified by Lessee and that Lessee shall purchase or lease the Leased Premises on Lessee's own prior examination thereof; and (iv) THAT LESSEE IS LEASING THE LEASED PREMISES, IN AN "AS IS" PHYSICAL CONDITION AND IN AN "AS IS" STATE OF REPAIR.

### 8.5 Authority Representations. Except as set forth in Exhibit C:

(a) The Authority has not received any information that Hazardous Materials exist on the Leased Premises in violation of Hazardous Materials Laws, nor has the Authority received any information indicating that there are any Hazardous Materials Claims with respect to the Leased Premises.

(b) General Release. Subject to Section 9.3 and 9.4, above, Lessee and its owners, employees, agents, assigns and successors agree that upon the Effective Date, Lessee

shall be deemed conclusively to have released and discharged the Authority and its agents, employees, trustees, assigns and successors, from any and all damages, losses, demands, claims, debts, liabilities, obligations, causes of action and rights, whether known or unknown, by Lessee regarding the Leased Premises, including, but not limited to, the environmental condition of the Leased Premises.

(c) Waiver of Civil Code § 1542. Lessee agrees that, with respect to the General Release contained in Section 9.5(b) above, the General Release extends to all matters regarding the Leased Premises, whether or not claimed or suspected, to and including the date of execution hereof, and constitutes a waiver of each and all the provisions of the California Civil Code § 1542, which reads as follows:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY."

Lessee herein acknowledges that the effect and import of the provisions of Civil Code § 1542 have been explained to it by its own counsel. Lessee understands and acknowledges the significance and the consequence of such specific waiver of unknown claims and hereby assumes full responsibility for any injuries, damages, losses or liabilities that it may hereinafter incur from the waiver of these unknown claims

\_\_\_\_\_ **Lessee's Initials**

#### 8.6 Environmental Work.

Lessee shall be responsible for performing the work of any investigation and remediation on the Leased Premises which may be required in order to develop the Leased Premises. The determination as to whether any such remediation is needed, and as to the scope and methodology thereof, shall be made by mutual agreement of the governmental agency with responsibility for monitoring such remediation and Lessee, with the consent of the Authority, which consent shall not be unreasonably withheld, conditioned or delayed. Lessee shall notify the Authority promptly upon discovery of any actionable levels of Hazardous Materials, and upon any release thereof, and shall consult with the Authority in order to establish the extent of remediation to be undertaken and the procedures by which remediation thereof shall take place. Lessee shall comply with, and shall cause its agents and contractors to comply with, all regulatory agency directives and all laws regarding the use, removal, storage, transportation, disposal and remediation of Hazardous Materials. The investigation and remediation work shall be carried out in accordance with all regulatory agency directives and all applicable laws

(including Hazardous Materials Laws) and such other procedures and processes as may be described in this Lease.

## **ARTICLE 9. Assignments and Transfers**

### 9.1 Consent Required.

Lessee may not Transfer its interest in this Lease without the written consent of the Authority, which consent shall be at the Authority's sole discretion except as set forth in Section 10.2 and in Article 17, below. A Transfer shall be deemed to include any attempt by Lessee to: (a) demolish all or any portion of the Leased Premises after construction of the Improvements; (b) make or permit any voluntary or involuntary, total or partial, sale, lease, assignment, conveyance, mortgage, pledge, encumbrance, or other transfer of any or all of the Leased Premises, the Improvements, any equipment related thereto, or this; or (c) transfer, convey or assign: (i) any interest of a managing member, general partner, or controlling affiliate or stockholder (any such interest being referred to as a "Controlling Interest") in Lessee; or (ii) a Controlling Interest in any entity which has a Controlling Interest in Lessee; or (iii) any other interest in Lessee, or in any partner or member thereof. Any person to whom any Transfer is attempted without such consent shall have no claim, right or remedy whatsoever under this Lease against the Authority, and the Authority shall have no duty to recognize any person claiming under or through the same.

9.2 Limitations on Consent Requirement. Notwithstanding the foregoing, the consent of the Authority shall not be required for:

(a) the lease of any Unit at the Leased Premises, subject to the Authority's prior approval of the form of Tenant Lease;

(b) the mortgage of Lessee's interest in the Leased Premises and Improvements to any approved Leasehold Mortgagee (or its nominee) and transfer of the Leased Premises and Improvements to such Leasehold Mortgagee (or its nominee) by foreclosure or deed-in-lieu of foreclosure (or the leasehold equivalent thereof), or to a third-party purchaser pursuant to a foreclosure sale (or the leasehold equivalent thereof), or to the first transfer of the Leased Premises and the Improvements by such Leasehold Mortgagee to an unrelated third party following a foreclosure or deed in lieu of foreclosure so long as such transferee or its third-party property management agent is qualified to manage and operate affordable housing projects similar to the Leased Premises;

(c) transfers or syndications of the Investor Limited Partner's limited partner interests in Lessee that are permitted under Lessee's Partnership Agreement;

(d) the removal of the general partner of Lessee by the Investor Limited Partner in accordance with the terms of the Partnership Agreement and the loan documents evidencing the Prudential/Freddie Mac Loan, and/or the subsequent transfer of the general partner interest to (i) a 501(c)(3) tax exempt nonprofit corporation selected by the Investor Limited

Partner, provided such replacement general partner is approved by the Authority which approval shall not be unreasonably withheld, conditioned or delayed, or (ii) the Investor Limited Partner or an affiliate thereof, but only for a period not to exceed one hundred-twenty (120) days from the date of removal of the general partner, during which time such entity shall diligently seek a replacement general partner meeting the requirements of subsection (i) above; or

(e) the encumbrance of the Leased Premises with the Regulatory Agreements.

9.3 Subsequent Assignment. In cases where the Authority's consent is required, the Authority's consent to one assignment will not waive the requirement of its consent to any subsequent assignment.

9.4 Request for Consent. If Lessee requests the Authority's consent to a specific assignment, Lessee shall provide to the Authority such information as may reasonably be required by the Authority.

9.5 Grant of Purchase Option to Lessee Affiliate or Authority. Notwithstanding anything to the contrary set forth in any other provision of this Lease, nothing shall prohibit: the granting of a purchase option and/or right of first refusal to the Authority, or any entity owned or controlled by or under common control with the Authority, to purchase the Leasehold Estate, as provided in the Option Agreement, and/or the exercise of such option in accordance with the Option Agreement. The terms and provisions of this Lease are and shall remain superior in all respects to the Option Agreement and any memorandum recorded evidencing the Option Agreement, which Option Agreement is and shall remain subordinate and inferior to the terms and provisions of this Lease.

## **ARTICLE 10. INSURANCE**

### **10.1 Required Insurance Coverage.**

(a) Fire and Extended Coverage Endorsement. Lessee shall during the Lease Term keep the Leased Premises insured against loss or damage by a standard all risk policy in amounts such that the proceeds of such insurance shall not be less than the replacement value of the Leased Premises, or, should insurance in such amount not be reasonably and commercially available, or the cost of such insurance shall not be commercially reasonable given Lessee's net income, such lesser amount as may be reasonably acceptable to the Authority. The amount of such insurance shall be adjusted by reappraisal of the Improvements by the insurer or its designee at least once every five (5) years during the Lease Term, if requested by the Authority. If an all risk policy insuring the full replacement value of the Leased Premises is not reasonably and commercially available, Lessee shall use best efforts to obtain and maintain an extended coverage endorsement that ensures the full replacement value of the Leased Premises as soon as such coverage becomes commercially and reasonably available, subject to the approval of the Authority.

(b) Liability and Property Damage Insurance. During the Lease Term, Lessee

shall keep in full force and effect a policy or policies of comprehensive general liability and property damage insurance against liability for bodily injury to or death of any person or property damage arising out of an occurrence on or about the Lease Premises. The limits of such insurance shall be not less than Three Million Dollars (\$3,000,000) combined single limit for bodily injury and property damage. The limits of the insurance shall be adjusted once every five (5) years if and as reasonably required by the Authority.

(c) Workers' Compensation Insurance. Lessee shall carry or cause to be carried workers' compensation insurance covering all persons employed in connection with the Leased Premises and with respect to whom death, bodily injury, or sickness insurance claims could be asserted against the Authority or Lessee.

(d) Builders' Risk Insurance. During the course of any alteration, construction or reconstruction, the cost of which exceeds Two Hundred Fifty Thousand Dollars (\$250,000), Lessee shall require any contractor to provide builders' risk insurance for not less than Five Million Dollars (\$5,000,000) combined single limit for bodily injury or property damage insuring the interests of the Authority, Lessee and any contractors and subcontractors.

## 10.2 Insurance Policies and Premiums.

(a) All liability policies required by this Lease shall name the Authority as an additional insured. Duplicate copies of such policies or certificates of such insurance shall be promptly furnished to the Authority.

(b) All policies described in Section 11.1 shall include the Authority and Lessee, together with any Leasehold Mortgagees, as additional insureds or as loss payees, as their respective interests may appear. All policies described in Section 11.1 shall contain (a) the agreement of the insurer to give the Authority and each Leasehold Mortgagee, as applicable, at least thirty (30) days' notice prior to cancellation (including, without limitation, for non-payment of premium) or any material change in said policies, provided that if such agreement cannot be obtained from the insurer, Lessee will provide such notice to the Authority; (b) an agreement that such policies are primary and non-contributing with any insurance that may be carried by the Authority; (c) a provision that no act or omission of Lessee shall affect or limit the obligation of the insurance carrier to pay the amount of any loss sustained; (d) a waiver by the insurer of all rights of subrogation against the Authority and its authorized parties in connection with any loss or damage thereby insured against; and (e) terms providing that any loss covered by such insurance may be adjusted with the Authority, Lessee and the holder of a Leasehold Mortgage, but shall be payable to the holder of any Leasehold Mortgage, who shall agree to receive and disburse all proceeds of such insurance, subject to the duty of Lessee to repair or restore, as set forth in Article 13.

(c) To the extent obtainable, all policies described in Section 11.1 shall provide that any change or cancellation of said policy must be made in writing and sent to Lessee and the Authority at their respective principal offices at least thirty (30) days before the effective date of change or cancellation.

i. It is the Lessee's responsibility to notify the Authority of any notice of cancellation, non-renewal or non-payment of premium in accordance with your policy provisions. In the event insurance is cancelled or not renewed, the Lessee shall notify the Authority within forty-eight (48) hours of such cancellation or non-renewal.

\_\_\_\_\_ **Lessee's Initials**

ii. Lessee is in material breach of this Lease for so long as Lessee fails to maintain all of the required insurance. The Authority has the right, but not the obligation, to pay any delinquent insurance premiums and any other charges to reinstate or maintain the required insurance policies and coverage. Upon the Authority's demand, Lessee must immediately reimburse the Authority for any and all costs incurred by the Authority in so obtaining or maintaining insurance.

10.3 Proceeds of Insurance.

Subject to the requirements of the loan documents evidencing the Prudential/Freddie Mac Loan and Leasehold Mortgages, all insurance proceeds received under the policies set forth in this Article 10 shall be paid to Lessee, provided that Lessee shall apply such proceeds, to the extent possible, and subject to the terms and conditions of the Leasehold Mortgages for reconstruction or repair in a manner consistent with the provisions of Section 13.1.

10.4 Indemnification.

Lessee hereby agrees to indemnify, protect, hold harmless and defend (by counsel reasonably satisfactory to the Authority) the Authority, its commissioners, officers, directors, affiliates, agents and employees from and against any and all claims, losses, damages, liabilities, fines, penalties, charges, administrative and judicial proceedings and orders, judgments, remedial action requirements, enforcement actions of any kind, and all costs and expenses incurred in connection therewith, including, but not limited to, reasonable attorneys' fees and expenses, to the extent arising from or relating to Lessee's obligations under this Lease, and the construction or operations of the Improvements, except to the extent arising from or relating to the gross negligence or willful misconduct of the Authority, or any of its commissioners, officers, directors, affiliates, agents or employees.

In addition, if any contractor or subcontractor which performed preconstruction work or any construction work for Lessee or Lessee's affiliates on the Improvements shall assert any claim against the Authority on account of any damage alleged to have been caused by reason of acts or omissions of Lessee or Lessee's affiliates, their members, partners, officers, directors, affiliates, agents or employees, or their construction contractors, Lessee shall defend at its own expense any suit based upon such claim; and if any judgment or claim against the Authority shall be allowed, Lessee shall pay or cause to be paid or satisfied such judgment or claim and pay or cause to be paid all costs and expenses in connection therewith.

This indemnity shall survive expiration of the Term or other termination of this Lease.

## **ARTICLE 11. CONDEMNATION**

### **11.1 Termination of Lease.**

The Authority and Lessee agree that, in the event of a Taking such that Lessee reasonably determines that the Leased Premises cannot continue to be operated, at reasonable cost, for its then-current use, then, subject to the rights of Leasehold Mortgagees, this Lease shall, at Lessee's sole option, terminate as of the Taking Date.

### **11.2 Continuation of Lease and Presumption of Restoration.**

The Authority and Lessee agree that, in the event of a Taking that does not result in the termination of this Lease pursuant to Section 12.1 above, this Lease shall continue in effect as to the remainder of the Leased Premises, and the Net Condemnation Award will be disbursed in accordance with Section 12.4 below to Lessee and/or any Leasehold Mortgagee, if the terms of the applicable Leasehold Mortgage so require, and shall be used so as to make the same a complete, unified and efficient operating unit as nearly as reasonably possible to the condition existing prior to the Taking, subject to any applicable requirements of the Leasehold Mortgagee.

### **11.3 Temporary Taking.**

If there shall be a temporary Taking with respect to all or any part of the Leased Premises or of Lessee's interest in this Lease, then the Term shall not be reduced and Lessee shall continue to pay in full all Rents, taxes and other charges required herein, without reduction or abatement thereof at the times herein specified; provided, however, that Lessee shall not be required to perform such obligations that Lessee is prevented from performing by reason of such temporary Taking.

### **11.4 Apportionment of Award.**

Subject to the rights of Leasehold Mortgagees under their respective loan documents, if there is a Taking, whether whole or partial, the Authority and Lessee shall be entitled to receive and retain such separate awards and portions of lump sum awards as may be allocated to their respective interests in any condemnation proceedings, or as may be otherwise agreed, taking into consideration the fact that the Authority's interest in the Leased Premises is limited to the land (exclusive of the Improvements, as encumbered by this Lease), and a reversionary interest in the Leased Premises upon the expiration of the Term. If the Leased Premises shall be restored as in contemplated in Section 11.2 above, Lessee shall be entitled to recover the costs and expenses incurred in such restoration out of any Net Condemnation Award. Thereafter, if the condemning authority does not make separate awards, the Parties agree that any Net Condemnation Award will be allocated on a proportionate basis. If the Parties are unable to agree as to the exact amounts that are to be allocated to the respective interests of each Party, then each Party shall select an independent M.A.I. real estate appraiser (an "Appraiser"). Each Appraiser shall

separately determine the amount of the balance of the Net Condemnation Award that is to be allocated to the interests of each Party. If the percentage of the balance of the Net Condemnation Award each Appraiser allocates to the Authority (a) are within ten percent (10%) of each other, the two allocations shall be averaged, and such average shall be the final allocation of the Net Condemnation Award, or (b) are not within ten percent (10%) of each other, the two Appraisers shall then select a third Appraiser, who shall independently allocate the Net Condemnation Award between the Authority and Lessee, and the middle of such three allocations shall be the final allocation of the Net Condemnation Award. Notwithstanding any of the foregoing, any award to which the Lessee is entitled will be paid to the Senior Ground Leasehold Mortgagee (or an independent trustee if a partial Taking).

#### 11.5 Joinder.

If a Leasehold Mortgage exists, the Leasehold Mortgagees, to the extent permitted by law, shall be made a party to any Taking proceeding.

## **ARTICLE 12. DAMAGE OR DESTRUCTION**

### 12.1 Damage or Destruction to Leased Premises.

Lessee shall give prompt written notice to the Authority after the occurrence of any fire, earthquake, act of God or other casualty to or in connection with the Leased Premises, the Improvements or any portion thereof (hereinafter sometimes referred to as "Casualty"). Subject to Section 12.2 below, and the rights of any Leasehold Mortgagees, if during the Term the Improvements shall be damaged or destroyed by Casualty, Lessee shall repair or restore the Improvements, so long as Lessee determines, after consultation and approval by the Authority, that it is feasible to do so and in such event Lessee provides or causes to be provided sufficient additional funds which, when added to such insurance proceeds, will fully effect such repair or restoration. Upon the occurrence of any such Casualty, Lessee, promptly and with all due diligence and subject to the rights of the Leasehold Mortgagees, shall apply for and collect all applicable insurance proceeds recoverable with respect to such Casualty, for the benefit of the Leasehold Mortgagees, if any. In the event that Lessee shall determine, subject to the rights of any Leasehold Mortgagees, by notice to the Authority given within thirty (30) days after receipt by Lessee of any such insurance proceeds, that it is not economically practical to restore the Leased Premises to substantially the same condition in which they existed prior to the occurrence of such Casualty, then Lessee may terminate this Lease as of a date that is not fewer than thirty (30) days after the date of such notice. If Lessee terminates this Lease pursuant to this Section 12.1, Lessee immediately shall surrender possession of the Leased Premises to the Authority and assign to the Authority (or, if same has already been received by Lessee, pay to the Authority) all of its right, title and interest in and to the proceeds from Lessee's insurance upon the Leased Premises, subject to the prior rights of any Leasehold Mortgagee.



## 12.2 Damage or Destruction Near End of Term.

If, during the last year of the Term, the Improvements shall be damaged by Casualty, then Lessee shall have the option, to be exercised within one hundred twenty (120) days after such Casualty:

(a) subject to the rights of Leasehold Mortgages for to repair or restore the Improvements as hereinabove provided in this Article 12; or

(b) subject to the rights of Leasehold Mortgagees, to terminate this Lease by notice to the Authority, which termination shall be deemed to be effective as of the date of the Casualty. If Lessee terminates this Lease pursuant to this Section 12.2, Lessee shall surrender possession of the Leased Premises to the Authority immediately and assign to the Authority (or, if same has already been received by Lessee, pay to the Authority) all of its right, title and interest in and to the proceeds from Lessee's insurance upon the Leased Premises, subject to the prior rights of any Leasehold Mortgagee therein, as referenced in Section 12.3 below.

## 12.3 Distribution of Insurance Proceeds.

In the event that insurance proceeds are not applied to restoration of the Property and this Lease is terminated pursuant to Sections 12.1 or 12.2 hereof, the insurance proceeds received as the result of such Casualty shall be distributed as follows: (a) first, to the Senior Leasehold Mortgagee in accordance with the Leasehold Mortgage of the Senior Leasehold Mortgagee while such Leasehold Mortgagee is in effect; (b) second, the balance, if any, of such insurance proceeds shall be paid to Lessee or, as applicable pursuant to Sections 13.1 and 13.2 above, assigned or paid over to the Authority.

# **ARTICLE 13. PARTICULAR COVENANTS**

## 13.1 Non-Discrimination.

(a) Lessee or its designee shall not, in the selection or approval of Tenant Households or provision of services or in any other matter, discriminate against any person or group of persons on the grounds of race, color, creed, religion, sex, sexual orientation or gender identity, marital status, disability, national origin, ancestry, language proficiency, source of income, or that the prospective tenant is receiving rental assistance pursuant to the RAD Program or the HUD Housing Choice Voucher Program or any other rental assistance program. In addition, Lessee covenants by and for Lessee and Lessee's successors, assigns and all persons claiming under or through Lessee that this Lease is made subject to the condition that there shall be no discrimination against or segregation of any person or group of persons on account of race, color, religion, creed, sex, sexual orientation or gender identity, marital status, disability, national origin, ancestry, language proficiency, source of income or that the Tenant Household is receiving rental assistance pursuant to the RAD Program or the HUD Housing Choice Voucher Program or

any other rental assistance program in the leasing, subleasing, transferring, use, occupancy, tenure, or enjoyment of the Units, nor shall Lessee or any person claiming under or through it establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of Tenant Households, lessees, sublessees, subtenants or vendees on the Leased Premises.

(b) The Authority shall be entitled to invoke any remedies available at law or in equity to redress any breach of these subsections or to compel compliance therewith by Lessee. The Authority shall be entitled to invoke any remedies available at law or in equity to redress any breach of this Article 13 or to compel compliance therewith by Lessee.

## **ARTICLE 14. ASSURANCES OF THE AUTHORITY**

### **14.1 The Authority to Give Peaceful Possession.**

The Authority covenants that it owns in fee simple, and that it has good and marketable title to the Leased Premises and that the Leased Premises are free of all liens, encumbrances, easements, covenants, conditions, and restrictions except for those exceptions specifically approved in writing by Lessee. The Authority covenants and warrants that Lessee and its tenants shall have, hold and enjoy, during the Lease Term, peaceful, quiet, and undisputed possession of the Leased Premises without hindrance from anyone so long as Lessee is not in default under this Lease.

### **14.2 Release of the Authority.**

The Authority may sell, assign, transfer, or convey all or any part of the Authority's interest in the Leased Premises, provided that the purchaser, assignee, or transferee expressly assumes all of the obligations of the Authority under this Lease by a written instrument in a form reasonably satisfactory to the Authority. In the event the Authority intends to sell all or any part of the Leased Premises, the Authority shall notify Lessee and all Tenant Households of such intention not later than sixty (60) days before the approval of such sale is scheduled for approval by the Authority Commission. In the event of a sale, assignment, transfer, or conveyance by the Authority of the Leased Premises or its rights under this Lease, the same shall operate to release the Authority from any liability arising on or after the effective date of such transfer upon any of the covenants or conditions of this Lease, expressed or implied, in favor of Lessee, and in such event Lessee shall look solely to the successor in interest of the Authority in and to the Leased Premises or this Lease. Provided, however, Lessee may terminate this Lease if, after notice of the Authority's intent to sell, assign, transfer or convey any part of the Leased Premises, within thirty (30) days of receipt of such notice, it declares its intention to terminate in writing to the Authority. This Lease shall not be affected by any such sale, and Lessee agrees to attorn to any such purchaser or assignee.

**ARTICLE 15.        DEFAULTS AND REMEDIES**

15.1    Events of Default; Remedy of Default by Lessee.

(a)        Any one or more of the following events shall constitute an "Event of Default":

          i.        Failure to pay rent when due, or any other payment required hereunder, and continuance of such failure for a period of thirty (30) days after receipt by Lessee of written notice specifying the non-payment; or

          ii.        Failure of Lessee to observe and perform any covenant, condition, or agreement hereunder on its part to be performed, including, but not limited to failure to use and operate the Leased Premises in compliance with the RAD Requirements, and (i) continuance of such failure for a period of ninety (90) days after receipt by Lessee of written notice specifying the nature of such default, or (ii) if by reason of the nature of such default the same cannot be remedied within said ninety (90) days, Lessee fails to proceed with reasonable diligence after receipt of said notice to cure the same; or

          iii.        Subject to the rights of any Leasehold Mortgagee, a general assignment by Lessee for the benefit of creditors; or

          iv.        Subject to the rights of any Leasehold Mortgagee, the filing of a voluntary petition by Lessee, or the filing of an involuntary petition by any of Lessee's creditors seeking the rehabilitation, liquidation, or reorganization of Lessee under any law relating to bankruptcy, insolvency, or other relief of debtors, provided that in the case of an involuntary petition Lessee shall have one hundred twenty (120) days to cause such petition to be withdrawn or dismissed; or

          v.        The appointment of a receiver or other custodian, not including receivership pursuant to any Leasehold Mortgage, to take possession of substantially all of Lessee's assets or of this leasehold which appointment is not withdrawn or dismissed within one hundred twenty (120) days; or

          vi.        Lessee declares it is unwilling to pay its debts as they become due; or any court enters a decree or order directing the winding up or liquidation of Lessee or of substantially all of its assets; or Lessee takes any action toward the dissolution or winding up of its affairs or the cessation or suspension of its use of the Leased Premises; or

          vii.        Attachment, execution, or other judicial seizure of substantially all of Lessee's assets or this leasehold, which is not dismissed, bonded, or stayed within ninety (90) days; provided however that the foreclosure of any Leasehold Mortgage shall not be construed as an Event of Default within the meaning of this Section 16.1(a)(vii).

(b) Whenever any default shall have occurred and be continuing and upon expiration of any applicable cure periods provided herein, the Authority may take whatever action at law or in equity as may appear reasonably necessary to enforce performance or observance of any obligations, agreements, or covenants of Lessee under this Lease, including without limitation, termination of this Lease. In the event of such default, the Authority's remedies shall be cumulative, and no remedy expressly provided for in this Section shall be deemed to exclude any other remedy allowed by law.

(c) Notwithstanding anything to the contrary contained herein, so long as Lessor or an Affiliate of Lessor is a general partner of Lessee, Lessor shall not declare a default nor exercise any remedy afforded it hereunder or under applicable law without the prior written consent of the Tax Credit Investor and all Leasehold Mortgagees.

#### 15.2 Remedy of Material Breach by the Authority.

If the Authority defaults under the Lease, Lessee shall give the Authority written notice requiring that the default be remedied by the Authority. If the default is not cured within the time set forth by Lessee (which shall be a reasonable time for curing the default and shall in any event be at least thirty (30) days), Lessee may take any action as may be necessary to protect its interests. Such action, in the event that the Authority shall fail to perform any of its obligations under this Lease and such failure shall continue after the expiration of the cure period specified in this Section, shall include the right of Lessee to cure such default and receive any reimbursement of expenditure with interest thereon from the Authority within thirty (30) days after sending to the Authority a statement therefor.

### **ARTICLE 16. PERMITTED MORTGAGES AND INVESTOR RIGHTS**

16.1 Right to Encumber. Lessee shall have the right during the Term to encumber, through a Leasehold Mortgage pursuant to the Approved Financing and the Regulatory Agreements, all of Lessee's right, title and interest in the Leased Premises, subject to the provisions of this Lease; provided, however, that any Mortgage shall be in all respects subordinate and inferior to the Authority's right, title and interest in the Leased Premises and such Leasehold Mortgagee shall be subject to all of the rights and obligations of the Authority herein contained in this Lease, except as otherwise provided in this Lease. For purposes of this Lease, the Authority and Lessee acknowledge and agree that the Bank, along with their respective successors and assigns, and at such time as the Tax Exempt Loan and the Prudential/Freddie Mac Loan are made, then Prudential Affordable Mortgage Company, or affiliate, and Freddie Mac, is or shall be deemed a permitted Leasehold Mortgagee and all references to a "Leasehold Mortgagee" shall specifically include Senior Leasehold Mortgagee. All references to a Leasehold Mortgage shall include that certain Construction Leasehold Deed of Trust with Assignment of Rents, Security Agreement and Fixture Filing, dated as of even date herewith, made by Lessee for the benefit of Senior Leasehold Mortgagee, or the Multifamily Leasehold Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing if and

when made by the Lessee for the benefit the Authority in connection with the Prudential/Freddie Mac Loan. For so long as any Leasehold Mortgage is outstanding, the Authority shall not agree to any mutual termination or accept any surrender of this Lease without the prior written consent of the holders of Leasehold Mortgages then in effect. The Authority and Lessee agree and acknowledge: (i) that the Authority's fee interest in the Leased Premises will be encumbered by the RAD Use Agreement, and this Lease shall at all times remain subordinate to the RAD Use Agreement; (ii) that at the time required by the TCAC, the Authority and Lessee shall execute and record against the Leased Premises the lease rider required by TCAC; and (iii) the DDA shall be recorded against the Leased Premises.

(a) Lessor's Estate shall not be subject to and the Authority shall have no obligation to consent to any subordination agreement requiring the subordination of Lessor's Estate in order to secure any financing or Mortgage of Lessee. Except for the Approved Financing and the provisions of this Lease, the Authority agrees not to encumber or convey any interest in Lessor's Estate as security for any debt which is not expressly subordinate to the Leasehold Estate under this Lease.

16.2 Notice to Leasehold Mortgagee. During any period in which a Leasehold Mortgage is in place, the Authority shall give any such Leasehold Mortgagee of which the Authority has received notice from Lessee a duplicate copy of all notices of default or other notices that Authority may give to or serve in writing upon Lessee pursuant to the terms of this Lease. The address of the Leasehold Mortgagee originally designated in the Leasehold Mortgage may be changed upon written notice delivered to the Authority in the manner specified in Section 20.2 below. The Authority's failure to give any such notice to any such Leasehold Mortgagee shall not render such notice ineffective, nor shall any such failure constitute an Event of Default under this Lease; however, the Authority shall not exercise any remedies under this Lease without first providing a copy of such notice to Leasehold Mortgagee. The Authority acknowledges the identity and addresses of the initial Leasehold Mortgagee set forth in Section 17.2 below.

16.3 Right of Leasehold Mortgagee to Cure. Notwithstanding any default by Lessee under this Lease, the Authority shall have no right to terminate this Lease unless the Authority shall have given each Leasehold Mortgagee written notice of such default and such Leasehold Mortgagees shall have failed to remedy such default or acquire Lessee's leasehold estate created by this Lease or commence foreclosure or other appropriate proceedings as set forth in, and within the time specified by, this Section.

Any Leasehold Mortgagee which has an outstanding Leasehold Mortgage shall have the right, but not the obligation, at any time to pay any or all of the rental due pursuant to the terms of this Lease, and do any other act or thing required of Lessee by the terms of this Lease, to prevent termination of this Lease. Each Leasehold Mortgagee shall have ninety (90) days after receipt of notice from the Authority describing such default to cure the default. All payments so made and all things so done shall be as effective to prevent a termination of this Lease as the same would have been if made and performed by Lessee instead of by a Leasehold Mortgagee.

In addition to the cure period provided in this Section 18.3, if the default is such that possession of the Property may be reasonably necessary to remedy the default, any Leasehold Mortgagee shall have a reasonable time after the expiration of such ninety day (90) period within which to remedy such default, provided that (i) such Leasehold Mortgagee shall have fully cured any default in the payment of any monetary obligations of Lessee under this Lease, other than Prior Indemnity Obligations (as defined below), within such ninety (90) day period and shall continue to pay currently such monetary obligations when the same are due and (ii) such Leasehold Mortgagee shall have acquired Lessee's leasehold estate hereunder or commenced foreclosure or other appropriate proceedings prior to or within such period, and shall be diligently prosecuting the same.

Any default under this Lease which by its nature cannot be remedied by any Leasehold Mortgagee and all Prior Indemnity Obligations shall be deemed to be remedied if (i) within ninety (90) days after receiving written notice from the Authority describing the default, or prior thereto, any Leasehold Mortgagee shall have acquired Lessee's leasehold estate or commenced foreclosure or other appropriate proceedings, (ii) Leasehold Mortgagee shall diligently prosecute any such proceedings to completion, (iii) Leasehold Mortgagee shall have fully cured any default in the payment of any monetary obligations of Lessee hereunder (other than the Prior Indemnity Obligations) which does not require possession of the Leased Premises, and (iv) after gaining possession of the Leased Premises, the Leasehold Mortgagee shall cure within a reasonable time all non-monetary defaults of Lessee hereunder capable of cure by Leasehold Mortgagee.

As used herein, "Prior Indemnity Obligations" means all monetary obligations arising from the acts or inactions of Lessee prior to the date that the holder of a Leasehold Mortgagee obtains possession of the Project by foreclosure, deed in lieu of foreclosure, or a new lease pursuant to Section 18.7, below.

If any Leasehold Mortgagee is prohibited, stayed or enjoined by any bankruptcy, insolvency or other judicial proceedings involving Lessee from commencing or prosecuting foreclosure or other appropriate proceedings, the times specified for commencing or prosecuting such foreclosure or other proceedings shall be extended for the period of such prohibition; provided that any Leasehold Mortgagee shall have fully cured any default in the payment of any monetary obligations of Lessee under this Lease other than any Prior Indemnity Obligations, and shall continue to pay currently such monetary obligations when the same fall due; provided, further, that such Leasehold Mortgagee shall not interfere with the Authority's efforts to seek compliance by the Lessee with any non-monetary obligation under this Lease.

Notwithstanding the foregoing, so long as Lessor or an Affiliate of Lessor is a general partner of Lessee, Leasehold Mortgagees shall not be obligated to cure any existing defaults in the performance of the obligations of Lessee hereunder as a condition of the exercise of their rights under this Section 16.3 or 16.7 hereof.

16.4 Limitation on Liability of Leasehold Mortgagee. No Leasehold Mortgagee shall be or become liable to the Authority as an assignee of this Lease or otherwise unless it expressly assumes by written instrument executed by the Authority and Leasehold Mortgagee or its

assignee such liability (in which event the liability of any Leasehold Mortgagee or its assignee shall be limited to the period of time during which it is the owner of the leasehold estate created hereby) and no assumption shall be inferred from or result from foreclosure or other appropriate proceedings in the nature thereof or as the result of any other action or remedy provided for by such Leasehold Mortgage or other instrument or from a conveyance from Lessee pursuant to which the purchaser at foreclosure or grantee shall acquire the rights and interest of Lessee under the terms of this Lease. Any liability of the Leasehold Mortgagee and its assigns shall be limited to the value of their respective interests in the leasehold interest under this Lease.

16.5 Estoppel Certificates. The Authority and Lessee agree that at any time and from time to time upon not less than twenty (20) days' prior written notice by the other Party, or upon request from any Leasehold Mortgagee or Investor Limited Partner or a permitted assignee or other interested party, the Authority or Lessee will execute, acknowledge and deliver to the other Party or to such Leasehold Mortgagee or Investor Limited Partner a statement in writing certifying (a) that this Lease is unmodified and in full force and effect; (b) the date through which the Rents have been paid; and (c) that, to the knowledge of the certifier (if such be the case), there is no default, set off, defense or other claim against the Authority or Lessee, as applicable, other than those, if any, so specified under the provisions of this Lease. It is intended that any such statement may be relied upon by any persons proposing to acquire the interest of the Authority, Lessee or any Leasehold Mortgagee or Investor Limited Partner, as the case may be, in this Lease or by any prospective Leasehold Mortgagee or Investor Limited Partner or permitted assignee of any Leasehold Mortgage or Investor Limited Partner.

16.6 Registration of Leasehold Mortgages. Upon written request by the Authority, Lessee shall provide written notice to the Authority of the name and address of each Leasehold Mortgagee under this Lease.

16.7 New Lease. In the event of the termination of this Lease prior to the natural expiration of the Term of this Lease due to a default of Lessee or operation of law (except by eminent domain) or upon a foreclosure of the Leasehold Estate by a Leasehold Mortgagee or acceptance of a deed in lieu of foreclosure, the Authority, upon written request from any Leasehold Mortgagee, shall enter into a new lease with such holder or its designee in accordance with and upon the same terms and conditions as set forth herein. In this regard, in the event of the filing of a petition in bankruptcy by the Lessee, and the Lessee rejects this Lease under the then applicable provisions of the Bankruptcy Code, the Authority shall, upon the request of a Leasehold Mortgagee, affirm this Lease, and the Authority will enter into a new lease on the same terms and conditions set forth herein with such holder or its designee immediately upon Lessee's rejection of this Lease. In the event of the filing of a petition in bankruptcy by the Authority, and the Authority rejects this Lease and the Lessee does not affirm it, a Leasehold Mortgagee will have the authority to affirm this Lease on behalf of the Lessee and to keep the Lease in full force and effect. If more than one Leasehold Mortgagee requests such New Lease, the most senior Leasehold Mortgagee shall be provided the New Lease. Any new Lease shall be subject to the RAD Use Agreement.

16.8 If at any time there shall be more than one Leasehold Mortgage, the most senior Leasehold Mortgagee shall be prior in lien and shall be vested with all of the rights of Leasehold Mortgagee under this Lease (other than the provisions for receipt of notices) to the exclusion of any junior Leasehold Mortgage and junior Leasehold Mortgagee; provided, however, that: (a) if the most senior Leasehold Mortgagee fails to or refuses to exercise its rights set forth under this Lease, each holder of a junior Leasehold Mortgage in the order of priority of their respective liens shall have the right to exercise such rights; and (b) with respect to the right of a Leasehold Mortgagee under Section 16.7 (right to request a new Lease), such right may, notwithstanding the limitation of time set forth in Section 16.7, if any, be exercised by the holder of any junior Leasehold Mortgage, in the event the holder of a senior Leasehold Mortgage shall not have exercised such right within a reasonable amount of time.

16.9 Rights of Investor Limited Partner. The Investor Limited Partner shall have the same notice and cure rights as any Leasehold Mortgagee (including monetary obligations) as set forth in Sections 16.2 and 16.3 above for so long as it is a limited partner of Lessee; provided, however, that Investor Limited Partner shall be deemed to have met any condition relating to commencement or continuation of a foreclosure proceeding as set forth in Section 16.3 above, if it is attempting with diligence and in good faith to remove the general partner of Lessee. The address for any notices to same, as of the date hereof, is provided in Section 17.2 hereof.

## **ARTICLE 17. MISCELLANEOUS**

### 17.1 Instrument is Entire Agreement; Amendment.

This Lease and the attached Exhibits constitute the entire agreement between the Parties with respect to the matters set forth herein. This Lease shall completely and fully supersede all other prior understandings or agreements, both written and oral, between the Authority and Lessee relating to the lease of the Leased Premises by the Authority to Lessee. This Lease may not be amended except by a written agreement between the Authority, Lessee, any Leasehold Mortgagee and the Investor Limited Partner.

### 17.2 Notices.

All formal notices, requests, demands, or other communications required or permitted to be given under this Lease shall be in writing and shall be addressed and delivered by hand or by certified mail, return receipt requested, or by overnight or hand delivery by a recognized, reputable delivery service or courier, to each Party at the addresses set forth below. Any such notice, request, demand or other communication shall be considered given or delivered, as the case may be, on the date of receipt. Rejection or other refusal to accept or inability to deliver because of changed address of which proper notice was not given shall be deemed to be receipt of the notice, request, demand or other communication. By giving prior written notice thereof, any Party, from time to time, may change its address for notices under this Lease. Legal counsel



for the respective Parties may send to the other Party any notices, requests, demands or other communications required or permitted to be given under this Lease by such Party.

To the Authority                      Housing Authority of the County of Sacramento  
801 12th Street, 6th Floor  
Sacramento, CA 95814  
Attention: Executive Director

with a copy to:                      Goldfarb & Lipman LLP  
1300 Clay Street, 11th Floor  
Oakland, CA 94612  
Attention: Michelle Brewer

if to Lessee:                          SHARP  
801 12th Street, 4th Floor  
Sacramento, CA 95814  
Attention: James Shield

with a copy to:                      Goldfarb & Lipman LLP  
1300 Clay Street, 11th Floor  
Oakland, CA 94612  
Attention: Isabel Brown

(a)            Additional Notices.

Authority shall give copies of notices required to be delivered to Lessee to the following parties at the following addresses; provided, however that Lessee acknowledges that such notice is an accommodation and the failure of the Authority to properly deliver any such notice shall not give rise to any claims or defenses of Lessee or any third party:

**TAX CREDIT EQUITY INVESTOR**  
NEF Assignment Corporation  
Attention: General Counsel  
10 South Riverside Plaza, Suite 1700  
Chicago, IL 60606

**CONSTRUCTION LENDER**  
Wells Fargo Bank, National Association  
Community Lending and Investment  
333 Market Street, 17<sup>th</sup> Floor  
MAC# A0119-177  
San Francisco, California 94105  
Attention: Loan Administration Officer  
Loan No. 1019305

**PERMANENT LENDER**

Prudential Affordable Mortgage Company, LLC, or affiliate  
C/O PRUDENTIAL ASSET RESOURCES  
2100 ROSS AVENUE, SUITE 2500  
DALLAS, TEXAS 75201  
ATTN: ASSET MANAGEMENT DEPARTMENT  
Agency-Notice@prudential.com

With a copy to:

Federal Home Loan Mortgage Corporation  
8100 Jones Branch Drive, MS B4P  
McLean, Virginia 22102  
Attention: Multifamily Operations - Loan Accounting  
Email: mfla@freddiemac.com  
Telephone: (703) 714-4177

with a copy to: Federal Home Loan Mortgage Corporation  
8200 Jones Branch Drive, MS 210  
McLean, Virginia 22102  
Attention: Managing Associate General Counsel –  
Multifamily Legal Division  
Email: joshua\_schonfeld@freddiemac.com  
Telephone: (703) 903 2000

**FISCAL AGENT**

U.S. Bank Global Corporate Trust  
Attention: RAD 1  
1 California Street, Suite 1000  
San Francisco, CA 94111

17.3 Non-Waiver of Breach.

Neither the failure of the Authority or Lessee to insist upon strict performance of any of the covenants and agreements of this Lease nor the failure by the Authority or Lessee to exercise any rights or remedies granted to such Parties under the terms of this Lease shall be deemed a waiver or relinquishment (a) of any covenant herein contained or of any of the rights or remedies of Lessee or the Authority hereunder, (b) of the right in the future of the Authority or Lessee to insist upon and to enforce by any appropriate legal remedy a strict compliance with all of the covenants and conditions thereof, or (c) the right of the Authority to recover possession of the Leased Premises.

#### 17.4 Effective Date; Counterparts.

This Lease shall become effective upon the commencement of the Lease Term set forth in Article 2. This Lease may be executed in counterparts, each of which shall be an original and all of which shall constitute the same instrument.

#### 17.5 Lease Binding on Successors.

This Lease and all of its provisions and attached Exhibits shall inure to the benefit of, and shall be binding upon, the Authority, Lessee, and their respective permitted successors and permitted assigns. The Authority and Lessee intend, declare and covenant, on behalf of themselves and all successors and assigns during the Lease Term, that the provisions of this Lease shall be and are covenants running with the land, encumbering the Leased Premises for the Lease Term and binding upon the Authority's successors in title and all successors and assigns of the Leased Premises, and shall bind the Lessee (and the benefits shall inure to the Lessee, the Authority, and any past, present or prospective Tenant Household) and its respective successors and assigns during the Lease Term. The Authority and Lessee hereby agree that any and all requirements of the laws of the State of California to be satisfied in order for the terms of this Lease to constitute covenants running with the land shall be deemed to be satisfied in full, and that any requirements or privileges of estate are intended to be satisfied, or in the alternate, that an equitable servitude has been created to insure that these restrictions run with the Leased Premises land.

#### 17.6 Approvals.

Notwithstanding any other provision of this Lease, the approval or consent of the Authority for any matter or item required to be approved by the Authority under this Lease shall not in and of itself impose any liability on the Authority with respect to such matter or item, which matter or item shall remain the sole responsibility of Lessee unless and to the extent it is determined by a court of competent jurisdiction that such matter was caused in whole or in part by the Authority.

#### 17.7 Relationship of Parties.

Nothing contained in this Lease shall be deemed or construed by the Parties or by any third Party to create the relationship of principal or agent or of partnership, joint venture or association or of buyer and seller between the Authority and Lessee, it being expressly understood and agreed that neither the computation of any payments and other charges under the terms of this Lease nor any other provisions contained in this Lease, nor any act or acts of the Parties, shall be deemed to create any relationship between the Authority and Lessee other than the relationship of the Authority and tenant.

17.8 No Merger.

There shall be no merger of this Lease or any interest in this Lease nor of the Leasehold Estate created hereby, with the fee estate in the Leased Premises, by reason of the fact that this Lease or such interest therein, or such leasehold estate may be directly or indirectly held by or for the account of any person who shall hold the fee estate in the Leased Premises, or any interest in such fee estate, nor shall there be such a merger by reason of the fact that all or any part of the leasehold estate created hereby may be conveyed or mortgaged in a leasehold mortgage to a leasehold mortgagee who shall hold the fee estate in the Leased Premises or any interest of the Authority under this Lease.

17.9 Gender and Number.

Words of any gender used in this Lease shall be held to include any other gender, and any words in the singular number shall be held to include the plural (and vice versa), when the sense requires.

17.10 Titles.

The titles and article or paragraph headings are inserted only for convenience, and are in no way to be construed as a part of this Lease or as a limitation on the scope of the particular provisions to which they refer.

17.11 Severability.

If any provision of this Lease or the application of any provision to any person or circumstances shall be invalid or unenforceable to any extent, the remainder of this Lease, or the application of such provision to persons or circumstances other than those as to which it is invalid or unenforceable, shall not be affected, and each provision of this Lease shall be valid and be enforced to the fullest extent permitted by law.

17.12 Applicable Law.

This Lease shall be governed by and construed in accordance with the laws of the State of California.

**ARTICLE 18. ADDITIONAL RAD PROVISIONS**

18.1 Notwithstanding any other clause or provision in this Lease and so long as the RAD Use Agreement dated as of substantially even date herewith, as amended from time to time, is in effect, the following provisions shall apply:

(a) This Lease shall in all respects be subordinate to the RAD Use Agreement. Subordination continues in effect with respect to any future amendment, extension, renewal, or

any other modification of the RAD Use Agreement or the Lease.

(b) If any of the provisions of this Lease conflict with the terms of the RAD Use Agreement, the provisions of the RAD Use Agreement shall control.

(c) The provisions in this Section 19.1 are required to be inserted into this Lease by HUD and may not be amended without HUD's prior written approval.

(d) Violation of the RAD Use Agreement constitutes a default of this Lease.

(e) Notwithstanding any other contract, document or other arrangement, upon termination of this Lease, title to the Leased Premises shall remain vested in the Authority and title to the buildings, fixtures, improvements, trade fixtures and equipment that belong to Lessee shall vest in the Authority.

(f) Neither the Lessee nor any of its partners shall have any authority to:

i. Take any action in violation of the RAD Use Agreement; or

ii. Fail to renew the RAD HAP Contract and/or HAP Contract upon such terms and conditions applicable at the time of renewal when offered for renewal by the Authority or HUD.

(g) Except to the extent permitted by the RAD HAP Contract or RAD Use Agreement and the normal operation of the Project, neither the Lessee nor any of its partners shall have any authority without the consent of the Authority to sell, transfer, convey, assign, mortgage, pledge, sublease or otherwise dispose of, at any time, the Project or any part thereof.

## **SIGNATURES ON FOLLOWING PAGE**

IN WITNESS WHEREOF, the Parties have executed this Lease effective as of the day and year first above written.

**AUTHORITY:**

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

By: \_\_\_\_\_  
La Shelle Dozier, Executive Director

**LESSEE:**

**RAD PILOT LP, A CALIFORNIA LIMITED PARTNERSHIP**

By: RAD Pilot LLC, a California limited liability  
company, its managing general partner

By: Sacramento Housing Authority Relocation  
Program, Inc., a California nonprofit public benefit  
corporation, its sole member and manager

\_\_\_\_\_  
James Shields, President

EXHIBIT A

LEASED PREMISES

**Legal Description of Pointe Lagoon - 9205 Elk Grove Boulevard, Elk Grove, CA 95624**

SITE F: 9205 Elk Grove Boulevard

The land described herein is situated in the State of California, County of Sacramento, City of Elk Grove, described as follows:

Parcel No. 1:

All that portion of the Southeast one-quarter of Section 31, Township 7 North, Range 6 East, described as follows:

Beginning at a point on the South line of said Section 31 bears West (measured along the South line of said Section 31) 1408.5 feet distant; thence from said point of beginning, North 231 feet; thence West 88.5 feet; thence South 231 feet to a point on the South line of said Section 31; thence along the South line of said Section 31, East 88.5 feet to the point of beginning.

Excepting therefrom all buildings and improvements situated thereon, which buildings and improvements are and shall remain real property.

Parcel No. 2:

All that portion of the Southeast one-quarter of Section 31, Township 7 North, Range 6 East, described as follows:

Beginning at a point on the South line of said Section 31, from which point the Southwest corner of the Southeast one-quarter of Section 31 bears West (measured along the South line of said Section 31) 1458.5 feet distant; thence, from said point of beginning, North 231 feet; thence West 50 feet; thence South 231 feet to a point on the South line of said Section 31; East 50 feet to the point of beginning.

Excepting therefrom all buildings and improvements situated thereon, which buildings and improvements are and shall remain real property.

Parcel No. 3:

All that portion of the Southeast one-quarter of Section 31, Township 7 North, Range 6 East, described as follows:

Beginning at a point on the South line of said Section 31, from which point the Southwest corner of the Southeast one-quarter of said Section 31 bears West (measured along the South line of said Section 31) 1508.5 feet distant; from said point of beginning, North 231 feet, thence West 50 feet; thence South 231 feet to a point on the South line of said Section 31; thence, along the South line of said Section 31, East 50 feet to the point of beginning.

Excepting therefrom all buildings and improvements situated thereon, which buildings and improvements are and shall remain real property.

APN: 125-0270-051-0000

**Legal Description of Rio Garden - 8223 Walerga Road, Antelope, CA 95843**

SITE E: 8223 Walerga Road

The land described herein is situated in the State of California, County of Sacramento, unincorporated area, described as follows:

Parcel A of that certain Parcel Map entitled "A portion of the Southwest one-quarter of Section 18, Township 10 North, Range 6 East, M.D.B. & M.", filed June 24, 1976 in Book 26 of Parcel Maps, Page 48 in the office of the recorder, Sacramento County.

Excepting therefrom all buildings and improvements situated thereon, which buildings and improvements are and shall remain real property.

APN: 203-0070-041-0000

**Legal Description of Pointe Lagoon - 4930 El Paraiso Avenue, Sacramento, CA 95824**

SITE C: 4930 El Paraiso Avenue

The land described herein is situated in the State of California, County of Sacramento, unincorporated area, described as follows:

Lot A, as shown on the "Revised Plat of Country Place" filed in the office of the recorder of Sacramento County, in Book 149 of Maps, Map No. 16.

Excepting therefrom, that portion of said land granted to the Redevelopment Agency of the County of Sacramento, in Grand Deed recorded August 24, 1984 as Book 840824, Page 370, Official Records, described as follows:

Beginning at the Northerly corner of Lot A that lies on the centerline of Sampson Boulevard as said Boulevard is shown on said Map; thence from said point of beginning along said centerline and the most Westerly line of said Lot A South 0° 00' 00" West, 52.50 feet; thence leaving said centerline along a portion of the Southerly boundary of said Lot A, South 88° 12' 00" East, 212.00 feet; thence leaving last said line, North 6° 50' 00" East, 59.71 feet to a point on the Northerly boundary of said Lot A; thence along last line South 89° 58' 00" West, 219.00 feet to the point of beginning.

Excepting therefrom all buildings and improvements situated thereon, which buildings and improvements are and shall remain real property.



APN: 037-0224-047-0000

**Legal Description of Pointe Lagoon - 4500 Perry Avenue, Sacramento, CA 95820**

SITE D: 4500 and 4530 Perry Avenue

The land described herein is situated in the State of California, County of Sacramento, unincorporated area, described as follows:

Lot 10 as shown on the "Amended Plat of Hunger Tract No. 1", recorded in Book 15 of Maps, Map No. 8, records of said County.

Pursuant to that certain Certificate of Compliance, recorded September 20, 2019, Instrument No. 201909200647 Official Records.

Excepting therefrom all buildings and improvements situated thereon, which buildings and improvements are and shall remain real property.

APN: 022-0052-011-0000 and 022-0052-012-0000

EXHIBIT B

MEMORANDUM OF GROUND LEASE

RECORDING REQUESTED BY AND  
WHEN RECORDED MAIL TO:

Housing Authority of the County of Sacramento  
ATTN: Portfolio Management  
801 12th Street  
Sacramento, CA 95814

No fee for recording pursuant to  
Government Code Section 27383 and 6301

Mail Tax Statements As Directed Above

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(SPACE ABOVE THIS LINE FOR RECORDER'S USE)

**MEMORANDUM OF GROUND LEASE**

THIS MEMORANDUM OF GROUND LEASE (the "Memorandum") is made as of \_\_\_\_\_, 2020, by and among the HOUSING AUTHORITY OF THE COUNTY OF SACRAMENTO, a public body, corporate and politic, ("Authority") and RAD PILOT LP, a California limited partnership ("Lessee"), with respect to that certain Ground Lease dated as of \_\_\_\_\_, 2020 (the "Lease"), between Authority and Lessee.

Pursuant to the Lease, Authority has leased to Lessee and Lessee has leased from Authority that certain real property, more particularly described in Exhibit A, attached hereto and incorporated herein, (the "Property") and Authority has granted to Lessee, all the improvements constructed or to be constructed on the Property for the term of the Lease, which improvements are and shall remain real property. The Lease commenced on January 17, 2020, and shall continue from such date until the ninety-ninth (99th) anniversary of such date, or sooner termination pursuant to the terms of the Lease. The Lease shall remain subject and subordinate to the terms of that certain RAD Use Agreement recorded against the Property on or about the date of recordation of this Memorandum, for the term of the RAD Use Agreement.

This Memorandum shall incorporate herein all of the terms and provisions of the Lease as though fully set forth herein.

This Memorandum is solely for recording purposes and shall not be construed to alter, modify, amend or supplement the Lease, of which this is a memorandum.

IN WITNESS WHEREOF, the parties have caused this Memorandum to be duly executed as of the date first above written.

**AUTHORITY:**

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

By: \_\_\_\_\_  
La Shelle Dozier, Executive Director

**LESSEE:**

RAD PILOT LP, a California limited partnership

By: RAD Pilot LLC, a California limited liability company, its managing general partner

By: Sacramento Housing Authority Repositioning Program, Inc., a California nonprofit public benefit corporation, its sole member and manager

\_\_\_\_\_  
James Shields, President

EXHIBIT C

HAZARDOUS MATERIALS DISCLOSURE

Pointe Lagoon - 9205 Elk Grove Boulevard, Elk Grove, CA 95624

1. Hazardous Material Limited Survey for Lead and Asbestos
2. Phase 1 Environmental Site Assessments

Pointe Lagoon - 4930 El Paraiso Avenue, Sacramento, CA 95824

1. Hazardous Material Limited Survey for Lead and Asbestos
2. Phase 1 Environmental Site Assessments

Pointe Lagoon - 4500 Perry Avenue, Sacramento, CA 95820

1. Hazardous Material Limited Survey for Lead and Asbestos
2. Phase 1 Environmental Site Assessments

Rio Garden - 8223 Walerga Road, Antelope, CA 95843

1. Hazardous Material Limited Survey for Lead and Asbestos
2. Phase 1 Environmental Site Assessments

## EXHIBIT D

### **FEDERAL REQUIREMENTS**

The following provisions shall be applicable to this Agreement and binding on Contractor and Sacramento Housing and Redevelopment Agency (Agency) only if all or part of the funds to be paid for work performed under this Agreement are provided by the United States Department of Housing and Urban Development (other than Community Development Block Grant funds) or some other funding program of the federal government. In the event of a dispute as to the applicability of any of the following provisions to Contractor's work under this Contract, Agency's decisions shall be final.

1. **DEFINITIONS.** For purposes of this contract and in addition to definitions made elsewhere in this contract, the following quoted words and phrases contained in this Contract shall have the following meanings:

- a) The "Act" is the federal Housing and Community Development Act of 1974, as amended.
- b) "Cost Objective" generally means a service, program, project or activity in which costs can be assigned to and measured from. See 2 CFR §200.28.
- c) "Allocable Costs" are particular to a Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received. See 2 CFR §200.405.
- d) "Direct costs" are those costs that can be identified specifically with a particular final cost objective or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy. See 2 CFR §200.413.
- e) "Indirect costs" means those costs incurred for a common or joint purpose benefitting more than one cost objective and not readily assignable to the cost objectives specifically benefitted without effort disproportionate to the results achieved. See 2 CFR §§ 200.56, 200.413, and 200.414.
- f) "Reasonable Costs" include costs that are generally recognized as ordinary and necessary for the operation or efficient performance of the contract or award and do not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. See 2 CFR §200.404.

2. **ANTI-KICKBACK RULES.** Monthly, or more often, Contractor must, without condition, pay the salaries of architects, draftsmen, technical engineers and technicians performing work under this Contract. Such payments shall be made without deduction or rebate, excepting only such payroll deductions as are mandatory by law or permitted by applicable regulations issued by the Secretary of Labor pursuant to the "Anti-Kickback Act" of June 13, 1937 (Title 18 U.S.C., Section 874). Contractor shall comply with all applicable "Anti-Kickback" regulations and shall insert appropriate provisions in all subcontracts covering work under this Contract to ensure compliance by subcontractors with such regulations. Contractor shall be responsible for the submission of affidavits required of subcontractors under this Contract, except for such variations or exemptions as the Secretary of Labor may specifically allow.

3. **WORK HOURS.** Contractor must comply with the provisions of the Contract Work Hours and Safety Standards Act (40 U.S.C. Sections 3701-3708) and must cooperate with Agency in implementing and enforcing the provisions of such Act. Among other requirements of the act, Contractor must pay not less than one and one-half times the basic rate of pay for the work of Contractor's employee in excess of eight hours in one day or forty hours in one week, in the performance of this Contract. Contractor must insert appropriate provisions in all subcontracts covering work under this Contract to ensure compliance with such Act. Contractor must meet and cooperate with Agency's Labor Compliance officer to assure compliance with such Act.

**4. WITHHOLDING OF SALARIES.** If, in the performance of this Contract, there is any underpayment of salaries by Contractor or by any subcontractor, Agency must withhold from Contractor out of payments due to him or her any amount sufficient to pay employees underpaid the difference between the salaries required under this Contract to be paid and the salaries actually paid such employees for the total number of hours worked. The amounts withheld shall be disbursed by Agency for and on account of Contractor or subcontractor to the respective employees to whom they are due.

**5. CLAIMS AND DISPUTES PERTAINING TO SALARY RATES.** Claims and disputes pertaining to salary rates or to classification of architects, draftsmen, technical engineers and technicians performing work under this Contract must be promptly reported in writing by Contractor to Agency for the latter's decision which shall be final with respect thereto.

**6. EQUAL EMPLOYMENT OPPORTUNITY REQUIREMENTS:**

- i. Contractor will send to each labor union or representative of workers with whom he or she has a collective bargaining agreement or other contract or understanding, a notice to be provided by Agency, advising the labor union or workers' representative of Contractor's commitments under Section 202 of Executive order No. 11246 of September 24, 1965, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.
- ii. Contractor will comply with all provisions of Executive Order No. 11246 of September 24, 1965, and of the rules, regulations and relevant orders of the Secretary of Labor.
- iii. Contractor will furnish all information and reports required by Executive Order No. 11246 of September 24, 1965, and by the rules, regulations and orders of the Secretary of Labor, or pursuant thereto, and will permit access to his or her books, records and accounts by Agency and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations and orders.

**7. ECONOMIC OPPORTUNITY EMPLOYMENT REQUIREMENTS.** The following is applicable to all contracts related to the project which is the subject of this Contract.

- i. The work to be performed under this Contract is on a project assisted under a program providing direct federal financial assistance from the Department of Housing and Urban Development and is subject to the requirements of Section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. §1701u. Section 3 requires that, to the greatest extent feasible, opportunities for training and employment be given to lower-income residents of the project area and contracts be awarded to business concerns which are located in, or owned in substantial part by persons residing in, the area of the project.
- ii. The parties to this Contract will comply with the provisions of said Section 3 and the regulations issued pursuant thereto by the Secretary of Housing and Urban Development set forth in 24 CFR 135, and all applicable rules and orders of the Department issued thereunder prior to the execution of this Contract.
- iii. The contract requires that, to the greatest extent feasible, opportunities for training and employment be given to lower-income residents of the project area.
- iv. The parties to this Contract certify and agree that they are under no contractual or other disability which would prevent them from complying with these requirements.

v. Contractor will send to each labor organization or representative of workers with which he or she has a collective bargaining agreement or other contract or understanding, if any, a notice advising said labor organization or workers' representative of his or her commitments under this Employment Clause and shall post copies of the notice in conspicuous places available to employees and applicants for employment or training.

vi. Contractor will include this Employment Clause in every subcontract for work in connection with the project.

vii. Each Contractor or subcontractor undertaking work in connection with a Section 3 covered project must fulfill its obligation to utilize lower-income project area residents as employees to the greatest extent feasible by:

(1) Identifying the number of positions in the various occupational categories including skilled, semi-skilled, and unskilled labor, needed to perform each phase of the Section 3 covered project;

(2) Identifying the positions described in Paragraph (1) of this Section, the number of positions in the various occupational categories which are currently occupied by regular, permanent employees;

(3) Identifying the positions described in Paragraph (1) of this Section, the number of positions in the various occupational categories which are not currently occupied by regular permanent employees;

(4) Establishing the positions described in Paragraph (3) of this Section, a goal which is consistent with the purpose of this subpart within each occupational category of the number of positions to be filled by lower income residents of the Section 3 covered project area; and

(5) Making a good faith effort to fill all of the positions identified in Paragraph (4) of this Section with lower income project area residents, first and foremost, through the First Source Program.

(6) Making a good faith effort to fill the positions identified in Paragraph (4) of this Section with lower-income project area residents.

**8. DAVIS-BACON ACT.** Unless expressly indicated otherwise in this Contract, if this Contract is for construction, alteration, or repair (including painting and decorating) of public buildings or public works, Contractor must comply with the provisions of the Davis-Bacon Act (40 U.S.C. §3142) and all rules, regulations and orders promulgated under said Act. Among other provisions, said act establishes minimum wages and fringe benefits; prohibits deductions or rebates from payments; provides for the withholding of funds to assure compliance with wage provisions; and provides for the termination of this Contract and debarment of the Contractor for failure so to comply.

**9. CONFLICT OF INTEREST.** No member, officer or any employee of Contractor, or its designees or agents, who exercises any functions or responsibilities with respect to the program during his or her tenure or for one (1) year thereafter, shall have an interest, direct or indirect, in any contract or its proceeds, for work to be performed in connection with the program assisted under this Contract. Contractor must incorporate, or cause to be incorporated, in all subcontracts a provision prohibiting such interest pursuant to the purposes of this Section.

**10. DISCRIMINATION BECAUSE OF CERTAIN LABOR MATTERS.** No person employed on the work covered by this Contract shall be discharged or in any way discriminated against because he or she has

filed any complaint or instituted or caused to be instituted any proceeding or has testified or is about to testify in any proceeding under or relating to the labor standards applicable to his or her employer under this Contract.

**11. RECORDS, REPORTING AND MONITORING.** Agency may monitor the adequacy of Contractor's performance in any manner which Agency deems most effective. Contractor must cooperate with Agency in such monitoring. Subrecipient must keep all necessary books and records, including loan documentation and financial records, in connection with the operation and services performed under this Contract and must document all transactions so Agency may properly audit all expenditures made pursuant to this Contract. Subrecipient must maintain and preserve all records related to this Contract in its possession for a period of three (3) years from the completion date of this Contract, unless otherwise directed by Agency. All books, records and accounts kept by Subrecipient in connection with the performance of this Contract shall be made available for inspection by representatives of the federal government and/or Agency staff as required to monitor or audit the program.

In addition to the reports specified in this Contract, Subrecipient shall retain the records required by the applicable provisions of 24 CFR §570.506 and provide the Agency with the reports required pursuant to 2 CFR §§ 200.328, 200.333, and 200.343, and such other records and reports as the Agency may reasonably require in the administration of this Contract. Subrecipient shall keep all other necessary books and records, including property, personnel, loan documentation and financial records, in connection with the operation and services performed under this Contract, in accordance with the provisions of Executive Order 11246 and 2 CFR §200.333. Subrecipient shall conduct audits in accordance with 2 CFR, Part 200, Subpart F. Subrecipient shall document all transactions sufficiently for Agency to properly monitor and audit all expenditures made pursuant to this Contract.

**12. DRUG FREE WORKPLACE.** Contractor must comply with the Drug-Free Workplace Act of 1988 (final rule published on May 25, 1990) and Agency's policies and rules promulgated under the Act. Contractor must obtain such policies and rules from the Agency.

**13. RESEARCH AND DEVELOPMENT (R & D).** Funds may not be used for R & D. R & D means all research and development related activities, both basic and applied, that are performed by non-Federal entities. See 2 CFR §200.87 for additional information on R & D.

**14. COSTS.** All costs must be necessary and reasonable for the performance of the federal award and be allocable thereto under these principles per 2 CFR §§ 200.403 and 404. Classifying a particular cost as direct or indirect depends on whether it can be identified directly with a cost objective (such as a project or activity) without disproportionate effort. All costs must comply with 2 CFR Part 200, Subpart E-Cost Principles (2 CFR §§ 200.420-200.475).

The contractor may elect, but is not required, to charge for indirect costs. If the contractor chooses to charge for indirect costs, the maximum indirect cost rate is 10% (*de minimis*), unless an indirect cost rate has been previously negotiated with and approved by the agency which is the federal agency responsible for reviewing, negotiating and approving cost allocation plans or indirect cost rate proposals. The negotiated rate must be accepted by all federal awarding agencies.

**15. FOOD, TRAVEL AND ENTERTAINMENT.** Travel costs may include expenses for transportation, lodging and subsistence, and are only allowable for employees who are in travel status on official business and approved as part of this contract or with prior written approval and are specifically related to this contract. Costs must be considered reasonable and must not exceed charges allowed by contractor's Out of Town Travel Policy. See 2 CFR §200.474 for additional information on travel costs and [www.shra.org](http://www.shra.org) for the Out of Town Travel Policy.

The costs of entertainment, including amusement, diversion and social activities and any associated costs are not allowed except where specific costs that might otherwise be considered entertainment have a programmatic purpose and are authorized either in the approved budget for the federal award or with prior written approval.



All entertainment costs must comply with 2 CFR §200.438. In addition, the costs of alcoholic beverages are not allowed under 2 CFR §200.423.

**16. CHANGES IN LAWS AND REGULATIONS.** In the event an applicable law or regulation is modified or eliminated, or a new law or regulation is adopted, the revised law or regulation **shall automatically supersede the contract's scope of work and any attachments. The most current exhibits, laws and regulations will be posted at [www.shra.org](http://www.shra.org).**

**17. OTHER FEDERAL REQUIREMENTS.** Agency must provide Contractor with all relevant program information regarding the federal programs having jurisdiction over this Contract. Agency must assist Contractor in the interpretation of the requirements of such programs. Contractor shall be considered to be familiar with the requirements of such programs and shall comply with such requirements.

**PROMISSORY NOTE  
(LOAN FOR THE GROUND LEASE)  
RAD 1**

**COUNTY OF SACRAMENTO**

**4500 PERRY AVENUE; 4930 EL PARAISO AVENUE, SACRAMENTO, CALIFORNIA; 8223 WALERGA ROAD,  
ANTELOPE, CALIFORNIA; AND 9205 ELK GROVE BOULEVARD, ELK GROVE, CALIFORNIA**

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

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

<b>DEFINED TERM:</b>	<b>DEFINITION:</b>
“Effective Date”	_____, 2020
“Lender”	Housing Authority of the County of Sacramento
“Borrower”	RAD Pilot LP
“Borrower Legal Status”	A California limited partnership
“Loan Agreement”	The Ground Lease Agreement between the Borrower and Lender as of the Effective Date for making of the loan (“Loan”) evidenced by this Note.
“Principal Amount”	One Million Twenty Thousand Dollars and No Cents (\$1,020,000)
“Interest Rate”	Interest shall accrue on the unpaid Principal Amount of this Note at the applicable federal rate in effect on the Accrual Date, which was _____ percent (___%) per annum, compounded annually.
“Accrual Date”	Interest shall accrue starting on the following “Accrual Date”:  Date of ownership transfer to Borrower.
“Special Terms”	None.
<b>PAYMENT SCHEDULE.</b> Repayment of this Note shall be made the following amounts:	
“Maturity Date”	The Maturity Date is 684 months, February 1, 2077.
“Payment Start Date”	Commencing on the first day of the 40th month following the Effective Date of this Loan Agreement, May 1, 2023, annual payments of interest and principal shall be due in arrears subject to review of annual audited financial statement as described in the Promissory Note for the Improvements.

<p>“Payment Amount(s)”</p>	<p><b>ANNUAL REPAYMENT:</b> Annual principal and interest payments shall be deferred from the Loan’s Effective Date through the first 39 months. Beginning in month 40, May 1, 2023, annual payments will be made on a Residual Receipts, as defined below, basis until the maturity date. Annual payments shall be applied first to outstanding interest accrued and unpaid and then to principal.</p> <p>“Residual Receipts” is defined as follows: May 1, 2023, annual installments (as described in Sections [f] through [l] of this paragraph) are to begin. Based on the annual audited financial statement from the preceding year, payments will be made upon a “Residual Cash Flow” basis meaning Net Operating Income (NOI) less:</p> <ul style="list-style-type: none"> <li>(a) Debt service on the senior loan</li> <li>(b) Monitoring fees to the County of Sacramento Housing Authority on the mortgage revenue bond issuance;</li> <li>(c) If applicable, to the limited partner for any amounts owed to the limited partner pursuant to the Borrower’s Amended and Restated Partnership Agreement;</li> <li>(d) Asset management fees up to \$8,000 annually as of the Loan’s Effective Date escalating at 3% annually;</li> <li>(e) Partnership management fee up to \$8,000 annually as of the Loan’s Effective Date escalating at 3% annually;</li> <li>(f) Deferred developer fee;</li> </ul> <p>After Sections (a) through (f) of this paragraph are paid,</p> <ul style="list-style-type: none"> <li>(g) Fifty percent (50%) of the available cash flow from NOI to the Housing Authority of the City of Sacramento Construction and Permanent Loan, divided equally first to the Capital Funds Note, then to Cash Proceeds Note, including principal and interest, and</li> <li>(h) Fifty percent (50%) of the available cash flow from NOI to the Housing Authority of the County of Sacramento Construction and Permanent Loan, divided equally first to the Capital Funds Note, then to Cash Proceeds Note, including principal and interest;</li> </ul> <p>After Sections (a) through (h) of this paragraph are paid,</p> <ul style="list-style-type: none"> <li>(i) Fifty percent (50%) of the available cash flow from NOI to the Housing Authority of the County of Sacramento Seller Carryback Loan (Improvements), and</li> <li>(j) Fifty percent (50%) of the available cash flow from NOI to the Housing Authority of the City of Sacramento Seller Carryback Loan (Improvements);</li> </ul> <p>After Sections (a) through (j) of this paragraph are paid,</p> <ul style="list-style-type: none"> <li>(k) One hundred percent (100%) of the available cash flow from NOI to Sacramento Housing and Redevelopment Agency Construction and Permanent Loan;</li> </ul> <p>After Sections (a) through (k) of this paragraph are paid,</p> <ul style="list-style-type: none"> <li>(l) Fifty percent (50%) of the available cash flow from NOI to the Housing Authority of the County of Sacramento Ground Lease, and</li> <li>(m) Fifty percent (50%) of the available cash flow from NOI to the Housing Authority of the City of Sacramento Ground Lease.</li> </ul> <p>The Net Operating Income is defined as periodic “Revenue” less “Operating Expenses.” “Revenue” means all revenue from the leasing of the Project, including but not limited to all rents, fees, and charges paid by tenants as well as rental subsidy payments regardless of the source of these subsidies, forfeited tenant deposits, rent increases, proceeds from vending machines and laundry room machines. Revenue shall not include tenants’ security deposits (unless forfeited), interest on those deposits, loan proceeds, capital contributions or similar advances, or amounts released from reserves or interest on reserves.</p> <p>“Operating Expenses” shall mean actual costs, fees and expenses as evidenced by invoices attributable to the operation, recordkeeping, maintenance, taxes and management of the Project, including property management fees; taxes and assessments; payroll, benefits and payroll taxes of for property employees; insurance; security; painting, cleaning, repairs, and alterations; landscaping; sewer charges; utility charges; advertising, promotion and publicity; cable television, satellite and other similar services; office, janitorial, cleaning and building supplies; recreational amenities and supplies; purchase, repair, servicing and installation of appliances; costs and expenses associated with the provision of social and/or community services to the residents of the Project; equipment, fixtures and furnishing; fire alarm and elevator monitoring; fees and expenses of accountants, attorneys, consultants and other professionals. The definition will include deposits into operating and/or replacement reserves maintained by the Borrower but will not include initial deposits to capitalize the reserve accounts or amounts expended from a reserve account, or capital costs.</p> <p>Principal and interest due in full upon refinance, sale or end of Term.</p>
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	The first day of the 684th calendar month following the Effective Date: February 1, 2077.	Principal and accrued interest due in full
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**FOR VALUE RECEIVED, THE UNDERSIGNED, JOINTLY AND SEVERALLY, PROMISES TO PAY** to Lender, or its successors or assigns, the Principal Amount or such lesser amount as may be endorsed on this Note on behalf of Lender. The Loan shall bear interest on the outstanding principal balance, computed from the Accrual Date at the Interest Rate.

1. This Note evidences the obligation of Borrower to Lender for repayment of funds loaned to Borrower under a loan agreement between Borrower and Lender dated as of the Effective Date ("Loan Agreement"). The terms and covenants of the Loan Agreement are incorporated in this Note by reference. The Loan Agreement provides for and incorporates the RAD Use Agreement ("RAD Use Agreement"), the making of which is further consideration for this Note.
2. All payments on this Note shall be applied first to fees and charges due under the Loan Agreement, if any, then interest and then to the principal due on this Note. Borrower shall make the payments to the Lender at 801 12<sup>th</sup> Street, Sacramento, CA 95814, or to such other person or organization as may be designated by Lender to Borrower and noticed as provided in the Loan Agreement.
3. If any installment under this Note is not received by Lender within fifteen (15) calendar days after the installment is due, Borrower shall pay to Lender a late charge of five percent (5%) of such installment. Such late charge shall be immediately due and payable without demand by Lender.
4. This Note is secured by a Deed of Trust with Assignment of Rents against the real property described in the Loan Agreement ("Property"), recorded in the office of the County Recorder of Sacramento County ("Trust Deed"). The Trust Deed securing this Note provides that Lender may at its option, declare all funds secured by the Trust Deed immediately due and payable, if any interest in the real property is sold, transferred or conveyed to any person, whether voluntarily or involuntarily. The Trust Deed further provides that if Borrower does not comply with the requirements of the RAD Use Agreement and fails to come into compliance with the RAD Use Agreement within thirty (30) days after Lender's written notice to Borrower of such failure, then, subject to any rights of Borrower's limited partners explicitly set forth in the Trust Deed, (or such longer period explicitly set forth in the Trust Deed), Lender may at its option, declare all funds secured by the Trust Deed immediately due and payable.
5. Lender and Borrower shall comply with and fulfill the Special Terms.
6. 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 Interest Rate from the date of the advancement of the Loan's proceeds, subject to applicable cure periods, set forth herein or in the Loan Agreement or Trust Deed if any:
  - a. Borrower defaults in the payment of any principal or interest when due and fails to cure within 10 (ten) days.
  - b. Lender discovers that Borrower, in any application to Lender in connection with the Loan, had failed to disclose or misrepresented any fact that would have prevented Borrower from being eligible for the Loan.
  - c. Lender discovers that Borrower has made any misrepresentations or has intentionally withheld any fact in the making of this Loan, the knowledge of which could have affected the decision of Lender to make the Loan.
  - d. Borrower defaults or breaches any of the terms of Loan Agreement, the Trust Deed, the RAD Use Agreement or this Note and Borrower fails to cure within 30 days after receipt of notice, provided, however, that if such cure cannot reasonably be effected within such 30 day period, such failure shall not be a default so long as Borrower promptly (and in any event, within ten (10) days after receipt of such notice) commences such cure and thereafter diligently (and in any event, within ninety (90) days after receipt of such notice) prosecutes such cure to completion. Any limited partner of Borrower is entitled to the notice and cure provisions set forth in Section 16 of the Trust Deed.
  - e. Borrower fails to perform any covenant, term or condition in any instrument creating a lien upon the Property, which is the security under the Trust Deed, or any part thereof, which lien shall have priority over the lien of the Trust Deed securing this Note.

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

g. The occurrence of any of the following:

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

2) Proceedings for the appointment of a receiver, trustee or liquidator of the assets of Borrower or a substantial part of such assets, being authorized or instituted by or against the Borrower which are not stayed within 90 days.

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 which are not stayed within 90 days.

7. Any limited partner of Borrower is entitled to the notice and cure provisions set forth in Section 16 of the Trust Deed.

8. 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.

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

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

11. This Loan is a non-recourse 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.

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

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

**Borrower:**

**RAD Pilot LP, a California limited partnership**

By: RAD Pilot LLC, a California limited liability company,  
its managing general partner

By: Sacramento Housing Authority Repositioning Program, Inc.,  
a California nonprofit public benefit corporation, its sole member and manager

\_\_\_\_\_  
James Shields, President

NO FEE DOCUMENT:  
 Entitled to free recording  
 per Government Code 27383.

When recorded, return to: HOUSING AUTHORITY OF THE COUNTY OF SACRAMENTO  
 801 12<sup>th</sup> Street  
 Sacramento, CA 95814  
 Attention: Portfolio Management

**DEED OF TRUST AND ASSIGNMENT OF RENTS  
 FOR THE GROUND LEASE  
 RAD 1**

**COUNTY OF SACRAMENTO**

4500 Perry Avenue (APN: 022-0052-011-0000 and 022-0052-012-0000); 4930 El Paraiso Avenue (APN: 037-0224-047-0000); Sacramento, California; 9205 Elk Grove Boulevard, Elk Grove, California APN: 125-0270-051); and 8223 Walerga Road, Antelope, California (APN203-0070-041-0000)

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

“Effective Date”	_____, 2020	
“Trustor” and “Borrower”	RAD Pilot LP, a California limited partnership	
“Borrower Address”	c/o SHARP, 801 12 Street, Sacramento, California 95814	
“Trustee”	Placer Title Company, 301 University Avenue, Suite 120, Sacramento, CA 95825	
“Beneficiary” and “Lender” and “Landlord”	Housing Authority of the County of Sacramento, a public body, corporate and politic	
“Lender Address”	801 12th Street, Sacramento, California 95814	
“Property”	Which consists of the Improvements and leasehold estate in real property located in the County of Sacramento and the State of California as more particularly described in the Legal Description.	
	Address and Assessor’s Parcel Number (APN)	4500 Perry Avenue, Sacramento, Ca 95820 (APN 022-0052-011-0000 and 022-0052-012-0000)
		4930 El Paraiso Avenue, Sacramento, Ca 95824 (APN 037-0224-047-0000)
		9205 Elk Grove Boulevard, Elk Grove, Ca 95624 (APN 125-0270-051-0000)
		8223 Walerga Road, Antelope, Ca 95843 (APN 203-0070-041-0000)
“Legal Description”	The Legal Description of the Property which is more particularly described in the attached <b>Exhibit 1 Legal Description</b> , which is incorporated in and an integral part of this Deed of Trust.	
“Loan”	Which is Lender’s loan to Borrower evidenced by the Note and which is secured by this Deed of Trust.	

“Loan Agreement”	Which is the Ground Lease Agreement between Lender and Borrower stating the term and conditions of the Loan.	
	Which is dated:	_____, 2020
“Additional Notices”	Lender shall give copies of notices required to be delivered to Borrower to the following parties at the following addresses; provided, however that Borrower acknowledges that such notice is an accommodation and the failure of the Lender to properly deliver any such notice shall not give rise to any claims or defenses of Borrower or any third party:	

	<p><b>TAX CREDIT EQUITY INVESTOR</b>  NEF Assignment Corporation  Attention: General Counsel  10 South Riverside Plaza, Suite 1700  Chicago, IL 60606</p> <p><b>CONSTRUCTION LENDER</b>  Wells Fargo Bank, National Association  Community Lending and Investment  333 Market Street, 17<sup>th</sup> Floor  MAC# A0119-177  San Francisco, California 94105  Attention: Loan Administration Officer  Loan No. 1019305</p> <p><b>PERMANENT LENDER</b>  Prudential Affordable Mortgage Company, LLC, or affiliate  C/O PRUDENTIAL ASSET RESOURCES  2100 ROSS AVENUE, SUITE 2500  DALLAS, TEXAS 75201  ATTN: ASSET MANAGEMENT DEPARTMENT  Agency-Notice@prudential.com</p> <p>With a copy to:</p> <p>Federal Home Loan Mortgage Corporation  8100 Jones Branch Drive, MS B4P  McLean, Virginia 22102  Attention: Multifamily Operations - Loan Accounting  Email: mfla@freddiemac.com  Telephone: (703) 714-4177</p> <p>with a copy to: Federal Home Loan Mortgage Corporation  8200 Jones Branch Drive, MS 210  McLean, Virginia 22102  Attention: Managing Associate General Counsel –  Multifamily Legal Division  Email: joshua_schonfeld@freddiemac.com  Telephone: (703) 903 2000</p> <p><b>FISCAL AGENT</b>  U.S. Bank Global Corporate Trust  Attention: RAD 1  1 California Street, Suite 1000  San Francisco, CA 94111</p>			
<p>“Note”</p>	<p>Which is Borrower's note made in accordance with the Loan Agreement evidencing the following principal sum or such lesser amount as shall equal the aggregate amount disbursed to Borrower by Lender, with interest.</p> <table border="1" data-bbox="402 1717 1446 1812"> <tr> <td data-bbox="402 1717 581 1812"> <p>Which has a principal sum of</p> </td> <td data-bbox="581 1717 1446 1812"> <p>One Million Twenty Thousand Dollars and No Cents (\$1,020,000.00)</p> </td> </tr> </table>		<p>Which has a principal sum of</p>	<p>One Million Twenty Thousand Dollars and No Cents (\$1,020,000.00)</p>
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THIS DEED OF TRUST is made as of the Effective Date between the Trustor also referenced as the Borrower, the Trustee, and the Beneficiary also referenced as Lender.

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

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

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

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

Borrower and Lender covenant and agree as follows:

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

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

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

Unless Lender and Borrower otherwise agree in writing, insurance proceeds shall be applied to restoration or repair of the Property damaged, as and to the extent provided in the Loan Agreement.

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

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

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

6. Protection of Lender's Security. Borrower shall appear and defend any action or proceeding purporting to affect the security under this Deed of Trust or the rights of the Lender. If Borrower fails to perform the covenants and agreements contained in this Deed of Trust, or if any action or proceeding is commenced which materially affects Lender's interest in the Property, including, but not limited to, foreclosure, involuntary sale, eminent domain, insolvency, code enforcement, or arrangements or proceedings involving a bankrupt or decedant, then Lender may, upon notice to Borrower, make such appearances, disburse such sums and take such actions as are necessary to protect Lender's interest, including, but not limited to, disbursement of judgments, costs or reasonable attorney's fees and entry upon the Property to make repairs.

Any amounts disbursed by Lender pursuant to this Section 6, with interest, shall become additional indebtedness of Borrower secured by this Deed of Trust. Unless Borrower and Lender agree to other terms of payment, such amounts shall be payable upon notice from Lender to Borrower requesting payment, and shall bear interest from the date of disbursement at the highest rate permissible under applicable law. In any event, this Section shall be construed as a right and an option of Lender and shall not be construed to require Lender to incur any expense or take any action.

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

8. Condemnation. The proceeds of any award or claim for damages, direct or consequential, in connection with any condemnation or other taking of all or any part of the Property, or for conveyance in lieu of condemnation, shall be applied as provided in the Loan Agreement.

If the Property is abandoned by Borrower, or if, after notice by Lender to Borrower that the condemnor offers to make an award or settle a claim for damages, Borrower fails to respond to Lender within 30 days after the date such notice is mailed, Lender is authorized to collect and apply the proceeds, at Lender's option, either to restoration or repair of the Property or to the sums secured by this Deed of Trust.

Unless Lender and Borrower otherwise agree in writing, any such application of proceeds to principal shall not extend or postpone the due date of any payment or change the amount of such payment.

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

10. Forbearance by Lender Not a Waiver. Any forbearance by Lender in exercising any right or remedy under this Deed of Trust, or otherwise afforded by applicable law, shall not be a waiver or preclude the exercise of any such

right or remedy. The procurement of insurance or the payment of taxes or other liens or charges by Lender shall not be a waiver of Lender's right to accelerate the maturity of the indebtedness secured by this Deed of Trust.

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

12. Successors and Assigns Bound; Joint and Several Liability Captions. The covenants and agreements contained in this Deed of Trust shall bind, and the rights under this Deed of Trust shall inure to, the respective successors and assigns of Lender and Borrower, subject to the provisions of Section 15. All covenants and agreements of Borrower shall be joint and several. The captions and headings of the paragraphs of this Deed of Trust are for convenience only and are not to be used to interpret or to define its provisions.

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

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

15. Acceleration on Transfer or Refinancing of the Property; Assumption. Except as otherwise provided in the Loan Agreement, if all or any part of the Property or an interest in the Property is sold or transferred or refinanced by Borrower without Lender's prior written consent, Lender may, at Lender's option, declare all the sums secured by this Deed of Trust to be immediately due and payable. Lender shall have waived such option to accelerate if, prior to the refinancing, sale or transfer, Lender and the person to whom the Property is to be sold or transferred reach agreement in writing that the loan may be assumed. If Lender has waived the option to accelerate provided in this Section and if Borrower's successor in interest has executed a written assumption agreement accepted in writing by Lender, Lender shall release Borrower from all obligations under this Deed of Trust and the Note. Lender's prior approval is not required for (1) the sale or transfer of the limited partner's interest to one or more of the other partners that currently comprise the Borrower's entity, (2) the admission of the limited partner or its affiliate to the Borrower and the transfer of its interest to an affiliate thereof so long as the general partner, or managing member, of the transferor, or an affiliate thereof, is the general partner, or managing member of the transferee, or partner; however, Borrower is obligated to notify Lender within 30 days from the date of such sale or transfer, (3) the removal of the general partner of the Borrower by the limited partner for a default under Borrower's partnership agreement, provided that any replacement general partner is approved by Lender, which approval shall not be unreasonably withheld, conditioned or delayed.

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

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

remedies permitted by applicable law, provided, however, that if such cure cannot reasonably be effected within such 30 day period, such failure shall not be a default so long as Borrower promptly (and in any event, within ten (10) days after receipt of such notice) commences such cure and thereafter diligently (and in any event, within ninety (90) days after receipt of such notice) prosecutes such cure to completion. The limited partner is entitled to cure any defaults on behalf of the Borrower within the same specified time periods; said cure periods shall not extend statutory periods and times for notice and commencement of foreclosure; provided, however, that if, in order to cure any such default the limited partner must first remove a general partner of Borrower, then, provided that the limited partner notifies Lender of such removal and removes such general partner within a reasonable period, then the limited partner shall have until the date 30 days after the effective date of such removal to effect such cure. In any event, such cure process shall not exceed 120 days. Lender shall be entitled to collect from the Borrower, or sale proceeds, if any, all reasonable costs and expenses incurred in pursuing the remedies provided in this Section, including, but not limited to reasonable attorney's fees.

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

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

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

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

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

19. Nonrecourse. Notwithstanding any provision of this Deed of Trust or any document evidencing or securing this Loan, Borrower, and Borrower's principals, partners, agents, officers, and successors in interest shall not be personally liable for the payment of the Loan or any obligation of the Loan and Lender's sole recourse is to the collateral secured by this Deed of Trust.

20. Reconveyance. Upon payment of all sums secured by this Deed of Trust, Lender shall request Trustee to reconvey the Property and shall surrender this Deed of Trust and all notes evidencing indebtedness secured by this

Deed of Trust to Trustee. Trustee shall reconvey the Property without warranty and without charge to the person or persons legally entitled to such reconveyance. Such person or persons shall pay all costs of recordation, if any. The recitals in the reconveyance of any matters or facts shall be conclusive proof of their truthfulness.

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

22. Request for Notice. Borrower and each party listed to receive Additional Notices request that copies of the notice of default and notice of sale be sent to their respective addresses.

23. Statement of Obligation. Lender may collect a reasonable fee for furnishing the statement of obligation as provided by Section 2943 of the Civil Code of California, as it may be amended from time to time.

24. Use of Property. Borrower shall not permit or suffer the use of any of the Property for any purpose other than the use for which the same was intended at the time this Deed of Trust was executed.

25. Extended Use Agreement. In order to receive an allocation of federal low income housing tax credits, Borrower will be required to record in the real property records of the County in which the property is located, an "extended low-income housing commitment" (as defined in Section 42(h)(6)(B) of the Internal Revenue Code of 1986, as amended ("Code")) ("Extended Use Agreement"). Lender acknowledges and agrees that, in the event of a foreclosure of its interest under this Deed of Trust or delivery by the Borrower of a deed in lieu thereof (collectively, a "Foreclosure"), Lender agrees to comply with all the following rule contained in Section 42(h)(6)(E)(ii) of the Code shall apply: For a period of three (3) years from the date of Foreclosure, with respect to any unit that had been regulated by the Extended Use Agreement, (i) none of the eligible tenants occupying those units at the time of Foreclosure may be evicted or their tenancy terminated (other than for good cause, including but not limited to, the tenants' ineligibility pursuant to regulations of Section 42 of the Code), (ii) nor may any rent be increased except as otherwise permitted under Section 42 of the Code.

IN WITNESS WHEREOF, Borrower has executed this Deed of Trust.

BORROWER (Trustor):

**RAD Pilot LP, a California limited partnership**

By: RAD Pilot LLC, a California limited liability company,  
its managing general partner

By: Sacramento Housing Authority Repositioning Program, Inc.,  
a California nonprofit public benefit corporation, its sole member and manager

\_\_\_\_\_  
James Shields, President



February 1, 2020

Sacramento Housing and  
Redevelopment Commission  
Sacramento, CA

Honorable Members in Session:

SUBJECT:

Approval of Final Rental Assistance Demonstration (RAD) and Loan Documents, and  
Ground Lease for the RAD Phase 1 Project

SUMMARY

The attached report is submitted to you for review prior to final review by the City of  
Sacramento.

Respectfully submitted,

by:   
LA SHELLE DOZIER  
Executive Director

Attachment



**REPORT TO HOUSING AUTHORITY**  
**City of Sacramento**  
915 I Street, Sacramento, CA 95814-2671  
[www.CityofSacramento.org](http://www.CityofSacramento.org)

**Consent Item**  
**January 28, 2020**

**Chair and Members of the Housing Authority Board**

**Title: Approval of Final Rental Assistance Demonstration (RAD) and Loan Documents, and Ground Lease for the RAD Phase 1 Project**

**Location/Council District:** 4921 Folsom Boulevard and 1043 43rd Avenue/  
Districts 3 and 5

**Recommendation:** Adopt a Housing Authority Resolution for the RAD Phase 1 Project authorizing the Executive Director, or designee, to a) enter into and execute all necessary documents, agreements and certificates, including, but not limited to the RAD Documents, Acquisition Documents, Seller Carryback Loan Documents, Construction-Permanent Loan Documents, Ground Lease Loan Documents, the Governmental Note, Pledge Obligations, Assignment/Subordination Documents, Administrative Services Agreement, Property Management Agreement, Assignment of Services Contracts, Option/ROFR Documents, and any and all other documents necessary for the Housing Authority of the City of Sacramento (Housing Authority) to convert the Project through the RAD Program, convey the leasehold interest in the Land and fee interest in the Improvements, consummate and subordinate the Seller Carryback Loan, the Construction-Permanent Loan, and the Ground Lease Loan, and otherwise reasonably assist the Partnership in securing the financing for the Project; b) perform actions necessary to convert the Project through the RAD Program, including, but not limited to amending the Housing Authority budget for financing the Project; and c) approving environmental and related findings.

**Contact:** Christine Weichert, Assistant Director, (916) 440-1353, Tyrone Roderick Williams, Director of Development, (916) 440-1316, LaTanna Jones, Assistant Director, (916) 440-1334, Sacramento Housing and Redevelopment Agency

**Department:** Sacramento Housing and Redevelopment Agency

## Description/Analysis

### Issue Detail:

#### Asset Repositioning Plan

On October 30, 2018, the Housing Authority Board of the City of Sacramento (Board) adopted Resolution No. 2018-0019 which approved updates to the Housing Authority Asset Repositioning Plan allowing for conversion of the public housing portfolio under the Rental Assistance Demonstration (RAD) and Section 18 Demolition and Disposition (Section 18) Programs. Additionally, the Board authorized the Housing Authority to submit an application to United States Department of Housing and Urban Development (HUD) to reposition and convert City Public Housing Properties under the Rental Assistance Demonstration (RAD) and Section 18 Demolition and Disposition Programs.

As part of the initial Asset Repositioning Plan, guiding principles were adopted to establish policy direction for each repositioning activity. The general objective of these principles was to prevent the loss of units for extremely low income households, facilitate a decreased reliance on federal funds, incorporate smart growth principles into development opportunities, reinvest sale proceeds into Housing Authority replacement units, foster partnerships with entities to position development efforts for success, and to pursue actions that would generate fees and other revenue for the Housing Authority. Conversion to RAD is a critical component of the Asset Repositioning Plan as RAD allows public housing agencies (PHAs) to convert public housing units to long-term, Project Based Voucher rental assistance developments which facilitates access to private debt and equity to address immediate and long-term capital needs.

#### RAD and HOTMA Project Based Vouchers

On November 30, 2018, HUD approved a joint application from both the City and County Housing Authorities authorizing conversion of 124 public housing units to the RAD Program and also approved 118 RAD Program specific Project Based Vouchers. These vouchers are new to Sacramento and will increase the total number of vouchers administered by the County Housing Authority. HUD has the authority to remove five percent (six units) of the 124 units from the RAD Program to allow for higher contract rents without impacting the tenant rents as authorized by Public and Indian Housing (PIH)-2012-32 (HA) H-2017-03, REV-3.

On May 17, 2019, the Housing Authority staff requested and HUD approved the remaining six units without RAD vouchers to participate in HUD's Housing Opportunity Through Modernization Act (HOTMA) Project Based Voucher (PBV) Program. These HOTMA PBVs are from existing Housing Authority vouchers and are required in order to provide long-term operating feasibility for the Project. Subject to annual appropriations and compliance with PBV program requirements, the RAD and HOTMA vouchers will remain at the Project as long as the Housing Authority has an ownership interest in the properties.

Conversion of the properties to RAD requires a Use Agreement with HUD and a 99-year ground lease that includes affordability restrictions on the land beyond the 55-year tax credit affordability term. RAD conversion will not change the composition of the units which will continue to target households with incomes at or below 80 percent of the area



median income. The Housing Authority will maintain its ground lease and ownership interest in the land to ensure that affordability restrictions do not expire. The PBV and HOTMA allocations for the six scattered sites are summarized in the table below.

### RAD Phase 1 - RAD and HOTMA Project Based Vouchers

Six Scattered Sites	Location and Jurisdiction	RAD PBV	HOTMA PBV	Total PBV
Pointe Lagoon Site 1	4500 Perry Ave. County of Sacramento	5	5	10
Pointe Lagoon Site 2	4930 El Paraiso Ave. County of Sacramento	36	0	36
Pointe Lagoon Site 3	9205 Elk Grove Blvd. City of Elk Grove	16	0	16
Rio Garden	8223 Walerga Road County of Sacramento	24	0	24
Oak Park	4921 Folsom Blvd. City of Sacramento	10	0	10
Meadow Commons	1043 43rd Ave. City of Sacramento	27	1	28
<b>Total</b>		<b>118</b>	<b>6</b>	<b>124</b>

#### Loan Commitment and Option Agreement

On July 23, 2019, the Board adopted Resolution No. 2019-0012, which authorized the Housing Authority to enter into a Loan Commitment and an Option Agreement for the Ground Lease and Purchase and Sale of Improvements, in an amount justified by an updated fair market value appraisal, with the Sacramento Housing Authority Repositioning Program, Inc., (SHARP), or related entity. Appraisals were updated on August 14, 2019.

#### Tax Credit and Tax Exempt Mortgage Revenue Bonds Allocation

On October 16, 2019, the California Tax Credit Allocation Committee (CTCAC) allocated four percent federal tax credits and the California Debt Limit Allocation Committee (CDLAC) awarded multifamily mortgage revenue bonds to the Project.

#### Financing Loan

On December 16, 2019, SHARP requested a \$950,000 construction and permanent financing loan from SHRA comprised of County HOME funds due to increased construction costs at the scattered sites located at 4500 Perry Avenue, 4930 El Paraiso Avenue and 8223 Walerga Road in the unincorporated area of the County of Sacramento. This loan does not affect City HOME funds.

Staff is requesting approval to enter into and execute all necessary documents, agreements and certificates necessary to carry out the RAD Phase 1 Project including, but not limited to the following:

- RAD Documents
- Acquisition Documents
- Seller Carryback Loan Documents

- Construction and Permanent Loan Documents
- Ground Lease Loan Documents
- Governmental Note
- Pledge Obligations
- Assignment/Subordination Documents
- Administrative Services Agreement
- Property Management Agreement
- Assignment of Services Contracts
- Option/Right of First Refusal (ROFR) Documents
- Any and all other documents necessary for the Housing Authority to convert the Project through the RAD Program.

Staff is also recommending approval to convey the leasehold interest in the Land and fee interest in the Improvements, to consummate and subordinate the Seller Carryback Loan, the Construction-Permanent Loan, and the Ground Lease Loan, and to otherwise reasonably assist the Partnership in securing the financing for the Project.

Finally staff is requesting authorization to amend the Housing Authority budget and allocate the following for the acquisition, construction and permanent financing of the Project as outlined below.

**RAD Phase 1 – Permanent Sources and Not To Exceed (NTE) Amounts**

<b>City Housing Authority Permanent Sources</b>	<b>NTE Amounts</b>
Housing Authority Capital Funds (Construction and Permanent Loan)	\$2,371,871
Cash Proceeds from the Sale of Improvements (Construction and Permanent Loan)	\$ 621,700
Seller Carryback Loan on the Improvements (or an amount justified by an updated fair market value appraisal)	\$1,042,600
Ground Lease Loan (or an amount justified by an updated fair market value appraisal)	\$1,340,000
<b>TOTAL</b>	<b>\$5,376,171</b>

Information on the Oak Park and Meadow Commons site which are located in the City of Sacramento is included in Attachments 2 through 4. Photos of all proposed RAD Phase 1 properties are included in Attachment 5. The scope of development for Oak Park and Meadow Commons sites is included as Exhibit 6 of the Seller Carryback Loan Agreement attached to the Housing Authority Resolution. Summary information is included below.

Oak Park Site

The Oak Park site is located at 4921 Folsom Boulevard. There are three buildings on approximately 0.73 acres that provide 10 three-bedroom units and 12 on-site parking spaces.

Meadow Commons Site

Meadow Commons is located at 1043 43rd Avenue. There are eight buildings on approximately 1.54 acres that provide 28 one-bedroom units, community room, barbecue area and 13 on-site parking spaces.

Developer: The Developer of the Project will be the Sacramento Housing Authority Relocation Program, Inc., (SHARP) which is a nonprofit public benefit corporation created by the Housing Authority in 2009 to implement the Housing Authority's Asset Relocation Strategy. Activities undertaken by SHARP include acquiring, developing, financing, rehabilitating, owning and operating affordable housing which enables aging Housing Authority assets to maintain and preserve their affordable units. SHARP partnered with BRIDGE Housing to rehabilitate a total of three Housing Authority properties, including Sutterview, Washington Plaza and Sierra Vista Apartments.

Property Management: Housing Authority staff will manage the RAD Phase 1 units. They currently manage the Sutterview, Washington Plaza and Sierra Vista Apartment complexes, along with over 3,000 other housing units throughout the City and County of Sacramento.

Resident Services: Housing Authority staff will provide resident services. Examples of services to be offered include the Family-Self Sufficiency Program for residents transitioning to work and the Service Coordination Program for those who do not have a high school diploma, or who have health or financial literacy needs. Elderly and disabled residents will receive services from Life Skills Training and Educational Programs (LifeSTEPS). In addition, the Housing Authority plans to expand the Jobs Plus Program by partnering with the Section 3 Program to develop training and job opportunities for residents.

Security Plan: The security plan includes installation of upgraded exterior lighting.

Project Financing: The proposed financing for RAD Phase 1 includes four percent Low Income Housing Tax Credits (LIHTC), tax exempt bonds, a conventional loan, Housing Authority seller carryback (improvements), cash proceeds note from the sale of improvements, Capital Fund and ground lease loans, a County HOME loan, a deferred developer fee, general partnership contribution, and RAD and HOTMA Program Project Based Vouchers (PBV).

Low-Income Set-Aside Requirements: As a condition of receiving tax credits, federal law requires that rental units be set aside for targeted-income groups. Income restrictions from LIHTC financing require that no households have income above 80 percent of Area Median Income (AMI). The affordability restrictions will be specified in regulatory agreements between the Housing Authority and the Developer. The Project Summary and Proforma are included as Attachments 6 and 7. A schedule of maximum income and rents are included as Attachment 8. The anticipated funding sources and their affordability requirements are summarized in the table below for the Project:

**RAD Phase 1 – Affordability Levels**

<b>Unit Type</b>	<b>Units</b>	<b>% of Units</b>	<b>Affordability Restriction<sup>1</sup> (55 years)</b>
LIHTC, Tax-exempt Bonds, Housing Authority Funds, RAD PBV and County HOME Funds	53	43%	Very Low Income 50% of Area Median Income (AMI)
LIHTC, Tax-exempt Bonds, Housing Authority Funds and RAD PBV	60	48%	Low Income 60% of AMI
LIHTC, Tax-exempt Bonds, Housing Authority Funds and HOTMA PBV	6	5%	Low Income 60% of AMI
LIHTC, Tax-exempt Bonds, Housing Authority Funds and RAD PBV	5	4%	Low-Moderate Income 80% of AMI
<b>Total</b>	<b>124</b>	<b>100%</b>	

<sup>1</sup>Pursuant to 24CFR 983.301, contract rents approved by HUD may exceed the tax-credit rent limits; and the AMI change is due to income averaging regulation by CDLAC. The tenant rent will not exceed 30% of the household adjusted gross income with PBV.

**Policy Considerations:** The recommended actions for the Project are consistent with: a) HUD guidelines to reposition and convert City Public Housing Properties under the RAD Program; b) Housing Authority Asset Repositioning Plan; and c) the 2013-2021 Housing Element, Goals H-1.1.1 Sustainable housing practices; H-2.2.4, in part, Pursue and maximize the use of all appropriate state, federal, local and private funding for the development of housing affordable for extremely low-, very low-, and low-income households, while maintaining economic competitiveness in the region; H-3.1.1 Promote extremely low income housing; and H-5.1 to 5.4 Promote, preserve and create accessible residential development (Resolution No. 2013-415); and is generally consistent with the approved Sacramento Housing and Redevelopment Agency’s (Agency) Multifamily Lending and Mortgage Revenue Bond Policies (Policies).

All affordable housing units will be regulated for a period of 99 years by the Housing Authority as a ground lease requirement; 55 years by the California Tax Credit and Debt Limit Allocation Committees as a LIHTC and bond funding requirement. Regulatory restrictions of the Project will be specified in the bond regulatory agreement between the Developer and the Housing Authority for a period of 55 years. The County HOME regulatory agreement between the Developer and Agency will be for a period of 15 years. Compliance with the ground lease and bond and HOME regulatory agreements will be monitored by the Agency on an annual basis.

**Economic Impacts:** The RAD Phase 1 multifamily residential project is expected to create 28.08 total jobs (15.91 direct jobs and 12.17 jobs through indirect and induced activities) and create \$2,339,966 in total economic output (\$1,426,355 of direct output and another \$913,611 of output through indirect and induced activities). *The indicated economic impacts are estimates calculated using a calculation tool developed by the Center for Strategic Economic Research (CSER). CSER utilized the IMPLAN input-output model (2009 coefficients) to quantify the economic impacts of a hypothetical \$1 million of spending in various construction categories within the City of Sacramento in an average one-year period. Actual impacts could differ significantly from the estimates and neither the City of Sacramento nor CSER shall be held responsible for consequences resulting from such differences.*

**Environmental Considerations:** California Environmental Quality Act (CEQA): The disposition and rehabilitation of the identified properties under the RAD program have been found to be Categorical Exempt under CEQA pursuant to CEQA Guidelines Section 15301, "Existing Facilities". National Environmental Policy Act (NEPA): The disposition and rehabilitation of the identified properties under the RAD program have been found to be Categorical Excluded under NEPA pursuant to 24 CFR 58.35(a)(3)(ii) and (5), and convert to exempt pursuant to 24 CFR 58.34(a)(12).

**Sustainability Considerations:** The proposed Project has been reviewed for consistency with the goals, policies and targets of the Sustainability Master Plan and the 2030 General Plan. If approved, these projects will advance the following goal, policy and target of goal number one – Energy Independence, specifically by reducing the use of fossil fuels and providing long-term affordable and reliable energy.

**Commission Action:** At its meeting on February 5, 2020 the Sacramento Housing and Redevelopment Commission will review the staff recommendation for this item. Staff will notify the Board in the event the item is not approved.

**Rationale for Recommendation:** The recommended actions enable the Agency to continue to fulfill its mission of providing a range of affordable housing opportunities in the City and are consistent with HUD guidelines related to the repositioning and conversion of City Public Housing Properties under the RAD Program, Housing Authority Asset Repositioning Plan, 2013-2021 Housing Element as part of Sacramento's 2035 General Plan, and is generally consistent with the Agency's previously approved Multifamily Lending and Mortgage Revenue Bond Policies.

**Financial Considerations:** The proposed bond issuance will not be an obligation of the City, the Housing Authority or the Sacramento Housing and Redevelopment Agency. The bonds will be the obligation solely of the Project's owner, who will bear all costs associated with the issuance of the bonds. The Agency will receive a one-time issuance fee of 0.25 percent (25 basis points) of the bond amount which is payable at bond closing. The Agency will collect an annual payment for monitoring the regulatory restrictions and administration of the bonds, in the amount of 0.125 percent (12.5 basis points) of the bond amount for monitoring of the regulatory restrictions and administration of the bonds. The Agency will also receive a fee equal to \$100 for each of the five County HOME assisted units annually. The law firm Orrick, Herrington and Sutcliffe, LLP, is acting as bond counsel for the Housing Authority. The proposed Housing Authority Capital Funds loan not to exceed \$2,371,871, a cash proceeds note not to exceed \$621,700 from the sale of improvements, will each have an interest rate of three percent and a term of 55 years after construction is complete. The proposed seller carryback improvements loan not to exceed \$1,042,600, and ground lease loan not to exceed \$1,340,000 or in an amount to be justified by a fair market value appraisal of the land and improvements, will each have an Applicable Federal Rate (AFR) and a term of 55 years after construction is complete.

**LBE - M/WBE and Section 3 requirements:** Minority and Women's Business Enterprise requirements and Section 3 will be applied to all activities to the greatest extent possible and as required by federal funding and in accordance with the Agency's Section 3 Economic Opportunity Plan. The Developer and General Contractor will work with the Agency's Section 3 Coordinator, Sacramento Employment and Training Agency, the Greater Sacramento Urban League or similar programs, to promote employment opportunities.

Respectfully Submitted by:

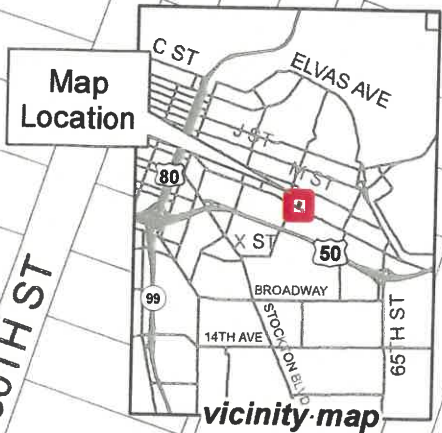
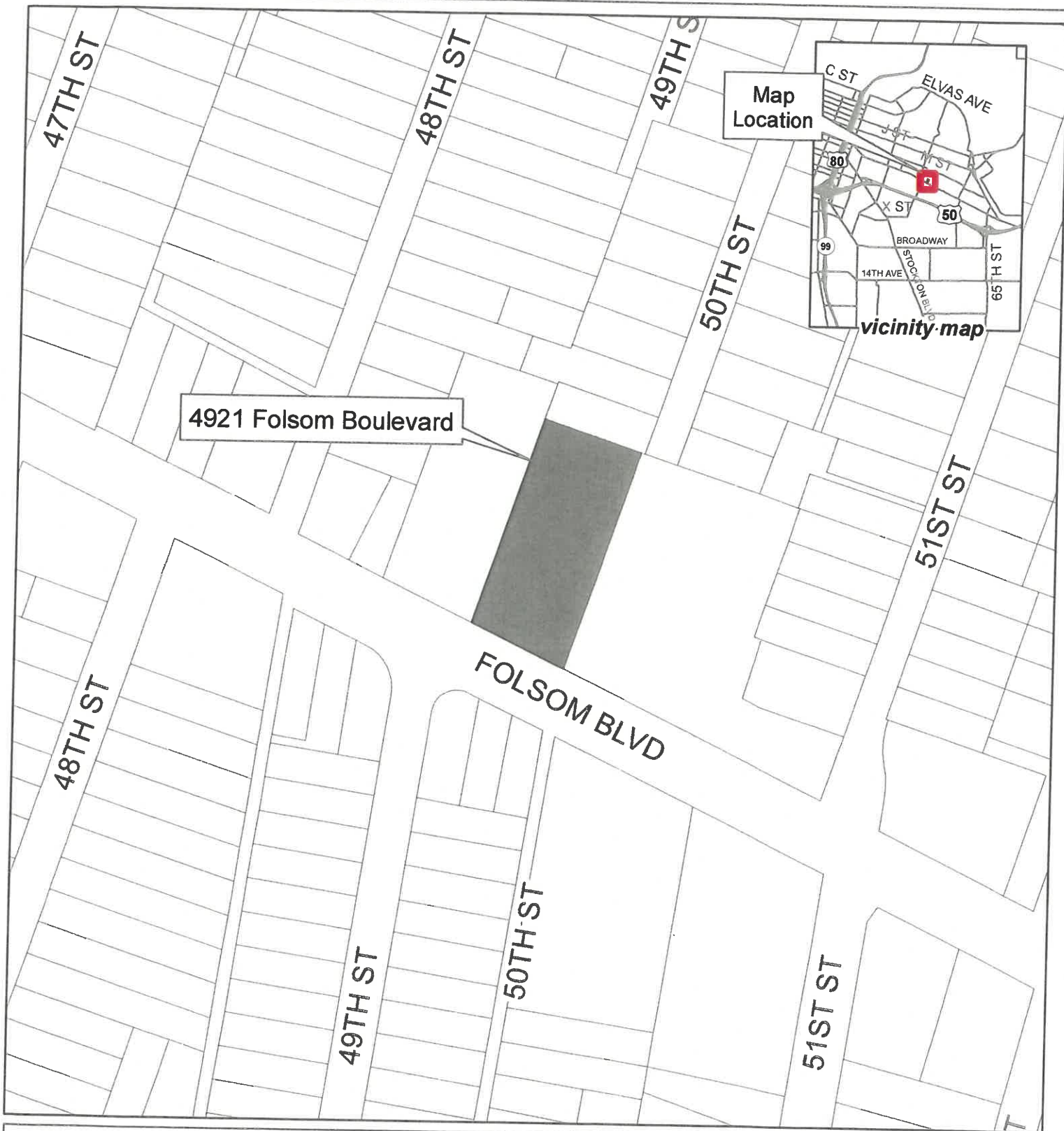
  
LA SHELLE DOZIER  
Executive Director

**Attachments**

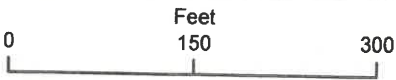
- 1-Description/Analysis and Background
- 2-Vicinity Map of Oak Park (4921 Folsom Boulevard)
- 3-Vicinity Map of Meadow Commons (1043 43rd Avenue)
- 4-Vicinity Map of RAD Phase 1 (all six sites)
- 5-Photos of RAD Phase 1
- 6-Project Summary of RAD Phase 1
- 7-Cash Flow Proforma of RAD Phase 1
- 8-Maximum Income and Rent Limits of RAD Phase 1
- 9-Housing Authority Resolution - RAD, Loan and Ground Lease Documents
- 10-Housing Authority Resolution - Exhibit A - Seller Carryback Loan Documents, including the Scope of Development
- 11-Housing Authority Resolution - Exhibit B - Construction-Permanent Loan Documents, including the RAD Use Agreement
- 12-Housing Authority Resolution - Exhibit C - Disposition and Development Agreement, including the Ground Lease Loan Documents



# Rental Assistance Demonstration (RAD) Phase 1 (Oak Park - 4921 Folsom Boulevard)



4921 Folsom Boulevard

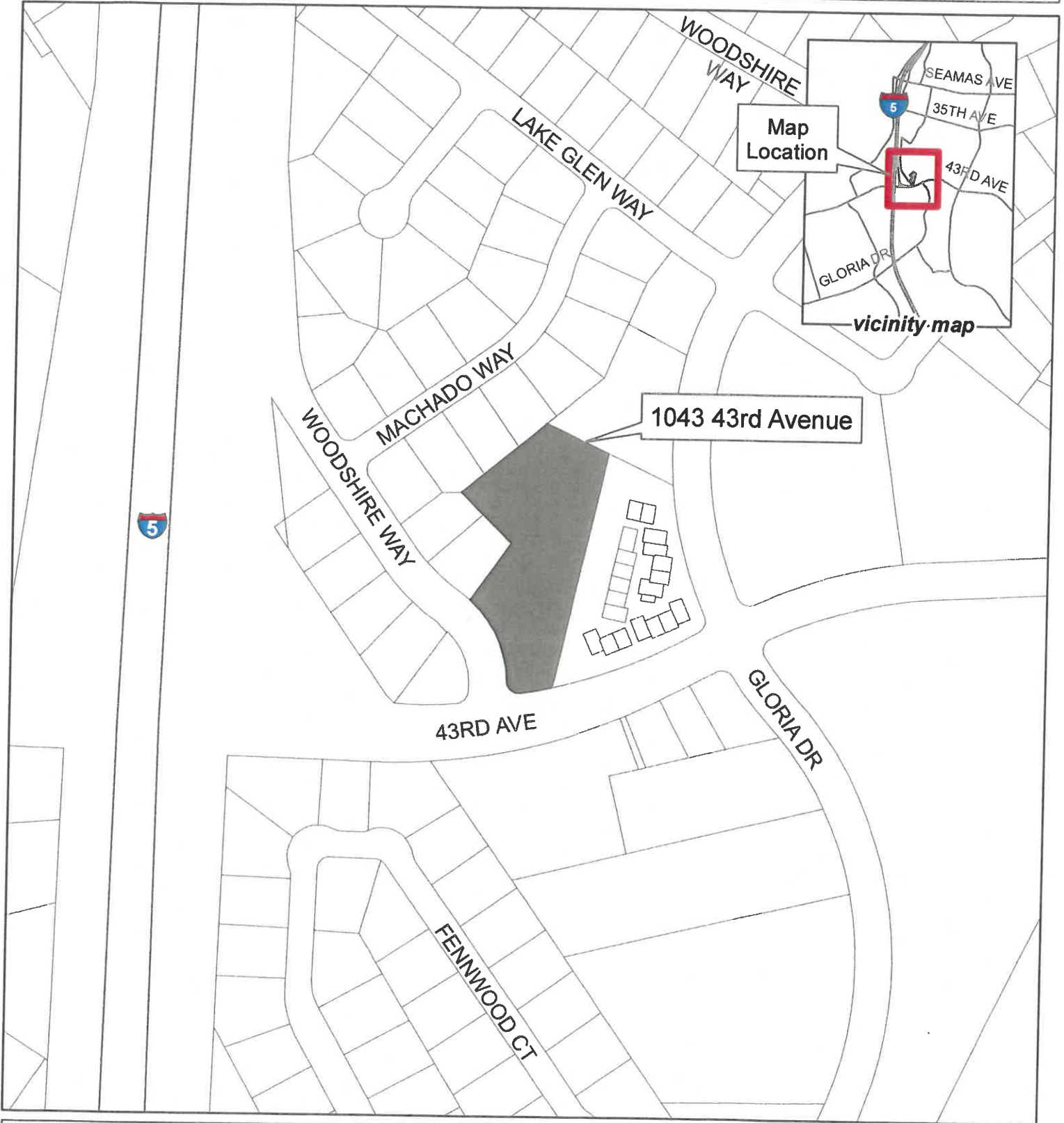


SHRA GIS  
July 1, 2019





# Rental Assistance Demonstration (RAD) Phase 1 (Meadow Commons - 1043 43rd Avenue)



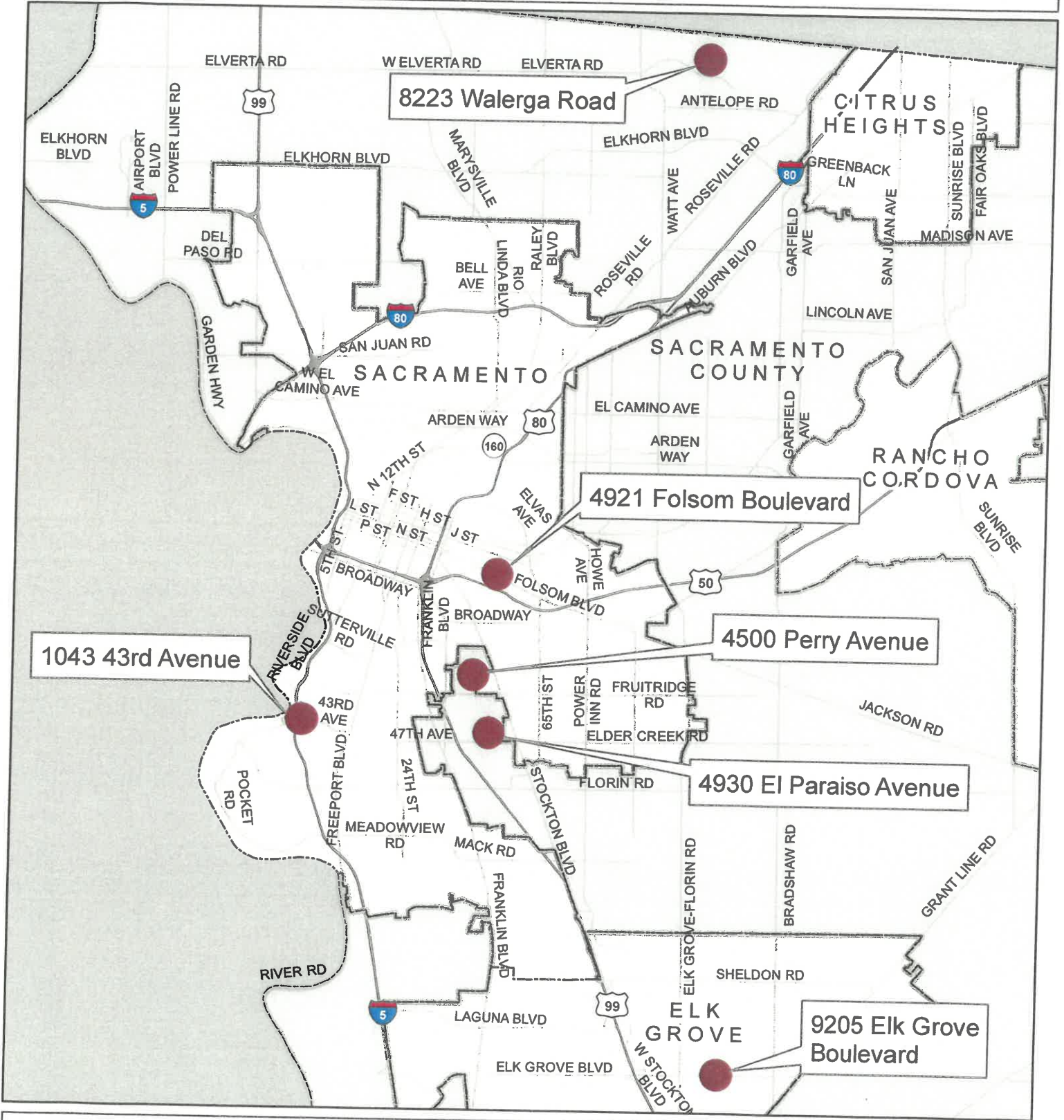
 1043 43rd Avenue



SHRA GIS  
July 1, 2019



# Rental Assistance Demonstration (RAD) Phase 1 (All Six Sites)



● RAD Phase 1 Site



SHRA GIS  
July 1, 2019



**Rental Assistance Demonstration (RAD) Phase 1**  
(six scattered sites)

Oak Park - 4921 Folsom Boulevard, Sacramento



Meadow Commons - 1043 43rd Avenue, Sacramento



**RAD Phase 1**  
(continued)

Pointe Lagoon - 4500 Perry Avenue, Sacramento



Pointe Lagoon - 4930 El Paraiso Avenue, Sacramento





**RAD Phase 1**  
(continued)

Pointe Lagoon - 9205 Elk Grove Boulevard, Elk Grove



Rio Garden - 8223 Walerga Road, Antelope



Rental Assistance Demonstration (RAD) Phase 1  
Residential Project Summary

<b>Addresses</b>	Unincorporated County of Sacramento: 4500 Perry Ave, 4930 El Paraiso Ave and 8223 Walerga Rd. City of Elk Grove: 9205 Elk Grove Blvd. City of Sacramento: 1043 43rd Ave and 4921 Folsom Blvd.			
<b>Number of Units</b>	124			
<b>Year Built</b>	4500 Perry Ave (1986), 4930 El Paraiso Ave (1986), 8223 Walerga Rd (1976), 9205 Elk Grove Blvd (1983), 1043 43rd Ave (1972) and 4921 Folsom Blvd (1996).			
<b>Acreage</b>	8.5 acres (37,0260 sq. ft.)			
<b>Project Based Vouchers (RAD and HOTMA)</b>	There are 118 of 124 units with Rental Assistance Demonstration (RAD) Project Based Vouchers (PBV). The remaining 6 units will have Housing Opportunity Through Modernization Act of 2016 (HOTMA) PBV.			
<b>Unit Mix and Rents<sup>1</sup></b>	<u>50% AMI RAD</u>	<u>60% AMI RAD</u>	<u>60% AMI HOTMA</u>	<u>80% AMI RAD</u>
1 bedrooms	30	32	0	2
2 bedrooms	7	8	0	1
3 bedrooms	16	20	6	2
<b>Total Units</b>	<b>53</b>	<b>60</b>	<b>6</b>	<b>5</b>
<b>Square Footage</b>	<u>Unit Size (sq.ft.)</u>	<u>Total (sq.ft.)</u>		
1 bedroom	500 to 525	32,900		
2 bedrooms	795	12,720		
3 bedrooms	800 to 1,122	45,458		
Community Space		2,614		
<b>Total Gross</b>		<b>93,692</b>		<b>124</b>
<b>Resident Facilities</b>	Rehabilitation of six scattered sites with garden walk-up style units. New HVAC systems, energy efficient appliances, electrical, lighting, windows, doors, water heaters, flooring, and interior and exterior paint. Parking area and drainage renovations will be done as needed. Kitchens and bathrooms will be renovated, replacement of cabinets, sinks, fixtures, vanities and counters as needed.			
<b>Permanent Sources (Combined)</b>	<b>Total</b>	<b>Per Unit</b>	<b>Per Square Foot</b>	
Tax Credit Equity	6,669,279	53,785	71.18	
Permanent Loan	3,393,000	27,363	36.21	
City Housing Authority (HA) Capital Funds Loan	1,983,371	15,995	21.17	
City HA Proceeds Note (Bonds)	589,411	4,753	6.29	
County HA Capital Funds Loan	807,046	6,508	8.61	
County HA Proceeds Note (Bonds)	2,491,600	20,094	26.59	
County HA Seller Carryback Improvements Loan	4,018,400	32,406	42.89	
City HA Seller Carryback Improvements Loan	950,589	7,666	10.15	
SHRA County HOME Loan	950,000	7,661	10.14	
County HA Ground Lease	1,020,000	8,226	10.89	
City HA Ground Lease	1,340,000	10,806	14.30	
Deferred Developer Fee	368,455	2,971	3.93	
GP Contribution	611,002	4,927	6.52	
<b>TOTAL SOURCES</b>	<b>\$ 25,192,153</b>	<b>\$ 203,163</b>	<b>\$ 268.88</b>	
<b>Permanent Uses (Combined)</b>	<b>Total</b>	<b>Per Unit</b>	<b>Per Square Foot</b>	
Acquisition	10,410,000	83,952	111.11	
Construction Costs	7,700,816	62,103	82.19	
Architecture & Engineering	682,080	5,501	7.28	
Permits and Fees	120,102	969	1.28	
Hard Cost Contingency	778,173	6,276	8.31	
Soft Cost Contingency	29,358	237	0.31	
Financing Cost	1,045,239	8,429	11.16	
Operating Reserves	218,535	1,762	2.33	
Capitalized Replacement Reserves	900,000	7,258	9.61	
Legal Fees	205,000	1,653	2.19	
Relocation	512,850	4,136	5.47	
Developer Fee	2,510,000	20,242	26.79	
Third Party Fees, Marketing, Other	80,000	645	0.85	
<b>TOTAL USES</b>	<b>\$ 25,192,153</b>	<b>\$ 203,163</b>	<b>\$ 268.88</b>	
<b>Leverage</b>	<u>HA \$ per Unit</u>	<u>Per Unit Cost</u>	<u>Leverage</u>	
	\$ 114,116	\$ 203,163	SHRA : Other \$1.00 : \$ 1.78	
<b>Management / Operations</b>	Sacramento Housing Authority Repositioning Program, Inc., (SHARP) Housing Authority			
Proposed Developer				
Property Management Company				
Operations Budget	\$ 593,582	\$ 4,787		
Property Management	\$ 87,669	\$ 707		
Resident Services	\$ 5,863	\$ 47		
Replacement Reserves	\$ 37,200	\$ 300		
Taxes and Insurance	\$ 40,899	\$ 330		

<sup>1</sup>Pursuant to 24CFR 983.301, contract rents approved by HUD may exceed the tax-credit rent limits; and the AMI change is due to income averaging regulation by CDLAC. The tenant rent will not exceed 30% of the household adjusted gross income with PBV.

**Rental Assistance Demonstration (RAD) Phase 1 (six scattered sites)  
Cash Flow Proforma (p. 1 of 2)**

RAD Phase 1 (six scattered sites)		Unit Type <sup>1</sup>	Number	Square Feet	Total Sq Feet	Gross Rent	Utility Allowance	Contract Rent	Rent per Sq Foot	Total No. Rent	Annual Rent
<u>(County) Pointe Lacoon - 4500 Perry Ave, 4930 El Paraiso Ave &amp; 9205 Elk Grove Blvd</u>											
1	bedroom @ 50% AMI (RAD PBV)		17	525	8,925	\$ 615	\$ 98	\$ 517	\$ 0.98	8,789	\$ 105,468
1	bedroom @ 60% AMI (RAD PBV)		18	525	9,450	\$ 615	\$ 98	\$ 517	\$ 0.98	9,306	\$ 111,672
1	bedroom @ 80% AMI (RAD PBV)		1	525	525	\$ 615	\$ 98	\$ 517	\$ 0.98	517	\$ 6,204
2	bedroom @ 50% AMI (RAD PBV)		7	795	5,565	\$ 725	\$ 103	\$ 622	\$ 0.78	4,354	\$ 52,248
2	bedroom @ 60% AMI (RAD PBV)		8	795	6,360	\$ 725	\$ 103	\$ 622	\$ 0.78	4,976	\$ 59,712
2	bedroom @ 80% AMI (RAD PBV)		1	795	795	\$ 725	\$ 103	\$ 622	\$ 0.78	622	\$ 7,464
3	bedroom @ 60% AMI (RAD PBV)		5	1,053	5,265	\$ 1,094	\$ 140	\$ 954	\$ 0.91	4,770	\$ 57,240
3	bedroom @ 60% AMI (HOTMA PBV)		5	1,053	5,265	\$ 954	\$ 140	\$ 814	\$ 0.77	4,070	\$ 48,840
<u>(County) Rio Garden - 8223 Walerga Rd</u>											
3	bedroom @ 50% AMI (RAD PBV)		11	1,122	12,342	\$ 1,070	\$ 116	\$ 954	\$ 0.85	10,494	\$ 125,928
3	bedroom @ 60% AMI (RAD PBV)		12	1,122	13,464	\$ 1,070	\$ 116	\$ 954	\$ 0.85	11,448	\$ 137,376
3	bedroom @ 80% AMI (RAD PBV)		1	1,122	1,122	\$ 1,070	\$ 116	\$ 954	\$ 0.85	954	\$ 11,448
<u>(City) Oak Park - 4921 Folsom Blvd</u>											
3	bedroom @ 60% AMI (HOTMA PBV)		1	800	800	\$ 954	\$ 116	\$ 838	\$ 1.05	838	\$ 10,056
3	bedroom @ 50% AMI (RAD PBV)		5	800	4,000	\$ 1,070	\$ 116	\$ 954	\$ 1.19	4,770	\$ 57,240
3	bedroom @ 60% AMI (RAD PBV)		3	800	2,400	\$ 1,070	\$ 116	\$ 954	\$ 1.19	2,862	\$ 34,344
3	bedroom @ 80% AMI (RAD PBV)		1	800	800	\$ 1,070	\$ 116	\$ 954	\$ 1.19	954	\$ 11,448
<u>(City) Meadow Commons - 1043 43rd Ave</u>											
1	bedroom @ 50% AMI (RAD PBV)		13	500	6,500	\$ 612	\$ 95	\$ 517	\$ 1.03	6,721	\$ 80,652
1	bedroom @ 60% AMI (RAD PBV)		14	500	7,000	\$ 612	\$ 95	\$ 517	\$ 1.03	7,238	\$ 86,856
1	bedroom @ 80% AMI (RAD PBV)		1	500	500	\$ 612	\$ 95	\$ 517	\$ 1.03	517	\$ 6,204
	Totals		124	14,132	91,078					84,200	\$ 1,010,400

<sup>1</sup>Pursuant to 24CFR 983.301, contract rents approved by HUD may exceed the tax-credit rent limits; and the AMI change is due to income averaging regulation by CDLAC. The tenant rent will not exceed 30% of the household adjusted gross income with PBV.

Rental Assistance Demonstration (RAD) Phase 1 (six scattered sites)  
Cash Flow Proforma (p. 2 of 2)

	Per Unit	Year 1 2022	Year 2 2023	Year 3 2024	Year 4 2025	Year 5 2026	Year 6 2027	Year 7 2028	Year 8 2029	Year 9 2030	Year 10 2031	Year 16 2037	Year 20 2041	Year 28 2049
<b>Income</b>														
Potential Gross Income (118 RAD PBV units)		1,081,552	1,088,000	1,115,293	1,143,175	1,171,754	1,201,048	1,231,074	1,261,851	1,293,337	1,325,732	1,489,944	1,687,050	1,920,656
Annual Subsidy (6 HOTMA PBV units)		6,667	6,824	6,984	7,148	7,317	7,490	7,667	7,848	8,033	8,221	9,410	10,603	12,803
Lease Vacancy		(56,474)	(57,895)	(59,333)	(60,816)	(62,337)	(63,896)	(65,493)	(67,130)	(68,808)	(70,529)	(79,795)	(90,642)	(102,146)
Effective Gross Income		\$1,075,007	\$1,096,932	\$1,127,938	\$1,155,511	\$1,184,369	\$1,214,009	\$1,244,359	\$1,275,469	\$1,307,354	\$1,340,036	\$1,516,130	\$1,715,382	\$1,940,775
<b>Operating Expenses</b>														
Operating Expenses	4.737	659,592	614,957	635,680	659,115	681,146	704,989	728,684	755,202	781,634	808,991	900,828	1,014,182	1,135,542
Property Management	3.50%	37,800	37,800	37,800	37,800	37,800	37,800	37,800	37,800	37,800	37,800	37,800	37,800	37,800
Replacement Reserves	3.50%	47	47	47	47	47	47	47	47	47	47	47	47	47
Taxes/Insurance	0.00%	37,200	37,200	37,200	37,200	37,200	37,200	37,200	37,200	37,200	37,200	37,200	37,200	37,200
Net Operating Income	2.00%	\$1,015,215	\$1,059,035	\$1,127,938	\$1,155,511	\$1,184,369	\$1,214,009	\$1,244,359	\$1,275,469	\$1,307,354	\$1,340,036	\$1,516,130	\$1,715,382	\$1,940,775
<b>Debt Service</b>														
Senior Loan		155,355	155,355	155,355	155,355	155,355	155,355	155,355	155,355	155,355	155,355	155,355	155,355	155,355
HA Monitoring Fee (12.5bps of Bond Issuance + \$100/S\$HRA Unit)	4.097%	16,125	16,125	16,125	16,125	16,125	16,125	16,125	16,125	16,125	16,125	16,125	16,125	16,125
Debt Service Subtotal	0.125%	\$171,480	\$171,480	\$171,480	\$171,480	\$171,480	\$171,480	\$171,480	\$171,480	\$171,480	\$171,480	\$171,480	\$171,480	\$171,480
<b>Priority Distributions</b>														
Asset Management Fee (GP)		8,487	8,742	9,004	9,274	9,552	9,839	10,134	10,438	10,751	11,074	12,837	14,882	17,183
Partnership Management Fee (LP)		8,487	8,742	9,004	9,274	9,552	9,839	10,134	10,438	10,751	11,074	12,837	14,882	17,183
Priority Distributions Subtotal		16,974	17,484	18,008	18,548	19,104	19,678	20,268	20,876	21,502	22,147	25,675	29,764	34,366
Net Cash after Priority Distributions		\$119,940	\$120,769	\$122,035	\$123,685	\$124,420	\$124,420	\$124,420	\$124,420	\$124,420	\$124,420	\$124,420	\$124,420	\$124,420
<b>Deferred Developer Fee</b>														
Principal Balance		\$15,425	\$15,425	\$15,425	\$15,425	\$15,425	\$15,425	\$15,425	\$15,425	\$15,425	\$15,425	\$15,425	\$15,425	\$15,425
Interest for Period	3.00%	463	463	463	463	463	463	463	463	463	463	463	463	463
Accumulated Interest		15,463	12,346	9,033	5,705	2,384	0	0	0	0	0	0	0	0
Payment		119,340	120,769	122,035	123,685	124,420	124,420	124,420	124,420	124,420	124,420	124,420	124,420	124,420
Balance		\$411,548	\$303,105	\$190,163	\$72,803	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net Cash after Deferred Developer Fee		\$0	\$0	\$0	\$46,878	\$124,420	\$124,420	\$124,420	\$124,420	\$124,420	\$124,420	\$124,420	\$124,420	\$124,420
<b>City Housing Authority (HA) Construction &amp; Permanent Loan<sup>1</sup></b>														
Principal Balance		\$2,572,782	\$2,572,782	\$2,572,782	\$2,572,782	\$2,572,782	\$2,572,782	\$2,572,782	\$2,572,782	\$2,572,782	\$2,572,782	\$2,572,782	\$2,572,782	\$2,572,782
Interest for Period	3.00%	77,183	77,183	77,183	77,183	77,183	77,183	77,183	77,183	77,183	77,183	77,183	77,183	77,183
Accumulated Interest		77,183	154,367	231,550	308,734	385,917	463,100	539,283	615,466	691,649	767,832	844,015	920,198	1,000,000
Payment		\$3,649,865	\$2,271,149	\$2,804,332	\$2,881,516	\$2,934,260	\$2,949,234	\$2,884,060	\$2,878,878	\$2,859,634	\$3,039,084	\$3,052,857	\$2,850,957	\$2,850,957
Balance		\$3,298,646	\$3,298,646	\$3,298,646	\$3,298,646	\$3,298,646	\$3,298,646	\$3,298,646	\$3,298,646	\$3,298,646	\$3,298,646	\$3,298,646	\$3,298,646	\$3,298,646
Net Cash after City Housing Authority (HA) Construction & Permanent Loan <sup>1</sup>		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>County HA Construction &amp; Permanent Loan<sup>2</sup></b>														
Principal Balance		\$3,298,646	\$3,298,646	\$3,298,646	\$3,298,646	\$3,298,646	\$3,298,646	\$3,298,646	\$3,298,646	\$3,298,646	\$3,298,646	\$3,298,646	\$3,298,646	\$3,298,646
Interest for Period	3.00%	98,959	98,959	98,959	98,959	98,959	98,959	98,959	98,959	98,959	98,959	98,959	98,959	98,959
Accumulated Interest		98,959	197,918	296,877	395,836	494,795	593,754	692,713	791,672	890,631	989,590	1,088,549	1,187,508	1,286,467
Payment		\$3,397,605	\$3,466,955	\$3,595,524	\$3,694,484	\$3,769,004	\$3,805,783	\$3,842,358	\$3,878,949	\$3,915,681	\$3,952,707	\$4,148,380	\$4,322,157	\$4,500,000
Balance		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net Cash after County HA Construction & Permanent Loan <sup>2</sup>		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>City HA Senior Carriback Loan (Improvements)</b>														
Principal Balance		\$4,018,400	\$4,018,400	\$4,018,400	\$4,018,400	\$4,018,400	\$4,018,400	\$4,018,400	\$4,018,400	\$4,018,400	\$4,018,400	\$4,018,400	\$4,018,400	\$4,018,400
Interest for Period	AFR <sup>3</sup>	120,552	120,552	120,552	120,552	120,552	120,552	120,552	120,552	120,552	120,552	120,552	120,552	120,552
Accumulated Interest		120,552	241,104	361,656	482,208	602,760	723,312	843,864	964,416	1,084,968	1,205,520	1,326,072	1,446,624	1,567,176
Payment		\$4,138,952	\$4,259,954	\$4,380,956	\$4,501,958	\$4,621,160	\$4,741,712	\$4,862,264	\$4,982,816	\$5,103,368	\$5,223,920	\$5,826,680	\$6,429,440	\$7,032,200
Balance		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net Cash after City HA Senior Carriback Loan (Improvements)		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>City HA Senior Carriback Loan (Improvements)</b>														
Principal Balance		\$950,589	\$950,589	\$950,589	\$950,589	\$950,589	\$950,589	\$950,589	\$950,589	\$950,589	\$950,589	\$950,589	\$950,589	\$950,589
Interest for Period	AFR <sup>3</sup>	28,518	28,518	28,518	28,518	28,518	28,518	28,518	28,518	28,518	28,518	28,518	28,518	28,518
Accumulated Interest		28,518	57,036	85,554	114,071	142,589	171,107	199,624	228,141	256,659	285,176	313,693	342,210	370,727
Payment		\$979,107	\$1,007,624	\$1,036,142	\$1,064,660	\$1,093,177	\$1,121,695	\$1,150,213	\$1,178,730	\$1,207,248	\$1,235,766	\$1,378,364	\$1,520,962	\$1,663,560
Balance		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net Cash after City HA Senior Carriback Loan (Improvements)		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>SHRA Construction &amp; Permanent Loan (County HOME)</b>														
Principal Balance		\$950,000	\$950,589	\$950,589	\$950,589	\$950,589	\$950,589	\$950,589	\$950,589	\$950,589	\$950,589	\$950,589	\$950,589	\$950,589
Interest for Period	3.00%	28,500	28,518	28,518	28,518	28,518	28,518	28,518	28,518	28,518	28,518	28,518	28,518	28,518
Accumulated Interest		28,500	57,018	85,536	114,053	142,571	171,088	199,606	228,124	256,641	285,159	313,677	342,194	370,712
Payment		\$978,500	\$1,007,607	\$1,036,124	\$1,064,642	\$1,093,160	\$1,121,677	\$1,150,195	\$1,178,713	\$1,207,230	\$1,235,748	\$1,378,346	\$1,520,944	\$1,663,542
Balance		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net Cash after SHRA Construction & Permanent Loan (County HOME)		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>County HA Ground Lease Loan</b>														
Principal Balance		\$1,340,000	\$1,340,000	\$1,340,000	\$1,340,000	\$1,340,000	\$1,340,000	\$1,340,000	\$1,340,000	\$1,340,000	\$1,340,000	\$1,340,000	\$1,340,000	\$1,340,000
Interest for Period	AFR <sup>3</sup>	40,200	40,200	40,200	40,200	40,200	40,200	40,200	40,200	40,200	40,200	40,200	40,200	40,200
Accumulated Interest		40,200	80,400	120,600	160,800	201,000	241,200	281,400	321,600	361,800	402,000	442,200	482,400	522,600
Payment		\$1,380,200	\$1,019,307	\$1,047,824	\$1,076,342	\$1,104,860	\$1,133,377	\$1,161,895	\$1,190,413	\$1,218,930	\$1,247,448	\$1,390,036	\$1,532,625	\$1,675,215
Balance		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net Cash after County HA Ground Lease Loan		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

End Note  
<sup>1</sup>HACS Construction & Permanent Loan includes the Capital Funds and Cash Proceeds Notes.  
<sup>2</sup>HACOS Construction & Permanent Loan includes the Capital Funds and Cash Proceeds Notes.  
<sup>3</sup>AFR: Applicable Federal Rate will be determined on the closing escrow date. A rate of 3.00% is demonstrated above for this seller carryback and ground lease loans.



**MAXIMUM GROSS INCOME AND RENT LIMITS 2019<sup>1</sup>**  
 Rental Assistance Demonstration (RAD) Project Based Vouchers (PBV),  
 Housing Opportunity Through Modernization Act of 2016 (HOTMA) PBV,  
 Low Income Housing Tax Credits (LIHTC) and HOME Funds

**RAD Phase 1 (Six Scattered Sites)**

**Maximum Gross Income Limits**

<b><u>Household Size</u></b>	<b><u>50% AMI</u></b>		<b><u>60% AMI</u></b>		<b><u>80% AMI</u></b>	
1 person	\$	29,300	\$	35,160	\$	46,880
2 person	\$	33,450	\$	40,140	\$	53,520
3 person	\$	37,650	\$	45,180	\$	60,240
4 person	\$	41,800	\$	50,160	\$	66,880
5 person	\$	45,150	\$	54,180	\$	72,240
6 person	\$	48,500	\$	58,200	\$	77,600
7 person	\$	51,850	\$	62,220	\$	82,960

**Maximum Gross Rent Limits**

<b><u>Unit Size</u></b>	<b><u>RAD PBV Rents</u></b>		<b><u>HOTMA PBV Rents</u></b>	
1 Bedroom	\$	612		
1 Bedroom	\$	615		
2 Bedroom	\$	725		
3 Bedroom	\$	1,070		
3 Bedroom	\$	1,094		
3 Bedroom			\$	1,764

<sup>1</sup>Pursuant to 24CFR 983.301, contract rents approved by HUD may exceed the tax-credit rent limits; and the AMI change is due to income averaging regulation by CDLAC. The tenant rent will not exceed 30% of the household adjusted gross income with PBV.

## RESOLUTION NO. 2020-\_\_\_\_

Adopted by the Housing Authority of the City of Sacramento

On date of

**RENTAL ASSISTANCE DEMONSTRATION (RAD) PHASE 1 REHABILITATION:  
APPROVING THE DISPOSITION AND FINANCING OF THE REHABILITATION OF  
OAK PARK AND MEADOW COMMONS THROUGH THE CONVERSION OF UNITS  
UNDER THE RAD PROGRAM, INCLUDING THE LEASE OF LAND AND SALE OF  
IMPROVEMENTS TO RAD PILOT LP, THE MAKING OF A SELLER CARRYBACK  
LOAN, CONSTRUCTION/PERMANENT LOAN, AND GROUND LEASE LOAN TO RAD  
PILOT LP, THE EXECUTION OF RELATED FINANCING DOCUMENTS; AND MAKING  
ENVIRONMENTAL FINDINGS**

### BACKGROUND

- A. On October 30, 2018, the Board of the Housing Authority of the City of Sacramento (Board) adopted Resolution No. 2018-0019, which approved the updates to the Housing Authority Asset Repositioning Plan allowing for conversion of the public housing portfolio under the Rental Assistance Demonstration (RAD) and Section 18 Demolition and Disposition (Section 18) Programs. Additionally, the Board authorized the Housing Authority to submit an application to United States Department of Housing and Urban Development (HUD) to reposition and convert certain County Public Housing Properties under the RAD Program and certain other County Public Housing Properties under the Section 18 Program.
- B. The Housing Authority of the City of Sacramento (Authority) owns Oak Park located at 4921 Folsom Boulevard and Meadow Commons located at 1043 43<sup>rd</sup> Avenue in the City of Sacramento (collectively, the Authority Sites).
- C. On November 30, 2018, HUD approved an application to reposition and convert ten (10) units at Oak Park and twenty-eight (28) units at Meadow Commons, to RAD Project Based Vouchers.
- D. One (1) of the thirty-eight (38) for "de minimis" conversion under the RAD Program and will be funded with Authority Project Based Vouchers.
- E. On May 17, 2019, one (1) of the thirty-eight (38) units in the Authority Sites were approved by the Authority under the HUD Housing Opportunity Through Modernization Act of 2016 (HOTMA) and will be funded with Authority Project Based Vouchers.
- F. The Authority's RAD application was approved as part of a single, joint scattered site RAD Program rehabilitation project which includes certain properties owned by the Housing Authority of the County of Sacramento (County Authority).

- G. The County properties consist of four sites located at 4930 El Paraiso Avenue, 4500 Perry Avenue, 9205 Elk Grove Boulevard and 8223 Walerga Road (County Sites). The County Sites are the subject of a separate resolution to be authorized by the County Authority.
- H. The Authority Sites and the City Sites are referred to collectively as the "Project."
- I. On July 23, 2019, the Board adopted Resolution No. 2019-0012, which authorized the Authority to: 1) enter into an Option Agreement for the Ground Lease of Land and Purchase and Sale of Improvements in an amount justified by an updated fair market value appraisal (Option to Lease and Sell); and 2) enter into a Loan Commitment of (i) \$1,641,219 in the form of capital funds and (ii) \$860,000 in the form of a seller carryback loan, with the Sacramento Housing Authority Repositioning Program, Inc., a California nonprofit public benefit corporation affiliated with the Authority (SHARP) or an entity related to SHARP.
- J. The Authority entered into the Option to Lease and Sell with SHARP dated July 23, 2019, by which the Authority agreed to lease the Land for a term of ninety-nine (99) years for capitalized rent in the amount of \$1,340,000.
- K. As of August 14, 2019, the updated appraisals indicated the aggregate fair market value of (i) the Improvements is \$1,540,000 and (ii) the Land is \$1,340,000.
- L. SHARP has formed RAD Pilot LP, a California limited partnership (Partnership) to undertake the rehabilitation of the Project, the managing general partner of which is RAD Pilot LLC, a California limited liability company whose sole member is SHARP.
- M. To effectuate the Project, the following will occur simultaneously: (i) the Authority will lease the land underlying the Authority Sites to the Partnership (Land); (ii) the County Authority will lease the land underlying the County Sites to the Partnership; (iii) the Authority will sell the improvements within the Authority Sites (Improvements) to the Partnership; and (iv) the County Authority will sell the improvements within the County Sites to the Partnership.
- N. The Authority and the County will each provide separate financing to the Project with all other loan and tax credit financing for the Project will apply jointly to the Authority Sites and the County Sites.
- O. The Authority desires to enter into certain documents with HUD and/or the Partnership pursuant to the RAD Program, which documents shall include, but are not limited to, a Rental Assistance Demonstration Conversion Commitment (RCC); amendment to RCC; releases of HUD declarations of trust; a RAD use agreement; RAD PBV housing

assistance payment contracts (HAPs); an agreement to enter an HACOS PBV HAP (AHAP); certifications; subordination agreements; and any and all documents required by HUD for the RAD Conversion or otherwise under the RAD Program (collectively, RAD Documents).

- P. The Authority desires to enter into a disposition and development agreement (DDA), a ground lease for the Land for a term of ninety-nine (99) years, a purchase and sale agreement for the Improvements in the amount of \$1,540,000 (Purchase Price), a grant deed for the Improvements, a bill of sale and assignment, an assignment of Option to Lease and Sell, an assignment of leases and contracts, a TCAC lease rider, and ancillary documents, including a memorandum of ground lease, a preliminary change of ownership report, closing statements, escrow instructions, and any and all other documents and certifications necessary to ground lease the Land and convey the Improvements to the Partnership, (Acquisition Documents).
- Q. The Authority desires to provide seller financing to the Partnership for a portion of the Purchase Price, in an amount not to exceed \$1,042,600 (Seller Carryback Loan) and shall enter into any and all documents necessary to consummate such loan, including, but not limited to, as needed, a loan agreement, a promissory note and a deed of trust (Seller Carryback Loan Documents).
- R. The Authority desires to provide a loan to the Partnership evidenced by two promissory notes (i) a note from cash proceeds from the sale of the Improvements in an amount not to exceed \$621,700 plus (ii) public housing Capital Funds note in an amount not to exceed \$2,371,871 (collectively, the Construction-Permanent Loan), and enter into any and all documents necessary to consummate such loan, including, but not limited to, as needed, a loan agreement, a construction-permanent loan promissory note, a cash proceeds promissory note, a deed of trust, and a completion guaranty (Construction-Permanent Loan Documents).
- S. The Authority desires to provide a loan to the Partnership in the amount of the capitalized ground lease rent not to exceed \$1,340,000 (Ground Lease Loan) and shall enter into any and all documents necessary to consummate such loan, including, but not limited to, a promissory note and a deed of trust, (Ground Lease Loan Documents).
- T. The Sacramento Housing and Redevelopment Agency desires to enter into a construction and permanent loan agreement, with RAD Pilot LP, in the amount of \$950,000 in County HOME Investment Partnerships Program funds and shall enter into any and all documents necessary to consummate such loan, including, but not limited to, as needed, a loan agreement, a promissory note and a deed of trust (HOME Loan Agreement), to finance three of the four County Sites located at 4500 Perry Avenue, 4930 El Paraiso Avenue and 8223 Walerga Road. The HOME Loan

Agreement is subject of a separate resolution to be authorized by Sacramento County Board of Supervisors.

- U. The County Authority will make a mortgage loan (Project Loan) to the Partnership in a principal amount not to exceed \$12,500,000, with proceeds received from the separate loan (Funding Loan) made to the Authority in a principal amount not to exceed \$12,500,000 by Wells Fargo Bank, National Association (Bank). The Funding Loan will be evidenced by one or more multifamily notes (collectively, the Governmental Note) delivered by the Authority to the Bank.
- V. Upon completion of the Project and other standard conditions, the Federal Home Loan Mortgage Corporation (Freddie Mac) has committed to facilitate the financing of the Project in the permanent phase by purchasing the Funding Loan, of which an amount not to exceed \$4,000,000 (Permanent Loan) will be outstanding on the conversion date. On such conversion date, the Bank will deliver and the Prudential Affordable Mortgage Company, LLC, or affiliate (Prudential) will purchase the Funding Loan, as evidenced by the Governmental Note. Thereafter Prudential will deliver the Funding Loan to Freddie Mac for purchase.
- W. The NEF Assignment Corporation, an Illinois not-for-profit corporation or its designee, is expected to enter the Partnership as investor limited partner (Investor Limited Partner) and provide an amount not to exceed \$7,000,000 in equity in connection with the tax credit syndication of the Partnership (Tax Credit Syndication).
- X. The Bank and the Investor Limited Partner require the Authority to provide a letter of credit as additional security for the obligations of SHARP, who is guarantor for the Project and the Partnership with respect to the Bank and bond-related documents and the Tax Credit Syndication documents, until such time as SHARP is able to meet required financial benchmarks, including unrestricted liquidity of \$2,500,000 and the acquisition of 215 scattered site housing units pursuant to a Section 18 disposition.
- Y. The terms of such SHARP benchmarks and the Housing Authority of the County of Sacramento obligations are set forth in (i) a Repayment Guaranty Agreement with the Bank, which the Authority is to agree to and acknowledge, and (ii) the terms of the Tax Credit Syndication limited partnership agreement and guaranty to which SHARP and its affiliated limited partnership will be parties, which documents require that the Housing Authority of the County of Sacramento provide a letter of credit to the Bank in the amount of \$1,200,000 for a term not to exceed 24 months, which letter of credit will be secured by HACOS operating reserve funds. The letter of credit is not an obligation of the Housing Authority of the City of Sacramento.
- Z. In connection with the financing of the Project the Authority may be required to execute one or more assignments of HAPs, assignments of AHAPs, and to provide

certain documents to the Bank, Freddie Mac, Prudential, or the Investor Limited Partner, including but not limited to subordination agreements with respect to the Seller Carryback Documents, Construction-Permanent Loan Documents, and Ground Lease Loan Documents (collectively, the Assignment/Subordination Documents).

- AA. The Authority and/or the County Authority will provide development services to, and enter into an administrative services agreement with, SHARP or the Partnership (Administrative Services Agreement).
- BB. The Authority and/or the County Authority desires to serve as the property manager for the Project and enter into a property management agreement with the Partnership (Property Management Agreement).
- CC. The Authority has entered or desires to enter into one or more architect's contracts and other professional and service contracts with third parties to provide certain services required in connection with the predevelopment and rehabilitation of the Project (collectively the Service Contracts) and the Authority shall assign such contracts and all rights, warranties and work products from the Service Contracts to the Partnership (Assignment of Service Contracts).
- DD. As a part of the Tax Credit Syndication documents the Authority and/or the County Authority will enter into a purchase option and right of first refusal and a memorandum of purchase option and right of first refusal for the Project (collectively, the Option/ROFR Documents).
- EE. The disposition and rehabilitation of the identified properties under the RAD program have been found to be Categorically Exempt under California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Section 15301, (Existing Facilities).
- FF. The disposition and rehabilitation of the identified properties under the RAD program have been found to be Categorically Excluded under National Environmental Policy Act pursuant to 24 CFR 58.35(a)(3)(ii) and (5), and convert to exempt pursuant to 24 CFR 58.34(a)(12).

**BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO RESOLVES AS FOLLOWS:**

- Section 1. The above recitals, including the environmental recitals, are determined to be true and correct.
- Section 2. The Authority shall effectuate the RAD Conversion and shall enter into the RAD Documents.

- Section 3. The Authority shall ground lease the Land and sell the Improvements to the Partnership and shall enter into the Acquisition Documents.
- Section 4. The Authority shall make the Seller Carryback Loan and enter into the Seller Carryback Loan Documents.
- Section 5. The Authority shall make the Construction-Permanent Loan and enter into the Construction-Permanent Loan Documents.
- Section 6. The Authority shall make the Ground Lease Loan and enter into the Ground Lease Loan Documents.
- Section 7. The Authority shall enter into the Assignment/Subordination Documents.
- Section 8. The Authority shall enter into the Administrative Services Agreement, as applicable.
- Section 9. The Authority shall enter into the Property Management Agreement.
- Section 10. The Authority shall enter into the Assignment of Service Contracts.
- Section 11. The Authority shall enter into the Option/ROFR Documents, as applicable.
- Section 12. The Executive Director, or her designee, acting alone on behalf of the Authority, shall be authorized to execute any and all necessary documents, agreements and certificates, including, but not limited to the RAD Documents, the Acquisition Documents, the Seller Carryback Loan Documents, the Construction-Permanent Loan Documents, the Ground Lease Loan Documents, the Assignment/Subordination Documents, the Administrative Services Agreement, the Property Management Agreement, the Assignment of Services Contracts, the Option/ROFR Documents, and any and all other documents necessary for the Authority to convert the Project through the RAD Program, convey the leasehold interest in the Land and fee interest in the Improvements, consummate and subordinate the Seller Carryback Loan, the Construction-Permanent Loan, and the Ground Lease Loan, and otherwise reasonably assist the Partnership in securing the financing for the Project as described above.
- Section 13. The Executive Director, or her designee, is authorized to enter into and execute all other documents and agreements as approved to form by Sacramento Housing and Redevelopment Agency counsel, as well as perform other actions necessary to complete the transactions described in, or contemplated by, this Resolution.
- Section 14. The Executive Director, or her designee, is authorized to amend the budget to allocate City of Sacramento Housing Authority Capital Funds loan not to exceed \$2,371,871, a cash proceeds note not to exceed \$621,700 from the sale of improvements, seller carryback improvements loan in the amount of \$1,042,600, and ground lease loan in the amount of \$1,340,000 or in an

amount to be justified by a fair market value appraisal of the land and improvements.

**Table of Contents:**

Exhibit A - Seller Carryback Loan Documents, including the Scope of Development

Exhibit B - Construction and Permanent Loan Documents, including the RAD Use Agreement

Exhibit C - Disposition and Development Agreement, including the Ground Lease Loan Documents



**SELLER CARRY-BACK LOAN AGREEMENT FOR IMPROVEMENTS  
RAD 1**

**CITY OF SACRAMENTO**

4921 FOLSOM BOULEVARD, SACRAMENTO, CA 95819 (APN 008-0341-044-0000)

1043 43RD AVENUE, SACRAMENTO, CA 95822 (APN 029-0184-017-0000, 029-0184-001-0000 AND 029-0184-002-0000)

**ARTICLE I TERMS AND DEFINITIONS:**

“EFFECTIVE DATE”	_____, 2020	Which is the date as of which this Loan Agreement shall be effective.
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**LENDER AND BORROWER HAVE ENTERED THIS LOAN AGREEMENT AS OF THE EFFECTIVE DATE.** This Loan Agreement includes Article II Loan Provisions and the attachments and Exhibits listed below, all of which are incorporated in this Loan Agreement by this reference. The capitalized terms in this Loan Agreement shall have the meanings assigned in Article I Terms and Definitions and as defined in Article II Loan Provisions. (Terms being defined are indicated by quotation marks. If an item in this Article 1 table is marked “None, Not Applicable, N/A or equivalent or is left blank, that defined term is not applicable to this Loan or the referenced item is not required or is not included in this Loan, as the context may indicate.) The Lender is making 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:

<b>A. “Loan Information” The general loan provisions of the Loan</b>		
“LENDER OR AUTHORITY”	The following public agency that is making the Loan, and whose legal status and address are:	
Name	Housing Authority of the City of Sacramento (HACS)	
Legal Status	A public body, corporate and politic	
Principal Address	801 12th Street, Sacramento, California 95814	
“BORROWER”	The borrower of the Loan funds whose name, legal status and address are:	
Name	RAD Pilot LP	
Legal Status	A California limited partnership	
Principal Address	c/o SHARP 801 12 <sup>th</sup> Street, Sacramento, California 95814	
“LOAN”	The Loan made by this Loan Agreement.	
“LOAN COMMITMENT”	Lender’s loan commitment, made by letter dated as of	July 23, 2019
“LOAN PROGRAM”	Lender’s Loan Program, commonly known as	n/a as this is a “seller carry-back” loan
“LOAN AMOUNT”	Nine Hundred Fifty Thousand Five Hundred Eighty Nine Dollars and No Cents (\$950,589.00)	
“INTEREST RATE”	Interest shall accrue on the unpaid Principal Amount of this Note at the applicable federal rate in effect on the Accrual Date, which was _____ percent (___%) per annum, compounded annually.	
“MATURITY DATE”	The first day of the 684 <sup>th</sup> calendar month following the Effective Date: February 1, 2077.	
“PAYMENT START DATE”	Commencing on the first day of the 40th calendar month following the Effective Date of this Loan Agreement, May 1, 2023, annual payments of interest and principal shall be due in arrears subject to review of annual audited financial statement as described in the Promissory Note for the Improvements.	
“PAYMENT SCHEDULE”	Annual payments of Residual Receipts in accordance with the Promissory Note for Improvements (Note). 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”	Six Million Six Hundred Thousand Dollars and No Cents (\$6,600,000.00) 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.	
	No less than Three Hundred Sixty Thousand Dollars and No Cents (\$360,000.00) is the Borrower’s non-cash contribution to the Project (such as deferred Developer fees).	

<p>“SPECIAL TERMS”</p>	<p><b>ANNUAL REPAYMENT:</b> Annual principal and interest payments shall be deferred from the Loan’s Effective Date through the first 39 months. Beginning in month 40, May 1, 2023, annual payments will be made on a Residual Receipts, as defined below, basis until the maturity date. Annual payments shall be applied first to outstanding interest accrued and unpaid and then to principal.</p> <p>“Residual Receipts” is defined as follows: May 1, 2023, annual installments (as described in Sections [f] through [l] of this paragraph) are to begin. Based on the annual audited financial statement from the preceding year, payments will be made upon a “Residual Cash Flow” basis meaning Net Operating Income (NOI) less:</p> <ul style="list-style-type: none"> <li>(a) Debt service on the senior loan</li> <li>(b) Monitoring fees to the County of Sacramento Housing Authority on the mortgage revenue bond issuance;</li> <li>(c) If applicable, to the limited partner for any amounts owed to the limited partner pursuant to the Borrower’s Amended and Restated Partnership Agreement;</li> <li>(d) Asset management fees up to \$8,000 annually as of the Loan’s Effective Date escalating at 3% annually;</li> <li>(e) Partnership management fee up to \$8,000 annually as of the Loan’s Effective Date escalating at 3% annually;</li> <li>(f) Deferred developer fee;</li> </ul> <p>After Sections (a) through (f) of this paragraph are paid,</p> <ul style="list-style-type: none"> <li>(g) Fifty percent (50%) of the available cash flow from NOI to the Housing Authority of the City of Sacramento Construction and Permanent Loan, divided equally first to the Capital Funds Note, then to Cash Proceeds Note, including principal and interest, and</li> <li>(h) Fifty percent (50%) of the available cash flow from NOI to the Housing Authority of the County of Sacramento Construction and Permanent Loan, divided equally first to the Capital Funds Note, then to Cash Proceeds Note, including principal and interest;</li> </ul> <p>After Sections (a) through (h) of this paragraph are paid,</p> <ul style="list-style-type: none"> <li>(i) Fifty percent (50%) of the available cash flow from NOI to the Housing Authority of the County of Sacramento Seller Carryback Loan (Improvements), and</li> <li>(j) Fifty percent (50%) of the available cash flow from NOI to the Housing Authority of the City of Sacramento Seller Carryback Loan (Improvements);</li> </ul> <p>After Sections (a) through (j) of this paragraph are paid,</p> <ul style="list-style-type: none"> <li>(k) One hundred percent (100%) of the available cash flow from NOI to Sacramento Housing and Redevelopment Agency Construction and Permanent Loan;</li> </ul> <p>After Sections (a) through (k) of this paragraph are paid,</p> <ul style="list-style-type: none"> <li>(l) Fifty percent (50%) of the available cash flow from NOI to the Housing Authority of the County of Sacramento Ground Lease, and</li> <li>(m) Fifty percent (50%) of the available cash flow from NOI to the Housing Authority of the City of Sacramento Ground Lease.</li> </ul> <p>The Net Operating Income is defined as periodic “Revenue” less “Operating Expenses.” “Revenue” means all revenue from the leasing of the Project, including but not limited to all rents, fees, and charges paid by tenants as well as rental subsidy payments regardless of the source of these subsidies, forfeited tenant deposits, rent increases, proceeds from vending machines and laundry room machines. Revenue shall not include tenants’ security deposits (unless forfeited), interest on those deposits, loan proceeds, capital contributions or similar advances, or amounts released from reserves or interest on reserves.</p> <p>“Operating Expenses” shall mean actual costs, fees and expenses as evidenced by invoices attributable to the operation, recordkeeping, maintenance, taxes and management of the Project, including property management fees; taxes and assessments; payroll, benefits and payroll taxes of for property employees; insurance; security; painting, cleaning, repairs, and alterations; landscaping; sewer charges; utility charges; advertising, promotion and publicity; cable television, satellite and other similar services; office, janitorial, cleaning and building supplies; recreational amenities and supplies; purchase, repair, servicing and installation of appliances; costs and expenses associated with the provision of social and/or community services to the residents of the Project; equipment, fixtures and furnishing; fire alarm and elevator monitoring; fees and expenses of accountants, attorneys, consultants and other professionals. The definition will include deposits into operating and/or replacement reserves maintained by the Borrower but will not include initial deposits to capitalize the reserve accounts or amounts expended from a reserve account, or capital costs.</p> <p>Principal and interest due in full upon refinance, sale or end of Term.</p>
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<b>B. "Collateral" The Collateral securing repayment of the Loan, which Collateral consists of the following</b>	
"PROPERTY"	Property includes the leasehold estate in the underlying land (but not the land itself), which is the subject of a separate ground lease all located at 4921 Folsom Boulevard, Sacramento, California and 1043 43rd Avenue, Sacramento, California and the fee in the improvements and supporting constructed infrastructure situated upon the land:
Address and Assessor's Parcel Number (APN)	4921 Folsom Boulevard, Sacramento, California (APN 008-0341-044-0000) 1043 43rd Avenue, Sacramento, California (APN 029-0184-017-0000, 029-0184-001-0000 and 029-0184-002-0000)
"Legal Description"	The Property is situated in the State of California, City of Sacramento, and is more particularly described in <b>Exhibit 1: Legal Description</b> attached and incorporated by reference.
Borrower's Title Interest	Borrower has a fee interest in the Improvements and a leasehold interest in the land or, if the Additional Escrow Instructions so indicate, Borrower will acquire fee interest in the Improvements and leasehold interest in the land at Close of Escrow.

<b>C. "ESCROW INFORMATION":</b>		
"Title Company" and "Escrow Agent"	Placer Title Company	Which is the title company that will issue the Title Policy and that will act as Escrow Agent for the Escrow
"Escrow"	The escrow with Escrow Agent.	
"Closing Date"	_____, 2020 or mutually agreed upon date	Which is the date for close of the Escrow, as it may be extended

<b>D. "LIST OF EXHIBITS" (The following are attached and incorporated in this Loan Agreement):</b>	
EXHIBIT	DEFINED TERM
<u>Exhibit 1: Legal Description</u>	"Legal Description"
<u>Exhibit 2: Note Form</u>	"Note"
<u>Exhibit 3: Trust Deed Form</u>	"Trust Deed"
<u>Exhibit 4: Escrow Instructions</u>	"Escrow Instructions"
<u>Exhibit 5: The RAD Use Agreement</u>	"RAD Use Agreement"
<u>Exhibit 6: Scope of Development</u>	"Scope of Development"

<b>D. "APPROVAL DOCUMENTS" Borrower shall submit the following documents for Lender approval</b>
Construction Agreements for the Project
Architectural Agreement for the Project
Borrower's organizational documents, such as partnership agreements or corporate articles and by-laws
Budget for the operation of the Property, including capital improvements and operating reserve account
Evidence of construction financing
Budget for the operation of the Property, including capital improvements and operating reserve account

<b>F. "ASSIGNED DOCUMENTS" BORROWER ASSIGNS THE FOLLOWING DOCUMENTS TO LENDER</b>
Construction Agreement
Architectural Agreement
Subject to the interests of any senior lender, any lease and rental agreements for the Property, or any part of it.

<b>G. "SPECIAL PROVISIONS" The following special provisions shall be in addition to the provisions of this Loan Agreement.</b>
1. This Loan is made pursuant to the Disposition and Development Agreement by and between Borrower and the Housing Authority of the City of Sacramento dated _____, 2020 (the "DDA"). This Loan Agreement is subject to the DDA including without limitation, conditions precedent to funding the Loan or making disbursements of the Loan Proceeds.
2. This loan is a seller carry back loan for the acquisition of the improvements.
3. Subject to Lender's written approval, Borrower shall obtain and maintain for the life of the Loan a property

management agreement with a duly accredited real estate property management company for the management of the Property. Lender shall have the right to review and approve or reject any proposed changes to scope of said agreement and to changes in the real estate property management company prior to making such changes. Any such changes made without Lender approval shall be a default of the loan. The Lender hereby approves Housing Authority of the City of Sacramento as the Property's property manager.

**THE PARTIES HAVE EXECUTED THIS LOAN AGREEMENT** in Sacramento, California as of the date first written above.

**BORROWER:**  
**RAD PILOT LP, A CALIFORNIA LIMITED PARTNERSHIP**

**LENDER: HOUSING AUTHORITY OF THE CITY OF SACRAMENTO**, a public body corporate and politic

By: RAD Pilot LLC, a California limited liability company, its managing general partner

By: \_\_\_\_\_  
La Shelle Dozier, Executive Director

By: Sacramento Housing Authority Repositioning Program, Inc., a California nonprofit public benefit corporation, its sole member and manager

Approved as to form:

\_\_\_\_\_  
Authority Counsel

\_\_\_\_\_  
James Shields, President

## ARTICLE II LOAN PROVISIONS

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**LENDER AND BORROWER HAVE ENTERED THIS LOAN AGREEMENT AS OF THE EFFECTIVE DATE.** The capitalized terms in this Loan Agreement shall have the meanings assigned in Article I General Terms and as defined in Section 1 of this Article II Loan Provisions. (Terms being defined are indicated by quotation marks.) The Lender is making the Loan pursuant to the Loan Commitment and the terms and conditions of this Loan Agreement.

**NOW, THEREFORE,** in consideration of their mutual promises, the parties agree as follows:

1. **DEFINITIONS.** Terms not defined in Article I and II of this Loan Agreement shall have the definitions assigned in the Trust Deed. If a definition in Article I refers to an Exhibit that is a document form, the attached document is a true and correct copy of the document referenced. As used in this Loan Agreement, the following terms shall have the following meanings:

1.1. "Accrual Date" means the date ownership of the Property is transferred from Lender to Borrower.

1.2. "Approved Loans" means the Housing Authority loan, the Wells Fargo Bank, N.A. loan, senior mortgage loan, and the Freddie Mac permanent loan.

1.3. "Business Day" means regularly scheduled business day of the Sacramento Housing and Redevelopment Agency. Whenever any payment to be made under this Loan Agreement is due on a day other than a Business Day, it may be made on the next succeeding Business Day, and the resulting extension of time will be included in the computation of payment of interest.

1.4. "Close of Escrow" means the fulfillment of the Escrow terms and conclusion of the Escrow, including, without limitation, the execution of unexecuted documents, the recordation of documents specified for recording, the issuance of title insurance policies, the payment of fees and the delivery of funds and documents as directed in the escrow instructions for the Escrow. The Close of Escrow shall occur on the Closing Date.

1.5. "DDA" shall have the same meaning as ascribed to it in Article I, Section G of this Loan Agreement.

1.6. "Default Rate" is the maximum legal interest rate.

1.7. "Escrow" is the escrow with Title Company for the closing of the Loan.

1.8. "Escrow Instructions" means the Escrow Instructions for the Escrow signed by each of the parties to this Loan Agreement.

1.9. "Event of Default" is breach of or default in a party's obligations under this Loan Agreement, the Trust Deed, the Note and any other instrument that is incorporated in this Loan Agreement or that otherwise secures the repayment of the Loan beyond any applicable notice and cure periods.

1.10. "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.

1.11. "Fixtures" means all fixtures located on or within the Property or now or later installed in or used in connection with any of the Property, including, as applicable and without limitation, all partitions, screens, awnings, motors, engines, boilers, furnaces, pipes, plumbing, elevators, cleaning and sprinkler systems, fire extinguishing apparatus and equipment, water tanks, heating, ventilating, air conditioning and air cooling equipment, built-in refrigerators, and gas and electric machinery, appurtenances, and equipment, whether or not permanently affixed to the Project.

1.12. "General Contractor" means the general contractor named by Borrower in his application or supporting documents as the general contractor to do the Project, or any other general contractor so designated by Borrower and approved in writing in advance by Lender.

1.13. "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.

1.14. "Governmental Requirement" means any law, ordinance, order, rule, regulation, plan, ruling, determination or requirement of a Governmental Authority.

1.15. "Loan" is the loan from Lender to Borrower made pursuant to this Loan Agreement.

1.16. "Loan Agreement" means this Loan Agreement including Article I and II, all Exhibits attached to this Loan Agreement (which are incorporated in this Loan Agreement by this reference) and the Loan Documents which are not otherwise included in this definition.

1.17. "Loan Documents" means the Note, this Loan Agreement, the Security Documents, and all other documents (including guaranties) evidencing, securing, or relating to the Loan.

1.18. "Loan Maturity Date" means the date on which the entire unpaid balance of the Loan, including principal and interest, is due and payable.

1.19. "Loan Proceeds" means the Loan funds disbursed by Lender to Borrower pursuant to the terms of the Loan Documents.

1.20. "Permanent Lender" is the lender for the Permanent Loan.

1.21. "Permanent Loan" means the permanent financing obtained by Borrower through an Approved Loan, which is to be made after completion of construction and which will be secured by a senior lien against the Property.

1.22. "Personalty" means, whether or not listed as Additional Collateral, all of Borrower's interest in all accounts, contract rights, and general intangibles (specifically including any insurance proceeds and condemnation awards) arising out of the ownership or operation of the Property, and all furniture, furnishings, equipment, machinery, materials and supplies, leasehold interests in personal property, and all other personal property (other than Fixtures) of Borrower now or later located about the Property, together with all present and future attachments, accessions, replacements, substitutions, and additions, and the cash and noncash proceeds.

1.23. "Plans and Specifications" means the final set of architectural, structural, mechanical, electrical, grading, sewer, water, street, and utility plans and specifications for the Project, including all supplements, amendments, and modifications.

1.24. "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.

1.25. "Project" means the rehabilitation of the of the Property in accordance with the Plans and Specifications including, without limitation, all existing buildings, improvements, and appurtenances on the Property, all work of demolition and rehabilitation to be conducted on the Property, and all improvements, additions, and replacements constructed or placed at any time on the Property.

1.26. "RAD" means Rental Assistance Demonstration (RAD) is the Rental Assistance Demonstration Program of the United States Department of Housing and Urban Development.

1.27. "RAD Use Agreement" means, collectively, the use agreement entered into by and among the Authority, Lessee, and United States Department of Housing and Urban Development (HUD) specifying the affordability and

use restrictions governing the Project under the RAD Program, and recorded against the Authority's fee interest in the Leased Premises and the Lessee's leasehold interest in the Leased Premises.

1.28. "Security Documents" means the Trust Deed, together with all other documents entered into between Borrower and Lender or by Borrower in favor of, or for the benefit of, Lender that recite that they are to secure the Loan.

1.29. "Title Policy" means the title insurance policies to be issued in connection with this Loan, as further defined in the Escrow Instructions.

2. **BORROWER'S REPRESENTATIONS AND WARRANTIES.** As a material inducement to Lender to enter into this Loan Agreement and to make the Loan to Borrower, Borrower unconditionally, and each signatory who signs on its behalf, to the extent of their actual knowledge, represents and warrants to Lender, as of the Close of Escrow, as follows:

2.1. **BORROWER'S POWERS.** Borrower has full power and authority to execute this Loan Agreement, the Note, the Trust Deed, and all of the other Loan Documents, to undertake and consummate the contemplated transactions, and to pay, perform, and observe all of the conditions, covenants, agreements, and obligations.

2.2. **BINDING OBLIGATION.** This Loan Agreement, the Note, the Trust Deed, and each of the other Loan Documents each constitutes a legal and binding obligation of, and are valid and enforceable against, each party other than Lender, in accordance with the terms of each.

2.3. **LITIGATION.** There are no actions, suits, or proceedings pending or, to the best knowledge of Borrower, threatened against or affecting Borrower, the Property, or any part of it, or involving the validity or enforceability of the Trust Deed, the priority of the lien, or the validity or enforceability of any of the other Loan Documents, at law or in equity, or before or by any Governmental Authority. Borrower is not in default with respect to any order, writ, injunction, decree, or demand of any court or other Governmental Authority.

2.4. **NO VIOLATION.** The consummation of the transactions covered by this Loan Agreement and the payment and performance of all of the obligations in the Loan Documents, will not result in any breach of, or constitute a default under, any mortgage, deed of trust, lease, contract, loan or credit agreement, corporate charter, bylaws, partnership agreement, trust agreement, or other instrument to which the Borrower or any of its general partners is a party or by which it or they or the Property may be bound or affected.

2.5. **NO DEFAULT.** There is no Event of Default or Potential Default on the part of Borrower.

2.6. **TITLE TO PROPERTY.** Borrower will be the sole legal and beneficial owner of the Property, which is free of all claims, liens, and encumbrances other than those shown in the Title Policy.

2.7. **NO UNAPPROVED LOANS.** Borrower has not received financing for either the acquisition of the Property, the use and operation of the Property, or the permanent financing of the Property except as has been fully disclosed to and approved by Lender in writing.

2.8. **TITLE OF PERSONALTY.** All Personalty is vested solely in Borrower, free of all claims, liens, and encumbrances, and the security interest of Lender in the Personalty is a valid lien.

2.9. **TAXES PAID.** Borrower has filed all required Federal, State, County, and County tax returns and has paid all taxes due and owing. Borrower knows of no basis for additional assessments with respect to any taxes, other than the lien of taxes not yet due.

2.10. **CONSTRUCTION QUALITY.** There are no structural defects in the Property that are known to or reasonably should be known to Borrower or its agents and employees, and to the best of Borrower's knowledge, no violation of any Governmental Requirement exists.

2.11. **ACCURACY.** All applications, financial statements, reports, documents, instruments, information, and forms of evidence delivered to Lender concerning the Loan or required by this Loan Agreement or any of the other Loan Documents are accurate, correct, and sufficiently complete to give Lender true and accurate knowledge of their subject matter, and do not contain any untrue statement of a material fact or omit any material fact necessary to make them not misleading.

3. **LOAN.** Lender agrees to lend to Borrower, and Borrower agrees to borrow from Lender, the Loan Amount, to finance the purposes and uses and subject to the terms, conditions, representations, warranties, and covenants, all as stated in this Loan Agreement.

3.1. **PRINCIPAL AMOUNT.** The principal amount of the Loan shall be the Loan Amount.

3.2. **USE OF LOAN FUNDS.** Loan funds shall be used only for acquisition financing and for other purposes specified in the Loan Agreement.

3.3. **LOAN TERMS.** The Loan is made pursuant to the Loan Program and is subject to the laws, rules and regulations of the Loan Program. Lender agrees to disburse the Loan Proceeds in the manner and subject to the limitations stated in this Loan Agreement. Interest, at the Interest Rate, shall accrue on each disbursement of Loan Proceeds commencing on the date on which each such disbursement is made. Repayment of the loan shall be made, in payments of principal and interest, in lawful tender of the United States, in accordance with the Payment Schedule.

3.4. **NOTE AND SECURITY DOCUMENTS.** The Loan is evidenced by the Note executed by Borrower in favor of Lender and delivered to Lender upon Close of Escrow. Repayment of the Note is secured by the Trust Deed covering the Property. Borrower shall execute, as Trustor, the Trust Deed in favor of the Title Company as Trustee in trust for the benefit of Lender and deliver it to Escrow for recordation. The Loan is also secured by the Additional Collateral, if any, as evidenced by the applicable Security Documents.

3.5. **RAD USE AGREEMENT.** The imposing of the covenants, conditions and restrictions running with the land contained in the RAD Use Agreement is required by the DDA and is a material consideration for the making of this Loan. Borrower shall execute the RAD Use Agreement prior to Close of Escrow and deliver it to Escrow for recordation. The RAD Use Agreement shall be and remain senior in position to any and all liens against the land fee or the leasehold interest of the improvement.

4. **PERFORMANCE CONDITIONS.** The following are conditions precedent to performance under this Loan Agreement:

4.1. **CONDITION OF TITLE.** Lender shall cause Escrow Agent to issue to Borrower (with a copy to Lender) the Preliminary Report, together with copies of all documents relating to title exceptions referred to in the Preliminary Report. At Close of Escrow, Lender's Trust Deed shall be a valid lien against the Property securing the Loan and subject to no exceptions to title (of record or off record) other than the exceptions listed in the "Conditions of Title" in the Escrow Instructions.

4.2. **CONDITIONS TO LENDER'S PERFORMANCE.** Lender's obligation to perform under this Loan Agreement is subject to all of the following conditions: (a) Borrower has performed all of its obligations then to be performed pursuant to this Loan Agreement; (b) Borrower has met the Additional Conditions to Close of Escrow and applicable Special Provisions, if any (c) the closing conditions as defined in the Escrow Instructions have been fulfilled as of Close of Escrow; (d) Borrower's representations and warranties in this Loan Agreement are true and correct as of the Close of Escrow, (e) the Agreement continues to be in full force and effect, no default on the part of Borrower has occurred under the Loan Agreement, and no event has occurred that, with the giving of notice or the passage of time, will constitute a default by Borrower under the Loan Agreement; and (e) Lender has approved the Approved Loans.

4.3. **CONDITIONS TO BORROWER'S PERFORMANCE.** Unless waived by Borrower, Borrower's obligation to perform under this Loan Agreement is subject to satisfaction of all of the following conditions: (a) the closing conditions as defined in the Escrow Instructions have been fulfilled as of Close of Escrow; (b) Lender has met the



Additional Conditions to Close of Escrow and applicable Special Provisions, if any; (c) 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 (d) the Loan Agreement continues to be in full force and effect, no default on the part of Lender has occurred under the Loan Agreement, and no event has occurred that, with the giving of notice or the passage of time, will constitute a default by Lender under the Loan Agreement.

4.4. **ESCROW.** The parties shall open the Escrow promptly after the Effective Date. Escrow shall close as provided in the Escrow Instructions on or before the Closing Date.

4.5. **COMMISSIONS.** Lender is not responsible, by this Loan Agreement or otherwise, to pay commissions in relation to this transaction.

5. **RELOCATION.** Lender is required by law to provide relocation services and make relocation payments to eligible tenants displaced as a result of the Lender's involvement in the Property. Borrower shall comply fully with all relocation laws that are the obligation of Lender or are otherwise applicable to the Property. Borrower's compliance with the relocation requirements as stated in this Section 5 is a material element of this Loan. Borrower's failure to comply with the relocation requirements as stated in this Section 5 is an Event of Default.

5.1. **RELOCATION COSTS.** Unless otherwise stated in this Agreement, any amounts paid by Lender for relocation costs and services shall be considered advances under the Loan.

5.2. **COOPERATION AND ACCESS.** Borrower shall cooperate fully with Lender in complying with such relocation laws, including without limitation, providing Lender access to all tenants of the Property, to all books and records related to the tenants of the Property and to all properties offered for temporary or permanent relocation. Prior to taking any action with respect to relocation of tenants, Borrower shall meet with Lender to establish reasonable protections for tenants and related reporting requirements for Borrower.

5.3. **BORROWER AS RELOCATION AGENT.** With the approval of Lender, Borrower may act as Lender's agent in accomplishing such relocation. If Lender and Borrower agree that Borrower will act as Lender's agent for purposes of this Loan, Borrower may enter into agreements for the provision of relocation services, or Borrower may perform such services directly. Borrower shall, by provisions in its agreements or by direction to its staff, assure that the entity performing the relocation services (a) shall comply with all applicable law, (b) shall fully inform Lender of all relocation activities, (c) shall make all requests for direction or clarification to Lender, and (d) shall respond to and follow the Lender's instruction and direction.

6. **ADDITIONAL SECURITY INSTRUMENTS.** Upon request by Lender, Borrower shall execute and deliver to Lender a security instrument in favor of Lender naming as secured property all contracts related to the Property and all other property of any kind owned by Borrower and used primarily in connection with the Property. Lender may require such instrument at any time, and from time to time may require additions of new contracts and other property. Borrower irrevocably assigns to Lender, effective upon Lender's written demand, as security for the due performance of this Loan Agreement all of its right, title, and interest in the Assigned Documents.

7. **CONDITIONS PRECEDENT TO LOAN DISBURSEMENT.** The obligation of Lender to make any disbursements under this Loan Agreement shall be subject to the following conditions precedent (subject only to the rights of the Permanent Lender):

7.1. No Event of Default or Potential Default of Borrower has occurred and is continuing.

7.2. If requested by Lender, Borrower has furnished to Lender an endorsement to the Title Policy showing no intervening liens or encumbrances on the Property and insuring the full disbursement, together with a satisfactory report under the California Uniform Commercial Code showing no liens or interests in Personalty other than those of Lender and senior lender.

7.3. The Property and all fixtures, and furnishings installed on or acquired for the Property are owned by Borrower free of any liens, encumbrance, or other interests of any kind other than Lender's lien or security interest or lien/security interests pertaining to the senior loan.

7.4. The representations and warranties in the Loan Documents are correct as of the date of the requested disbursement.

7.5. Borrower has paid Lender all commitment, loan, and other fees then due, and Borrower has submitted to, and Lender has approved in writing, all documents, records, statements, certificates, reports, and other materials and information then required to be submitted to Lender for approval under this Loan Agreement.

7.6. Borrower has delivered to Lender all funds, documents, instruments, policies, evidence of satisfaction of conditions, and other materials then due or otherwise requested by Lender under the Loan Documents.

7.7. There is no legal action threatened or pending against Borrower or any Additional Collateral.

7.8. All conditions to Close of Escrow have been satisfied in accordance with the Loan Agreement.

7.8.1. Borrower has obtained and Lender has approved a loan approval from a financial institution (or other lender approved by Lender in its sole discretion) to make the Permanent Loan, which provides (a) that it is subject only to those conditions which are usual and customary in the industry and which can be satisfied by the proposed closing date of the Permanent Loan; (b) that it is in full force with no default by any party; and (c) that Lender will have notice of, and a reasonable opportunity to cure, any Borrower defaults.

7.8.2. The Permanent Lender's commitment to make the Permanent Loan is in full force, has not been modified and no event has occurred that with notice or the passage of time or both could result in the termination of it. Nothing in the Permanent Loan commitment, or submissions and approvals made under it, conflicts with this Loan agreement. Borrower has done all things necessary to keep unimpaired its rights under the Loan Commitment.

7.8.3. Borrower has filed all tax returns required to be filed and paid all taxes due, which, if unfiled or unpaid, might adversely affect Lender's security under the Security Documents.

7.8.4. Borrower has provided proof of all insurance required by this Loan Agreement.

## 8. DEFAULTS

8.1. **EVENTS OF DEFAULT.** Subject to the notice and cure provisions set forth in Section 16 of the Trust Deed, at the option of Lender, each of the following events will constitute a default (each an "Event of Default"):

8.1.1. The occurrence of an Event of Default under the Trust Deed.

8.1.2. Borrower's failure to comply with any Governmental Requirements; provided, however that Borrower's right to challenge the Governmental Requirements is not abridged.

8.1.3. Borrower's failure to keep in full force any permit, license, consent, or approval with respect to the occupancy or use of the Property, unless Borrower has renewed the same or otherwise cured the lapse prior to Lender's issuance of a notice of the default.

8.1.4. Make any unauthorized payment from Loan Proceeds or other funds of Lender.

8.1.5. The filing of any lien against the Property, if the claim of lien continues for sixty (60) days without discharge, satisfaction, or the making of provision for payment (including bonding) to the satisfaction of Lender.

8.1.6. The attachment, levy, execution, or other judicial seizure of any portion of the Property, or any substantial portion of the other assets of Borrower, that is not released, expunged, bonded, discharged, or dismissed within thirty (30) days after the attachment, levy, execution, or seizure.

8.1.7. Notwithstanding anything to the contrary herein or in the Loan Documents, Lender agrees that in no event shall it declare an event of default or seek any remedy with respect to the Loan or the Loan Documents during the 15-Year tax credit compliance period under Internal Revenue Code Section 42 applicable to the Property unless the tax credit limited partner consents.

## 9. REMEDIES

9.1. **OPTION TO ACT.** Subject to the notice and cure provisions of Section 16 of the Trust Deed, on the occurrence of any Event of Default, in addition to its other rights in this Loan Agreement or in any of the other Loan Documents, at law, or in equity, Lender may, without prior demand, exercise any one or more of the following rights and remedies:

9.1.1. Terminate its obligation to make disbursements.

9.1.2. Declare the Note and all other sums owing to Lender with respect to the other Loan Documents immediately due.

9.1.3. Make any disbursements after the happening of any one or more of the Events of Default, without waiving its right to demand payment of the Note and all other sums owing to Lender with respect to the other Loan Documents or any other rights or remedies and without liability to make any other or further disbursements, regardless of Lender's previous exercise of any rights and remedies.

9.1.4. Proceed as authorized at law or in equity with respect to the Event of Default, and in connection with that, remain entitled to exercise all other rights and remedies described in this Loan Agreement or the Trust Deed.

9.1.5. Recover its funds expended in exercising or enforcing any of its rights or remedies under any of the Loan Documents, together with interest at the Default Rate from the date the funds were spent until repaid which amounts will be deemed secured by the Trust Deed.

9.2. **RIGHTS CUMULATIVE, NO WAIVER.** All of Lender's rights and remedies provided in this Loan Agreement or in any of the other Loan Documents are cumulative and may be exercised by Lender at any time. Lender's exercise of any right or remedy will not constitute a cure of any Event of Default unless all sums then due to Lender under the Loan Documents are repaid and Borrower has cured all other Events of Default. No waiver will be implied from Lender's failure to take, or delay in taking, any action concerning any Event of Default or from any previous waiver of any similar or unrelated Event of Default. Any waiver under any of the Loan Documents must be in writing and will be limited to its specific terms.

9.3. **DISCLAIMER.** Whether Lender elects to employ any of the remedies available to it in connection with an Event of Default, Lender will not be liable for the failure to protect the Property; the payment of any expense incurred in connection with the exercise of any remedy available to Lender; or the performance or nonperformance of any obligation of Borrower.

10. **FIRE, HAZARD AND EXTENDED COVERAGE INSURANCE.** For the duration of Loan Agreement, Borrower shall obtain and maintain fire and hazard insurance to the full insurable value of the Property with endorsements of extended coverage, vandalism, and malicious mischief, and with such other endorsements and in such amounts as Lender may reasonably require to protect the Property. In the event of damage to the Property and subject to the requirements of Lender, Borrower shall use the proceeds of such insurance to reconstruct the Property and the public improvements.

10.1. **INSURANCE PROVISIONS.** Each policy of insurance required under this Loan Agreement shall be obtained from a provider licensed to do business in California and having a current Best's Insurance Guide rating of A-V II or better, 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 Lender has been given written notice of such intended action at least thirty (30) days prior to its effective date.

10.2. **FAILURE TO MAINTAIN.** If Borrower fails to obtain or maintain, or cause to be obtained and maintained, any insurance required by this Loan Agreement, the Lender, after providing Borrower with not less than 7 days notice, 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 Lender. If Borrower fails to reimburse Lender for insurance, the amount of unpaid reimbursement shall bear interest, at the maximum rate permissible under the law, until paid.

## 11. MISCELLANEOUS.

11.1. **NONRECOURSE.** Notwithstanding any provision of this Loan Agreement or any document evidencing or securing this Loan, Borrower, and Borrower's principals, partners, agent, officer, and successors in interest shall not be personally liable for the payment of the Loan or any obligation of the Loan, Lender's sole recourse shall be against the Property.

11.2. **FEDERAL REQUIREMENTS.** If any Loan Program is federally funded, Borrower shall comply with all laws, rules, regulations and funding requirements that govern the use of such funds. Lender shall fully cooperate with, and assist, Borrower in fulfillment of such obligations.

11.3. **NATURE OF REPRESENTATIONS AND WARRANTIES.** Borrower certifies to Lender that all representations and warranties made in this Loan Agreement and all other Loan Documents are true and correct in all material respects and do not contain any untrue statement of a material fact or omit any material fact necessary to make the representations and warranties not misleading. All representations and warranties will remain true and correct in all material respects and will survive so long as any of Borrower's obligations have not been satisfied or the Loan or any part of it remains outstanding, and for any applicable statute of limitations period. Each request by Borrower for a disbursement will constitute an affirmation that all representations and warranties remain true and correct as of the date of that request. Each representation and warranty made in this Loan Agreement, in any other Loan Documents, and in any other document delivered to Lender by Borrower, will be deemed to have been relied on by Lender, regardless of any investigation, inspection, or inquiry made by Lender or any related disbursement made by Lender. The representations and warranties that are made to the best knowledge of Borrower have been made after diligent inquiry calculated to ascertain the truth and accuracy of the subject matter of each representation and warranty.

11.4. **SUBORDINATION.** Lender will subordinate this Loan to the Senior Loan, provided that the Senior Loan for the Project indicated in the Budget meets all requirements of this Loan Agreement, and that the Senior Loan does not require modification of this Loan Agreement, Lender's execution of any agreements containing new or modified Loan terms or Lender's execution of any agreement creating a contractual relationship between Lender and the senior lender including obligations or liabilities between Lender and the senior lender. "Senior Loan" means 1) a construction loan (the "Construction Loan") from Wells Fargo, N.A. ("Bank") in the approximate amount of Twelve Million Five Hundred Thousand Dollars and No Cents (\$12,500,000.00) funded with tax-exempt bonds issued by the Housing Authority of the County of Sacramento (the "Bonds"); and 2) a permanent loan from the Housing Authority of the County of Sacramento (the "Tax Exempt Loan") using proceeds from a separate loan made by Prudential Affordable Mortgage Company, LLC, or affiliate, which will be purchased by Freddie Mac, in the approximate amount of Three Million Two Hundred Forty-Two Thousand Three Hundred Dollars and No Cents (\$3,242,300.00), (the "Prudential/Freddie Mac Loan"); and that certain loan from Lender to Borrower evidenced by a Project Note given by Borrower to Lender and secured by a Multifamily Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing given by Borrower to Lender, as assigned to U.S. Bank National Association, as Fiscal Agent, or the Permanent Loan.

11.5. **FINANCIAL STATEMENTS.** Borrower shall provide Financial Statements to Lenders, as and when reasonably requested to assure the good status of the Loan and the Property.

11.6. **NO WAIVER.** No failure or delay on the part of Lender in exercising any right or remedy under the Loan Documents will operate as a waiver nor will Lender be estopped to exercise any right or remedy at any future time because of any such failure or delay. No express waiver will affect any matter other than the matter expressly waived and that waiver will be operative only for the time and to the extent stated. Waivers of any covenant, term, or condition in this Loan Agreement will not be construed to waive any subsequent breach of the same covenant, term, or condition.

11.7. **NO THIRD PARTIES BENEFITED.** This Loan Agreement is made and entered into for the sole protection and benefit of the parties and their permitted successors and assigns, and no other Person will have any right of action or any rights to funds at any time on deposit in the Construction Account or the Impound Account, if established.

11.8. **NOTICES.** Borrower irrevocably appoints Lender as its agent (the agency being coupled with an interest) to file for record any notices of completion, cessation of labor, or any other notice that Lender deems necessary or desirable to protect its interests under this Loan Agreement or under the Loan Documents. All notices to be given under this Loan Agreement shall be in writing and sent to the addresses stated above, as well as to those Parties listed in the definition of "Additional Notices" in the Trust Deed by one or more of the following methods. Lender shall give copies of notices required to be delivered to Borrower to those Parties listed in the definition of "Additional Notices" in the Trust Deed provided, however that Borrower acknowledges that such notice is an accommodation and the failure of the Lender to properly deliver any such notice shall not give rise to any claims or defenses of Borrower or any third party.

(a) Certified mail, return receipt requested, in which case notice shall be deemed delivered three (3) business days after deposit, postage prepaid in the United States Mail;

(b) A nationally recognized overnight courier, by priority overnight service, in which case notice shall be deemed delivered one (1) business day after deposit with that courier;

(c) Hand delivery with signed receipt for delivery from a person at the place of business of the receiving party and authorized to accept delivery for the receiving party, in which case notice shall be deemed delivered upon receipt, or

Telecopy, if a copy of the notice is also sent the same day by United States Certified Mail, in which case notice shall be deemed delivered one (1) business day after transmittal by telecopier, provided that a transmission report is automatically generated by the telecopier reflecting the accurate transmission of the notices to receiving party at the "Fax Number" given in the Escrow Instructions or to such other address as Borrower or Lender may respectively designate by written notice to the other.

11.9. **ACTIONS.** Lender will have the right to commence, appear in, or defend any action or proceeding purporting to affect the rights, duties, or liabilities of the parties, or the disbursement of any funds under this Loan Agreement. In connection with that, Lender may incur and pay costs and expenses, including, without limitation, reasonable attorney fees. Borrower agrees to pay to Lender on demand all these expenses, and Lender is authorized to disburse funds from the Construction Account for that purpose. This Section does not apply to actions or proceedings between the parties.

11.10. **ASSIGNMENT.** The terms of this Loan Agreement will be binding on and inure to the benefit of successors and assigns of the parties. However, Borrower shall not assign this Loan Agreement or any interest it may have in the monies due or, except as otherwise provided, convey or encumber the Property or any Personalty or Fixtures now or later on the Property without the prior written consent of Lender or as otherwise permitted under the DDA. Lender may at any time assign the Loan Documents to any affiliate of Lender or to a national bank or other equivalent lender, and the assignee will assume the obligations of Lender, and Lender will have no further obligation of any nature. In that case, the provisions of this Loan Agreement will continue to apply to the Loan, and the assignee will be substituted in the place and stead of Lender, with all rights, obligations, and remedies of Lender, including, without limitation, the right to further assign the Loan Documents. In addition, Lender may at any time assign a participation in the Loan to any other party, provided that Lender continues to be primarily obligated under this Loan Agreement.

11.11. **PREPAYMENT.** Borrower may prepay the Loan only on and subject to the terms and conditions in the Note. Borrower shall have no rights to receive, and under no circumstances will Borrower receive repayment of any fees previously paid to Lender.

11.12. **BORROWER, LENDER RELATIONSHIP.** The relationship between Borrower and Lender is, and will at all times remain, solely that of borrower and lender, and Lender neither undertakes nor assumes any responsibility for or duty to Borrower.

11.13. **CONTROLLING LAW; VENUE.** The Loan Documents will be governed by and construed in accordance with California law. The venue for any legal action or proceeding will be in the County of Sacramento, California

11.14. **CONSENTS AND APPROVALS.** All consents and approvals by Lender required or permitted by any provision of this Loan Agreement will be in writing, and Lender shall not unreasonably withhold consent and approval delay in reviewing and approving or disapproving any consents and waivers. Lender's consent to or approval of any act by Borrower requiring further consent or approval will not be deemed to waive or render unnecessary the consent or approval to or of any subsequent similar act.

11.15. **SURVIVAL OF WARRANTIES AND COVENANTS.** The warranties, representations, conditions, covenants, and agreements in this Loan Agreement and in the other Loan Documents will survive the making of the Loan and the execution and delivery of the Note and will continue in full force until the Indebtedness has been paid in full. Nothing in this Section is intended to limit any other provision of the Loan Documents that by their stated terms survive the repayment of the Indebtedness or the termination of any Loan Document.

11.16. **RECORDING AND FILING.** Borrower, at its expense, will cause the Security Documents and all supplements to be recorded and filed and re-recorded and re-filed in any manner and in any places as Lender will reasonably request, and will pay all recording, filing, re-recording, and re-filing taxes, fees, and other charges.

11.17. **LOAN EXPENSES.** Borrower agrees to pay on demand all out-of-pocket costs and expenses reasonably incurred by Lender including, without limitation, the fees and disbursements of Lender's outside counsel, in connection with: (i) the administration of the Loan, including, without limitation, all approvals or consents given or contemplated to be given under the Loan Documents, all amendments to the Loan Documents entered into by Lender or requested by any Loan Party, and all title insurance policies and endorsements required by Lender, and (ii) the enforcement of any rights or remedies under the Loan Documents, whether any action or proceeding is commenced, or the protection of the security, or interests of Lender under the Loan Documents. All costs and expenses, together with interest at the Interest Rate, will form a part of the indebtedness and will be secured by the Security Documents.

11.18. **NO REPRESENTATIONS BY LENDER.** By accepting or approving anything required to be observed, performed, or fulfilled, or to be given to Lender pursuant to this Loan Agreement or pursuant to the Loan Documents, including, but not limited to, any officer's certificate, balance sheet, statement of income and expense, or other Financial Statement, survey, appraisal, or insurance policy, Lender will not be deemed to have warranted or represented the sufficiency, legality, effectiveness, or legal effect of it or of any particular term, provision, or condition of it, and any acceptance or approval will not be or constitute any warranty or representation by Lender.

11.19. **AMENDMENT.** The Loan Documents and the terms of each of them may not be modified, waived, discharged, or terminated except by a written instrument signed by the party against whom enforcement of the modification, waiver, discharge, or termination is asserted.

11.20. **TERMINATION.** Except as otherwise provided in the Loan Documents, all rights and obligations under this Loan Agreement will terminate except as to any accrued obligations effective on the payment of all Indebtedness owing by Borrower to Lender.

11.21. **COUNTERPARTS.** The Loan Documents may be executed in any number of counterparts and by different parties in separate counterparts, each of which when executed and delivered will be deemed an original and all of which counterparts taken together will constitute one and the same instrument.

11.22. **SEVERABILITY.** If any term, provision, covenant, or condition or any application is held by a court of competent jurisdiction to be invalid, void, or unenforceable, all terms, provisions, covenants, and conditions and all applications not held invalid, void, or unenforceable will continue in full force and will in no way be affected, impaired, or invalidated.

11.23. **CAPTIONS.** All Article and Section headings in the Loan Documents are inserted for convenience of reference only and do not constitute a part of the Loan Documents for any other purpose.

11.24. **INDEMNITY.** Except for claims due to Lender's sole negligence or willful misconduct, Borrower agrees to defend, indemnify, and hold Lender harmless from all losses, damages, liabilities, claims, actions, judgments, costs, and reasonable attorney fees that Lender may reasonably incur as a direct or indirect consequence of the making of the Loan, Borrower's failure to perform any obligations as and when required by this Loan Agreement or any of the other Loan Documents, the failure at any time of any of Borrower's representations or warranties to be true and correct, or any act or omission by Borrower, any contractor, subcontractor, engineer, architect, or other Person with respect to the Property, or any portion of it. Borrower will pay immediately on Lender's demand any amounts owing under this indemnity, together with interest at the lesser of the Default Rate or the maximum rate permitted by law from the date Lender makes a payment or incurs a loss. Borrower's duty to indemnify Lender will survive the release and cancellation of the Note and the reconveyance or partial reconveyance of the Trust Deed.

11.25. **FURTHER ASSURANCES.** At Lender's request and at Borrower's expense, Borrower will execute, acknowledge, and deliver all other instruments and perform all other acts necessary, desirable, or proper to carry out the purposes of the Loan Documents or to perfect and preserve any liens created by the Loan Documents.

11.26. **DISCLOSURE OF INFORMATION.** If Lender elects to sell the Loan, Lender may forward to the buyer of the Loan all documents and information related to the Loan in Lender's possession, including without limitation all Financial Statements, whether furnished by Borrower or otherwise.

11.27. **LENDER'S AGENTS.** Lender may designate agents or independent contractors to exercise any of Lender's rights under the Loan Documents. Any reference to Lender in any of the Loan Documents will include Lender's employees, agents, and independent contractors.

11.28. **INTEGRATION AND INTERPRETATION.** The Loan Documents contain or expressly incorporate by reference the entire agreement between Lender and Borrower with respect to the covered matters and supersede all prior negotiations. Any reference to the Property in any of the Loan Documents will include all or any portion of them. Any reference to the Loan Documents themselves in any of the Loan Documents will include all amendments, renewals, or extensions approved by Lender.

11.29. **NUMBER, IDENTITY AND GENDER.** When the context and construction so require, all words used in the singular will be deemed to have been used in the plural and vice versa. Person means any natural person, corporation, firm, partnership, association, trust, government, governmental agency, or any other entity, whether acting in an individual, fiduciary, or other capacity. When the context and construction so require, all words which indicate a gender will be deemed to have been used to indicate the gender as indicated by the context.

EXHIBIT 1: LEGAL DESCRIPTION

**Legal Description of Oak Park - 4921 Folsom Boulevard, Sacramento, Ca 95819**

TRACT A:

SITE B: - 4921 Folsom Boulevard

The land described herein is situated in the State of California, County of Sacramento, City of Sacramento, described as follows:

All that real property situate in the City of Sacramento, County of Sacramento, State of California, and being a portion of Lot 5, as said lot is shown and so designated on that certain Map entitled "Portion of Tullar Homestead Tract Owned by Philip Wolf, Jr., Sacramento California", filed in the office of the recorder of Sacramento County on June 7, 1898, in Book "A" of Surveys, Map No. 57, and a portion of the land Southerly of and adjacent to the South line of said Lot 5, more particularly described as follows:

Beginning at an iron pipe marking the Northwest corner of said lot 5, and the Southwest corner of Lot 7, as said lot is shown and so designated on that certain Map entitled "Love Tract", filed in the office of the recorder of Sacramento County on June 24, 1947, in Book 26 of Maps, Map No. 22; thence from said point of beginning, Easterly along the North line of Lot 5, South 70° 35' 00" East 119.33 feet to the West line of that certain parcel of land described in the Deed from Chester A. Moore, et ux, to Martine P. Cupich, et ux, filed in the office of the recorder of Sacramento County in Book 713 of Deeds, Page 522; thence, Southerly along said West line South 19° 53' 00" West 273.44 feet, more or less, to the South line of said Lot 5 and the Northeasterly line of Folsom Boulevard, a public road; thence, Northwesterly along the Northeasterly line of Folsom Boulevard North 63° 00' 00" West 39.28 feet to a point on the East line of that certain parcel of land described in the Deed from Chester A. Moore, et ux, to W.L. Young, et ux, filed in the office of the Recorder of Sacramento County in Book 56 of Official Records, Page 19, said point located South 63° 00' 00" East, along the Northeasterly line of Folsom Boulevard, 80.6 feet from the projected West line of Lot 5; thence continuing along the Northeasterly line of Folsom Boulevard, North 63° 00' 00" West 80.60 feet to a point on the Southerly projection of said Lot 5, located South 19° 35' 00" West 1.30 feet from the original Southwest corner of Lot 5; thence, North 19° 35' 00" East 1.30 feet to the Southwest corner of said Lot 5; thence, Northerly along the West line of Lot 5 North 19° 45' 10" East 256.31 feet to the point of beginning and described on that certain Certificate of Compliance for Lot Merger executed by the Department of Public Works and recorded January 25, 1995 as Book 950125, Page 1097, Official Records.

Excepting therefrom all buildings and improvements situated thereon, which buildings and improvements are and shall remain real property.

APN: 008-0341-044-0000



**Legal Description of Meadow Commons 1043 43rd Avenue, Sacramento, Ca 95822**

SITE A: 1043 43rd Avenue

The land described herein is situated in the State of California, County of Sacramento, City of Sacramento, described as follows:

Parcel No. 1:

All that portion of Lot B of South Land Park Hills Unit No. 31; according to the official plat thereof, filed in the office of the Recorder of Sacramento County, California, on July 12, 1961, in Book 66 of Maps, Map No. 5, described as follows:

BEGINNING at the Southwest corner of said Lot B, thence from said point of beginning along the Westerly boundary of said Lot B the following three (3) courses and distances: (1) North 36° 16' 50" East 118.48 feet, (2) North 44° 12' 10" West 115.09 feet, and (3) North 51° 44' 50" East 165.17 feet; thence South 64° 06' 12" East 114.27 feet; thence South 13° 31' 16" West 305.00 feet to a point located on the Southerly boundary of said Lot B; thence along said Southerly boundary, Westerly, curving to the right on an arc of 390.19 feet radius, said arc being subtended by a chord bearing North 66° 20' 32" West 164.92 feet to the point of beginning.

Excepting therefrom all buildings and improvements situated thereon, which buildings and improvements are and shall remain real property.

Parcel No. 2:

All that portion of 43rd Avenue and Lot C, of South Land Park Hills Unit No. 31; according to the official plat thereof, filed in the office of the Recorder of Sacramento County, California, on July 12, 1961, in Book 66 of Maps, Map No. 5, described as follows:

BEGINNING at the most Southerly corner of Lot 16 as said Lot is shown on the official plat of said South Land Park Hills Unit No. 31; thence from said point of beginning along the Southerly boundary of Lot B as said Lot is shown and so designated on the official plat of said South Land Park Hills Unit No. 31, Southerly, curving to the left on an arc of 390.19 feet radius, said arc being subtended by a chord bearing South 66° 20' 32" East 164.92 feet; thence South 13° 31' 16" West 73.56 feet; thence Westerly, curving to the right on an arc of 900.00 feet radius, said arc being subtended by a chord bearing South 79° 10' 15" West 51.82 feet; thence curving to the right on an arc of 20.00 feet radius, said arc being subtended by a chord bearing North 51° 51' 17" West 29.41 feet; thence curving to the left on an arc of 200.00 feet radius, said arc being subtended by a chord bearing North 25° 17' 43" West 141.81 feet; thence North 36° 16' 50" East 1.30 feet to the point of beginning.

Excepting therefrom all buildings and improvements situated thereon, which buildings and improvements are and shall remain real property.

APN: 029-0184-017-0000

Parcel No. 3:

Lots 16 and 17, as shown on the official plat of South Land Park Hills Unit No. 31, according to the official plat thereof, filed in the office of the Recorder of Sacramento County, California, on July 12, 1961, in Book 66 of Maps, Map No. 5.

Excepting therefrom all buildings and improvements situated thereon, which buildings and improvements are and shall remain real property.

APN: 029-0184-001-0000 and 029-0184-002-0000

EXHIBIT 2: NOTE

**PROMISSORY NOTE  
(SELLER CARRY-BACK LOAN FOR IMPROVEMENTS)**

**RAD 1**

**CITY OF SACRAMENTO**

**4921 FOLSOM BOULEVARD, SACRAMENTO, CA 95819 (APN 008-0341-044-0000)**

**1043 43RD AVENUE, SACRAMENTO, CA 95822 (APN 029-0184-017-0000, 029-0184-001-0000 AND 029-0184-002-0000)**

**BORROWER HAS MADE THIS PROMISSORY NOTE (“NOTE”) AS OF THE EFFECTIVE DATE.** The Lender is making the Loan pursuant to the terms and conditions of the Loan Agreement and this Note. This Note includes all attachments and Exhibits listed below, which are attached to and incorporated in this Note by this reference. The capitalized terms in this Note shall have the meanings assigned in the following table of definitions and as defined in the body of the Note. (Terms being defined are indicated by quotation marks. If an item in the table is marked “None, Not Applicable, N/A or equivalent or is left blank, that defined term is not applicable to this Note or the referenced item is not required or is not included in this Note as the context may indicate.) The Lender is making the Loan to Borrower in consideration of Borrower making this Note and delivering it to Lender.

For purposes of this Note, the following terms shall have the following meanings:

<b>DEFINED TERM:</b>	<b>DEFINITION:</b>	
“Effective Date”	_____, 2020	
“Lender”	Housing Authority of the City of Sacramento	
“Borrower”	RAD Pilot LP	
“Borrower Legal Status”	A California limited partnership	
“Loan Agreement”	The Loan Agreement between the Borrower and Lender as of the Effective Date for making of the loan (“Loan”) evidenced by this Note.	
“Principal Amount”	Nine Hundred Fifty Thousand Five Hundred Eighty Nine Dollars and No Cents (\$950,589.00)	
“Interest Rate”	Interest shall accrue on the unpaid Principal Amount of this Note at the applicable federal rate in effect on the Accrual Date, which was _____percent (___%) per annum, compounded annually.	
“Accrual Date”	Interest shall accrue starting on the following “Accrual Date”:	Date ownership of the Property is transferred from Lender to Borrower.
“Special Terms”	None.	
<b>PAYMENT SCHEDULE.</b> Repayment of this Note shall be made the following amounts:		
“Maturity Date”	The first day of the 684 <sup>th</sup> calendar month following the Effective Date: February 1, 2077.	
“Payment Start Date”	Commencing on the first day of the 40 <sup>th</sup> calendar month following the Effective Date of this Loan Agreement, May 1, 2023, annual payments of interest and principal shall be due in arrears subject to review of annual audited financial statement as described in the Promissory Note for the Improvements.	

<p>“Payment Amount(s)”</p>	<p><b>ANNUAL REPAYMENT:</b>  Annual principal and interest payments shall be deferred from the Loan’s Effective Date through the first 39 months. Beginning in month 40, May 1, 2023, annual payments will be made on a Residual Receipts, as defined below, basis until the maturity date. Annual payments shall be applied first to outstanding interest accrued and unpaid and then to principal.</p> <p>“Residual Receipts” is defined as follows: May 1, 2023, annual installments (as described in Sections [f] through [l] of this paragraph) are to begin. Based on the annual audited financial statement from the preceding year, payments will be made upon a “Residual Cash Flow” basis meaning Net Operating Income (NOI) less:</p> <ul style="list-style-type: none"> <li>(a) Debt service on the senior loan</li> <li>(b) Monitoring fees to the County of Sacramento Housing Authority on the mortgage revenue bond issuance;</li> <li>(c) If applicable, to the limited partner for any amounts owed to the limited partner pursuant to the Borrower’s Amended and Restated Partnership Agreement;</li> <li>(d) Asset management fees up to \$8,000 annually as of the Loan’s Effective Date escalating at 3% annually;</li> <li>(e) Partnership management fee up to \$8,000 annually as of the Loan’s Effective Date escalating at 3% annually;</li> <li>(f) Deferred developer fee;</li> </ul> <p>After Sections (a) through (f) of this paragraph are paid,</p> <ul style="list-style-type: none"> <li>(g) Fifty percent (50%) of the available cash flow from NOI to the Housing Authority of the City of Sacramento Construction and Permanent Loan, divided equally first to the Capital Funds Note, then to Cash Proceeds Note, including principal and interest, and</li> <li>(h) Fifty percent (50%) of the available cash flow from NOI to the Housing Authority of the County of Sacramento Construction and Permanent Loan, divided equally first to the Capital Funds Note, then to Cash Proceeds Note, including principal and interest;</li> </ul> <p>After Sections (a) through (h) of this paragraph are paid,</p> <ul style="list-style-type: none"> <li>(i) Fifty percent (50%) of the available cash flow from NOI to the Housing Authority of the County of Sacramento Seller Carryback Loan (Improvements), and</li> <li>(j) Fifty percent (50%) of the available cash flow from NOI to the Housing Authority of the City of Sacramento Seller Carryback Loan (Improvements);</li> </ul> <p>After Sections (a) through (j) of this paragraph are paid,</p> <ul style="list-style-type: none"> <li>(k) One hundred percent (100%) of the available cash flow from NOI to Sacramento Housing and Redevelopment Agency Construction and Permanent Loan;</li> </ul> <p>After Sections (a) through (k) of this paragraph are paid,</p> <ul style="list-style-type: none"> <li>(l) Fifty percent (50%) of the available cash flow from NOI to the Housing Authority of the County of Sacramento Ground Lease, and</li> <li>(m) Fifty percent (50%) of the available cash flow from NOI to the Housing Authority of the City of Sacramento Ground Lease.</li> </ul> <p>The Net Operating Income is defined as periodic “Revenue” less “Operating Expenses.” “Revenue” means all revenue from the leasing of the Project, including but not limited to all rents, fees, and charges paid by tenants as well as rental subsidy payments regardless of the source of these subsidies, forfeited tenant deposits, rent increases, proceeds from vending machines and laundry room machines. Revenue shall not include tenants’ security deposits (unless forfeited), interest on those deposits, loan proceeds, capital contributions or similar advances, or amounts released from reserves or interest on reserves.</p> <p>“Operating Expenses” shall mean actual costs, fees and expenses as evidenced by invoices attributable to the operation, recordkeeping, maintenance, taxes and management of the Project, including property management fees; taxes and assessments; payroll, benefits and payroll taxes of for property employees; insurance; security; painting, cleaning, repairs, and alterations; landscaping; sewer charges; utility charges; advertising, promotion and publicity; cable television, satellite and other similar services; office, janitorial, cleaning and building supplies; recreational amenities and supplies; purchase, repair, servicing and installation of appliances; costs and expenses associated with the provision of social and/or community services to the residents of the Project; equipment, fixtures and furnishing; fire alarm and elevator monitoring; fees and expenses of accountants, attorneys, consultants and other professionals. The definition will include deposits into operating and/or replacement reserves maintained by the Borrower but will not include initial deposits to capitalize the reserve accounts or amounts expended from a reserve account, or capital costs.</p> <p>Principal and interest due in full upon refinance, sale or end of Term.</p>
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	The first day of the 684 <sup>th</sup> calendar month following the Effective Date: February 1, 2077.	Principal and accrued interest due in full
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**FOR VALUE RECEIVED, THE UNDERSIGNED, JOINTLY AND SEVERALLY, PROMISES TO PAY** to Lender, or its successors or assigns, the Principal Amount or such lesser amount as may be endorsed on this Note on behalf of Lender. The Loan shall bear interest on the outstanding principal balance, computed from the Accrual Date at the Interest Rate.

1. This Note evidences the obligation of Borrower to Lender for repayment of funds loaned to Borrower under a loan agreement between Borrower and Lender dated as of the Effective Date ("Loan Agreement"). The terms and covenants of the Loan Agreement are incorporated in this Note by reference. The Loan Agreement provides for and incorporates the RAD Use Agreement ("RAD Use Agreement"), the making of which is further consideration for this Note.

2. All payments on this Note shall be applied first to fees and charges due under the Loan Agreement, if any, then interest and then to the principal due on this Note. Borrower shall make the payments to the Lender at 801 12<sup>th</sup> Street, Sacramento, CA 95814, or to such other person or organization as may be designated by Lender to Borrower and noticed as provided in the Loan Agreement.

3. If any installment under this Note is not received by Lender within fifteen (15) calendar days after the installment is due, Borrower shall pay to Lender a late charge of five percent (5%) of such installment. Such late charge shall be immediately due and payable without demand by Lender.

4. This Note is secured by a Deed of Trust with Assignment of Rents against the real property described in the Loan Agreement ("Property"), recorded in the office of the County Recorder of Sacramento County ("Trust Deed"). The Trust Deed securing this Note provides that Lender may at its option, declare all funds secured by the Trust Deed immediately due and payable, if any interest in the real property is sold, transferred or conveyed to any person, whether voluntarily or involuntarily. The Trust Deed further provides that if Borrower does not comply with the requirements of the RAD Use Agreement and fails to come into compliance with the RAD Use Agreement within thirty (30) days after Lender's written notice to Borrower of such failure, then, subject to any rights of Borrower's limited partners explicitly set forth in the Trust Deed, (or such longer period explicitly set forth in the Trust Deed or Loan Agreement), Lender may at its option, declare all funds secured by the Trust Deed immediately due and payable.

5. Lender and Borrower shall comply with and fulfill the Special Terms.

6. 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, set forth herein or in the Loan Agreement or Trust Deed if any:

- a. Borrower defaults in the payment of any principal or interest when due and fails to cure within 10 (ten) days.
- b. Lender discovers that Borrower, in any application to Lender in connection with the Loan, had failed to disclose or misrepresented any fact that would have prevented Borrower from being eligible for the Loan.
- c. Lender discovers that Borrower has made any misrepresentations or has intentionally withheld any fact in the making of this Loan, the knowledge of which could have affected the decision of Lender to make the Loan.
- d. Borrower defaults or breaches any of the terms of Loan Agreement, the Trust Deed, the RAD Use Agreement or this Note and Borrower fails to cure within 30 days after receipt of notice, provided, however, that if such cure cannot reasonably be effected within such 30 day period, such failure shall not be a default so long as Borrower promptly (and in any event, within ten (10) days after receipt of such notice) commences such cure and thereafter diligently (and in any event, within ninety (90) days after receipt of such notice) prosecutes such cure to completion. Any limited partner of Borrower is entitled to the notice and cure provisions set forth in Section 16 of the Trust Deed.
- e. Borrower fails to perform any covenant, term or condition in any instrument creating a lien upon the Property, which is the security under the Trust Deed, or any part thereof, which lien shall have priority over the lien of the Trust Deed securing this Note.
- f. The sale, transfer of title, conveyance or further encumbrance of the Property, whether by sale, exchange, gift, inheritance or other means, without prior written consent of Lender.
- g. The occurrence of any of the following:

1) Borrower becoming insolvent or bankrupt or being unable or admitting, in writing, Borrower's inability to pay debts as they mature or making a general assignment of or entering into any restructure payment arrangement with creditors.

2) Proceedings for the appointment of a receiver, trustee or liquidator of the assets of Borrower or a substantial part of such assets, being authorized or instituted by or against the Borrower which are not stayed within 90 days.

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 which are not stayed within 90 days.

7. Any limited partner of Borrower is entitled to the notice and cure provisions set forth in Section 16 of the Trust Deed.

8. 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.

9. Borrower may prepay this Note in full or in part at any time, without any prepayment penalty being charged by Lender.

10. During the existence of default or delinquency under the terms of this Note or the Trust Deed, the Lender is expressly authorized to apply all payments made on this Note to the payment of all or part of the delinquency, as it may elect.

11. This Loan is a non-recourse 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.

12. Borrower shall pay to Lender all costs of enforcement of all or any portion of this Note and the Trust Deed, including attorney's fees, witness fees, investigator fees and court costs, incurred by Lender, whether or not litigation is commenced.

**IN WITNESS WHEREOF**, Borrower has executed this Note as of the Effective Date.

**Borrower:**

**RAD PILOT LP, A CALIFORNIA LIMITED PARTNERSHIP**

By: RAD Pilot LLC, a California limited liability company,  
its managing general partner

By: Sacramento Housing Authority Repositioning Program, Inc.,  
a California nonprofit public benefit corporation, its sole member and manager

\_\_\_\_\_  
James Shields, President

EXHIBIT 3: TRUST DEED FORM

NO FEE DOCUMENT:  
Entitled to free recording  
per Government Code 27383.

When recorded, return to: HOUSING AUTHORITY OF THE CITY OF SACRAMENTO  
801 12<sup>th</sup> Street  
Sacramento, CA 95814  
Attention: Portfolio Management

**DEED OF TRUST AND ASSIGNMENT OF RENTS**

SELLER CARRY-BACK LOAN FOR IMPROVEMENTS

**RAD 1**

**CITY OF SACRAMENTO**

**4921 FOLSOM BOULEVARD, SACRAMENTO, CA 95819 (APN 008-0341-044-0000)**

**1043 43RD AVENUE, SACRAMENTO, CA 95822 (APN 029-0184-017-0000, 029-0184-001-0000 AND 029-0184-002-0000)**

For purposes of this Deed of Trust the following capitalized terms shall have the meanings ascribed in the space adjacent to them:

“Effective Date”	, 2020	
“Trustor” and “Borrower”	RAD Pilot LP, a California limited partnership	
“Borrower Address”	c/o SHARP, 801 12 Street, Sacramento, California 95814	
“Trustee”	Placer Title Company, 2901 K Street, Suite 390, Sacramento, CA 95816	
“Beneficiary” and “Lender”	Housing Authority of the City of Sacramento, a public body, corporate and politic	
“Lender Address”	801 12th Street, Sacramento, California 95814	
“Property”	Which consists of the Improvements and leasehold estate in real property located in the City of Sacramento and the State of California as more particularly described in the Legal Description.	
	Address and Assessor’s Parcel Number (APN)	4921 Folsom Boulevard, Sacramento, California (APN 008-0341-044-0000)  1043 43rd Avenue, Sacramento, California (APN 029-0184-017-0000, 029-0184-001-0000 and 029-0184-002-0000)
“Legal Description”	The Legal Description of the Property which is more particularly described in the attached <b>Exhibit 1 Legal Description</b> , which is incorporated in and an integral part of this Deed of Trust	
“Loan”	Which is Lender’s loan to Borrower evidenced by the Note and which is secured by this Deed of Trust.	
“Loan Agreement”	Which is the Seller Carry-Back Loan Agreement between Lender and Borrower stating the term and conditions of the Loan.	

	Which is dated:	_____ __, 2020
“Additional Notices”	Lender shall give copies of notices required to be delivered to Borrower to the following parties at the following addresses; provided, however that Borrower acknowledges that such notice is an accommodation and the failure of the Lender to properly deliver any such notice shall not give rise to any claims or defenses of Borrower or any third party:	
	<p><b>TAX CREDIT EQUITY INVESTOR</b>  NEF Assignment Corporation  Attention: General Counsel  10 South Riverside Plaza, Suite 1700  Chicago, IL 60606</p> <p><b>CONSTRUCTION LENDER</b>  Wells Fargo Bank, National Association  Community Lending and Investment  333 Market Street, 17<sup>th</sup> Floor  MAC# A0119-177  San Francisco, California 94105  Attention: Loan Administration Officer  Loan No. 1019305</p> <p><b>PERMANENT LENDER</b>  Prudential Affordable Mortgage Company, LLC, or affiliate  C/O PRUDENTIAL ASSET RESOURCES  2100 ROSS AVENUE, SUITE 2500  DALLAS, TEXAS 75201  ATTN: ASSET MANAGEMENT DEPARTMENT  Agency-Notice@prudential.com</p> <p>With a copy to:</p> <p>Federal Home Loan Mortgage Corporation  8100 Jones Branch Drive, MS B4P  McLean, Virginia 22102  Attention: Multifamily Operations - Loan Accounting  Email: mfla@freddiemac.com  Telephone: (703) 714-4177</p> <p>with a copy to: Federal Home Loan Mortgage Corporation  8200 Jones Branch Drive, MS 210  McLean, Virginia 22102  Attention: Managing Associate General Counsel –  Multifamily Legal Division  Email: joshua_schonfeld@freddiemac.com  Telephone: (703) 903 2000</p> <p><b>FISCAL AGENT</b>  U.S. Bank Global Corporate Trust  Attention: RAD 1  1 California Street, Suite 1000  San Francisco, CA 94111</p>	



“Note”	Which is Borrower's note made in accordance with the Loan Agreement evidencing the following principal sum or such lesser amount as shall equal the aggregate amount disbursed to Borrower by Lender, with interest.	
	Which has a principal sum of	Nine Hundred Fifty Thousand Five Hundred Eighty Nine Dollars and No Cents (\$950,589.00)

THIS DEED OF TRUST is made as of the Effective Date between the Trustor also referenced as the Borrower, the Trustee, and the Beneficiary also referenced as Lender.

Borrower, in consideration of the indebtedness described below and the trust created by this Deed of Trust, irrevocably grants and conveys the Property to Trustee, in trust with power of sale.

Together with all the improvements now or subsequently erected on the property, and all easements, rights, appurtenances, rents (subject, however, to the rights and authorities given to Lender to collect and apply such rents), royalties, mineral, oil and gas rights and profits, water, water rights, and water stock, and all fixtures, including but not limited to all gas and electric fixtures, engines and machinery, radiators, heaters, furnaces, heating equipment, steam and hot water boilers, stoves, ranges, elevators and motors, bathtubs, sinks, water closets, basins, pipes, faucets and other plumbing and heating equipment, cabinets, mantels, refrigerating plant and refrigerators, whether mechanical or otherwise, cooking apparatus and appurtenances, furniture, shades, awnings, screens, venetian blinds and other furnishings, now or hereafter attached to the property, all of which, including replacements and additions thereto, shall be deemed to be and remain a part of the property covered by this Deed of Trust; and all of the foregoing, together with said property (or the leasehold estate if this Deed of Trust is on a leasehold) are referred to as the "Property";

To secure to Lender: (a) the repayment of the Loan; and (b) the performance of the covenants and agreements of Borrower contained in this Deed of Trust, the Note, or the Loan Agreement.

Borrower covenants that Borrower is lawfully seized of the estate conveyed by this Deed of Trust and has the right to grant and convey the Property, and that Borrower will warrant and defend generally the title of the Property against all claims and demands, subject to any declarations, easements or restrictions listed in a schedule of exceptions to coverage in any title insurance policy insuring Lender's interest in the Property.

Borrower and Lender covenant and agree as follows:

1. Payment of Principal and Interest. Borrower shall promptly pay when due the principal and interest, if any, on the indebtedness evidenced by the Note. All payments received by Lender under the Note shall be applied by Lender first to interest payable on the Note and thereafter to the unpaid principal of the Note.
2. Charges; Liens. Borrower shall pay all taxes, assessments and other charges, fines and impositions attributable to the Property and leasehold payments or ground rents, if any by Borrower making payment, when due, directly to the appropriate payee. Borrower shall promptly furnish to Lender all notices of amounts due under this paragraph, and in the event that Borrower makes payment directly, Borrower shall promptly furnish to Lender receipts evidencing such payments. Borrower shall pay when due any encumbrance, charge and lien, with interest in accordance with its terms, on the Property or any portion which is inferior or superior to this Deed of Trust. Provided, however, Borrower shall have the right to contest such amount in good faith provided that Borrower causes any such lien to be released from the Property by the posting of a bond or by other appropriate means.
3. Hazard Insurance. Borrower shall keep the improvements now existing or later erected on the Property insured against loss of fire or hazards under a policy approved by Lender consistent with the insurance requirements of the Loan Agreement. In addition, Borrower shall insure against loss of all furniture, equipment and other personal property owned by Borrower related to Borrower's operation of the Property. Lender shall have the right to hold the policies and policy renewals, and Borrower shall promptly furnish to Lender all renewal notices and all receipts of paid premiums. In the event of loss, Borrower shall give prompt notice to the insurance carrier and Lender. Lender may make proof of loss if not made promptly by Borrower.

Unless Lender and Borrower otherwise agree in writing, insurance proceeds shall be applied to restoration or repair of the Property damaged, as and to the extent provided in the Loan Agreement.

Unless Lender and Borrower otherwise agree in writing, any such application of insurance proceeds to principal shall not extend or postpone the due date of any Loan payment or change the amount of such payment. If the Property is acquired by Lender pursuant to this Deed of Trust, all right, title and interest of Borrower in and to any insurance policies and proceeds of such policies resulting from damage to the Property prior to the sale of acquisition shall pass to Lender to the extent of the sums secured by this Deed of Trust immediately prior to such sale or acquisition.

4. Liability Insurance. In addition to the casualty insurance required under the Loan Agreement during the course of construction, Borrower shall keep comprehensive general liability insurance for the Property in a form and coverage consistent with the provisions of the Loan Agreement and reasonably approved by Lender.

5. Preservation and Maintenance of Property. Borrower shall keep the Property in good repair and shall not commit waste or permit impairment, demolition, or deterioration of the Property.

6. Protection of Lender's Security. Borrower shall appear and defend any action or proceeding purporting to affect the security under this Deed of Trust or the rights of the Lender. If Borrower fails to perform the covenants and agreements contained in this Deed of Trust, or if any action or proceeding is commenced which materially affects Lender's interest in the Property, including, but not limited to, foreclosure, involuntary sale, eminent domain, insolvency, code enforcement, or arrangements or proceedings involving a bankrupt or decedant, then Lender may, upon notice to Borrower, make such appearances, disburse such sums and take such actions as are necessary to protect Lender's interest, including, but not limited to, disbursement of judgments, costs or reasonable attorney's fees and entry upon the Property to make repairs.

Any amounts disbursed by Lender pursuant to this Section 6, with interest, shall become additional indebtedness of Borrower secured by this Deed of Trust. Unless Borrower and Lender agree to other terms of payment, such amounts shall be payable upon notice from Lender to Borrower requesting payment, and shall bear interest from the date of disbursement at the highest rate permissible under applicable law. In any event, this Section shall be construed as a right and an option of Lender and shall not be construed to require Lender to incur any expense or take any action.

7. Inspection. Lender, by its designated representative, may make reasonable entries upon and inspections of the Property, provided that Lender shall give Borrower and any occupant of the Property reasonable prior notice of any such inspection.

8. Borrower Not Released. Extension of the time for payment of the sums secured by this Deed of Trust granted by Lender to Borrower or any successor in interest of Borrower shall not operate to release, in any manner, the liability of the original Borrower and Borrower's successors in interest. Lender shall not be required to commence proceedings against such successor or refuse to extend time payment by reason of any demand made by the original Borrower or Borrower's successors in interest.

9. Forbearance by Lender Not a Waiver. Any forbearance by Lender in exercising any right or remedy under this Deed of Trust, or otherwise afforded by applicable law, shall not be a waiver or preclude the exercise of any such right or remedy. The procurement of insurance or the payment of taxes or other liens or charges by Lender shall not be a waiver of Lender's right to accelerate the maturity of the indebtedness secured by this Deed of Trust.

10. Remedies Cumulative. All remedies provided in this Deed of Trust are distinct and cumulative to any other right or remedy under this Deed of Trust, the Note, the Loan Agreement or afforded by law or equity, and may be exercised concurrently, independently or successively.

11. Successors and Assigns Bound; Joint and Several Liability Captions. The covenants and agreements contained in this Deed of Trust shall bind, and the rights under this Deed of Trust shall inure to, the respective successors and assigns of Lender and Borrower, subject to the provisions of Section 15. All covenants and agreements of Borrower

shall be joint and several. The captions and headings of the paragraphs of this Deed of Trust are for convenience only and are not to be used to interpret or to define its provisions.

12. Notice. Except for any notice required under applicable law to be given in another manner, any notice to be given under this Deed of Trust shall be given as provided for in the Loan Agreement. Any notice provided for in this Deed of Trust shall be deemed to have been given to Borrower or Lender when given in the manner designated.

13. Governing Law; Severability. This Deed of Trust shall be governed by the law of the State of California. If any term or provision of this Deed of Trust shall, to any extent, be held invalid or unenforceable, the remainder of this Deed of Trust shall remain in full force and effect and the invalid or unenforceable provision shall be valid and enforceable as to any other person or circumstance.

14. Acceleration on Transfer or Refinancing of the Property; Assumption. Except as otherwise provided in the Loan Agreement, if all or any part of the Property or an interest in the Property is sold or transferred or refinanced by Borrower without Lender's prior written consent, Lender may, at Lender's option, declare all the sums secured by this Deed of Trust to be immediately due and payable. Lender shall have waived such option to accelerate if, prior to the refinancing, sale or transfer, Lender and the person to whom the Property is to be sold or transferred reach agreement in writing that the loan may be assumed. If Lender has waived the option to accelerate provided in this Section and if Borrower's successor in interest has executed a written assumption agreement accepted in writing by Lender, Lender shall release Borrower from all obligations under this Deed of Trust and the Note. Lender's prior approval is not required for (1) the sale or transfer of the limited partner's interest to one or more of the other partners that currently comprise the Borrower's entity, (2) the admission of the limited partner or its affiliate of National Equity Fund, Inc., to the Borrower and the transfer of its interest to an affiliate thereof so long as the general partner, or managing member, of the transferor, or an affiliate thereof, is the general partner, or managing member of the transferee, or partner; however, Borrower is obligated to notify Lender within 30 days from the date of such sale or transfer, (3) the removal of the general partner of the Borrower by the limited partner for a default under Borrower's partnership agreement, provided that any replacement general partner is approved by Lender, which approval shall not be unreasonably withheld, conditioned or delayed.

If Lender exercises such option to accelerate, Lender shall mail Borrower notice of acceleration. Such notice shall provide a period of not less than 30 days from the date the notice is mailed within which Borrower, or any of its principals or anyone with a substantial legal interest in Borrower, may pay the sums declared due. If Borrower fails to pay such sums prior to the expiration of such period, Lender may, without further notice or demand on Borrower, invoke any remedies permitted by this Deed of Trust.

15. Acceleration on Breach; Remedies. Except as provided in Section 15, upon Borrower's breach of any covenant or agreement of Borrower in this Deed of Trust, the Note, (including the covenants to pay when due any sums secured by this Deed of Trust and restricting transfer of the Property) or Loan Agreement, Lender shall mail notice to Borrower and the limited partner specifying: (1) the breach; (2) the action required to cure such breach; (3) a date, no less than 30 days from the date the notice is mailed to Borrower, and the limited partner by which breach must be cured; and (4) that failure to cure such breach on or before the date specified in the notice may result in acceleration of the sums secured by this Deed of Trust and sale of the Property. If the breach is not cured on or before the date specified in the notice, Lender at Lender's option may declare all of the sums secured by this Deed of Trust to be immediately due and payable without further demand and may invoke the power of sale and any other remedies permitted by applicable law, provided, however, that if such cure cannot reasonably be effected within such 30 day period, such failure shall not be a default so long as Borrower promptly (and in any event, within ten (10) days after receipt of such notice) commences such cure and thereafter diligently (and in any event, within ninety (90) days after receipt of such notice) prosecutes such cure to completion. The limited partner is entitled to cure any defaults on behalf of the Borrower within the same specified time periods; said cure periods shall not extend statutory periods and times for notice and commencement of foreclosure; provided, however, that if, in order to cure any such default the limited partner must first remove a general partner of Borrower, then, provided that the limited partner notifies Lender of such removal and removes such general partner within a reasonable period, then the limited partner shall have until the date 30 days after the effective date of such removal to effect such cure. In any event, such cure process shall not exceed 120 days. Lender shall be entitled to collect from the Borrower, or sale proceeds, if any, all reasonable costs and expenses incurred in pursuing the remedies provided in this Section, including, but not limited to reasonable attorney's fees.

If Lender invokes the power of sale, Lender shall execute or cause Trustee to execute a written notice of the occurrence of an event of default and of Lender's election to cause the Property to be sold and shall cause such notice to be recorded in each county in which any portion of the Property is located. Lender or Trustee shall mail copies of such notice in the manner prescribed by applicable law to Borrower and to the other persons prescribed by applicable law. Trustee shall give public notice of sale to the persons and in the manner prescribed by applicable law. After the lapse of such time as may be required by applicable law, Trustee, without demand on Borrower, shall sell the Property at public auction to the highest bidder at the time and place and under the terms designated in the notice of sale, in one or more parcels and in such order as Trustee may determine. Trustee may postpone sale of all or any parcel of the Property by public announcement at the time and place of any previously scheduled sale. Lender or Lender's designee may purchase the Property at any sale.

Trustee shall deliver to the purchaser a Trustee's deed conveying the Property so sold without any covenant or warranty, expressed or implied. The recitals in the Trustee's deed shall be prima facie evidence of the truth of the statements it contains. Trustee shall apply the proceeds of the sale in the following order: (a) to all reasonable costs and expenses of the sale, including, but not limited to, reasonable Trustee's and attorney's fees and costs of title evidence; (b) to all sums secured by this Deed of Trust; and (c) the excess, if any, to the person or persons legally entitled thereto as determined by Lender. In the event of a dispute regarding the excess funds, either Lender or Trustee may file an action in interpleader to determine who shall receive the funds and may then deposit the excess funds with the court.

16. Assignment of Rents; Appointment of Receiver; Lender in Possession. As additional security, Borrower assigns to Lender the rents of the Property, provided that Borrower shall, prior to an acceleration for breach as provided above or abandonment of the Property, have the right to collect such rents as they become due.

Upon acceleration for breach or abandonment of the Property, Lender, in person, by agent or by judicially appointed receiver shall be entitled to enter upon, take possession of and manage the Property and to collect the rents of the Property including those past due. All rents collected by Lender, its agent, or the receiver shall be applied first to payment of the costs of management of the Property and collection of rents, including, but not limited to receiver's fees, premiums on receiver's bonds and reasonable attorney's fees, and then to the sums secured by this Deed of Trust. Lender, its agent and the receiver shall be liable to account only for those rents actually received.

17. Prior Lienholder. The provisions of this Deed of Trust shall operate subject to the claims of prior lienholders to the extent of such claims.

18. Nonrecourse. Notwithstanding any provision of this Deed of Trust or any document evidencing or securing this Loan, Borrower, and Borrower's principals, partners, agents, officers, and successors in interest shall not be personally liable for the payment of the Loan or any obligation of the Loan and Lender's sole recourse is to the collateral secured by this Deed of Trust.

19. Reconveyance. Upon payment of all sums secured by this Deed of Trust, Lender shall request Trustee to reconvey the Property and shall surrender this Deed of Trust and all notes evidencing indebtedness secured by this Deed of Trust to Trustee. Trustee shall reconvey the Property without warranty and without charge to the person or persons legally entitled to such reconveyance. Such person or persons shall pay all costs of recordation, if any. The recitals in the reconveyance of any matters or facts shall be conclusive proof of their truthfulness.

20. Substitute Trustee. Lender, at Lender's option, may from time to time remove Trustee and appoint a successor trustee to any Trustee appointed under this Deed of Trust. Without conveyance of the Property, the successor trustee shall succeed to all the title, power and duties conferred upon the Trustee by this Deed of Trust and applicable law.

21. Request for Notice. Borrower and each party listed to receive Additional Notices request that copies of the notice of default and notice of sale be sent to their respective addresses.

22. Statement of Obligation. Lender may collect a reasonable fee for furnishing the statement of obligation as provided by Section 2943 of the Civil Code of California, as it may be amended from time to time.

23. Use of Property. Borrower shall not permit or suffer the use of any of the Property for any purpose other than the use for which the same was intended at the time this Deed of Trust was executed.

24. Extended Use Agreement. In order to receive an allocation of federal low income housing tax credits, Borrower will be required to record in the real property records of the County in which the property is located, an "extended low-income housing commitment" (as defined in Section 42(h)(6)(B) of the Internal Revenue Code of 1986, as amended ("Code")) ("Extended Use Agreement"). Lender acknowledges and agrees that, in the event of a foreclosure of its interest under this Deed of Trust or delivery by the Borrower of a deed in lieu thereof (collectively, a "Foreclosure"), Lender agrees to comply with all the following rule contained in Section 42(h)(6)(E)(ii) of the Code shall apply: For a period of three (3) years from the date of Foreclosure, with respect to any unit that had been regulated by the Extended Use Agreement, (i) none of the eligible tenants occupying those units at the time of Foreclosure may be evicted or their tenancy terminated (other than for good cause, including but not limited to, the tenants' ineligibility pursuant to regulations of Section 42 of the Code), (ii) nor may any rent be increased except as otherwise permitted under Section 42 of the Code.

IN WITNESS WHEREOF, Borrower has executed this Deed of Trust.

BORROWER (Trustor):

**RAD PILOT LP, A CALIFORNIA LIMITED PARTNERSHIP**

By: RAD Pilot LLC, a California limited liability company,  
its managing general partner

By: Sacramento Housing Authority Repositioning Program, Inc.,  
a California nonprofit public benefit corporation, its sole member and manager

\_\_\_\_\_  
James Shields, President

Exhibit 4: Escrow Instructions  
**JOINT ESCROW INSTRUCTIONS**  
**FOR AGENCY (AS LENDER, ISSUER, AND GROUND LESSOR),**  
**AND BORROWER (AS BORROWER AND GROUND LESSEE)**

<b>“Effective Date”</b>	_____, 2020
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Agency and Borrower execute these Escrow Instructions as of the Effective Date. This document, including attachments and any amendments and additions, shall constitute the joint escrow instructions of Agency and Borrower for the transactions described below.

**ARTICLE I. GENERAL TERMS.**

1. **GENERAL.** These Escrow Instructions, in addition to items listed below, include Article II Instructions, which is attached to and incorporated in these Escrow Instructions by this reference.

2. **DEFINITIONS.** The capitalized terms in these Escrow Instructions shall have the meanings assigned in Article I General Terms and as defined in Article II Instructions. (Terms being defined are indicated by quotation marks.)

<b>“Title Company”</b>	Placer Title Company		
	<b>Address:</b>	301 University Avenue, Suite 120, Sacramento, CA 95825	
<b>“Escrow” with Title Company</b>	<b>Escrow Number:</b>	P-362723-2	<b>Attention:</b> Jenny Vega
	<b>“Agency”</b>	Housing Authority of the City of Sacramento, a public body, corporate and politic	
<b>“Agency”</b>	<b>Address:</b>	801 12 <sup>th</sup> Street, Sacramento, CA 95814	
	<b>Attention:</b>	Anne Nicholls	
<b>“Agency Improvements”</b>	The improvements on the Agency Sites.		
<b>“Agency Sites”</b>	4921 Folsom Boulevard, Sacramento, CA 95819 (APN: 008-0341-044-0000) (“ <b>Folsom</b> ”) 1043 43rd Avenue, Sacramento, CA 95822 (APN: 029-0184-017-0000, 029-0184-001-0000 and 029-0184-002-0000) (“ <b>43<sup>rd</sup></b> ”)		
<b>“Bank”</b>	Wells Fargo Bank, National Association		
<b>“Borrower”</b>	RAD Pilot LP, a California limited partnership		
	<b>Address:</b>	c/o SHARP 801 12th Street, Sacramento, California 95814	
	<b>Attention:</b>	James Shields, President	
<b>“Closing Date”</b>	_____, 2020 or mutually agreed upon Closing Date.		
<b>“HACOS”</b>	Housing Authority of the County of Sacramento, a public body, corporate and politic		
<b>“HACOS Improvements”</b>	The improvements on the HACOS Sites (defined below).		
<b>“HACOS Sites”</b>	4500 Perry Avenue, Sacramento, Ca 95820 (APN 022-0052-011-0000 and 022-0052-012-0000) 4930 El Paraiso Avenue, Sacramento, Ca 95824 (APN 037-0224-047-0000) 9205 Elk Grove Boulevard, Elk Grove, Ca 95624 (APN 125-0270-051-0000) 8223 Walerga Road, Antelope, Ca 95843 (APN 203-0070-041-0000)		
<b>“HUD”</b>	The United States Department of Housing and Urban Development		
<b>“Property”</b>	The Agency Sites and the HACOS Sites, collectively.		

<p><b>Description of the transaction</b></p>	<ol style="list-style-type: none"> <li>1. The Agency is the fee owner of the Agency Sites, which is comprised of 43rd and Folsom. HUD previously recorded declarations of trust against the Agency’s fee interest in 43rd (the “<b>43rd Declaration</b>”) and Folsom (the “<b>Folsom Declaration</b>”). Through this escrow, HUD will fully release the 43rd Declaration through a release (the “<b>43rd Release</b>”) and partially release the Folsom Declaration from Folsom through a release (the “<b>Folsom Release</b>”).</li> <li>2. The Borrower will finance and develop a one hundred twenty-four (124) unit affordable housing development on the Property (the "<b>Project</b>"). In connection with the Project, the Agency will convey a fee interest in the Agency Improvements to the Borrower by two (2) grant deeds (the “<b>Grant Deeds</b>”).</li> <li>3. Concurrently with conveyance of the Improvements by the Grant Deeds, the Agency and the Borrower will enter into a ground lease whereby the Borrower will acquire a leasehold interest in the Agency Sites (the "<b>Ground Lease</b>"). The Ground Lease will be evidenced by a memorandum of ground lease (the "<b>Memorandum of Ground Lease</b>") to be recorded on the Agency’s fee interest in the Agency Sites.</li> <li>4. As part of this Project, HUD will require a use agreement by and among the Agency, HACOS, HUD, and the Borrower to be recorded against the Agency’s and HACOS’ fee interests in the Property and on the Borrower’s leasehold interest in the Property (the "<b>RAD Use Agreement</b>"). The RAD Use Agreement is to be recorded first and remain in senior position to all other Bank items, Borrower Items (defined below) and Agency Items (defined below).</li> <li>5. To finance the Project, HACOS will make a mortgage loan (the “<b>HACOS Project Loan</b>”) to the Borrower with proceeds received from the separate loan made to the Agency by the Bank (the “<b>Bank Funding Loan</b>”). In connection with the HACOS Project Loan, HACOS will record a tax regulatory agreement and declaration of restrictive covenants against the Borrower’s leasehold interest in 43rd (the “<b>43rd Regulatory Agreement</b>”) and a tax regulatory agreement and declaration of restrictive covenants against the Borrower’s leasehold interest in Folsom (the “<b>Folsom Regulatory Agreement</b>”) (collectively the "<b>Tax Regulatory Agreements</b>"). The Bank will secure the Bank Funding Loan with a first lien leasehold deed of trust with assignment of rents, security agreement and fixture filing recorded against the Borrower’s leasehold interest in the Property (the "<b>Bank Deed of Trust</b>", and, together with the Tax Regulatory Agreements, the "<b>Tax Exempt Loan Documents</b>").</li> <li>6. To finance the Project, the Bank will also make a construction-permanent loan pursuant to a loan agreement evidenced by a promissory note secured by a deed of trust with assignment of rents, security agreement and fixture filing recorded against the Borrower’s leasehold interest in the Property (the “<b>Bank Construction-Permanent Loan DOT</b>”).</li> <li>7. The Agency is making the following three loans to Borrower. The first loan is the Construction and Permanent Loan, made pursuant to a loan agreement (the “<b>Agency Construction-Permanent Loan Agreement</b>”), evidenced by two promissory notes (the “<b>Agency Construction-Permanent Loan Notes</b>”) secured by a deed of trust (“<b>Agency Construction-Permanent Loan DOT</b>”); the second loan is the Ground Lease Loan for the capitalized rent due under the Ground Lease, which loan is evidenced by a promissory note (the “<b>Agency Ground Lease Loan Promissory Note</b>”) secured by a leasehold deed of trust with assignment of rents, security agreement and fixture filing (the “<b>Agency Ground Lease Loan DOT</b>”); and the third is the Seller Carry Back Loan for the acquisition of the Improvements, which loan is evidenced by a promissory note (the “<b>Agency Seller Carryback Note</b>”) secured by a deed of trust with assignment of rents, security agreement and fixture filing the “<b>Agency Seller Carryback DOT</b>”).</li> <li>8. Concurrent with the closing of the construction financing, the Borrower will be syndicated, and an investor limited partner will be admitted to the Borrower. The Borrower will grant to the Agency an option and right of first refusal to acquire the Borrower’s leasehold interest in the Property or the investor limited partner’s interest in Borrower. Through this escrow a Memorandum of Option and Right of First Refusal (the "<b>Memorandum of Option</b>") will be recorded on the Borrower’s leasehold interest in the Property.</li> </ol>
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RAD 1 - Housing Authority of the City of Sacramento  
 Seller Carry-Back Loan Agreement for Improvements

<p><b>“Recorded Documents”- The following documents are to be recorded against the interests specified, and in the order listed (top being first in priority). Copies of the Recorded documents are attached.</b></p>	<p><b>Documents:</b></p> <ol style="list-style-type: none"> <li>1. 43rd Release, recorded against the Agency’s fee interest in 43rd only</li> <li>2. Folsom Release, recorded against the Agency’s fee interest in Folsom only</li> <li>3. Grant Deeds, recorded against the Agency’s fee interest in the Agency Improvements</li> <li>4. Memorandum of Ground Lease and TCAC Lease Rider, recorded against the Agency’s fee interest in the Agency Sites</li> <li>5. RAD Use Agreement, recorded against the Agency’s and HACOS’ fee interests in the Property and the Borrower’s leasehold interest in the Property</li> <li>6. 43rd Regulatory Agreement, recorded against the Borrower’s leasehold interest in 43rd</li> <li>7. Folsom Regulatory Agreement, recorded against the Borrower’s leasehold interest in Folsom</li> <li>8. Bank Construction-Permanent Loan DOT, recorded against the Borrower’s leasehold interest in the Property</li> <li>9. Agreement to subordinate the Tax Exempt Loan Documents to the RAD Use Agreement, by and among the Agency, HACOS, the Bank, and Borrower, recorded against the Borrower’s leasehold interest in the Property</li> <li>10. Agency Construction-Permanent Loan DOT, recorded against the Borrower’s leasehold interest in the Agency Sites and Agency Improvements</li> <li>11. Agency Ground Lease Loan DOT, recorded against the Borrower’s leasehold interest in the Agency Sites</li> <li>12. Agency Seller Carryback Loan DOT, recorded against the Borrower’s leasehold interest in the Agency Sites and Agency Improvements</li> <li>13. Agreement to subordinate the Agency Loan Documents to the RAD Use Agreement, by and between the Agency and the Borrower, recorded against the Borrower’s leasehold interest in the Agency Sites</li> <li>14. Agreement to subordinate the Bank Construction-Permanent Loan DOT to the RAD Use Agreement, by and among the Agency, the Bank, and the Borrower, recorded against the Borrower’s leasehold interest in the Agency Sites</li> <li>15. Memorandum of Option, by and between the Agency and the Borrower, recorded against the Borrower’s leasehold in the Property</li> <li>16. Agreement to subordinate Memorandum of Ground Lease to the RAD Use Agreement, recorded against the Borrower’s leasehold interest in the Property Agreement to subordinate TCAC Lease Rider to the RAD Use Agreement, recorded against the Borrower’s leasehold interest in the Property</li> </ol>	<p><b>Marked for return to:</b> The Agency (address above) or the Borrower (address above), whichever entity possesses the interest being encumbered by the recorded document.</p>
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<b>“Agency Items”</b>	<ol style="list-style-type: none"> <li>1. Agency Construction-Permanent Loan Notes</li> <li>2. Agency Ground Lease Loan Note</li> <li>3. Agency Construction-Permanent Loan Agreement</li> <li>4. Agency Seller Carryback Note</li> <li>5. Authorizing resolutions for all Borrower signatories</li> <li>6. Ground Lease</li> <li>7. Disposition and Development Agreement</li> </ol>	
<b>“Borrower Items”</b>	Loan proceeds in the amount of [\$ _____ ] The Grant Deeds and conforming copies of the recorded documents	

<b>“Special Provisions”:</b>	The RAD Use Agreement is to be in first position and senior to all the other transaction documents/items  Title Policy shall, in addition to customary endorsements, bear the following endorsements:		
<b>“Agency Lender’s Title Policy” in the form of an ALTA Agency’s Lender’s Policy insuring that the following are valid liens against the Agency Sites:</b>	<b>Documents:</b>	<b>Coverage amount:</b>	
	The Tax Exempt Loan Documents	In the amount of the loan secured	
<b>“Agency Fee Owner’s Title Policy” in the form of an ALTA Agency’s Owner’s Policy insuring that the following are valid liens against the Agency’s fee interest in the Agency Sites</b>	<ol style="list-style-type: none"> <li>1. The RAD Use Agreement</li> <li>2. Memorandum of Ground Lease</li> </ol>		In the amount of [\$ _____ ]
<b>“Borrower Leasehold Owner’s Title Policy” in the form of an ALTA Borrower’s Owner’s Policy insuring that the following are valid liens against the Borrower’s leasehold interest in the Agency Sites</b>	<ol style="list-style-type: none"> <li>1. 43rd Regulatory Agreement</li> <li>2. Folsom Regulatory Agreement</li> <li>3. Bank Construction-Permanent Loan DOT</li> <li>4. Agency Construction-Permanent Loan DOT</li> <li>5. Agency Ground Lease Loan DOT</li> <li>6. Agency Seller Carryback Loan DOT</li> <li>7. Agreement to subordinate the Agency Loan Documents to the RAD Use Agreement</li> <li>8. Memorandum of Option</li> </ol>		In the amount of [Debt plus Equity]
<b>The title policies shall be subject only to the following “Conditions of Title”:</b>	Items		<b>Dated:</b> October 3, 2019
			<b>Number:</b> P-362723-2

THE PARTIES HAVE EXECUTED THESE ESCROW INSTRUCTIONS in Sacramento, California as of the date first written above.

**BORROWER:**

**RAD PILOT LP, A CALIFORNIA LIMITED PARTNERSHIP**

By: RAD Pilot LLC, a California limited liability company, its managing general partner

By: Sacramento Housing Authority Repositioning Program, Inc., a California nonprofit public benefit corporation, its sole member and manager

By: \_\_\_\_\_  
James Shields, President

**AGENCY:**

**HOUSING AUTHORITY OF THE CITY OF SACRAMENTO**, a public body, corporate and politic

By: \_\_\_\_\_  
La Shelle Dozier, Executive Director

Approved as to form:

\_\_\_\_\_  
Agency Counsel

**ARTICLE II. INSTRUCTIONS**

1. **CLOSING DATE.** Escrow shall close on or before the Closing Date as it may be changed from time to time by written agreement of Borrower and Agency.

2. **CONDITIONS TO CLOSE OF ESCROW.** "Close of Escrow" means the fulfillment of the Escrow terms and conclusion of the Escrow, including, without limitation, the execution of unexecuted documents, the recordation of documents specified for recording, the issuance of title insurance policies, the payment of fees and the delivery of funds and documents as directed in the escrow instructions for the Escrow. The Close of Escrow shall occur on the Closing Date.

2.1. **CONDITIONS.** The following are conditions to the Close of Escrow:

2.1.1. The conditions precedent to performance stated in the Recorded Documents are satisfied as of the Closing Date.

2.1.2. Simultaneously with the Close of Escrow, Title Company shall issue the Agency Lender's Title Insurance and Agency Fee Owner's Title Insurance to Agency (at Borrower's cost) in the amount stated. The Agency Lender's Title Insurance and Agency Fee Owner's Title Insurance shall include all usual and customary endorsements and any endorsements and other commitments as Agency may reasonably require. The Agency Lender's Title Insurance and Agency Fee Owner's Title Insurance shall show the Recorded Documents marked for return to Agency as valid liens against the Property in favor of the Agency, subject only to the Conditions of Title, and securing, as applicable, Borrower's performance of its obligations and repayment of Agency Funding.

2.1.3. Prior to the Closing Date, the parties shall duly execute (in Escrow or prior to deposit in Escrow) each such document and shall execute those to be recorded in a manner suitable for recording.

2.1.4. On or before the Closing Date, Agency shall also deposit with Title Company the Borrower Items and any Loan Amount then to be disbursed under this Agreement, but not less than closing costs, fees and charges required for Close of Escrow.

2.1.5. On or before the Close of Escrow, Borrower shall also deposit with Title Company the Agency Items and Borrower's share of closing costs and fees.

2.1.6. Title Company is satisfied that all required funds have been deposited in Title Company's account for the Escrow, have cleared the originating bank and are available for transfer by Title Company's check or wire transfer to the appropriate party.

**2.2. UPON CLOSE OF ESCROW.** The Close of Escrow shall take place on the Closing Date. On the Closing Date, Title Company shall complete the Close of Escrow as follows and in the following order (unless otherwise stated, all recorded documents are recorded with the Sacramento County Recorder):

2.2.1. Assure fulfillment of the Special Provisions;

2.2.2. Assure all documents are complete and affix legal descriptions of the Property as necessary to complete them;

2.2.3. Obtain full execution of all unexecuted documents;

2.2.4. Date all undated documents as of the Closing Date;

2.2.5. Record the Recorded Documents in the priority listed;

2.2.6. Determine all closing costs and fees; including without limitation, all charges, fees, taxes and title insurance premiums payable under this Agreement on Close of Escrow and any other fees and charges approved for payment from Escrow by both parties and deduct such fees from the Loan proceeds deposited by Agency in Escrow;

2.2.7. Deliver the Agency Items to Agency and the Borrower Items to Borrower; and

2.2.8. Prepare and deliver to Borrower and Agency, respectively, one signed original of all documents included for delivery to either party and not delivered for recording, one signed original of Title Company's closing statement showing all receipts and disbursements of the Escrow, and one conformed copy of each of the recorded documents.

**2.3. INABILITY TO CLOSE.** If Title Company is unable to simultaneously perform all of the preceding instructions, Title Company shall notify Borrower and Agency, and upon each of their directions return to each party all documents, items and funds deposited in Escrow by such party (less fees and expenses incurred by the respective party) and bill the respective parties for any unpaid fees and expenses incurred in Escrow. If Escrow fails to close on the Closing Date because Borrower has not complied with Borrower's obligations under this Loan Agreement, then Borrower shall pay the costs incurred through Escrow to the date the Escrow is terminated, including the cost of any preliminary title report and any cancellation fees or other costs of this Escrow. If Escrow fails to close on or before the Closing Date because Agency has not complied with Agency's obligations under this Loan Agreement, such costs shall be paid by Agency. If Escrow fails to close on or before the Closing Date for any other reason, such costs shall be divided equally between the parties.

**2.4. COMMISSIONS.** Agency is not responsible, by the Agency Loan Documents or otherwise, to pay commissions in relation to this transaction.

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**ACCEPTANCE OF ESCROW INSTRUCTIONS**

Your acceptance of this escrow shall create a contractual obligation by you with Agency and Borrower for complete compliance with these instructions. Agency and Borrower reserve the right to jointly revoke this escrow at any time upon their payment to you of your fees and reimbursement to you of your expenses in accordance with the terms of these escrow instructions. Your obligations as Escrow Holder under these escrow instructions shall be subject to the following provisions:

You are not responsible as to the sufficiency or correctness as to form, manner of execution, or validity of any instrument deposited in this escrow nor as to the authority or rights of any person executing such instrument. Except as otherwise provided in these escrow instructions, your duties as Escrow Holder are limited to the proper handling of monies and the proper safekeeping of instruments and other items received by you as Escrow Holder, and for the performance of your obligations as specifically provided under these escrow instructions. You are responsible for the sufficiency of any instruments or documents prepared by you for this escrow.

Borrower agrees to indemnify and hold you harmless from damages incurred as a result of your good faith and diligent performance of your duties under these escrow instructions.

Upon your acceptance of these escrow instructions, return the executed counterparts of these escrow instructions to Agency and Borrower, respectively.

Escrow Holder acknowledges receipt of the foregoing escrow instructions and agrees to act as Escrow Holder and to comply with the terms and conditions of the escrow instructions.

Dated: \_\_\_\_\_

**TITLE COMPANY  
PLACER TITLE COMPANY**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Its authorized agent and signatory

Exhibit 5: RAD Use Agreement

**Recording Requested By:  
When Recorded Mail To:**

Housing Authority of the County of Sacramento  
801 12th Street, 6th Floor  
Sacramento, CA 95814  
Attention: Executive Director

No fee for recording pursuant to  
Government Code Section 27383 and 27388.1

\_\_\_\_\_SPACE ABOVE THIS LINE FOR RECORDER'S USE\_\_\_\_\_

**Rental Assistance Demonstration  
Use Agreement  
(RAD Pilot)**

**Rental Assistance  
Demonstration  
Use Agreement**

**U.S. Department of Housing  
and Urban Development**  
Office of Housing  
Office of Public and Indian Housing

**OMB Approval No. 2502-0612  
(Exp. 04/30/2020)**

**Public reporting burden** for this collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the Reports Management Officer, Paperwork Reduction Project (2577-0276), Office of Information Technology, U.S. Department of Housing and Urban Development, Washington, D.C. 20410-3600. This agency may not collect this information, and you are not required to complete this form, unless it displays a currently valid OMB control number.

Prepared by:

Housing Authority of the County of Sacramento  
801 12th Street, 6th Floor  
Sacramento, CA 95814  
Attention: Executive Director

Housing Authority of the City of Sacramento  
801 12th Street, 6th Floor  
Sacramento, CA 95814  
Attention: Executive Director

After recording return to:

Housing Authority of the County of Sacramento  
801 12th Street, 6th Floor  
Sacramento, CA 95814  
Attention: Executive Director

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**This Rental Assistance Demonstration Use Agreement** (hereinafter called the “Agreement”) is made as of \_\_\_\_\_, 2020 for the benefit of and agreed to by the United States Department of Housing and Urban Development, acting by and through the Secretary, his or her successors, assigns or designates (hereinafter called “HUD”) by RAD Pilot LP, a California limited partnership, (“Project Owner”), the Housing Authority of the County of Sacramento, a public body corporate and politic (the “County PHA”), and the Housing Authority of the City of Sacramento, a public body corporate and politic (the “City PHA”) (collectively, the “PHA”).

**Whereas**, Rental Assistance Demonstration (hereinafter called “RAD”) provides the opportunity to test the conversion of public housing and other HUD-assisted properties to long-term, project-based Section 8 rental assistance to achieve certain goals, including the preservation and improvement of these properties through access to private debt and equity to address immediate and long-term capital needs.

**Whereas**, the County PHA is the fee owner of the real property described on Exhibit A, Exhibit B, Exhibit C and Exhibit D, and the City PHA is the fee owner of the real property described on Exhibit E and Exhibit F (collectively the “Property”), upon which is or will be located improvements owned or to be owned by Project Owner receiving assistance converted pursuant to RAD, which project will commonly be known as RAD Pilot (the “Project”). The Project will contain 124 dwelling units, of which 118 (“Assisted Units”) are subject to a RAD Housing Assistance Payment contract, as the same may be renewed, amended or replaced from time to time (“RAD HAP contract”).

**Whereas**, pursuant to the Consolidated and Further Continuing Appropriations Act of 2012 (Public Law 112-55, approved November 18, 2011, as amended from time to time, the “RAD Statute”); and the corresponding PIH Notice 2012-32, rev-2, as amended from time to time, and any successor document and/or regulations (hereinafter called the “RAD Notice”), which this Agreement incorporates by this reference, the PHA and/or the Project Owner, as applicable, has agreed to encumber the Property and the Project Owner has agreed to operate the Project in accordance with this Agreement in exchange for HUD’s agreement to execute or permit the execution of the RAD HAP contract and the assistance provided thereby;

**Whereas**, in accordance with the RAD Statute and RAD Notice, except as otherwise agreed in writing by HUD, this Agreement is to be recorded superior to other liens on the Property, run until the conclusion of the initial term of the RAD HAP contract, automatically renew upon each extension or renewal of the RAD HAP contract for a term that runs with each renewal term of the RAD HAP contract, and remain in effect even in the case of abatement or termination of the RAD HAP contract for the term the RAD HAP contract would have run, absent the abatement or termination.

**Now Therefore**, in consideration of the foregoing, conversion of assistance pursuant to RAD, provision of rental assistance pursuant to the RAD HAP contract and other valuable consideration, the parties hereby agree as follows:

1. **Definitions.** All terms used in this Agreement and not otherwise defined have the same meaning as set forth in the RAD Notice.
2. **Term.** The initial term of this Agreement commences upon the date this Agreement is entered into and shall run until the conclusion of the initial term of the RAD HAP contract. The RAD HAP contract is effective for 20 years. Unless otherwise approved by HUD, this Agreement shall remain in effect through the initial term of the RAD HAP contract and for additional periods to coincide with any renewal term of the RAD HAP contract or any replacement HAP contract. It is the intention of the parties that the RAD HAP and this Agreement shall each renew upon the completion of its initial term. Therefore, this Agreement shall remain in effect until a release is recorded as contemplated by Section 8. Such release shall be the evidence of the non-renewal of the HAP Contract, of the determination not to execute a replacement HAP contract and of the termination of this Agreement. This Agreement will survive abatement of assistance or termination of the RAD HAP contract unless otherwise approved by HUD.
3. **Use Restriction and Tenant Incomes.** The Assisted Units shall be leased in accordance with the RAD HAP contract, including any applicable eligibility and/or income-targeting requirements. In the case that the RAD HAP contract is terminated prior to the completion of the term or renewal term, if applicable, of this Agreement (by way of illustration and not limitation, for breach or non-compliance), for the remainder of the term of this Agreement new tenants leasing the Assisted Units (except if any of the Assisted Units is a HUD-approved manager unit) must have incomes at or below 80 percent of the Area Median Income (AMI) at the time of admission (“Eligible Tenants”). Additionally, rents for such Assisted Units must not exceed 30% of 80% of the AMI for households of the size occupying an appropriately sized unit. Notwithstanding the foregoing, in the event the Project Owner so requests and is able to demonstrate to HUD’s satisfaction that despite the Project Owner’s good faith and diligent efforts to do so, the Project Owner is unable either (1) to rent a sufficient percentage of Assisted Units to Eligible Tenants in order to satisfy the restrictions in this paragraph, or (2) to otherwise provide for the financial viability of the Project, HUD may, in its sole discretion, agree to reduce the percentage of units subject to the restriction under this paragraph or otherwise modify this restriction in a manner acceptable to the Project Owner and HUD. Any such modification of the restrictions listed in this paragraph shall be evidenced by a written amendment to this Agreement executed by each of the parties hereto.
4. **Survival.** This Agreement will survive foreclosure and bankruptcy.

**5. Fair Housing and Civil Rights Requirements.** The Project Owner and its agents, where applicable, shall ensure that the Project complies with applicable federal fair housing and civil rights laws, regulations, and other legal authorities, including those identified at 24 C.F.R. § 5.105.

**6. Accessibility Requirements.** The Project Owner and its agents, where applicable, shall ensure that the Project complies with all applicable federal accessibility requirements under the Fair Housing Act and implementing regulations at 24 CFR Part 100, Section 504 of the Rehabilitation Act of 1973 and implementing regulations at 24 CFR Part 8, and Titles II and III of the Americans with Disabilities Act and implementing regulations at 28 CFR Parts 35 and 36, respectively.

**7. Restrictions on Transfer.** HUD has been granted and is possessed of an interest in the above described Project. Except as authorized below, the Project Owner and, if a party hereto, the PHA, shall not transfer, convey, encumber or permit or suffer any transfer, conveyance, assignment, lease, mortgage, pledge or other encumbrance of said Project and/or Property or any part thereof without prior written consent of HUD. Notwithstanding the foregoing, HUD hereby authorizes (a) leases in the normal operation of the Project, (b) subordinate liens contemplated by a RAD Conversion Commitment Agreement or recorded subsequent hereto (such as permanent financing to replace construction-period financing), and (c) conveyance or dedication of land for use as streets, alleys, or other public rights-of-way and grants and easements for the establishment, operation and maintenance of public utilities. Except as otherwise approved in writing by HUD, any lien on the Project and/or Property shall be subject and subordinate to this Agreement. Unless this Agreement is released by HUD, any transferee of the Project and/or Property shall take title subject to this Agreement. In the event of a default under the RAD HAP contract including, without limitation, upon any transfer of the Property or Project without HUD consent, upon expiration of any applicable notice and/or cure periods, HUD may transfer the RAD HAP contract and the rental assistance contemplated therein to another entity and/or Property and/or Project. The Project Owner has constituted HUD as its attorney-in-fact to effect any such transfer.

**8. Amendment or Release.** This Agreement may not be amended without HUD consent. This Agreement shall remain as an encumbrance against the Property unless and until HUD executes a release for recording. This Agreement may only be released by HUD in its sole discretion. In the event that the RAD HAP is, in accordance with all applicable laws and RAD program requirements, not renewed or replaced, HUD shall not unreasonably fail to provide such a release upon the completion of the applicable term of this Agreement.

**9. Enforcement.** In the event of a breach or threatened breach of any of the provisions of this Agreement, any eligible tenant or applicant for occupancy within the Project, or the Secretary or his or her successors or delegates, may institute proper legal action to enforce performance of such provisions, to enjoin any acts in violation of such provisions, to recover whatever damages can be proven, and/or to obtain whatever other relief may be appropriate.

**10. Severability.** The invalidity, in whole or in part, of any of the provisions set forth in this Agreement shall not affect or invalidate any remaining provisions.

**11. Conflicts.** Any conflicts between this Agreement and the RAD HAP contract or any other applicable HUD program requirements shall be conclusively resolved by the Secretary.

**12. Execution of Other Agreements.** The Project Owner and, if a party hereto, the PHA, agrees that it has not and will not execute any other agreement with provisions contradictory to, or in opposition to, the provisions of this Agreement, and that in any event, the provisions of this Agreement are paramount and controlling as to the rights and obligations set forth and supersede any other conflicting requirements.

**13. Subsequent Statutory Amendments.** If revisions to the provisions of this Agreement are necessitated by subsequent statutory amendments, the Project Owner and, if a party hereto, the PHA, agrees to execute modifications to this Agreement that are needed to conform to the statutory amendments. At HUD's option, HUD may implement any such statutory amendment through rulemaking.

**14. Lender Provisions.**



- A. Nothing in this Agreement prohibits any holder of a mortgage or other lien against the Property or Project from foreclosing its lien or accepting a deed in lieu of foreclosure. Any lien holder shall give HUD, as a courtesy, written notice prior to declaring an event of default. Any lien holder shall provide HUD concurrent notice with any written filing of foreclosure filed in accordance with state law provided that the foreclosure sale shall not occur sooner than sixty days (60) days after such notice to HUD. The Notice to HUD may be personally delivered or sent by U.S. certified or registered mail, return receipt requested, first class postage prepaid, addressed as follows:

If for PBRA transactions:

U.S. Department of Housing and Urban Development

451 7<sup>th</sup> Street SW, Room 9100

Washington, DC 20410

Attention: Office of the Assistant Secretary for Housing - Rental Assistance Demonstration

If for PBV transactions:

U.S. Department of Housing and Urban Development

451 7<sup>th</sup> Street SW, Room 4100

Washington, DC 20410

Attention: Office of the Assistant Secretary for Public and Indian Housing - Rental Assistance Demonstration

- B. Notwithstanding any lien holder's foreclosure rights, this Agreement survives foreclosure and any new owners of the Property or the Project take ownership subject to this Agreement.

C. Transfer of title to the Property or the Project may be grounds for termination of assistance under the RAD HAP contract. However, HUD may permit, through prior written consent by HUD, the new owner of the Property or the Project to assume the RAD HAP contract, subject to the terms included therein, or enter into a new HAP contract. Any HUD consent to continued HAP assistance is subject to the RAD Statute and other RAD program requirements.

D. Each entity interested in purchasing the Property in a foreclosure sale administered under state foreclosure law may submit a written request to HUD to continue RAD HAP contract assistance in the event of such entity's successful acquisition at the foreclosure sale. Such request shall be submitted by the latter of ten business days after first publication of the foreclosure sale or 60 days prior to such foreclosure sale.

15. **Successors and Assigns.** This Agreement shall be binding upon the Project Owner and, if a party hereto, the PHA, and all future successors and assigns of either with respect to any portion of the Property or the Project.

In Witness Whereof, these declarations are made as of the first date written above.

**Department of Housing and Urban Development**

By: \_\_\_\_\_  
Name:  
Title:  
Date: \_\_\_\_\_

District of Columbia )  
 ) ss:  
 )

Before me, \_\_\_\_\_, a Notary Public in and for the District of Columbia on this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, personally appeared \_\_\_\_\_, who is personally known to me to be the person who executed the foregoing instrument by virtue of the authority vested in him by the Department of Housing and Urban Development, and did acknowledge the signing thereof to be a free and voluntary act and done on behalf of the Secretary of Housing and Urban Development for the uses, purposes and considerations therein set forth.

Witness my hand and official seal this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.  
(Seal)

\_\_\_\_\_ (Notary Public)

My commission expires \_\_\_\_\_, 20 \_\_\_\_.

**Project Owner:**

RAD Pilot LP, a California limited partnership

By: RAD Pilot LLC, a California limited liability company, its  
managing general partner

By: Sacramento Housing Authority Repositioning Program,  
Inc., a California nonprofit public benefit corporation, its  
sole member and manager

\_\_\_\_\_  
James Shields, President

Date: \_\_\_\_\_

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA )  
 )  
COUNTY OF \_\_\_\_\_ )

On \_\_\_\_\_, before me, \_\_\_\_\_, Notary Public, personally appeared \_\_\_\_\_, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify UNDER PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

\_\_\_\_\_  
Name: \_\_\_\_\_  
Notary Public



HOUSING AUTHORITY OF THE CITY OF SACRAMENTO,  
a public body corporate and politic

By: \_\_\_\_\_  
La Shelle Dozier, Executive Director

Date: \_\_\_\_\_

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA )  
 )  
COUNTY OF \_\_\_\_\_ )

On \_\_\_\_\_, before me, \_\_\_\_\_, Notary Public, personally appeared \_\_\_\_\_, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify UNDER PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

\_\_\_\_\_  
Name: \_\_\_\_\_  
Notary Public

**EXHIBIT A – Property Subject to this RAD Use Agreement**

**Legal Description of Pointe Lagoon - 9205 Elk Grove Boulevard, Elk Grove, CA 95624**

SITE F: 9205 Elk Grove Boulevard

The land described herein is situated in the State of California, County of Sacramento, City of Elk Grove, described as follows:

Parcel No. 1:

All buildings and improvements situated on the following property, the buildings and improvements are and shall remain real property, pursuant to that certain Grant Deed dated To Be Recorded, recorded To Be Determined, as To Be Determined, of Official Records:

All that portion of the Southeast one-quarter of Section 31, Township 7 North, Range 6 East, described as follows:

Beginning at a point on the South line of said Section 31 bears West (measured along the South line of said Section 31) 1408.5 feet distant; thence from said point of beginning, North 231 feet; thence West 88.5 feet; thence South 231 feet to a point on the South line of said Section 31; thence along the South line of said Section 31, East 88.5 feet to the point of beginning.

Parcel No. 2:

All buildings and improvements situated on the following property, the buildings and improvements are and shall remain real property, pursuant to that certain Grant Deed dated To Be Recorded, recorded To Be Determined, as To Be Determined, of Official Records:

All that portion of the Southeast one-quarter of Section 31, Township 7 North, Range 6 East, described as follows:

Beginning at a point on the South line of said Section 31, from which point the Southwest corner of the Southeast one-quarter of Section 31 bears West (measured along the South line of said Section 31) South 231 feet to a point on the South line of said Section 31; East 50 feet to the point of beginning.

Parcel No. 3:

All buildings and improvements situated on the following property, the buildings and improvements are and shall remain real property, pursuant to that certain Grant Deed dated To Be Recorded, recorded To Be Determined, as To Be Determined, of Official Records:

All that portion of the Southeast one-quarter of Section 31, Township 7 North, Range 6 East, described as follows:

Beginning at a point on the South line of said Section 31, from which point the Southwest corner of the Southeast one-quarter of said Section 31 bears West (measured along the South line of said Section 31) 1508.5 feet distant; from said point of beginning, North 231 feet, thence West 50 feet; thence South 231 feet to a point on the South line of said Section 31; thence, along the South line of said Section 31, East 50 feet to the point of beginning.

APN: 125-0270-051-0000

## **EXHIBIT B – Property Subject to this RAD Use Agreement**

### **Legal Description of Rio Garden - 8223 Walerga Road, Antelope, CA 95843**

SITE E: 8223 Walerga Road

The land described herein is situated in the State of California, County of Sacramento, unincorporated area, described as follows:

All buildings and improvements situated on the following property, the buildings and improvements are and shall remain real property, pursuant to that certain Grant Deed dated To Be Recorded, recorded To Be Determined, as To Be Determined, of Official Records:

Parcel A of that certain Parcel Map entitled "A portion of the Southwest one-quarter of Section 18, Township 10 North, Range 6 East, M.D.B. & M.", filed June 24, 1976 in Book 26 of Parcel Maps, Page 48 in the office of the recorder, Sacramento County.

APN: 203-0070-041-0000

## **EXHIBIT C – Property Subject to this RAD Use Agreement**

### **Legal Description of Pointe Lagoon - 4930 El Paraiso Avenue, Sacramento, CA 95824**

SITE C: 4930 El Paraiso Avenue

The land described herein is situated in the State of California, County of Sacramento, unincorporated area, described as follows:

All buildings and improvements situated on the following property, the buildings and improvements are and shall remain real property, pursuant to that certain Grant Deed dated To Be Recorded, recorded To Be Determined, as To Be Determined, of Official Records:

Lot A, as shown on the "Revised Plat of Country Place" filed in the office of the recorder of Sacramento County, in Book 149 of Maps, Map No. 16.

Excepting therefrom, that portion of said land granted to the Redevelopment Agency of the County of Sacramento, in Grand Deed recorded August 24, 1984 as Book 840824, Page 370, Official Records, described as follows:

Beginning at the Northerly corner of Lot A that lies on the centerline of Sampson Boulevard as said Boulevard is shown on said Map; thence from said point of beginning along said centerline and the most Westerly line of said Lot A South 0° 00' 00" West, 52.50 feet; thence leaving said centerline along a portion of the Southerly boundary of said Lot A, South 88° 12' 00" East, 212.00 feet; thence leaving last said line, North 6° 50' 00" East, 59.71 feet to a point on the Northerly boundary of said Lot A; thence along last line South 89° 58' 00" West, 219.00 feet to the point of beginning.

APN: 037-0224-047-0000



## **EXHIBIT D – Property Subject to this RAD Use Agreement**

### **Legal Description of Pointe Lagoon - 4500 Perry Avenue, Sacramento, CA 95820**

SITE D: 4500 and 4530 Perry Avenue

The land described herein is situated in the State of California, County of Sacramento, unincorporated area, described as follows:

All buildings and improvements situated on the following property, the buildings and improvements are and shall remain real property, pursuant to that certain Grant Deed dated To Be Recorded, recorded To Be Determined, as To Be Determined, of Official Records:

Lot 10 as shown on the "Amended Plat of Hunger Tract No. 1", recorded in Book 15 of Maps, Map No. 8, records of said County.

Pursuant to that certain Certificate of Compliance, recorded September 20, 2019, Instrument No. 201909200647 Official Records.

APN: 022-0052-011-0000 and 022-0052-012-0000

## EXHIBIT E – Property Subject to this RAD Use Agreement

### Legal Description of Oak Park – 4921 Folsom Boulevard, Sacramento, CA 95819

TRACT B:

SITE B: - 4921 Folsom Boulevard

The land described herein is situated in the State of California, County of Sacramento, City of Sacramento, described as follows:

All buildings and improvements situated on the following property, the buildings and improvements are and shall remain real property, pursuant to that certain Grant Deed dated To Be Recorded, recorded To Be Determined, as To Be Determined, of Official Records:

All that real property situate in the City of Sacramento, County of Sacramento, State of California, and being a portion of Lot 5, as said lot is shown and so designated on that certain Map entitled "Portion of Tullar Homestead Tract Owned by Philip Wolf, Jr., Sacramento California", filed in the office of the recorder of Sacramento County on June 7, 1898, in Book "A" of Surveys, Map No. 57, and a portion of the land Southerly of and adjacent to the South line of said Lot 5, more particularly described as follows:

Beginning at an iron pipe marking the Northwest corner of said lot 5, and the Southwest corner of Lot 7, as said lot is shown and so designated on that certain Map entitled "Love Tract", filed in the office of the recorder of Sacramento County on June 24, 1947, in Book 26 of Maps, Map No. 22; thence from said point of beginning, Easterly along the North line of Lot 5, South 70° 35' 00" East 119.33 feet to the West line of that certain parcel of land described in the Deed from Chester A. Moore, et ux, to Martine P. Cupich, et ux, filed in the office of the recorder of Sacramento County in Book 713 of Deeds, Page 522; thence, Southerly along said West line South 19° 53' 00" West 273.44 feet, more or less, to the South line of said Lot 5 and the Northeasterly line of Folsom Boulevard, a public road; thence, Northwesterly along the Northeasterly line of Folsom Boulevard North 63° 00' 00" West 39.28 feet to a point on the East line of that certain parcel of land described in the Deed from Chester A. Moore, et ux, to W.L. Young, et ux, filed in the office of the Recorder of Sacramento County in Book 56 of Official Records, Page 19, said point located South 63° 00' 00" East, along the Northeasterly line of Folsom Boulevard, 80.6 feet from the projected West line of Lot 5; thence continuing along the Northeasterly line of Folsom Boulevard, North 63° 00' 00" West 80.60 feet to a point on the Southerly projection of said Lot 5, located South 19° 35' 00" West 1.30 feet from the original Southwest corner of Lot 5; thence, North 19° 35' 00" East 1.30 feet to the Southwest corner of said Lot 5; thence, Northerly along the West line of Lot 5 North 19° 45' 10" East 256.31 feet to the point of beginning and described on that certain Certificate of Compliance for Lot Merger executed by the Department of Public Works and recorded January 25, 1995 as Book 950125, Page 1097, Official Records.

APN: 008-0341-044-0000

## **EXHIBIT F – Property Subject to this RAD Use Agreement**

### **Legal Description of Meadow Commons – 1043 43<sup>rd</sup> Avenue, Sacramento, CA 95822**

SITE A: 1043 43rd Avenue

The land described herein is situated in the State of California, County of Sacramento, City of Sacramento, described as follows:

Parcel No. 1:

All buildings and improvements situated on the following property, the buildings and improvements are and shall remain real property, pursuant to that certain Grant Deed dated To Be Recorded, recorded To Be Determined, as To Be Determined, of Official Records:

All that portion of Lot B of South Land Park Hills Unit No. 31; according to the official plat thereof, filed in the office of the Recorder of Sacramento County, California, on July 12, 1961, in Book 66 of Maps, Map No. 5, described as follows:

BEGINNING at the Southwest corner of said Lot B, thence from said point of beginning along the Westerly boundary of said Lot B the following three (3) courses and distances: (1) North 36° 16' 50" East 118.48 feet, (2) North 44° 12' 10" West 115.09 feet, and (3) North 51° 44' 50" East 165.17 feet; thence South 64° 06' 12" East 114.27 feet; thence South 13° 31' 16" West 305.00 feet to a point located on the Southerly boundary of said Lot B; thence along said Southerly boundary, Westerly, curving to the right on an arc of 390.19 feet radius, said arc being subtended by a chord bearing North 66° 20' 32" West 164.92 feet to the point of beginning.

Parcel No. 2:

All buildings and improvements situated on the following property, the buildings and improvements are and shall remain real property, pursuant to that certain Grant Deed dated To Be Recorded, recorded To Be Determined, as To Be Determined, of Official Records:

All that portion of 43rd Avenue and Lot C, of South Land Park Hills Unit No. 31; according to the official plat thereof, filed in the office of the Recorder of Sacramento County, California, on July 12, 1961, in Book 66 of Maps, Map No. 5, described as follows:

BEGINNING at the most Southerly corner of Lot 16 as said Lot is shown on the official plat of said South Land Park Hills Unit No. 31; thence from said point of beginning along the Southerly boundary of Lot B as said Lot is shown and so designated on the official plat of said South Land Park Hills Unit No. 31, Southerly, curving to the left on an arc of 390.19 feet radius, said arc being subtended by a chord bearing South 66° 20' 32" East 164.92 feet; thence South 13° 31' 16" West 73.56 feet; thence Westerly,

curving to the right on an arc of 900.00 feet radius, said arc being subtended by a chord bearing South 79° 10' 15" West 51.82 feet; thence curving to the right on an arc of 20.00 feet radius, said arc being subtended by a chord bearing North 51° 51' 17" West 29.41 feet; thence curving to the left on an arc of 200.00 feet radius, said arc being subtended by a chord bearing North 25° 17' 43" West 141.81 feet; thence North 36° 16' 50" East 1.30 feet to the point of beginning.

APN: 029-0184-017-0000

Parcel No. 3:

All buildings and improvements situated on the following property, the buildings and improvements are and shall remain real property, pursuant to that certain Grant Deed dated To Be Recorded, recorded To Be Determined, as To Be Determined, of Official Records:

Lots 16 and 17, as shown on the official plat of South Land Park Hills Unit No. 31, according to the official plat thereof, filed in the office of the Recorder of Sacramento County, California, on July 12, 1961, in Book 66 of Maps, Map No. 5.

APN: 029-0184-001-0000 and 029-0184-002-0000

## Exhibit 6

### **Scope of Development: Oak Park, 4921 Folsom Blvd, Sacramento (10 units)**

Item	Description
1	<b>Mitigation Requirement #1:</b> During renovation of the apartment interiors, install Land Science's Retro-Coat™ Vapor Intrusion Coating System on the existing building slabs to help prevent further vapor intrusion.
2	<b>Mitigation Requirement #2:</b> Monitoring of VOCs in sub-slab vapor and indoor air of the site buildings is required following renovation. One monitoring event in the summer (i.e., during hotter temperatures) and one in the late winter to early spring (i.e., during cooler temperatures) is required to evaluate potential seasonal and temporal variation in vapor intrusion. Monitoring results shall be provided to the SHRA's Environmental Coordinator.
3	Seal and Stripe Parking Lots
4	Pedestrian pavement, sidewalk, concrete large 1,000 SF
5	Fence and gate refinish (wood) 500 SF
6	Replace interior and exterior light fixtures
7	Replace water heaters
8	Replace HVAC systems
9	Replace furnace (26 to 40 MBH gas)
10	New Hardware at all entry doors
11	Replace plumbing fixtures
12	Replace countertops at kitchen and baths
13	Replace shower/tub enclosure
14	Replace bath vanity cabinet, wood/cult marble
15	Replace sink (stainless steel)
16	Replace gas range
17	Replace range hood
18	Replace refrigerator 14-18 cf
19	Install new smoke detectors and CO (battery operated)
20	Load center 120/240 V 125 AMP single phase
21	New Interior and Exterior Paint
22	Replace windows (aluminum, dbl glazed)
23	Replace interior doors (hollow core)
24	Replace closet doors
25	Replace exterior door (steel)
26	New flooring to replace existing
27	New fire extinguishers
28	Correct ponding issues (allowance)
29	Final clean
30	Demolition
31	Site drainage will be addressed as needed
32	Replace all Kitchen Cabinets
33	Window Coverings
34	Dry Rot Repair
35	Flooring Replacement (LVP)
36	ADA Unit Conversion (1)
37	Unit accessories (towel bars, tp holder, etc.)
38	Unit bath exhaust fans
39	Landscape and irrigation repair and improvements

**Add Alternatives (some items will be replaced as needed/discovered and contingent on budget availability):**

1. Unit subfloor repair (to be done as necessary)
2. Unit entry light fixture replacement

3. Stucco patching (to be done as necessary)
4. Signage replacement
5. ADA Trash Enclosure modification and repairs
6. Attic Access Hatches
7. Dishwashers
8. New dedicated circuits for dishwashers
9. Catch basin clean out
10. Scope storm drains and repair where damaged
11. Garbage disposals
12. New dedicated circuits for garbage disposals
13. BBQ
14. Picnic Tables
15. Unit bath exhaust fans

**Scope of Development: Meadow Commons, 1043 43rd Avenue, Sacramento (28 units)**

Item	Description
1	Repair/replace exterior siding as needed
2	New hardware at all entry doors
3	Replace screen doors
4	Replace interior doors (wood hollow core)
5	Replace interior doors (sliding closet)
6	Replace windows (sliding glass prev. repl)
7	New interior and exterior paint
8	Install new vinyl plank flooring
9	Replace water heaters
10	Replace HVAC (packaged unit RTU, up to 2 ton)
11	Replace interior and exterior light fixtures
12	Replace kitchen ranges and hoods
13	Replace kitchen sinks (stainless steel)
14	Replace refrigerators (14-18 CF)
15	Replace plumbing fixtures
16	Replace shower surrounds
17	Toilet tank replacement
18	Sink replacement (vitreous china) bathroom
19	All cabinets and countertops being replaced
20	Replace bathroom exhaust fans
21	Install new smoke/CO detectors (Battery operated)
22	GFCI replacement (56)
23	Remove nurse call pull cords and patch holes
24	ADA Visual Bell and Strobe
25	ADA Kitchen, Sink and Counter Full Reconfig/Renovate
26	Upgrade community room - ADA Kitchen/Bath
27	Community room flooring - LVP
28	Community room cabinet replacement
29	Community room exterior paint
30	Community Room - Exterior wall shingle replacement
31	Community Room - Double glazed aluminum windows (10)
32	Community Room - interior door replacement
33	Community Room - interior ceiling paint and prep
34	Community Room - toilet replacement

35	Community Room - sink replacement (vitreous china)
36	Community Room - service sink (porcelain enamel/cast iron)
37	Community Room - Drinking Fountain replacement
38	Community Room - water heater replacement (50 gal electric)
39	Community Room - Condensing unit/Heat Pump split unit 4 ton
40	Community Room - ceiling exhaust fan replacement 70-110 CFM
41	Community Room - Fan Coil Unit 3.5-5 ton
42	Community Room - Fire extinguisher replacement
43	Community Room - Lighting system upgrade (interior)
44	Community Room - Replace Range (Electric)
45	Community Room - Replace Range Hood
46	Community Room - Replace Refrigerator (14-18 cf)
47	Community Room - Replace countertop (stone)
48	Replace fencing as required
49	Repair concrete patios
50	Provide concrete path to extinguishers
51	Pedestrian Gate - Wrought Iron replacement
52	Pipe and Fittings, Cast Iron 4", replacement
53	Metal Halide or LED Pole and Light Fixture 250 W (10)
54	Parking lot - pressure wash and restripe
55	Pedestrian pavement, sidewalk - concrete replacement (1000 SF)
56	Irrigation Valve Replacement
57	Kitchen Cabinets will be replaced
58	Window Coverings
59	Unit Accessories (towel bar, shower rod, medicine cabinet, TP holder)
60	New dedicated circuits for range hoods
61	Allowance for landscape and irrigation repairs and improvements

**Add Alternatives (some items will be replaced as needed/discovered and contingent on budget availability)**

1. Closet systems
2. Community building main panel
3. Community building exterior light fixtures
4. Unit Subfloor repair (as needed/discovered)
5. Unit Security Screens
6. Signage
7. Pole light head fixtures (tall)
8. Pole light head fixtures (short)
9. Garbage disposal
10. New Dedicated circuit for garbage disposal
11. Rooftop HVAC platforms

**Attachment 1: SHRA's Minimum Construction Standards exhibit is on the following page.**

## **Attachment 1: SHRA's Minimum Construction Standards**

This attachment is from Exhibit 5 from the SHRA's Multifamily Lending Policies adopted in 2009.

### **RENTAL PROPERTY MINIMUM CONSTRUCTION STANDARDS**

The following is a list of the required construction standards that must be incorporated into projects participating in the Agency's investor assistance programs. All rental units and sites associated with these projects must meet or exceed these standards.

#### **General Requirements**

- A. Any component of the project which does or may present a health or safety hazard to the public or tenants shall be corrected to the satisfaction of the local building department.
- B. A useful life of 15 years for all systems located within the approved complex. This can be met in one of two ways, installing and maintaining systems with at least a 15-year scheduled life or install, maintain and replace as needed for a period of 15 years.

Any component of a rehabilitation project whose useful life expectancy has exceeded the useful life identified in the section, "Useful Life Expectancy," shall be replaced unless waived by the Agency in writing. It is not the intent of the Agency to replace systems that appear to have some economic life remaining and appear to be maintained and functioning effectively. It is the intent of the Agency to be assured that systems will be maintained and replaced as needed for a period of 15 years. The preferred method is by replacement and maintenance at the outset of the project; and by setting aside replacement reserves sufficient to address the needs based on current and projected conditions.

- C. A clear pest inspection report will be required at the conclusion of the construction work.
- D. All materials funded under this loan must be new unless previously approved. Recycled items must be approved in writing by the Agency prior to their use.
- E. All work shall comply with Federal and State ADA accessibility requirements. When there are differences the stricter of the two shall apply. Special attention needs to be applied when federal funding is involved.
- F. For all structures built before 1979, a report of compliance with the initial certified inspection report of lead-based paint and asbestos is required.
- G. All units shall be approved for occupancy by the local building department at the conclusion of the work and prior to occupancy, if applicable.
- H. Web-based security cameras and the equipment to record events are required for primary ingress/egress points to and from the site and for the principal parking and common areas.
- I. Site lighting is required for all parking and outside public spaces.

#### **Site Work**

- A. All landscaping and irrigation systems must be in a well-maintained condition. Trees and large shrubs must be trimmed, grass areas must be mowed, and all planter areas must be weed-free. All landscaped areas must be served by a programmable automated irrigation system. Irrigation cannot be spraying on building. Sprinklers should minimize overspray that runs to storm drain drop inlets. Areas that show evidence of erosion of soil shall be landscaped to eliminate problem.
- B. All fencing must be in good and serviceable condition.
- C. All driveways and sidewalks must be in good condition. All cracked or uplifted areas (more than ¼") determined in need of repair by the Agency shall be repaired or replaced.
- D. All projects shall meet the parking requirements of the local Agency having jurisdiction over the project. "Grandfathered Projects" will need to show that they are in fact "Grandfathered" by the Local Agency having jurisdiction. All projects shall meet the governing ADA requirements for parking.



- E. A two percent (2%) slope shall be maintained for a distance of five feet from all structures and no standing water shall remain on the site. Provide an on- site drainage system if necessary.

#### **Building Envelope and Moisture Protection**

- A. All wet areas must be sealed and watertight.
- B. Roofs must have 15 years or more of remaining life with no visible signs of leakage. A third layer of shingles is not allowed. Provide a 15 year certification if requested by the Agency.
- C. All siding must have 15 years or more of remaining life. Provide a 15 year certification if requested by the Agency.

#### **Doors and Windows**

- A. All units must have screens on all windows that are designed to open. Windows designed to open must have functional locks and must operate freely without excessive effort. All windows must at least be low e, double pane energy efficient.
- B. All doors and doorjambs must be in good condition. No damaged or worn doorjambs or doors are allowed.
- C. All exterior doors must have deadbolt locks, keyed latch assemblies, viewers, and 2-inch screws in strike plates.
- D. All sliding exterior doors shall have screen doors and shall have functional locks and must operate freely without excessive effort.
- E. All doors and windows must meet current egress standards.

#### **Casework**

- A. All cabinets shall be in very good condition both structurally and in appearance.
- B. All counter tops shall be in very good condition with no significant imperfections, scratches, burns, or other imperfections.

#### **Finishes**

- A. Floor coverings must be in good, useable condition - no holes, tears, rips, or stains.
- B. All kitchens and bathrooms must be floored in sheet goods or tile to provide a cleanable, impervious surface.
- C. All exterior and interior surfaces must be painted. No peeling, cracking, chipping, or otherwise failing paint will be allowed. All painted surfaces must be new, or in near new condition and appearance.

#### **Equipment**

- A. All appliances must be new or in very good operating condition. All new appliances must be energy star.
- B. Dishwashers are required in all non- permanent supportive housing, disabled, SRO, and homeless projects unless a waiver has been granted by the Executive Director. Permanente supportive, disabled, and homeless projects will be encouraged to provide dishwashers in each unit but will be reviewed and approved on a case-by case basis.
- C. All kitchens must have adequate cabinet and counter space.

#### **Furnishings**

- A. All units must have window coverings on all windows.

#### **Special Construction**

- A. Non-habitable structures on property must be painted to match primary buildings and must be structurally sound.
- B. Laundry facilities must be provided on the basis of one washer and dryer for every ten units, consistent with CTCAC requirements. If the project is more than 20 units, then 1 set of ADA accessible laundry machines must be provided.

- C. Laundry facilities must be provided on the basis of one washer dryer for every ten units, consistent with the TCAC requirements. If a project is more than 20 units, then 1 set of ADA accessible laundry machines must be provided
- D. Public pools will have a self-closing gate. Fence and gate shall meet applicable current codes and standards. Joints between coping and concrete deck shall be appropriately caulked.
- E. In the case of new construction or substantial upgrade to existing pool, a handicap chair lift is the minimum requirement. The pool will meet applicable standards and codes.

**Mechanical/Plumbing**

- A. Water heaters must be in enclosures in all habitable rooms and must be insulated and have earthquake strapping and pressure relief valves with lines that terminate to the exterior.
- B. All units must have heating and air conditioning. Wall mount or central systems are acceptable. Evaporated coolers are not acceptable.
- C. All plumbing fixtures shall be new or in very good working condition.
- D. All toilets, sinks, and tubs shall be chip and stain free.

**Electrical**

- A. All new electrical panels must be of the breaker type. Fused disconnects must be approved by the Agency.
- B. All units must have at least one hard-wired smoke detector per bedroom corridor and a minimum of one battery-operated smoke detector per bedroom.
- C. All bathrooms must have at least one GFCI protected outlet, and tub surrounds must be a minimum of 1/8" laminated plastic.
- D. Kitchens must have all GFCI protected outlets within 6 feet of the sink.

**Resident Services Community Space**

All properties, regardless of project type (i.e. senior, family, or large family), must devote space to actual resident services in the following minimum amounts:

Less than 100 units:	12 s.f. per unit (but no less than 400 s.f. in total)
100 units and over:	1,200 s.f.

Resident services space includes common kitchens, computer rooms, meeting rooms and general gathering space. It does not include public restrooms, leasing offices, laundry facilities and lobbies.

**Useful Life Expectancy**

A useful life expectancy list has been established and is available upon request to benchmark the lives of certain components on a multifamily site.

**End of Scope of Development**

## CONSTRUCTION AND PERMANENT LOAN AGREEMENT RAD 1

### CITY OF SACRAMENTO

4921 FOLSOM BOULEVARD, SACRAMENTO, CA 95819 (APN 008-0341-044-0000)

1043 43RD AVENUE, SACRAMENTO, CA 95822 (APN 029-0184-017-0000, 029-0184-001-0000 AND 029-0184-002-0000)

**IN CONSIDERATION** of their mutual promises, the parties agree as follows:

1. **LOAN.** The Lender is making the Loan pursuant to the terms and conditions of this Loan Agreement. Lender and Borrower have entered this Loan Agreement as of the Effective Date.
2. **DEFINITIONS TABLES.** The capitalized terms in this Loan Agreement shall have the meanings assigned in the following Definitions Tables and in Section 3 Definitions. Terms being defined are indicated by quotation marks. If an item in this table is marked “None”, “Not Applicable”, “N/A” or equivalent or is left blank, that defined term is not applicable to this Loan or the referenced item is not required or is not included in this Loan as the context may indicate.

A. “LOAN INFORMATION” The general loan provisions of the Loan:		
“EFFECTIVE DATE”	_____, 2020	Being the date as of which this Loan Agreement shall be effective.
“LENDER”	The following public agency that is making the Loan, and whose legal status and address are:	
Name	Housing Authority of the City of Sacramento (HACS)	
Legal Status	A public body, corporate and politic	
Principal Address	801 12 <sup>th</sup> Street, Sacramento, California 95814	
“BORROWER”	The borrower of the Loan funds whose name, legal status and address are:	
Name	RAD Pilot LP	
Legal Status	A California limited partnership	
Principal Address	c/o 801 12th Street, Sacramento, California 95814	
“LOAN”	The Loan made by this Loan Agreement.	
“LOAN COMMITMENT”	Lender’s loan commitment, made by letter dated as of	July 23, 2019
“LOAN PROGRAM”	Lender’s Loan Program, commonly known as	Other: HACS Capital Fund and cash proceeds from the sale of Improvements
“LOAN AMOUNT”	Two Million Five Hundred Seventy-Two Thousand Seven Hundred Eighty-Two Dollars and No Cents (\$2,572,782.00) divided in the following manner: <ul style="list-style-type: none"> <li>• \$1,983,371.00 HACS Capital Fund; and</li> <li>• \$589,411.00 Cash Proceeds from the sale of Improvements.</li> </ul>	
“INTEREST RATE”	The interest rate is 3% per year, simple interest.	
“PAYMENT START DATE”	The first day of the 40th calendar month following the Effective Date of this Loan Agreement: May 1, 2023. See Special Terms.	
“MATURITY DATE”	The first day of the 684th calendar month following the Effective Date: February 1, 2077.	

<p>“PAYMENT SCHEDULE”</p>	<p>Annual payments of Residual Receipts in accordance with the Note. The unpaid balance of the Note is due and payable on the Maturity Date, including without limitation all unpaid principal, interest, fees and charges.</p> <p>Within six (6) months following completion of construction, Borrower shall submit to Lender a cost certification prepared by a qualified, independent auditor reasonably acceptable to Lender, which cost certification shall indicate the amounts actually spent for each item in the cost breakdown. If there is an aggregate savings in the total of all such cost breakdown items from the cost breakdown items in the original Budget approved by the Lender, the Lender shall withhold for itself as Loan repayment, one-half of such savings from the amount of retention then held by the Lender, and the Loan balance shall be reduced by the amount so withheld. The Lender, in its sole but reasonable discretion, shall determine any reduction and/or repayment of the Loan based upon this cost certification and the original approved Budget for the Project.</p>
<p>“BORROWER EQUITY”</p>	<p>Six Million Six Hundred Thousand Dollars and No Cents (\$6,600,000.00) 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.</p> <p>No less than Three Hundred Sixty Thousand Dollars and No Cents (\$360,000.00) is the Borrower’s non-cash contribution to the Project (such as deferred Developer fees).</p>

“SPECIAL TERMS”

**ANNUAL REPAYMENT:** Annual principal and interest payments shall be deferred from the Loan’s Effective Date through the first 39 months. Beginning in month 40, May 1, 2023, annual payments will be made on a Residual Receipts, as defined below, basis until the maturity date. Annual payments shall be applied first to outstanding interest accrued and unpaid and then to principal.

“Residual Receipts” is defined as follows: May 1, 2023, annual installments (as described in Sections [f] through [l] of this paragraph) are to begin. Based on the annual audited financial statement from the preceding year, payments will be made upon a “Residual Cash Flow” basis meaning Net Operating Income (NOI) less:

- (a) Debt service on the senior loan
- (b) Monitoring fees to the County of Sacramento Housing Authority on the mortgage revenue bond issuance;
- (c) If applicable, to the limited partner for any amounts owed to the limited partner to the Partnership pursuant to the Borrower’s Amended and Restated Partnership Agreement;
- (d) Asset management fees up to \$8,000 annually as of the Loan’s Effective Date escalating at 3% annually;
- (e) Partnership management fee up to \$8,000 annually as of the Loan’s Effective Date escalating at 3% annually;
- (f) Deferred developer fee;
- After Sections (a) through (f) of this paragraph are paid,
- (g) Fifty percent (50%) of the available cash flow from NOI to the Housing Authority of the City of Sacramento Construction and Permanent Loan, divided equally first to the Capital Funds Note, then to Cash Proceeds Note, including principal and interest, and
- (h) Fifty percent (50%) of the available cash flow from NOI to the Housing Authority of the County of Sacramento Construction and Permanent Loan, divided equally first to the Capital Funds Note, then to Cash Proceeds Note, including principal and interest;
- After Sections (a) through (h) of this paragraph are paid,
- (i) Fifty percent (50%) of the available cash flow from NOI to the Housing Authority of the County of Sacramento Seller Carryback Loan (Improvements), and
- (j) Fifty percent (50%) of the available cash flow from NOI to the Housing Authority of the City of Sacramento Seller Carryback Loan (Improvements);
- After Sections (a) through (j) of this paragraph are paid,
- (k) One hundred percent (100%) of the available cash flow from NOI to Sacramento Housing and Redevelopment Agency Construction and Permanent Loan;
- After Sections (a) through (k) of this paragraph are paid,
- (l) Fifty percent (50%) of the available cash flow from NOI to the Housing Authority of the County of Sacramento Ground Lease, and
- (m) Fifty percent (50%) of the available cash flow from NOI to the Housing Authority of the City of Sacramento Ground Lease.

The Net Operating Income is defined as periodic “Revenue” less “Operating Expenses.” “Revenue” means all revenue from the leasing of the Project, including but not limited to all rents, fees, and charges paid by tenants as well as rental subsidy payments regardless of the source of these subsidies, forfeited tenant deposits, rent increases, proceeds from vending machines and laundry room machines. Revenue shall not include tenants’ security deposits (unless forfeited), interest on those deposits, loan proceeds, capital contributions or similar advances, or amounts released from reserves or interest on reserves.

“Operating Expenses” shall mean actual costs, fees and expenses as evidenced by invoices attributable to the operation, recordkeeping, maintenance, taxes and management of the Project, including property management fees; taxes and assessments; payroll, benefits and payroll taxes of for property employees; security; painting, cleaning, repairs, and alterations; landscaping; sewer charges; utility charges; advertising, promotion and publicity; cable television, satellite and other similar services; office, janitorial, cleaning and building supplies; recreational amenities and supplies; purchase, repair, servicing and installation of appliances; costs and expenses associated with the provision of social and/or community services to the residents of the Project; equipment, fixtures and furnishing; fire alarm and elevator monitoring; fees and expenses of accountants, attorneys, consultants and other professionals. The definition will include deposits into operating and/or replacement reserves maintained by the Borrower but will not include initial deposits to capitalize the reserve accounts or amounts expended from a reserve account, or capital costs.

Principal and interest due in full upon refinance, sale or end of Term.

“PROJECT”	Which is the Project to be developed on the Property with the Loan funds, described as:	<p><b>Oak Park (one site)</b> Oak Park is located at 4921 Folsom Boulevard in the City of Sacramento. There are three buildings on approximately 0.73 acres that provide 10 three-bedroom units and 12 on-site parking spaces.</p> <p><b>Meadow Commons (one site)</b> Meadow Commons is located at 1043 43rd Avenue in the City of Sacramento. There are eight buildings on approximately 1.54 acres that provide 28 one-bedroom units, community room, barbecue area and 13 on-site parking spaces.</p>
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<b>B. “COLLATERAL” The Collateral securing repayment of the Loan, which Collateral consists of the following:</b>	
“PROPERTY”	Property means the following described real property, Borrower's interest in which is security for the Loan, together with all “Personalty”, which means all of Borrower's interest in all accounts, contract rights, and general intangibles (specifically including any insurance proceeds and condemnation awards) arising out of the ownership, development, or operation of the Property, and all furniture, furnishings, equipment, machinery, construction materials and supplies, leasehold interests in personal property, together with all present and future replacements, substitutions, and additions, and the cash and noncash proceeds of the Property.
Address and Assessor’s Parcel Number (APN)	<p>4921 Folsom Boulevard, Sacramento, California (APN 008-0341-044-0000)</p> <p>1043 43rd Avenue, Sacramento, California (APN 029-0184-017-0000, 029-0184-001-0000 and 029-0184-002-0000)</p>
“Legal Description”	The Property is situated in the State of California, City of Sacramento, and is more particularly described in <b>Exhibit 1: Legal Description</b> attached and incorporated by reference.
Borrower’s Title Interest	Borrower has a leasehold interest in the Land and fee interest in the Improvements or, if the Additional Escrow Instructions so indicate, Borrower will acquire such interests in the Property at Close of Escrow.

<b>C. “ESCROW INFORMATION”:</b>		
“Title Company” and “Escrow Agent”	Placer Title Company	Which is the title company that will issue the Title Policy and that will act as Escrow Agent for the Escrow
“Escrow”	The escrow with Escrow Agent	
“Closing Date”	_____, 2020 or mutually agreed upon date	Which is the date for close of the Escrow, as it may be extended

<b>D. “LIST OF EXHIBITS” (The following are attached and incorporated in this Loan Agreement):</b>	
EXHIBIT	DEFINED TERM
<u>Exhibit 1: Legal Description</u>	“Legal Description”
<u>Exhibit 2: Scope of Development</u>	“Scope of Development”
<u>Exhibit 3.1: Capital Funds Note Form</u>	“Capital Funds Note”
<u>Exhibit 3.2: Cash Proceeds Note Form</u>	“Cash Proceeds Note”
<u>Exhibit 4: Trust Deed Form</u>	“Trust Deed”
<u>Exhibit 5: Escrow Instructions</u>	“Escrow Instructions
<u>Exhibit 6: RAD Use Agreement</u>	“RAD Use Agreement”
<u>Exhibit 7: Federal Requirements</u>	“Federal Requirements”
<u>Exhibit 8: New Hire Form</u>	“New Hire Form”

<b>E. “APPROVAL DOCUMENTS” Borrower shall submit the following documents for Lender approval:</b>	
Construction Agreements for the Project	
Borrower’s organizational documents, such as partnership agreements or corporate articles and by-laws	

“Budget” for the Project
Evidence of financing
Plans and Specifications as defined in Section 3 of this Loan Agreement
Relocation Plan

**F. “ASSIGNED DOCUMENTS”** Borrower shall assign the following documents to Lender:

Construction Contract

**G. “CONSTRUCTION INFORMATION”:**

“Completion Date”	January 31, 2022	Which is the date on or before which the Completion of the Project must occur.		
“General Contractor”	Precision General Commercial Contractors	Which is the general contractor for construction of the Project		
“Retention”	The following percentage, which shall be retained by Lender for disbursement with the final disbursement of the Loan:	Percentage of Loan:	Ten Percent (10%)	

**H. “SPECIAL PROVISIONS”** The following special provisions shall be in addition to the provisions of this Loan Agreement:

1. Loan funds shall be used solely for actual costs of Project construction. No Loan funds shall be used for predevelopment costs, except as provided in an approved Lender budget. Unless otherwise noted in said budget, predevelopment costs are not subject to the withholding as Retention.
2. Borrower shall secure financing in the amount of approximately \$12,500,000 in bond proceeds from the Housing Authority of the County of Sacramento.
3. Lender acknowledges and consents to NEF Assignment Corporation, as nominee, an Illinois not-for-profit corporation, whose address is 10 South Riverside Plaza, Suite 1700, Chicago, IL 60606, Attention: General Counsel, as “Tax Credit Limited Partner” of Borrower. Said limited partner may transfer its interests to any other third party, so long as such change does not affect the identity, powers or duties of the Borrower’s general partners or the ability of the limited partners to change the general partner or its powers.
4. Lender shall give copies of notices required to be delivered to Borrower to Tax Credit Limited Partner at its address stated above; provided, however that Borrower acknowledges that such notice is an accommodation and the failure of the Lender to properly deliver any such notice shall not give rise to any claims or defenses of Borrower or any third party.
5. The Lender has approved Housing Authority of the City of Sacramento as the qualified property management company for the Project.

3. **DEFINITIONS.** Terms not defined in Article I and II of this Loan Agreement shall have the definitions assigned in the Trust Deed. If a definition in Article I refers to an Exhibit that is an attached document form, the attached document is a true and correct copy of the document referenced. As used in this Loan Agreement, the following terms shall have the following meanings:

3.1. “Budget” is the budget approved by Lender for the development of the Project.

3.2. “California Environmental Quality Act” or “CEQA” is established in the California Public Resources Codes § 21000 et seq. and is applicable to private activities requiring discretionary governmental approvals (Pub. Res. Code §210001.1, 21001, 21080 and 14 California Code of Regulations (CCR) § 15002(c).

3.3. “Budget” is the budget approved by Lender for the development of the Project.

3.4. "Change" means any extra work or installation of materials not included in the Plans and Specifications or any change in or deviation from the Plans and Specifications.

3.5. "Close of Escrow" means the fulfillment of the Escrow terms and conclusion of the Escrow, including, without limitation, the execution of unexecuted documents, the recordation of documents specified for recording, the issuance of title insurance policies, the payment of fees and the delivery of funds and documents as directed in the escrow instructions for the Escrow. The Close of Escrow shall occur on the Closing Date.

3.6. "Completion of the Project" means that, in Lender's sole judgment the Project has been constructed, rehabilitated, completed, equipped, and furnished in a good and proper manner in accordance with the Plans and Specifications, the Scope of Development and the Budget as approved by Lender; all notices of completion with respect to the Project have been filed and all statutory lien periods have expired (or lien waivers have been obtained); all costs of constructing the Project have been paid, including, without limitation, interest on the Note which may be due prior to the Completion Date; all necessary certificates of occupancy or building permit sign offs by the Building Department of the City of Sacramento have been issued; and all of the conditions to final disbursement of the Loan have been satisfied.

3.7. "Environmental Review" means the investigation and analysis of the Project's impacts on the environment as may be required by CEQA and/or National Environmental Policy Act (NEPA), or of the Project's impacts on any species of plant or animal listed as a species of concern, or a threatened or endangered species under California or federal laws or regulations.

3.8. "Escrow" is the escrow with Title Company for the closing of the Loan.

3.9. "Escrow Instructions" means the Escrow Instructions for the Escrow signed by each of the parties to this Loan Agreement.

3.10. "Event of Default" is breach of or default in a party's obligations under this Loan Agreement, the Trust Deed, the RAD Use Agreement, the Note and any other instrument which is incorporated in this Loan Agreement or which otherwise secures the repayment of the Loan.

3.11. "Financial Statements" means the financial statements of Borrower (and any other persons on whose financial capacity the Lender has relied in making this Loan) as may be required by Lender from time to time, including operating statements, balance sheets, and any other financial reports and information that Lender may require.

3.12. "Fixtures" means all fixtures located on or within the Project or now or later installed in or used in connection with any of the Project, including, as applicable and without limitation, all partitions, screens, awnings, motors, engines, boilers, furnaces, pipes, plumbing, elevators, cleaning and sprinkler systems, fire extinguishing apparatus and equipment, water tanks, heating, ventilating, air conditioning and air cooling equipment, built-in refrigerators, and gas and electric machinery, appurtenances, and equipment, whether or not permanently affixed to the Project.

3.13. "General Contractor" means the general contractor named by Borrower in its application or supporting documents as the general contractor to do the Project, or any other general contractor so designated by Borrower and approved in writing in advance by Lender.

3.14. "Governmental Authority" means the United States of America, the State of California, the City of Sacramento, or any other political subdivision, agency, department, commission, board, bureau, or instrumentality of any of them.

3.15. "Governmental Requirement" means any law, ordinance, order, rule, regulation, plan, ruling, determination or requirement of a Governmental Authority.

3.16. "HUD" means the United States Department of Housing and Urban Development.



3.17. "Loan" is the loan from Lender to Borrower made pursuant to this Loan Agreement.

3.18. "Loan Agreement" means this Construction and Permanent Loan Agreement, all exhibits attached to this Loan Agreement (which are incorporated in this Loan Agreement by this reference), and the Loan Documents which are not otherwise included in this definition.

3.19. "Loan Documents" means the Note, this Loan Agreement, the Security Documents, and all other documents (including guaranties) evidencing, securing, or relating to the Loan.

3.20. "Loan Maturity Date" means the date on which the entire unpaid balance of the Loan, including principal and interest, is due and payable.

3.21. "Loan Proceeds" means funds disbursed by Lender on account of the Loan and pursuant to this Loan Agreement.

3.22. "Note" refers collectively to the Capital Funds Note attached as Exhibit 3.1 and the Cash Proceeds Note attached as Exhibit 3.2.

3.23. "Mitigation Measure(s)" means those feasible measures, actions, or features that are to be incorporated into the Project in order to avoid or substantially reduce the Projects significant impact on the environment.

3.24. "National Environmental Policy Act" or "NEPA" contains the federally required procedures to review and analyze the effect and impact of the Project on the environment as applied to the Project under 24 Code of Federal Regulations Parts 50 and 58 et seq.

3.25. "Other Lender Draw" means a draw request or other request for disbursement submitted to another lender for the Project.

3.26. "Personalty" means, whether or not listed as Additional Collateral, all of Borrower's interest in all accounts, contract rights, and general intangibles (specifically including any insurance proceeds and condemnation awards) arising out of the ownership, development, or operation of the Property, and all furniture, furnishings, equipment, machinery, construction materials and supplies, leasehold interests in personal property, and all other personal property (other than Fixtures) of Borrower now or later located about the Property, together with all present and future attachments, accessions, replacements, substitutions, and additions, and the cash and noncash proceeds.

3.27. "Plans and Specifications" means the final set of architectural, structural, mechanical, electrical, grading, sewer, water, street, and utility plans and specifications for the Project, including all supplements, amendments, and modifications.

3.28. "Potential Default" means an event that would constitute an Event of Default but for any requirement of notice to be given or period of grace or time to elapse.

3.29. "Project" means the development of Borrower's leasehold interest in the land and fee interest in the improvements on the Property in accordance with the Plans and Specifications including, without limitation, all existing buildings, improvements, and appurtenances on the Property, all work of demolition and rehabilitation to be conducted on the Property, and all improvements, additions, and replacements constructed or placed at any time on the Property.

3.30. "RAD" means Rental Assistance Demonstration (RAD) which allows public housing agencies (PHAs) and owners of HUD-assisted properties to convert units to project-based Section 8 programs, providing an opportunity to invest billions into properties at risk of being lost from the nation's affordable housing inventory.

3.31. "RAD Use Agreement" means the Rental Assistance Demonstration Use Agreement entered into by and among the Lender, Borrower, and HUD specifying the affordability and use restrictions governing the Project under the RAD Program, and recorded against the Lender's fee interest in the Leased Premises and the Lessee's leasehold interest in the Leased Premises.

3.32. "Security Documents" means the Trust Deed, together with all other documents entered into between Borrower and Lender or by Borrower in favor of, or for the benefit of, Lender that recite that they are to secure the Loan.

3.33. "Senior Lender" means the maker of a Senior Loan.

3.34. "Senior Loan" has the meaning given in Section 5.4 of this Loan Agreement.

3.35. "Title Policy" means the title insurance policies to be issued in connection with this Loan, as further defined in the Escrow Instructions.

3.36. "Trust Deed" means Deed of Trust and Assignment of Rents.

3.37. "Unavoidable Delay" is a delay in the performance by a party of any obligation which delay is unforeseeable and beyond the control of such party and without its fault or negligence. Unavoidable Delay shall include acts of God, acts of the public enemy, acts of the Federal Government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, and unusually severe weather (as for example, floods, tornadoes, or hurricanes) or delays of subcontractors due to such causes. In the event of the occurrence of any such enforced delay, the time or times for performance of such obligations of the parties shall be extended for the period of the enforced delay, as determined by the Lender, provided that the party seeking the benefit of the provisions of this Section shall, within thirty (30) days after it has or should have knowledge of any such enforced delay, have first notified the other party, in writing, of the delay and its cause, and requested an extension for the period of the enforced delay.

4. **BORROWER'S REPRESENTATIONS AND WARRANTIES.** As a material inducement to Lender to enter into this Loan Agreement and to make the Loan to Borrower, Borrower unconditionally, and each signatory who signs on its behalf, to the extent of their actual knowledge, represents and warrants to Lender, as of the Close of Escrow, as follows:

4.1. **LEGAL ORGANIZATION.** Borrower is duly formed and validly exists in the form stated in Section 2, is qualified to do business in California, and has full power to consummate the transactions contemplated.

4.2. **BORROWER'S POWERS.** Borrower has full authority to execute this Loan Agreement, the Note, the Trust Deed, and all of the other Loan Documents, to undertake and consummate the contemplated transactions, and to pay, perform, and observe all of the conditions, covenants, agreements, and obligations.

4.3. **BINDING OBLIGATION.** This Loan Agreement, the Note, the Trust Deed, and each of the other Loan Documents 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.

4.4. **LITIGATION.** There are no actions, suits, or proceedings pending or, to the best knowledge of Borrower, threatened against or affecting Borrower, the Property, or any part of it, or involving the validity or enforceability of the Trust Deed, the priority of the lien, or the validity or enforceability of any of the other Loan Documents, at law or in equity, or before or by any Governmental Authority. Borrower is not in default with respect to any order, writ, injunction, decree, or demand of any court or other Governmental Authority.

4.5. **NO OTHER BREACH.** The consummation of the transactions covered by this Loan Agreement and the payment and performance of all of the obligations in the Loan Documents, will not result in any breach of, or constitute a default under, any mortgage, deed of trust, lease, contract, loan or credit agreement, corporate charter, bylaws, partnership agreement, trust agreement, or other instrument to which the Borrower or any of its general partners is a party or by which it or they or the Property may be bound or affected.

4.6. **NO DEFAULT.** There is no Event of Default or Potential Default on the part of Borrower.

4.7. **TITLE TO PROPERTY.** Borrower is the sole legal and beneficial owner of the Property, which is free of all claims, liens, and encumbrances other than those shown in the Title Policy.

4.8. **NO UNAPPROVED LOANS.** Borrower has not received financing for either the acquisition of the Property, the construction of the Project or the permanent financing of the Project except as has been specifically disclosed to and approved by Lender in writing.

4.9. **TITLE OF PERSONALTY.** All Personalty is vested solely in Borrower, free of all claims, liens, and encumbrances, and the security interest of Lender in the Personalty shall be subordinate to the lien of the Security Instrument (the "Security Instrument") as defined in the Project Loan Agreement (the "Project Loan Agreement"), dated as of \_\_\_\_\_ day of \_\_\_\_\_, 2020, among the Lender, the Borrower and U.S. Bank National Association, as Fiscal Agent.

4.10. **USE OF PROCEEDS.** All Loan Proceeds will be disbursed as provided in this Loan Agreement and used only for payment of the costs of construction of the Project in accordance with the Plans and Specifications and for other purposes specified in the Loan.

4.11. **TAXES PAID.** Borrower has filed all required Federal, State, County, and City tax returns and has paid all taxes due and owing. Borrower knows of no basis for additional assessments with respect to any taxes, other than the lien of taxes not yet due.

4.12. **PLANS AND SPECIFICATIONS.** The Plans and Specifications are satisfactory to Borrower and the General Contractor and have been approved by the Lender and all other construction lenders. There are no structural defects in the Project as shown in the Plans and Specifications that are known to or reasonably should have been known to Borrower or its agents and employees, and to the best of Borrower's knowledge, no violation of any Governmental Requirement exists.

4.13. **ACCURACY.** All applications, financial statements, reports, documents, instruments, information, and forms of evidence delivered to Lender concerning the Loan or required by this Loan Agreement or any of the other Loan Documents are accurate, correct, and sufficiently complete to give Lender true and accurate knowledge of their subject matter, and do not contain any untrue statement of a material fact or omit any material fact necessary to make them not misleading.

5. **LOAN.** Lender agrees to lend to Borrower, and Borrower agrees to borrow from Lender, an amount not to exceed the Loan Amount, to finance the development of the Project and for other purposes as specified in the Scope of Development, subject to the terms, conditions, representations, warranties, and covenants in this Loan Agreement.

5.1. **PRINCIPAL AMOUNT.** The principal amount of the Loan shall be the actual disbursements of the Lender on account of the Project, not to exceed the amounts stated in the Budget (as the Budget may be adjusted by written approval of Lender). In any event, the principal amount of the Loan shall not exceed the Loan Amount.

5.2. **USE OF LOAN FUNDS.** Loan funds shall be used solely for actual costs of the Project as stated in the Budget. No Loan funds shall be used for any costs, except as provided in the Budget. Unless otherwise noted in the Budget, allowed predevelopment costs, if any, are not subject to the withholding as Retention.

5.3. **LOAN TERMS.** The Loan is made pursuant to the Loan Program and is subject to the laws, rules and regulations of the Loan Program. Lender agrees to disburse the Loan Proceeds in the manner and subject to the limitations stated in this Loan Agreement. Interest, at the Interest Rate, shall accrue on each disbursement of Loan Proceeds commencing on the date on which each such disbursement is made. Repayment of the loan shall be made, in payments of principal and interest, in lawful tender of the United States, in accordance with the Payment Schedule.

5.4. **CLOSING IN ADVANCE OF SENIOR LOAN.** Lender will subordinate this Loan to the Senior Loan, provided that the Senior Loan does not require modification of this Loan Agreement or Lender's entering into any agreements containing new or modified Loan terms. Such subordination shall be pursuant to Prudential/Freddie Mac

Loan then current form subordination agreement. "Senior Loan" means 1) a construction loan (the "Construction Loan") from Wells Fargo, N.A. ("Bank") in the approximate amount of Twelve Million Five Hundred Thousand Dollars and No Cents (\$12,500,000.00) funded with tax-exempt bonds issued by the Housing Authority of the County of Sacramento (the "Bonds"); and 2) a permanent loan from the Housing Authority of the County of Sacramento (the "Tax Exempt Loan") using proceeds from a separate loan made by Prudential Affordable Mortgage Company, LLC, or affiliate, which will be purchased by Freddie Mac, in the approximate amount of Three Million Two Hundred Forty-Two Thousand Three Hundred Dollars and No Cents (\$3,242,300.00), (the "Prudential/Freddie Mac Loan"); and that certain loan from Lender to Borrower evidenced by a Project Note given by Borrower to Lender and secured by a Multifamily Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing given by Borrower to Lender, as assigned to U.S. Bank National Association, as Fiscal Agent, or the Permanent Loan.

5.5. **NOTE AND SECURITY DOCUMENTS.** The Loan is to be evidenced by the Note executed by Borrower in favor of Lender and delivered to Lender upon Close of Escrow. Repayment of the Note is to be secured by the Trust Deed covering the Property and the Project. Borrower shall execute the Trust Deed in favor of the Title Company as Trustor in trust for the benefit of Lender and deliver it to Escrow for recordation. The Loan is also secured by the Additional Collateral, if any, as evidenced by the applicable Security Documents.

5.6. **RAD USE AGREEMENT.** The RAD Use Agreement imposing covenants, conditions and restrictions running with the land is a material consideration for the making of the Loan. Borrower shall execute the RAD Use Agreement prior to Close of Escrow and deliver it to Escrow for recordation. The RAD Use Agreement shall be recorded in senior position to all other liens.

5.7. **ESCROW.** The parties shall open the Escrow promptly after the Effective Date. Escrow shall close as provided in the Escrow Instructions on or before the Closing Date.

5.8. **COMMISSIONS.** Lender is not responsible, by this Loan Agreement or otherwise, to pay commissions in relation to this transaction.

6. **PERFORMANCE CONDITIONS.** The following are conditions precedent to performance under this Loan Agreement:

6.1. **CONDITION OF TITLE.** Lender shall cause Escrow Agent to issue to Borrower (with a copy to Lender) the Preliminary Report, together with copies of all documents relating to title exceptions referred to in the Preliminary Report. At Close of Escrow, Lender's Trust Deed shall be a valid lien against the Property securing the Loan and subject to no exceptions to title (of record or off record) other than the exceptions listed in the "Conditions of Title" in the Escrow Instructions.

6.2. **CONDITIONS TO LENDER'S PERFORMANCE.** Lender's obligation to perform under this Loan Agreement is subject to all of the following conditions: (a) Borrower has performed all of its obligations then to be performed pursuant to this Loan Agreement (b) the closing conditions as defined in the Escrow Instructions have been fulfilled as of Close of Escrow; (c) Borrower's representations and warranties in this Loan Agreement are true and correct as of the Close of Escrow, (d) the Agreement continues to be in full force and effect, no default on the part of Borrower has occurred under the Loan Agreement, and no event has occurred that, with the giving of notice or the passage of time, will constitute a default by Borrower under the Loan Agreement; and (e) Lender has approved the Approval Documents.

6.3. **CONDITIONS TO BORROWER'S PERFORMANCE.** Borrower's obligation to perform under this Loan Agreement is subject to satisfaction of all of the following conditions: (a) the closing conditions as defined in the Escrow Instructions have been fulfilled as of Close of Escrow; (b) Lender has met the Conditions to Close of Escrow, (c) 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 (d) the Loan Agreement continues to be in full force and effect, no default on the part of Lender has occurred under the Loan Agreement, and no event has occurred that, with the giving of notice or the passage of time, will constitute a default by Lender under the Loan Agreement.

7. **RELOCATION.** Lender is required by law to provide relocation services and make relocation payments to eligible tenants that are displaced as a result of the Project. Borrower shall comply fully with all relocation laws that are the obligation of Lender or are otherwise applicable to the Project. Borrower's compliance with the relocation requirements as stated in this Section 7 is a material element of this Loan. Borrower's failure to comply with the relocation requirements as stated in this Section 7 is an Event of Default, subject to Borrower's opportunity to cure in accordance with applicable law.

7.1. **RELOCATION COSTS.** Unless otherwise stated in this Agreement, any amounts paid by Lender for relocation costs and services shall be considered advances under the Loan.

7.2. **COOPERATION AND ACCESS.** Borrower shall cooperate fully with Lender in complying with such relocation laws, including without limitation, providing Lender access to all tenants of the Property, to all books and records related to the tenants of the Property and to all properties offered for temporary or permanent relocation. Prior to taking any action with respect to relocation of tenants, Borrower shall meet with Lender to establish reasonable protections for tenants and related reporting requirements for Borrower.

7.3. **BORROWER AS RELOCATION AGENT.** With the approval of Lender, Borrower may act as Lender's agent in accomplishing such relocation. Lender and Borrower by memorandum in writing shall establish their respective duties related to such relocation. If Lender and Borrower agree that Borrower will act as Lender's agent for purposes of this Loan, Borrower may enter into agreements for the provision of relocation services, or Borrower may perform such services directly. Borrower shall, by provisions in its agreements or by direction to its staff, assure that the entity performing the relocation services (a) shall comply with all applicable law, (b) shall fully inform Lender of all relocation activities, (c) shall make all requests for direction or clarification to Lender, (d) and shall respond to and follow the Lender's instruction and direction.

8. **ADDITIONAL SECURITY INSTRUMENTS.** Upon request by Lender, Borrower shall execute and deliver to Lender a security instrument in favor of Lender naming as secured property all contracts related to the Project and all other property of any kind owned by Borrower and used primarily in connection with the Property. Lender may, at any time and from time to time may reasonably require additions of new contracts and other property. Borrower irrevocably assigns to Lender, effective upon Lender's written demand, as security for the due performance of this Loan Agreement all of its right, title, and interest in the Assigned Documents.

9. **CONSTRUCTION.** As a condition of the Loan, Borrower will diligently proceed with construction in accordance with the Scope of Development as approved by Lender. Borrower shall complete such work on or before the Completion Date, subject to Unavoidable Delay.

9.1. **CHANGES.** In order to assure sufficient funding for the Project, Borrower shall not authorize any change order without the prior written consent of Lender. If in the judgment of Lender, a change order, together with all other change orders contemplated or previously approved by Lender, will cause an increase in the cost of the Project in excess of the contingency reserve identified in the Budget, then Borrower will, as a condition precedent to Lender's consent, provide Lender with proof that the contingency reserve has been increased as necessary to pay for all such change orders. Borrower will submit any such change order to Lender for approval on a form acceptable to Lender, together with approvals by the Project architect, if any, and the General Contractor. Borrower shall maintain funds available in the contingency reserve that are in substantially the same percentage of the original contingency reserve as the percentage of the Project then remaining to be completed.

9.2. **CONTRACTORS AND CONTRACTS.** Upon Lender's request, Borrower will furnish to Lender correct lists of all contractors, subcontractors and material suppliers employed in connection with the Project, specifying their addresses, their respective portion of the Project and their respective Project cost. Lender may contact directly each contractor, subcontractor, and material supplier to verify the facts disclosed by the list or for any other purpose related to the Loan. All contracts let by Borrower or its contractors relating to the Project will require them to disclose to Lender information sufficient to make such verification.

9.3. **NO DISCRIMINATION DURING CONSTRUCTION.** Borrower for itself, the general contractor and their respective successors and assigns, agrees that the following provisions shall apply to, and be contained in all contracts and subcontracts for the construction of the Project.

9.3.1. EMPLOYMENT. Borrower shall not discriminate against any employee or applicant for employment because of sex, race, color, religion, ancestry, national origin, disability, medical condition, marital status, or sexual orientation. Borrower will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their sex, race, color, religion, ancestry, national origin, disability, medical condition, marital status, or sexual orientation. Such action shall include, but not limited to, the following: employment, upgrading, demotion or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. Borrower agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the Lender setting forth the provisions of this nondiscrimination clause.

9.3.2. ECONOMIC OPPORTUNITY EMPLOYMENT REQUIREMENTS. This Loan requires that to the greatest extent feasible, opportunities for training and employment be given to lower income residents in and around the area of the project. Borrower will instruct its General Contractor and its subcontractors to utilize lower income project area residents as employees to the greatest extent feasible and comply with the following:

i. The work to be performed under this Loan is on a project assisted under a program providing direct federal financial assistance from the Department of Housing and Urban Development and is subject to the requirements of Section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. 1701u. Section 3 requires that to the greatest extent feasible, opportunities for training and employment be given to lower income residents of the project area and contracts be awarded to business concerns which are located in, or owned in substantial part by persons residing in, the area of the project.

ii. The Borrower will comply with the provisions of said Section 3 and the regulations issued pursuant thereto by the Secretary of Housing and Urban Development set forth in 24 CFR 135, and all applicable rules and orders of the Department issued thereunder prior to the execution of this Loan.

iii. This Loan requires that to the greatest extent feasible, opportunities for training and employment be given to lower income residents of the project area.

iv. Borrower certifies and agrees that it is under no contractual or other disability which would prevent it from complying with these requirements.

v. Borrower will send to each labor organization or representative of workers with which he has a collective bargaining agreement or other contract or understanding, if any, a notice advising the said labor organization or workers' representative of his commitments under this Employment Clause and shall post copies of the notice in conspicuous places available to employees and applicants for employment or training.

vi. Borrower will include this Employment Clause in every contract and subcontract for work in connection with the project.

vii. Each Contractor or subcontractor undertaking work in connection with a Section 3 covered project must fulfill his obligation to utilize lower income project area residents as employees to the greatest extent feasible by:

(1) Identifying the number of positions in the various occupational categories including skilled, semi-skilled, and unskilled labor, needed to perform each phase of the Section 3 covered project;

(2) Identifying the positions described in Paragraph (1) of this Section, the number of positions in the various occupational categories which are currently occupied by regular, permanent employees;

(3) Identifying the positions described in Paragraph (1) of this Section, the number of positions in the various occupational categories which are not currently occupied by regular permanent employees;

(4) Establishing the positions described in Paragraph (3) of this Section, a goal which is consistent with the purpose of this subpart within each occupational category of the number of positions to be filled by lower income residents of the Section 3 covered project area; and

(5) Making a good faith effort to fill all of the positions identified in Paragraph (4) of this Section with lower income project area residents, through the First Source Program, Greater Sacramento Urban League, Sacramento Works, Sacramento Employment Training Agency, or similar local workforce agencies.

9.3.3. ADVERTISING. Borrower will, in all solicitations or advertisements for employees placed by or on behalf of the Borrower, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, creed, sex, marital status, national origin, ancestry, familial status, or disability

9.3.4. MONITORING PROVISIONS. Borrower, Contractor and subcontractors shall comply with the requirements of the Lender for monitoring the anti-discrimination and all applicable labor requirements.

9.4. INSPECTION. Lender may, at any time and without notice to Borrower, enter on the Property and inspect the Project; and, during regular business hours, examine the books, records, accounting data, plans, shop drawings, specifications, and other documents of Borrower pertaining to the Project and to make extracts or copies. Borrower shall make all such documents available to Lender promptly on demand. Borrower agrees to cooperate fully (and to cause the General Contractor to cooperate fully) with the Lender and its Lender's designated agent and to permit all appropriate access to the Property and to all relevant books and records. Borrower shall bear the cost of reasonable inspections, except that Lender shall bear its costs of inspection. If however, Lender's inspection discovers issues of a nature that require further third-party review or investigation, Borrower shall bear the costs of such third party review.

9.5. PROTECTION AGAINST LIEN CLAIMS. Borrower shall promptly and fully discharge all claims for labor, materials and services in connection with the Project. Borrower shall promptly file a valid Notice of Completion on completion of the Project. Borrower shall promptly file a Notice of Cessation in the event of a cessation of labor on the Project for a continuous Period of (30) days or more. Borrower shall take all other reasonable steps to protect against the assertion of lien claims against the Property. Within ten (10) days after the filing of any claim of lien against the Property, Borrower shall record a surety bond in the office of the Recorder of the County where the Property is located in an amount sufficient to release the claim of lien or deliver to Lender any other assurance as may be acceptable to Lender as evidenced by Lender's written acceptance of such assurance.

9.5.1. Lender, at any time, may require Borrower to obtain a lien waiver with respect to each payment to the General Contractor and each payment by the General Contractor or Borrower to each of the various subcontractors and material suppliers. Lender, at any time, may require Borrower to make any payments for the Project by joint check made payable to the General Contractor and subcontractor for whose account the payment is to be made, as joint payees.

9.5.2. In any event, Borrower is not required to pay, prior to adjudication, any claims for labor, materials, or services that Borrower, in good faith, reasonably disputes, and that Borrower, at its own expense, is currently and diligently contesting in the proper forum, provided that Borrower has filed the surety bond or given Lender such other assurance as Lender accepts in writing.

9.6. PAYMENT AND PERFORMANCE BONDS. As a condition precedent to beginning construction of the Project, the Borrower shall provide the Lender a performance bond and a labor and material payment bond obtained by Borrower or its general contractor in favor of the Borrower and Lender as named dual obligees, in form and amount as approved by the Lender and securing, respectively, completion of the work and payment of all labor and material suppliers and subcontractors for the work as stated in the construction contract for the Project. The bonds shall be written with a surety listed as acceptable to the federal government on its most recent list of sureties. Borrower shall assure compliance with all requirements of the surety. Borrower shall permit no changes in the work to be performed by the general contractor and shall make no advance payments to the general contractor without prior written notice to the surety and the Lender, if such change or payment could release the surety of its obligations under the bonds.

9.7. SECURITY INSTRUMENTS. Upon request by Lender, Borrower shall execute and deliver to Lender a security instrument in favor of Lender naming as secured property all contracts related to the Project and all other property of any kind owned by Borrower and used primarily in connection with the Property. Lender may require

such instrument at any time, and from time to time may require additions of new contracts and other property. Borrower irrevocably assigns to Lender, effective upon Lender's written demand, as security for the due performance of this Loan Agreement all of its right, title, and interest in the Assigned Documents.

9.8. **NO PRIOR LIENS.** Borrower shall not allow the Project construction to begin or materials to be delivered to the Project until after Close of Escrow.

9.9. **PROJECT SIGN.** If Borrower places a sign on the Property during construction stating the names of the Project participants, it shall also name the Lender as a participant in the Project. Lender's name on the sign shall be in letters not less than size of letters used to name any of the other participants.

9.10. **PREVAILING WAGES.** In accordance with Labor Code Section 1720(c)(6)(E)), so long as the public subsidy for the Project consists of below market rate loans, and the Project restricts occupancy on at least 40% of the units for at least 20 years to individuals or families earning no more than 80% of the area median income, the Project is not subject to prevailing wages. Borrower represents to Lender that Borrower has obtained no public subsidy for the Project that does not meet such criteria. If Borrower takes any actions which would otherwise require the payment of prevailing wages, Developer shall pay prevailing wages for the Project. Therefore, Developer indemnifies, holds harmless and defends the Lender from all additional wages, benefits, fees, penalties, fines, legal fees, court costs, arbitration costs, and other costs arising from the improper application of California prevailing wage laws to the Project by Developer or Contractor or both of them.

This Project is funded with federal funds, specifically the Capital Fund, therefore, Borrower shall comply with Davis-Bacon prevailing wage requirements as described in the Federal Requirements.

## 10. LOAN DISBURSEMENT PROCEDURES.

10.1. **CONDITIONS PRECEDENT TO EACH LOAN DISBURSEMENT.** The obligation of Lender to make any disbursements under this Loan Agreement shall be subject to the following conditions precedent:

10.1.1. No Event of Default or Potential Default of Borrower has occurred and is continuing.

10.1.2. If requested by Lender, Borrower has furnished to Lender, as a Project cost, an endorsement to the Title Policy showing no intervening liens or encumbrances on the Property and insuring the full disbursement, together with a satisfactory report under the California Uniform Commercial Code showing no liens or interests other than those of Lender.

10.1.3. Lender is satisfied that all completed work has been done using sound, new materials and fixtures, in a good and proper manner, and all materials, fixtures, and furnishings installed on or acquired for the Property will be owned by Borrower free of any liens, encumbrance, or other interests of any kind other than Lender's lien or security interest.

10.1.4. The representations and warranties in the Loan Documents are correct as of the date of the requested disbursement.

10.1.5. Borrower has paid Lender all commitment, loan, and other fees then due, and Borrower has submitted to Lender all documents, records, statements, certificates, reports, and other materials and information then required to be submitted to Lender for approval under this Loan Agreement.

10.1.6. Borrower has delivered to Lender all funds, documents, instruments, policies, evidence of satisfaction of conditions, and other materials then due or otherwise requested by Lender under the Loan Documents.

10.2. **CONDITIONS PRECEDENT TO FIRST DISBURSEMENT.** Borrower's request for the first Loan disbursement is a representation and warranty by Borrower that there has been no material adverse change in Borrower's financial capacity or in any representation made to Lender in Borrower's application for the Loan or Borrower's supporting



documentation. Lender shall make the first loan disbursement under this Loan Agreement when the following conditions precedent and the conditions precedent stated in Section 10.1 have been met:

10.2.1. There is no legal action threatened or pending against Borrower or affecting the Property

10.2.2. All conditions to Close of Escrow have been satisfied in accordance with the Loan Agreement

10.2.3. Borrower has obtained and Lender has approved a loan approval from a financial institution (or other lender approved by Lender in its sole discretion) to make the permanent financing obtained by Borrower which repays after completion of the Project all construction and other loans secured by the Project and which is secured by a senior lien against the Property. Such permanent financing approval must provide (a) that it is subject only to those conditions that are usual and customary in the industry and that can be satisfied by the proposed closing date of the permanent financing; (b) that it is in full force with no default by any party; and (c) that Lender will have notice of, and a reasonable opportunity to cure, any Borrower defaults.

10.2.4. Lender has provided proof of all insurance required by the Loan Documents.

10.2.5. The Senior Lender's commitment to make the Senior Loan is in full force, has not been modified and no event has occurred that with notice or the passage of time or both could result in the termination of it. Nothing in the permanent loan commitment, or submissions and approvals made under it, conflicts with this Loan Agreement. Borrower has done all things necessary to keep unimpaired its rights under the loan commitment for the Senior Lender's Senior Loan.

10.2.6. Borrower has filed all tax returns required to be filed and paid all taxes due, which, if unfiled or unpaid, might adversely affect Lender's security under the Security Documents.

**10.3. CONDITIONS PRECEDENT TO FINAL DISBURSEMENT.** Lender shall make the final loan disbursement under this Loan Agreement when the following conditions precedent and the conditions precedent stated in Section 10.1 have been met:

10.3.1. As applicable, the Project architect and the Lender's designated agent will have certified to Lender, on AIA Form G704 and in a manner satisfactory to Lender:

- a. That the Project has been duly completed in a good and proper manner using sound, new materials;
- b. That the Project complies with the Plans and Specifications, the requirements of all Governmental
- c. Authorities and any other party having enforceable rights regarding the construction of the Project; and
- d. That the Project is structurally sound.

10.3.2. Borrower has provided to Lender a true, accurate and complete copy of the final draw request to all other lenders for the Project.

10.3.3. Borrower has filed all tax returns required to be filed and paid all taxes due, which, if unfiled or unpaid, might adversely affect Lender's security under the Security Documents.

10.3.4. Title policy endorsements in form and amount satisfactory to Lender (including an endorsement insuring lien-free completion of the Project) have been furnished to Lender.

10.3.5. Borrower has furnished evidence, in form and substance satisfactory to Lender, that:

- a. The General Contractor and subcontractors and material suppliers and their subcontractors and material suppliers have been paid in full;
- b. Borrower has obtained final permit sign-offs for all of the Project;
- c. All other permits and approvals necessary for the construction, equipping, management, operation, use, or ownership of the Project have been obtained, subject only to those conditions approved by Lender, and
- d. The completed Project complies with all applicable zoning regulations, subdivision map acts, building code provisions, and similar governmental laws and regulations, and has all utilities and adequate ingress and egress from public streets, that evidence to be in the form of a certificate executed by Borrower in favor of Lender.

10.3.6. That Borrower has provided to Lender an inventory showing make, model, value, cost, and location of all furniture, fixtures, and equipment and other personal property used in the management, maintenance, and operation of the Project, that are included in the collateral for the Loan.

10.3.7. Borrower has filed a notice of completion of the Project necessary to establish the commencement of the shortest statutory period for filing of mechanics' and materialmen's liens.

10.3.8. Lender has received written approval from the surety on any bond required by Lender.

10.3.9. Borrower has submitted to Lender a final cost certification prepared by a CPA.

**10.4. MAKING DISBURSEMENT.** Lender shall pay each disbursement request within twenty (20) business days after the disbursement request is submitted to Lender, subject to fulfillment of the conditions precedent as stated in Section 10.1. Lender shall disburse the actual cost of the work represented in the disbursement request by Borrower, reduced by the cost of work included in the request and not satisfactorily completed and by the amount of the Retention to be withheld.

**10.5. DISBURSEMENT OF LESS THAN FULL REQUEST.** If Lender makes a disbursement which is less than the full amount of the disbursement requested, Lender shall inform Borrower of the items disallowed for disbursement and the reason for disallowing them. Lender shall disburse the Loan in the following order of priority, except as expressly provided and unless paid by Borrower from other funds: (a) first, to pay Lender's Loan fees and expenses due; (b) second, to pay Lender the interest due on the Loan; (c) third, at Lender's option to pay all impositions due; (d) fourth, at Lender's option, to make any other payments that Lender may in its sole discretion deem necessary or advisable to protect Lender's security under the Loan Documents; and (e) fifth, to make the disbursement of funds then due in response to Borrower's current request for disbursement. For purposes of this section, impositions means all real estate and personal property taxes and other taxes and assessments, water and sewer rates and charges, and all other charges of a Governmental Authority and any interest or costs or penalties with respect to them, ground rent and charges for any easement or agreement maintained for the benefit of the Property, of every nature and any kind that at any time may be assessed, levied, imposed, or become a lien on the Property, Fixtures or income received from the Property or Fixtures, or any use or occupancy of the Property; and any charges, expenses, payments, or assessments of any nature that are or may become a lien on the Property or the income received from it.

**10.6. NO WAIVER BY DISBURSEMENT.** Regardless of the failure of any condition precedent to Lender's obligation to make disbursements to Borrower, Lender may make a disbursement if Lender, in its sole discretion, determines it to be advisable. The making of any disbursement shall not be deemed to constitute an approval or acceptance by Lender of the work completed or a waiver of the condition with respect to a subsequent disbursement.

**10.7. APPROVAL OF OTHER LENDER DRAW AND DISBURSEMENTS.** Borrower shall concurrently submit to Lender each Other Lender Draw. Delivery of such Other Lender Draw shall be made in the same manner as any other notice, except that it shall also be marked "OTHER LENDER DRAW REQUEST" and delivered to the person

named in writing by the Lender as the recipient of such requests or, in the absence thereof, to the Lender's Portfolio Management office.

Borrower shall provide Lender with true, accurate and correct copies of each Other Lender Draw, including without limitation all supporting information, documents, and other required submittals.

**10.8. COMPLIANCE.** To the best of Borrower's knowledge, the construction, use, and occupancy of the Property and Project comply in full with, or if built according to the Plans and Specifications, will comply in full with, all Governmental Requirements. No right to construct or use the Project is to any extent dependent on any real property other than the Property. All approvals, licenses, permits, certifications, filings, and other actions normally accepted as proof of compliance with all Governmental Requirements by prudent lending institutions that make investments secured by real property in the general area of the Property, to the extent available as of the date of this Loan Agreement, have been given or taken, or Borrower is entitled to have them given or taken as the ministerial act of the applicable Governmental Authority.

## **11. RESIDENTIAL OPERATIONS.**

**11.1. PROPERTY MANAGEMENT COMPANY.** The Borrower agrees that at all times the Project shall be managed by a property manager (i) approved by the Lender in its reasonable discretion and (ii) who has successfully managed at least five projects over forty units in size and subject to a recorded regulatory agreement or RAD Use Agreement for at least three years' prior to the application, without any record of material violations of discrimination restrictions or other state or federal laws or regulations or local governmental requirements applicable to such projects (the "Manager"). The Borrower shall submit to the Lender from time to time such information about the background, experience and financial condition of any existing or proposed Manager as the Lender may reasonably require to determine whether such Manager meets the requirements for a Manager set forth herein. The Lender reserves the right to conduct periodic reviews of the management practices of the Manager to determine if the Project is being operated and managed in accordance with the requirements and standards of this Loan Agreement. The Borrower agrees to cooperate with the Lender in such reviews.

If the Lender determines in its reasonable judgment that the Project is not being operated and managed in accordance with one or more of the material requirements or standards of this Loan Agreement, the Lender may deliver notice to the Borrower requesting replacement of the Manager, which notice shall state clearly the reasons for such request. The Borrower agrees that, upon receipt of such notice, the Borrower shall within 60 days submit to the Lender, a proposal to engage a new Manager meeting the requirements of this provision. The Lender shall respond within 30 days to such proposal or such approval shall be deemed given. Upon receipt of such consent or deemed consent, the Borrower shall promptly terminate the existing Manager's engagement and engage the new Manager. In addition, all management agreements between the Borrower and Manager shall include a clause alerting the Manager that Lender may require Borrower to terminate the management agreement for the aforementioned reasons.

The Borrower shall not enter into any management agreement or arrangement with any party with respect to the management of the Project without the Lender's prior written consent, such consent not to be unreasonably withheld or delayed. The Borrower shall not materially modify, amend or terminate any approved management agreement (other than as required to comply with the terms of this Loan Agreement and/or applicable law) without the Lender's prior written consent, which consent will not be unreasonably withheld or delayed; provided, however, that such consent shall not be required to extend the term of an existing management agreement.

**11.2. REPLACEMENT RESERVES.** Borrower shall maintain reserves for replacement and repairs required to be made to the Property, fixtures on the Property or personal property used on the Property, or otherwise as approved by Lender, in an amount, at all times, not less than Three Hundred Dollars (\$300) for each residential unit in the Project

**11.3. VERIFICATION OF NET INCOME.** When requested by Lender, Borrower shall provide certified financial statements and such other evidence as the Lender may deem necessary to verify the Project net income, including without limitation copies of certified rent rolls, bank statements, billing statements and invoices.

11.4. **SECURITY AND LIGHTING.** Project shall include a security camera system approved by Lender and lighting adequate to properly illuminate the parking area and all common spaces. In addition, Project will include security patrol, if necessary.

11.5. **RESIDENT SERVICES PLAN:** Borrower shall provide resident service based on the needs of the residents. Services should include the Family Self-Sufficiency or other similar program, education, financial literacy, health, enrichment, and training and job opportunities.

11.6. **SMOKE FREE ENVIRONMENT.** At least 50% of the buildings and no less than 50% percent of the residential units must be smoke free. Additionally, all indoor common areas must be smoke free.

## 12. **DEFAULT**

12.1. **EVENTS OF DEFAULT.** At the option of Lender, each of the following events will constitute an Event of Default, subject to applicable cure rights, if any:

12.1.1. The occurrence of an Event of Default under the Trust Deed.

12.1.2. Borrower's failure to comply with any Governmental Requirements; provided, however that Borrower's right to challenge the Governmental Requirements is not abridged.

12.1.3. Borrower's failure to keep in full force any permit, license, consent, or approval with respect to the construction, occupancy, or use of the Project, unless Borrower has renewed the same or otherwise cured the lapse prior to Lender's issuance of a notice of the default.

12.1.4. Any material deviation from the Plans and Specifications in the construction of the Project, or the appearance or use of defective workmanship or materials in the construction of the Project, if Borrower fails to remedy them or to diligently proceed to remedy them to Lender's satisfaction within ten (10) days after Lender's written demand to do so.

12.1.5. Borrower's failure to complete the construction of the Project by the Completion Date, subject to Unavoidable Delay.

12.1.6. The filing of any lien against the Property or Project or the service on Lender of any bonded stop notice related to the Loan, if the claim of lien or bonded stop notice continues for sixty (60) days without discharge, satisfaction, or the making of provision for payment (including bonding) to the satisfaction of Lender.

12.1.7. The attachment, levy, execution, or other judicial seizure of any portion of the Property or Project, or any substantial portion of the other assets of Borrower, that is not released, expunged, bonded, discharged, or dismissed within thirty (30) days after the attachment, levy, execution, or seizure.

12.1.8. Making of any unauthorized payment from Loan Proceeds or other funds of Lender.

## 13. **REMEDIES**

13.1. **OPTION TO ACT.** On the occurrence of any Event of Default, in addition to its other rights in this Loan Agreement or in any of the other Loan Documents, at law, or in equity, Lender may, without prior demand, exercise any one or more of the following rights and remedies:

13.1.1. Terminate its obligation to make disbursements.

13.1.2. Declare the Note and all other sums owing to Lender with respect to the other Loan Documents immediately due.

13.1.3. Make any disbursements after the happening of any one or more of the Events of Default, without waiving its right to demand payment of the Note and all other sums owing to Lender with respect to the

other Loan Documents or any other rights or remedies and without liability to make any other or further disbursements, regardless of Lender's previous exercise of any rights and remedies.

13.1.4. Proceed as authorized at law or in equity with respect to the Event of Default, and in connection with that, remain entitled to exercise all other rights and remedies described in this Loan Agreement or the Trust Deed.

13.1.5. Recover its funds expended in exercising or enforcing any of its rights or remedies under any of the Loan Documents, together with interest at the maximum amount allowed by law from the date the funds were spent until repaid which amounts will be deemed secured by the Trust Deed.

**13.2. RIGHTS CUMULATIVE, NO WAIVER.** All of Lender's rights and remedies provided in this Loan Agreement or in any of the other Loan Documents are cumulative and may be exercised by Lender at any time. Lender's exercise of any right or remedy will not constitute a cure of any Event of Default unless all sums then due to Lender under the Loan Documents are repaid and Borrower has cured all other Events of Default. No waiver will be implied from Lender's failure to take, or delay in taking, any action concerning any Event of Default or from any previous waiver of any similar or unrelated Event of Default. Any waiver under any of the Loan Documents must be in writing and will be limited to its specific terms.

**13.3. DISCLAIMER.** Whether Lender elects to employ any of the remedies available to it in connection with an Event of Default, Lender will not be liable to construct, complete, or protect the Project; to pay any expense in connection with the exercise of any remedy; or to perform any other obligation of Borrower.

**13.4. GRANT OF POWER FOR PROJECT COMPLETION.** Borrower irrevocably appoints Lender as its attorney-in-fact, with full power and authority, including the power of substitution, exercisable on the occurrence of a default of this Loan in completion of the Project development, subject any applicable cure period, to act for Borrower in its name, place, and stead as provided in this Loan Agreement to take possession of the Property and Project, remove all employees, contractors, and agents of Borrower, to complete or attempt to complete the work of construction, and to market, sell, or lease the Property and Project; to make any additions, changes, and corrections in the Plans as may be necessary or desirable, in Lender's sole discretion, or as it deems proper to complete the Project; to employ any contractors, subcontractors, suppliers, architects, inspectors, consultants, property managers, and other agents that Lender, in its sole discretion, deems proper for the completion of the Project, for the protection or clearance of title to the Property or Personalty, or for the protection of Lender's interests, to employ security guards to protect the Property and Project from injury or damage; to pay, settle, or compromise all bills and claims then existing or later arising against Borrower that Lender, in its sole discretion, deems proper for the completion of the Project, for the protection or clearance of title to the Property, or for the protection of Lender's interests; to prosecute and defend all actions and proceedings in connection with the Property or Project; and to execute, acknowledge, and deliver all other instruments and documents in the name of Borrower that are necessary or desirable, to exercise Borrower's rights under all contracts concerning the Property or Project, and to do all other acts with respect to the Property or Project that Borrower might do on its own behalf, in each case as Lender in its reasonable discretion deems proper.

**14. LIABILITY INSURANCE.** With regard to this Loan Agreement, the Borrower shall obtain and maintain for the life of the RAD Use Agreements, and require the Contractor and subcontractors for the Project to obtain and maintain for the term of the development of the Project, such insurance as will protect them, respectively, from the following claims which may result from the operations of the Borrower, Contractor, subcontractor or anyone directly or indirectly employed by any of them, or by anyone for whose acts any of them may be liable: (a) claims under workers' compensation benefit acts; (b) claims for damages because of bodily injury, occupational sickness or disease, or death of his employees; (c) claims for damages because of bodily injury, sickness or disease, or death of any person other than his employees; (d) claims for damages insured by usual personal injury liability coverage which are sustained (1) by any person as a result of an offense directly or indirectly related to the employment of such person by the Borrower, or (2) by any other person; claims for damages, other than to the construction itself, because of injury to or destruction of tangible property, including resulting loss of use; (e) claims for damages because of bodily injury or death of any person or property damage arising out of the ownership, maintenance or use of any motor vehicle; and (f) claims for contractual liability arising from the Borrower's obligations under this Loan Agreement.

**14.1. LIABILITY INSURANCE POLICY LIMITS.** Borrower shall obtain all insurance under this Section 14 written with a deductible of not more than ONE HUNDRED THOUSAND DOLLARS (\$100,000) or an amount approved by Lender, and for limits of liability which shall not be less than the following:

**14.2. WORKER'S COMPENSATION.** Borrower shall obtain and maintain worker's compensation coverage shall be written for the statutory limits as required by Article 1 (commencing with Section 3700) of Chapter 4 of Part 1 of Division 4 of the California Labor Code (as it may, from time to time, be amended) and having an employer's liability of not less than \$1,000,000.

**14.3. COMMERCIAL GENERAL LIABILITY.** Borrower shall obtain and maintain Commercial General Liability insurance in Insurance Services Office ("ISO") policy form CG 00 01 Commercial General Liability (Occurrence) or better. Such insurance shall have limits of liability, which are not less than \$1,000,000, per occurrence limit; \$5,000,000 general aggregate limit, and \$5,000,000 products and completed operations aggregate limit, all per location of the Project.

**14.4. COMPREHENSIVE AUTOMOBILE LIABILITY.** Borrower shall obtain and maintain comprehensive automobile liability coverage for any vehicle used for, or in connection with, the Project (owned, nonowned, hired, leased) having a combined single limit of not less than \$1,000,000.

**14.5. PROPERTY INSURANCE.** For the duration of the RAD Use Agreements, Borrower shall obtain and maintain property insurance in ISO policy form CP 10 30 - Building and Personal Property Coverage - Causes of Loss - Special Form, to the full insurable value of the Property with no coinsurance penalty (and with endorsements of Builder's Risk until completion of construction of the Project), Boiler and Machine to the extent necessary to obtain full insurance coverage, and with such other endorsements and in such amounts as the Lender may reasonably require to protect the Project and the Property. In the event of damage to the Project and subject to the requirements of Lender, Borrower shall use the proceeds of such insurance to reconstruct the Project and the public improvements.

**14.6. INSURANCE PROVISIONS.** Each policy of insurance required under this Loan Agreement shall be obtained from a provider licensed to do business in California and having a current Best's Insurance Guide rating of A VII, which rating has been substantially the same or increasing for the last five (5) years, or such other equivalent rating, as may reasonably be approved by Lender's legal counsel. Each policy shall contain the following provisions as applicable, unless otherwise approved by Lender's legal counsel in writing in advance:

**14.6.1. ADDITIONAL INSURED.** Borrower shall obtain a policy in ISO form CG 20 33 or better, naming Lender as additional insured under the Commercial General Liability Policy.

**14.6.2. SINGLE PROJECT INSURANCE.** It is the intent of the parties that the Project have available all the specified insurance coverages. Borrower shall not provide insurance coverages that are considered in aggregate with other Projects which Borrower or its Contractor might have concurrently under construction. The Lender may at its discretion permit an aggregate policy if and only if Borrower or the respective Contractor or subcontractor has fully disclosed to Lender other projects which will or may be considered in aggregate with the Project, and thereafter, Borrower shall immediately inform Lender of the change in or addition to any such projects. Nevertheless, Lender may, at any time require that the insurance coverage be provided solely for the Project.

**14.6.3. CERTIFIED POLICY COPY.** Borrower shall provide Lender with a certified copy of each required policy of insurance, upon request by Lender. Borrower shall provide Lender with a Certificate of Insurance of Insurance for each policy on the applicable ACORD form. And, specific sections of the policy may be requested by Lender for review. The ACORD form shall not substitute for the policy, if the policy is requested. The most current ACORD 25-S "Certificate of Liability Insurance shall be used for liability insurance.

a) **CANCELLATION.** Each policy shall bear an endorsement precluding cancellation or termination of the policy or reduction in coverage unless the Lender has been given written notice of such intended action at least thirty (30) days prior to its effective date. In the alternative to such endorsement, Borrower will provide the Lender with the cancellation clause and/or any amendatory endorsements that modify or change the policy cancellation clause of the insurance policies in force. It is the Borrower's responsibility to notify the Lender of any notice of cancellation, non-

renewal or non-payment of premium in accordance with your policy provisions. In the event insurance is cancelled or not renewed, the Borrower shall notify the Lender within forty-eight (48) hours of such cancellation or non-renewal.

\_\_\_\_\_ **Borrower's Initials**

14.7. **FAILURE TO MAINTAIN.** If Borrower fails to obtain or maintain, or cause to be obtained and maintained, any insurance required by this Loan Agreement, the Lender shall have the right to purchase the insurance on Borrower's behalf, and Borrower shall promptly reimburse the full cost of such insurance to the Lender. If Borrower fails to reimburse the Lender for insurance, the amount of unpaid reimbursement shall bear interest, at the maximum rate permissible under the law, until paid.

14.8. **BLANKET COVERAGE.** Borrower's obligation to carry insurance as required under this Section 16 may be satisfied by coverage under a "blanket" policy or policies of insurance (as the term is customarily used in the insurance industry); provided, however, that the Lender shall nevertheless be named as an additional insured under such blanket policy or policies to the extent required by this Section, the coverage afforded the Lender will not be reduced or diminished thereby, and all of the other requirements of this Section 14 with respect to such insurance shall otherwise be satisfied by such blanket policy.

**15. MISCELLANEOUS.**

15.1. **NONRECOURSE.** Notwithstanding any provision of this Loan Agreement or any document evidencing or securing this Loan, Borrower, and Borrower's principals, partners, members, agents, officers, and successors in interest shall not be personally liable for the payment of the Loan or any obligation of the Loan. Lender's sole recourse shall be to the Property.

15.2. **CURE BY PARTY OTHER THAN BORROWER.** Any lender whose loan is secured by the property, including any assignee of the Project Loan Agreement and Security Instrument, and any principal or limited partner of Borrower may cure a default of the Loan, provided that such cure rights shall be the same as Borrower's cure rights. Such other curing party must cure by the date on which Borrower was obligated to cure, except if Lender is obligated by this Loan Agreement to give separate notice to such other curing party, in which instance, the cure period shall begin when Lender makes such notice to such other curing party.

15.3. **CONDEMNATION.** The proceeds of any award or claim for damages, direct or consequential, in connection with any condemnation or other taking of all or any part of the Property, or for conveyance in lieu of condemnation, are hereby assigned and shall be paid to Lender. In the event of a taking of all of the Property, the proceeds shall be applied to the sums provided by this Loan, subject to any claims of prior lienholder, with the excess, if any, paid to junior lienholders and Borrower, as they may determine. In the event of the partial taking of the Property, unless Borrower and Lender otherwise agree in writing, and subject to any claims of prior lienholders, there shall be applied to the sums secured by this Deed of Trust such proportion of the proceeds as is equal to that proportion which the amount of the sums secured by this Deed of Trust immediately prior to the date of taking bears to the fair market value of the Property immediately prior to the date of taking, with the balance of the proceeds paid to junior lienholders and Borrower, as they may determine. Notwithstanding anything herein to the contrary, so long as the value of Lender's lien is not impaired, any condemnation proceeds may be used by Borrower for repair and/or restoration of the Premises.

If the condemnor offers to make an award or settle a claim for damages to the Property and: (1) the Property is abandoned by Borrower; or (2) after notice by Lender to Borrower of the condemnor's offer, Borrower fails to respond to Lender within 30 days after the date such notice is mailed, then the Lender is authorized to collect and apply the proceeds to the restoration or repair of the Property. However should there be a total taking or continuing event of default, then the proceeds shall be applied to the sums secured by this Deed of Trust.

Unless Lender and Borrower otherwise agree in writing, any such application of proceeds to principal shall not extend or postpone the due date of any payment or change the amount of such payment.

15.4. **SUBORDINATION.** Lender will subordinate this Loan to the Senior Loan, provided that the Senior Loan for the Project indicated in the Budget meets all requirements of this Loan Agreement, and that the Senior Loan does not require modification of this Loan Agreement, Lender's execution of any agreements containing new or modified Loan terms or Lender's execution of any agreement creating a contractual relationship between Lender and the senior lender including obligations or liabilities between Lender and the senior lender.

15.5. **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.

15.6. **NATURE OF REPRESENTATIONS AND WARRANTIES.** Borrower certifies to Lender that all representations and warranties made in this Loan Agreement and all other Loan Documents are true and correct in all material respects and do not contain any untrue statement of a material fact or omit any material fact necessary to make the representations and warranties not misleading. All representations and warranties will remain true and correct in all material respects and will survive so long as any of Borrower's obligations have not been satisfied or the Loan or any part of it remains outstanding, and for any applicable statute of limitations period. Each request by Borrower for a disbursement will constitute an affirmation that all representations and warranties remain true and correct as of the date of that request. Each representation and warranty made in this Loan Agreement, in any other Loan Documents, and in any other document delivered to Lender by Borrower will be deemed to have been relied on by Lender, regardless of any investigation, inspection, or inquiry made by Lender or any related disbursement made by Lender. The representations and warranties that are made to the best knowledge of Borrower have been made after diligent inquiry calculated to ascertain the truth and accuracy of the subject matter of each representation and warranty.

15.7. **FINANCIAL STATEMENTS.** Borrower shall provide Financial Statements when requested by Lender, but in any event not more often than quarterly during construction of the Project or annually, thereafter. Borrower shall assure that Financial Statements are prepared in accordance with generally accepted accounting principles. If requested by Lender as reasonably necessary to assure the security of its Loan, Borrower shall provide Financial Statements prepared or reviewed by a licensed Certified Public Accountant or Public Accountant and fully reflecting the assets and liabilities of the party concerning whom they were prepared.

15.8. **NO WAIVER.** No failure or delay on the part of Lender in exercising any right or remedy under the Loan Documents will operate as a waiver nor will Lender be estopped to exercise any right or remedy at any future time because of any such failure or delay. No express waiver will affect any matter other than the matter expressly waived and that waiver will be operative only for the time and to the extent stated. Waivers of any covenant, term, or condition in this Loan Agreement will not be construed to waive any subsequent breach of the same covenant, term, or condition.

15.9. **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 hereunder.

15.10. **NO JOINT VENTURE, PARTNERSHIP, OR OTHER RELATIONSHIP.** Nothing contained in this Agreement or in any other document executed in connection with this Agreement shall be construed as creating a joint venture or partnership between Lender and Developer. Each Party is acting as an independent entity and not as an agent of the other in any respect. No relationship exists as between Lender and Developer other than that of a lender and a borrower.

15.11. **NOTICES.** Borrower irrevocably appoints Lender as its agent (the agency being coupled with an interest) to file for record any notices of completion, cessation of labor, or any other notice that Lender deems necessary or desirable to protect its interests under this Loan Agreement or under the Loan Documents.

15.11.1. **METHOD.** All notices to be given under this Loan Agreement shall be in writing and sent to the addresses stated above for the respective recipient by one or more of the following methods.

a. Certified mail, return receipt requested, in which case notice shall be deemed delivered three (3) business days after deposit, postage prepaid in the United States Mail;



b. A nationally recognized overnight courier, by priority overnight service, in which case notice shall be deemed delivered one (1) business day after deposit with that courier;

c. Hand delivery with signed receipt for delivery from a person at the place of business of the receiving party and authorized to accept delivery for the receiving party, in which case notice shall be deemed delivered upon receipt, or

d. Telecopy, if a copy of the notice is also sent the same day by United States Certified Mail, in which case notice shall be deemed delivered one (1) business day after transmittal by telecopier, provided that a transmission report is automatically generated by the telecopier reflecting the accurate transmission of the notices to receiving party at the "Fax Number" given in the Escrow Attachment or to such other address as Borrower or Lender may respectively designate by written notice to the other.

15.11.2. **SHORT TERM NOTICES.** Notices, including requests for approval, requiring action in less than thirty (30) days may only be given by the foregoing overnight courier or hand delivery method, and shall include the following language on its face: "URGENT – TIME SENSITIVE – IMMEDIATE ACTION REQUIRED" and marked for delivery to Portfolio Management. Such notice shall include the time allowed under this Loan Agreement for action.

15.12. **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. This Section does not apply to actions or proceedings between the parties.

15.13. **SIGNS.** Borrower agrees that on the request of Lender, Borrower will erect and place on or in the immediate vicinity of the Property a sign indicating that Lender has provided construction financing for the Project, which sign shall remain for the duration of construction. If Borrower places a sign on the Property during construction stating the names of the Project participants, it shall also name "Sacramento Housing and Redevelopment Agency" as a participant in the Project. Lender's name on the sign shall be in letters not less than size of letters used to name any of the other participants.

15.14. **ASSIGNMENT.** The terms of this Loan Agreement will be binding on and inure to the benefit of successors and assigns of the parties. However, Borrower shall not assign this Loan Agreement or any interest it may have in the monies due or, except as otherwise provided, convey or encumber the Property without the prior written consent of Lender to a party other than a general partner or managing member of Borrower or a single asset entity wholly owned and controlled by Borrower or a general partner or managing member of Borrower. However, if there is an assignment, conveyance, or encumbrance, Lender may nevertheless at its option continue to make disbursements under this Loan Agreement to Borrower or to those who succeed to Borrower's title, and all sums so disbursed will be deemed to be disbursements under this Loan Agreement and not modifications, and will be secured by the Trust Deed. Lender may at any time assign the Loan Documents to any affiliate of Lender or to a national bank or other lender having experience with construction lending, and the assignee will assume the obligations of Lender, and Lender will have no further obligation of any nature. In that case, the provisions of this Loan Agreement will continue to apply to the Loan, and the assignee will be substituted in the place and stead of Lender, with all rights, obligations, and remedies of Lender, including, without limitation, the right to further assign the Loan Documents. In addition, Lender may at any time assign a participation in the Loan to any other party, provided that Lender continues to be primarily obligated under this Loan Agreement.

15.15. **ACCELERATION ON TRANSFER OR REFINANCING OF THE PROPERTY; ASSUMPTION.** Except as otherwise provided in the Loan Agreement, if all or any part of the Property or an interest in the Property is sold, transferred or conveyed to any person, or refinanced by Borrower such that additional debt is added to the property or the cash flows change without Lender's prior written consent, Lender may, at Lender's option, declare all the sums secured by this Deed of Trust to be immediately due and payable. Lender shall have waived such option to accelerate if, prior to the refinancing, sale or transfer, Lender and the person to whom the Property is to be sold or transferred reach agreement in writing that the loan may be assumed. If Lender has waived the option to accelerate

provided in this Section and if Borrower's successor in interest has executed a written assumption agreement accepted in writing by Lender, Lender shall release Borrower from all obligations under this Deed of Trust and the Note. Notwithstanding anything herein to the contrary, Lender acknowledges and agrees that Borrower shall have the right to refinance the senior loan without penalty.

15.16. **PREPAYMENT.** Borrower may prepay the Loan only on and subject to the terms and conditions in the Note. Borrower shall have no rights to receive, and under no circumstances will Borrower receive repayment of any fees previously paid to Lender.

15.17. **BORROWER'S RESPONSIBILITIES.** To prevent and avoid construction defects, Borrower shall inspect, review, supervise, and assure the high quality, adequacy, and suitability of: (i) the Plans and Specifications and all changes and amendments; and (ii) architects, contractors, subcontractors, and material suppliers employed or used in the Project, and the workmanship of and the materials used by all of them; and (iii) the progress and course of construction and its conformance with the Plans and Specifications and any amendments, alterations, and changes that may be approved by Lender. Borrower will, at Borrower's expense, defend, indemnify, save, and hold Lender harmless against all claims, demands, losses, expenses, damages (general, punitive, or otherwise), and causes of action (whether legal or equitable) asserted by any Person arising out of the use of the proceeds of the Loan except to the extent caused by the negligence or misconduct of Lender. Borrower will pay Lender on demand all claims, judgments, damages, losses, or expenses (including attorney fees and expenses) incurred by Lender as a result of any legal action arising out of the use of the proceeds of the Loan. The provisions of this Section will survive the termination of this Loan Agreement and the repayment of the Loan.

15.18. **NONLIABILITY FOR NEGLIGENCE, LOSS, OR DAMAGE.** Borrower acknowledges, understands, and agrees as follows:

15.18.1. The relationship between Borrower and Lender is, and will at all times remain, solely that of Borrower and Lender, and Lender neither undertakes nor assumes any responsibility for or duty to Borrower to select, review, inspect, supervise, pass judgment on, or inform Borrower of the quality, adequacy, or suitability of the Project work, except as to matters which are within the intent and purpose for which Lender has made the Loan.

15.18.2. Lender owes no duty of care to protect Borrower against negligent, faulty, inadequate, or defective building or construction.

15.18.3. Lender will not be responsible or liable to Borrower for any loss or damage of any kind to person or property whether suffered by Borrower or any other Person or group of Persons or for negligent, faulty, inadequate, or defective building or construction, and Borrower will hold Lender harmless from any liability, loss, or damage for these things.

15.19. **CONTROLLING LAW; VENUE.** The Loan Documents will be governed by and construed in accordance with California law. The venue for any legal action or proceeding will be in the County of Sacramento, California.

15.20. **CONSENTS AND APPROVALS.** All consents and approvals by Lender required or permitted by any provision of this Loan Agreement will be in writing and shall not be unreasonably withheld, conditioned or delayed. Lender's consent to or approval of any act by Borrower requiring further consent or approval will not be deemed to waive or render unnecessary the consent or approval to or of any subsequent similar act.

15.21. **SURVIVAL OF WARRANTIES AND COVENANTS.** The warranties, representations, conditions, covenants, and agreements in this Loan Agreement and in the other Loan Documents will survive the making of the Loan and the execution and delivery of the Note and will continue in full force until the Indebtedness has been paid in full. Nothing in this Section is intended to limit any other provision of the Loan Documents that by their stated terms survive the repayment of the Indebtedness or the termination of any Loan Document.

15.22. **RECORDING AND FILING.** Borrower, at its expense, will cause the Security Documents and all supplements to be recorded and filed and re-recorded and re-filed in any manner and in any places as Lender will reasonably request, and will pay all recording, filing, re-recording, and re-filing taxes, fees, and other charges.

15.23. **LOAN EXPENSES.** In making the first disbursement, Lender may, at its option, deduct from the proceeds of that disbursement a sum equal to the aggregate of the following, to the extent Lender has knowledge of it and demand has been made on Lender at the time of the deposit: all expenses specifically incurred in connection with the Loan or the preparation, execution, and delivery of the Loan Documents, including, but not limited to, recording costs and expenses, transfer and other taxes (if any), surveys, appraisal fees, title and hazard insurance premiums, recording, notary, and escrow charges, and all other similar, usual, or customary loan closing charges and expenses; and any other budgeted expenses that have been approved by Lender in writing; and Lender will, for the benefit of Borrower, pay those amounts over to the respective parties on whose behalf the demands will have been received by Lender. Borrower will pay directly any expenses in connection with the Loan not so paid by Lender, including, without limitation, any of the expenses specified above, and will hold Lender free from any cost, liability, or obligation of any nature in connection with it, including reasonable attorney fees incurred by Lender. Borrower further agrees to pay on demand all out-of-pocket costs and expenses reasonably incurred by Lender including, without limitation, the fees and disbursements of Lender's outside counsel, in connection with: (i) the administration of the Loan, including, without limitation, all approvals or consents given or contemplated to be given under the Loan Documents, all amendments to the Loan Documents entered into by Lender or requested by any Loan Party, and all title insurance policies and endorsements required by Lender, and (ii) the enforcement of any rights or remedies under the Loan Documents, whether any action or proceeding is commenced, or the protection of the security, or interests of Lender under the Loan Documents. All costs and expenses, together with interest at Interest Rate, will form a part of the indebtedness and will be secured by the Security Documents.

15.24. **NO REPRESENTATIONS BY LENDER.** By accepting or approving anything required to be observed, performed, or fulfilled, or to be given to Lender pursuant to this Loan Agreement or pursuant to the Loan Documents, including, but not limited to, any officer's certificate, balance sheet, statement of income and expense, or other Financial Statement, survey, appraisal, or insurance policy, Lender will not be deemed to have warranted or represented the sufficiency, legality, effectiveness, or legal effect of it or of any particular term, provision, or condition of it, and any acceptance or approval will not be or constitute any warranty or representation by Lender.

15.25. **AMENDMENT.** The Loan Documents and the terms of each of them may not be modified, waived, discharged, or terminated except by a written instrument signed by the party against whom enforcement of the modification, waiver, discharge, or termination is asserted.

15.26. **TERMINATION.** Except as otherwise provided in the Loan Documents, all rights and obligations under this Loan Agreement will terminate except as to any accrued obligations effective on the payment of all Indebtedness owing by Borrower to Lender.

15.27. **COUNTERPARTS.** The Loan Documents may be executed in any number of counterparts and by different parties in separate counterparts, each of which when executed and delivered will be deemed an original and all of which counterparts taken together will constitute one and the same instrument.

15.28. **SEVERABILITY.** If any term, provision, covenant, or condition or any application is held by a court of competent jurisdiction to be invalid, void, or unenforceable, all terms, provisions, covenants, and conditions and all applications not held invalid, void, or unenforceable will continue in full force and will in no way be affected, impaired, or invalidated.

15.29. **CAPTIONS.** All Article and Section headings in the Loan Documents are inserted for convenience of reference only and do not constitute a part of the Loan Documents for any other purpose.

15.30. **INDEMNITY.** Borrower agrees to defend, indemnify, and hold Lender harmless from all losses, damages, liabilities, claims, actions, judgments, costs, and reasonable attorney fees that Lender may reasonably incur as a direct or indirect consequence of the making of the Loan, Borrower's failure to perform any obligations as and when required by this Loan Agreement or any of the other Loan Documents, the failure at any time of any of Borrower's representations or warranties to be true and correct, or any act or omission by Borrower, any contractor, subcontractor, engineer, architect, or other Person with respect to the Property, the Project, or any portion of them except to the extent caused by the active negligence, sole negligence or willful misconduct of Lender. Borrower will pay immediately on Lender's demand any amounts owing under this indemnity, together with interest at the

maximum rate permitted by law from the date Lender makes a payment or incurs a loss. Borrower's duty to indemnify Lender will survive the release and cancellation of the Note and the reconveyance or partial reconveyance of the Trust Deed.

15.31. **FURTHER ASSURANCES.** At Lender's request and at Borrower's expense, Borrower will execute, acknowledge, and deliver all other instruments and perform all other acts necessary, desirable, or proper to carry out the purposes of the Loan Documents or to perfect and preserve any liens created by the Loan Documents.

15.32. **DISCLOSURE OF INFORMATION.** If Lender elects to sell the Loan, Lender may forward to the buyer of the Loan all documents and information related to the Loan in Lender's possession, including without limitation all Financial Statements, whether furnished by Borrower or otherwise.

15.33. **LENDER'S AGENTS.** Lender may designate agents or independent contractors to exercise any of Lender's rights under the Loan Documents. Any reference to Lender in any of the Loan Documents will include Lender's employees, agents, and independent contractors.

15.34. **INTEGRATION AND INTERPRETATION.** The Loan Documents contain or expressly incorporate by reference the entire agreement between Lender and Borrower with respect to the covered matters and supersede all prior negotiations. Any reference to the Property or Project in any of the Loan Documents will include all or any portion of them. Any reference to the Loan Documents themselves in any of the Loan Documents will include all amendments, renewals, or extensions approved by Lender.

15.35. **NUMBER, IDENTITY AND GENDER.** When the context and construction so require, all words used in the singular will be deemed to have been used in the plural and vice versa. Person means any natural person, corporation, firm, partnership, association, trust, government, governmental agency, or any other entity, whether acting in an individual, fiduciary, or other capacity. When the context and construction so require, all words which indicate a gender will be deemed to have been used to indicate the gender as indicated by the context.

**THE PARTIES HAVE EXECUTED THIS LOAN AGREEMENT** in Sacramento, California as of the Effective Date.

**BORROWER :**  
**RAD PILOT LP, A CALIFORNIA LIMITED**

By: RAD Pilot LLC, a California limited liability company, its managing general partner

By: Sacramento Housing Authority Repositioning Program, Inc., a California nonprofit public benefit corporation, its sole member and manager

\_\_\_\_\_  
James Shields, President

**LENDER:**  
**HOUSING AUTHORITY OF THE CITY OF SACRAMENTO**

By: \_\_\_\_\_  
LaShelle Dozier, Executive Director

Approved as to form:

\_\_\_\_\_  
Lender Counsel

## **Exhibit 1: Legal Description**

### **Legal Description of Oak Park - 4921 Folsom Boulevard, Sacramento, Ca 95819**

TRACT B:

SITE B: - 4921 Folsom Boulevard

The land described herein is situated in the State of California, County of Sacramento, City of Sacramento, described as follows:

All buildings and improvements situated on the following property, the buildings and improvements are and shall remain real property, pursuant to that certain Grant Deed dated To Be Recorded, recorded To Be Determined, as To Be Determined, of Official Records:

All that real property situate in the City of Sacramento, County of Sacramento, State of California, and being a portion of Lot 5, as said lot is shown and so designated on that certain Map entitled "Portion of Tullar Homestead Tract Owned by Philip Wolf, Jr., Sacramento California", filed in the office of the recorder of Sacramento County on June 7, 1898, in Book "A" of Surveys, Map No. 57, and a portion of the land Southerly of and adjacent to the South line of said Lot 5, more particularly described as follows:

Beginning at an iron pipe marking the Northwest corner of said lot 5, and the Southwest corner of Lot 7, as said lot is shown and so designated on that certain Map entitled "Love Tract", filed in the office of the recorder of Sacramento County on June 24, 1947, in Book 26 of Maps, Map No. 22; thence from said point of beginning, Easterly along the North line of Lot 5, South 70° 35' 00" East 119.33 feet to the West line of that certain parcel of land described in the Deed from Chester A. Moore, et ux, to Martine P. Cupich, et ux, filed in the office of the recorder of Sacramento County in Book 713 of Deeds, Page 522; thence, Southerly along said West line South 19° 53' 00" West 273.44 feet, more or less, to the South line of said Lot 5 and the Northeasterly line of Folsom Boulevard, a public road; thence, Northwesterly along the Northeasterly line of Folsom Boulevard North 63° 00' 00" West 39.28 feet to a point on the East line of that certain parcel of land described in the Deed from Chester A. Moore, et ux, to W.L. Young, et ux, filed in the office of the Recorder of Sacramento County in Book 56 of Official Records, Page 19, said point located South 63° 00' 00" East, along the Northeasterly line of Folsom Boulevard, 80.6 feet from the projected West line of Lot 5; thence continuing along the Northeasterly line of Folsom Boulevard, North 63° 00' 00" West 80.60 feet to a point on the Southerly projection of said Lot 5, located South 19° 35' 00" West 1.30 feet from the original Southwest corner of Lot 5; thence, North 19° 35' 00" East 1.30 feet to the Southwest corner of said Lot 5; thence, Northerly along the West line of Lot 5 North 19° 45' 10" East 256.31 feet to the point of beginning and described on that certain Certificate of Compliance for Lot Merger executed by the Department of Public Works and recorded January 25, 1995 as Book 950125, Page 1097, Official Records.

APN: 008-0341-044-0000

**Legal Description of Meadow Commons 1043 43rd Avenue, Sacramento, Ca 95822**

SITE A: 1043 43rd Avenue

The land described herein is situated in the State of California, County of Sacramento, City of Sacramento, described as follows:

Parcel No. 1:

All buildings and improvements situated on the following property, the buildings and improvements are and shall remain real property, pursuant to that certain Grant Deed dated To Be Recorded, recorded To Be Determined, as To Be Determined, of Official Records:

All that portion of Lot B of South Land Park Hills Unit No. 31; according to the official plat thereof, filed in the office of the Recorder of Sacramento County, California, on July 12, 1961, in Book 66 of Maps, Map No. 5, described as follows:

BEGINNING at the Southwest corner of said Lot B, thence from said point of beginning along the Westerly boundary of said Lot B the following three (3) courses and distances: (1) North 36° 16' 50" East 118.48 feet, (2) North 44° 12' 10" West 115.09 feet, and (3) North 51° 44' 50" East 165.17 feet; thence South 64° 06' 12" East 114.27 feet; thence South 13° 31' 16" West 305.00 feet to a point located on the Southerly boundary of said Lot B; thence along said Southerly boundary, Westerly, curving to the right on an arc of 390.19 feet radius, said arc being subtended by a chord bearing North 66° 20' 32" West 164.92 feet to the point of beginning.

Parcel No. 2:

All buildings and improvements situated on the following property, the buildings and improvements are and shall remain real property, pursuant to that certain Grant Deed dated To Be Recorded, recorded To Be Determined, as To Be Determined, of Official Records:

All that portion of 43rd Avenue and Lot C, of South Land Park Hills Unit No. 31; according to the official plat thereof, filed in the office of the Recorder of Sacramento County, California, on July 12, 1961, in Book 66 of Maps, Map No. 5, described as follows:

BEGINNING at the most Southerly corner of Lot 16 as said Lot is shown on the official plat of said South Land Park Hills Unit No. 31; thence from said point of beginning along the Southerly boundary of Lot B as said Lot is shown and so designated on the official plat of said South Land Park Hills Unit No. 31, Southerly, curving to the left on an arc of 390.19 feet radius, said arc being subtended by a chord bearing South 66° 20' 32" East 164.92 feet; thence South 13° 31' 16" West 73.56 feet; thence Westerly, curving to the right on an arc of 900.00 feet radius, said arc being subtended by a chord bearing South 79° 10' 15" West 51.82 feet; thence curving to the right on an arc of 20.00 feet radius, said arc being subtended by a chord bearing North 51° 51' 17" West 29.41 feet; thence curving to the left on an arc of 200.00 feet radius, said arc being subtended by a chord bearing North 25° 17' 43" West 141.81 feet; thence North 36° 16' 50" East 1.30 feet to the point of beginning.

APN: 029-0184-017-0000

Parcel No. 3:

All buildings and improvements situated on the following property, the buildings and improvements are and shall remain real property, pursuant to that certain Grant Deed dated To Be Recorded, recorded To Be Determined, as To Be Determined, of Official Records:

Lots 16 and 17, as shown on the official plat of South Land Park Hills Unit No. 31, according to the official plat thereof, filed in the office of the Recorder of Sacramento County, California, on July 12, 1961, in Book 66 of Maps, Map No. 5.

APN: 029-0184-001-0000 and 029-0184-002-0000

## **Exhibit 2: Scope of Development**

### **Scope of Development: Oak Park, 4921 Folsom Blvd, Sacramento (10 units)**

<b>Item</b>	<b>Description</b>
1	<b>Mitigation Requirement #1:</b> During renovation of the apartment interiors, install Land Science's Retro-Coat™ Vapor Intrusion Coating System on the existing building slabs to help prevent further vapor intrusion.
2	<b>Mitigation Requirement #2:</b> Monitoring of VOCs in sub-slab vapor and indoor air of the site buildings is required following renovation. One monitoring event in the summer (i.e., during hotter temperatures) and one in the late winter to early spring (i.e., during cooler temperatures) is required to evaluate potential seasonal and temporal variation in vapor intrusion. Monitoring results shall be provided to the SHRA's Environmental Coordinator.
3	Seal and Stripe Parking Lots
4	Pedestrian pavement, sidewalk, concrete large 1,000 SF
5	Fence and gate refinish (wood) 500 SF
6	Replace interior and exterior light fixtures
7	Replace water heaters
8	Replace HVAC systems
9	Replace furnace (26 to 40 MBH gas)
10	New Hardware at all entry doors
11	Replace plumbing fixtures
12	Replace countertops at kitchen and baths
13	Replace shower/tub enclosure
14	Replace bath vanity cabinet, wood/cult marble
15	Replace sink (stainless steel)
16	Replace gas range
17	Replace range hood
18	Replace refrigerator 14-18 cf
19	Install new smoke detectors and CO (battery operated)
20	Load center 120/240 V 125 AMP single phase
21	New Interior and Exterior Paint
22	Replace windows (aluminum, dbl glazed)
23	Replace interior doors (hollow core)
24	Replace closet doors
25	Replace exterior door (steel)
26	New flooring to replace existing
27	New fire extinguishers
28	Correct ponding issues (allowance)
29	Final clean
30	Demolition
31	Site drainage will be addressed as needed
32	Replace all Kitchen Cabinets
33	Window Coverings
34	Dry Rot Repair
35	Flooring Replacement (LVP)
36	ADA Unit Conversion (1)
37	Unit accessories (towel bars, tp holder, etc.)
38	Unit bath exhaust fans
39	Landscape and irrigation repair and improvements

**Add Alternatives (some items will be replaced as needed/discovered and contingent on budget availability):**

1. Unit subfloor repair (to be done as necessary)
2. Unit entry light fixture replacement
3. Stucco patching (to be done as necessary)
4. Signage replacement
5. ADA Trash Enclosure modification and repairs
6. Attic Access Hatches



7. Dishwashers
8. New dedicated circuits for dishwashers
9. Catch basin clean out
10. Scope storm drains and repair where damaged
11. Garbage disposals
12. New dedicated circuits for garbage disposals
13. BBQ
14. Picnic Tables
15. Unit bath exhaust fans

**Scope of Development: Meadow Commons, 1043 43rd Avenue, Sacramento (28 units)**

Item	Description
1	Repair/replace exterior siding as needed
2	New hardware at all entry doors
3	Replace screen doors
4	Replace interior doors (wood hollow core)
5	Replace interior doors (sliding closet)
6	Replace windows (sliding glass prev. repl)
7	New interior and exterior paint
8	Install new vinyl plank flooring
9	Replace water heaters
10	Replace HVAC (packaged unit RTU, up to 2 ton)
11	Replace interior and exterior light fixtures
12	Replace kitchen ranges and hoods
13	Replace kitchen sinks (stainless steel)
14	Replace refrigerators (14-18 CF)
15	Replace plumbing fixtures
16	Replace shower surrounds
17	Toilet tank replacement
18	Sink replacement (vitreous china) bathroom
19	All cabinets and countertops being replaced
20	Replace bathroom exhaust fans
21	Install new smoke/CO detectors (Battery operated)
22	GFCI replacement (56)
23	Remove nurse call pull cords and patch holes
24	ADA Visual Bell and Strobe
25	ADA Kitchen, Sink and Counter Full Reconfig/Renovate
26	Upgrade community room - ADA Kitchen/Bath
27	Community room flooring - LVP
28	Community room cabinet replacement
29	Community room exterior paint
30	Community Room - Exterior wall shingle replacement
31	Community Room - Double glazed aluminum windows (10)
32	Community Room - interior door replacement
33	Community Room - interior ceiling paint and prep
34	Community Room - toilet replacement
35	Community Room - sink replacement (vitreous china)
36	Community Room - service sink (porcelain enamel/cast iron)
37	Community Room - Drinking Fountain replacement

38	Community Room - water heater replacement (50 gal electric)
39	Community Room - Condensing unit/Heat Pump split unit 4 ton
40	Community Room - ceiling exhaust fan replacement 70-110 CFM
41	Community Room - Fan Coil Unit 3.5-5 ton
42	Community Room - Fire extinguisher replacement
43	Community Room - Lighting system upgrade (interior)
44	Community Room - Replace Range (Electric)
45	Community Room - Replace Range Hood
46	Community Room - Replace Refrigerator (14-18 cf)
47	Community Room - Replace countertop (stone)
48	Replace fencing as required
49	Repair concrete patios
50	Provide concrete path to extinguishers
51	Pedestrian Gate - Wrought Iron replacement
52	Pipe and Fittings, Cast Iron 4", replacement
53	Metal Halide or LED Pole and Light Fixture 250 W (10)
54	Parking lot - pressure wash and restripe
55	Pedestrian pavement, sidewalk - concrete replacement (1000 SF)
56	Irrigation Valve Replacement
57	Kitchen Cabinets will be replaced
58	Window Coverings
59	Unit Accessories (towel bar, shower rod, medicine cabinet, TP holder)
60	New dedicated circuits for range hoods
61	Allowance for landscape and irrigation repairs and improvements

**Add Alternatives (some items will be replaced as needed/discovered and contingent on budget availability)**

1. Closet systems
2. Community building main panel
3. Community building exterior light fixtures
4. Unit Subfloor repair (as needed/discovered)
5. Unit Security Screens
6. Signage
7. Pole light head fixtures (tall)
8. Pole light head fixtures (short)
9. Garbage disposal
10. New Dedicated circuit for garbage disposal
11. Rooftop HVAC platforms

**Attachment 1: SHRA’s Minimum Construction Standards exhibit is on the following page.**

## **Attachment 1: SHRA's Minimum Construction Standards**

This attachment is from Exhibit 5 from the SHRA's Multifamily Lending Policies adopted in 2009.

### **RENTAL PROPERTY MINIMUM CONSTRUCTION STANDARDS**

The following is a list of the required construction standards that must be incorporated into projects participating in the Agency's investor assistance programs. All rental units and sites associated with these projects must meet or exceed these standards.

#### **General Requirements**

1. Any component of the project which does or may present a health or safety hazard to the public or tenants shall be corrected to the satisfaction of the local building department.
2. A useful life of 15 years for all systems located within the approved complex. This can be met in one of two ways, installing and maintaining systems with at least a 15-year scheduled life or install, maintain and replace as needed for a period of 15 years.

Any component of a rehabilitation project whose useful life expectancy has exceeded the useful life identified in the section, "Useful Life Expectancy," shall be replaced unless waived by the Agency in writing. It is not the intent of the Agency to replace systems that appear to have some economic life remaining and appear to be maintained and functioning effectively. It is the intent of the Agency to be assured that systems will be maintained and replaced as needed for a period of 15 years. The preferred method is by replacement and maintenance at the outset of the project; and by setting aside replacement reserves sufficient to address the needs based on current and projected conditions.

3. A clear pest inspection report will be required at the conclusion of the construction work.
4. All materials funded under this loan must be new unless previously approved. Recycled items must be approved in writing by the Agency prior to their use.
5. All work shall comply with Federal and State ADA accessibility requirements. When there are differences the stricter of the two shall apply. Special attention needs to be applied when federal funding is involved.
6. For all structures built before 1979, a report of compliance with the initial certified inspection report of lead-based paint and asbestos is required.
7. All units shall be approved for occupancy by the local building department at the conclusion of the work and prior to occupancy, if applicable.
8. Web-based security cameras and the equipment to record events are required for primary ingress/egress points to and from the site and for the principal parking and common areas.
9. Site lighting is required for all parking and outside public spaces.

#### **Site Work**

1. All landscaping and irrigation systems must be in a well-maintained condition. Trees and large shrubs must be trimmed, grass areas must be mowed, and all planter areas must be weed-free. All landscaped areas must be served by a programmable automated irrigation system. Irrigation cannot be spraying on building. Sprinklers should minimize overspray that runs to storm drain drop inlets. Areas that show evidence of erosion of soil shall be landscaped to eliminate problem.
2. All fencing must be in good and serviceable condition.
3. All driveways and sidewalks must be in good condition. All cracked or uplifted areas (more than ¼") determined in need of repair by the Agency shall be repaired or replaced.
4. All projects shall meet the parking requirements of the local Agency having jurisdiction over the project. "Grandfathered Projects" will need to show that they are in fact "Grandfathered" by the Local Agency having jurisdiction. All projects shall meet the governing ADA requirements for parking.

5. A two percent (2%) slope shall be maintained for a distance of five feet from all structures and no standing water shall remain on the site. Provide an on- site drainage system if necessary.

#### **Building Envelope and Moisture Protection**

1. All wet areas must be sealed and watertight.
2. Roofs must have 15 years or more of remaining life with no visible signs of leakage. A third layer of shingles is not allowed. Provide a 15 year certification if requested by the Agency.
- C. All siding must have 15 years or more of remaining life. Provide a 15 year certification if requested by the Agency.

#### **Doors and Windows**

1. All units must have screens on all windows that are designed to open. Windows designed to open must have functional locks and must operate freely without excessive effort. All windows must at least be low e, double pane energy efficient.
2. All doors and doorjambes must be in good condition. No damaged or worn doorjambes or doors are allowed.
3. All exterior doors must have deadbolt locks, keyed latch assemblies, viewers, and 2-inch screws in strike plates.
4. All sliding exterior doors shall have screen doors and shall have functional locks and must operate freely without excessive effort.
5. All doors and windows must meet current egress standards.

#### **Casework**

1. All cabinets shall be in very good condition both structurally and in appearance.
2. All counter tops shall be in very good condition with no significant imperfections, scratches, burns, or other imperfections.

#### **Finishes**

1. Floor coverings must be in good, useable condition - no holes, tears, rips, or stains.
2. All kitchens and bathrooms must be floored in sheet goods or tile to provide a cleanable, impervious surface.
3. All exterior and interior surfaces must be painted. No peeling, cracking, chipping, or otherwise failing paint will be allowed. All painted surfaces must be new, or in near new condition and appearance.

#### **Equipment**

1. All appliances must be new or in very good operating condition. All new appliances must be energy star.
2. Dishwashers are required in all non- permanent supportive housing, disabled, SRO, and homeless projects unless a waiver has been granted by the Executive Director. Permanente supportive, disabled, and homeless projects will be encouraged to provide dishwashers in each unit but will be reviewed and approved on a case-by case basis.
3. All kitchens must have adequate cabinet and counter space.

#### **Furnishings**

1. All units must have window coverings on all windows.

#### **Special Construction**

1. Non-habitable structures on property must be painted to match primary buildings and must be structurally sound.
2. Laundry facilities must be provided on the basis of one washer and dryer for every ten units, consistent with CTCAC requirements. If the project is more than 20 units, then 1 set of ADA accessible laundry machines

must be provided.

3. Laundry facilities must be provided on the basis of one washer dryer for every ten units, consistent with the TCAC requirements. If a project is more than 20 units, then 1 set of ADA accessible laundry machines must be provided
4. Public pools will have a self-closing gate. Fence and gate shall meet applicable current codes and standards. Joints between coping and concrete deck shall be appropriately caulked.
5. In the case of new construction or substantial upgrade to existing pool, a handicap chair lift is the minimum requirement. The pool will meet applicable standards and codes.

### **Mechanical/Plumbing**

1. Water heaters must be in enclosures in all habitable rooms and must be insulated and have earthquake strapping and pressure relief valves with lines that terminate to the exterior.
2. All units must have heating and air conditioning. Wall mount or central systems are acceptable. Evaporated coolers are not acceptable.
3. All plumbing fixtures shall be new or in very good working condition.
4. All toilets, sinks, and tubs shall be chip and stain free.

### **Electrical**

1. All new electrical panels must be of the breaker type. Fused disconnects must be approved by the Agency.
2. All units must have at least one hard-wired smoke detector per bedroom corridor and a minimum of one battery-operated smoke detector per bedroom.
3. All bathrooms must have at least one GFCI protected outlet, and tub surrounds must be a minimum of 1/8" laminated plastic.
4. Kitchens must have all GFCI protected outlets within 6 feet of the sink.

### **Resident Services Community Space**

All properties, regardless of project type (i.e. senior, family, or large family), must devote space to actual resident services in the following minimum amounts:

Less than 100 units:	12 s.f. per unit (but no less than 400 s.f. in total)
100 units and over:	1,200 s.f.

Resident services space includes common kitchens, computer rooms, meeting rooms and general gathering space. It does not include public restrooms, leasing offices, laundry facilities and lobbies.

### **Useful Life Expectancy**

A useful life expectancy list has been established and is available upon request to benchmark the lives of certain components on a multifamily site.

### **End of Scope of Development**

**Exhibit 3.1: Capital Funds Note Form**

**PROMISSORY NOTE  
(CAPITAL FUNDS)  
RAD 1**

City of Sacramento

4921 FOLSOM BOULEVARD, SACRAMENTO, CA 95819 (APN 008-0341-044-0000)

1043 43RD AVENUE, SACRAMENTO, CA 95822 (APN 029-0184-017-0000, 029-0184-001-0000 AND 029-0184-002-0000)

**CONSTRUCTION AND PERMANENT LOAN AGREEMENT**

**BORROWER HAS MADE THIS PROMISSORY NOTE (“NOTE”) AS OF THE EFFECTIVE DATE.** The Lender is making the Loan pursuant to the terms and conditions of the Loan Agreement, this Note and the Cash Proceeds Note. This Note includes all attachments and Exhibits listed below, which are attached to and incorporated in this Note by this reference. The capitalized terms in this Note shall have the meanings assigned in the following table of definitions and as defined in the body of the Note. (Terms being defined are indicated by quotation marks. If an item in the table is marked “None, Not Applicable, N/A or equivalent or is left blank, that defined term is not applicable to this Note or the referenced item is not required or is not included in this Note as the context may indicate.) The Lender is making the Loan to Borrower in consideration of Borrower making this Note and the Cash Proceeds Note and delivering both to Lender.

For purposes of this Note, the following terms shall have the following meanings:

<b>DEFINED TERM:</b>	<b>DEFINITION:</b>	
“Effective Date”	_____, 2020	
“Lender”	Housing Authority of the City of Sacramento	
“Borrower”	RAD Pilot LP	
“Borrower Legal Status”	A California limited partnership	
“Loan Agreement”	The Construction and Permanent Loan Agreement by and between the Borrower and Lender as of the Effective Date for making of the loan (“Loan”) evidenced by this Note and that certain promissory note of even date herewith evidencing the loan made by Lender to Borrower in the approximate amount of Five Hundred Eighty-Nine Thousand Four Hundred Eleven Dollars and No Cents (\$589,411.00) from the sale of the Improvements (the “Cash Proceeds Note”).	
“Principal Amount”	One Million Nine Hundred Eighty-Three Thousand Three Hundred Seventy-One Dollars and No Cents (\$1,983,371.00)	
“Interest Rate”	Three percent (3%) annually, simple interest	
“Accrual Date”	Interest shall accrue starting on the following “Accrual Date”:	Date of ownership transfer to Borrower.
“Special Terms”	Residual receipt loan with payments as based on the formula provided below in Payment Amount(s).	
<b>PAYMENT SCHEDULE.</b> Repayment of this Note shall be made the following amounts:		
“Maturity Date”	The first day of the 684 <sup>th</sup> calendar month following the Effective Date: February 1, 2077.	
“Payment Start Date”	Commencing on the first day of the 40th month following the Effective Date of this Loan Agreement, May 1, 2023, annual payments of interest and principal shall be due in arrears subject to review of annual audited financial statement as described below in Payment Amount(s).	

<p>“Payment Amount(s)”</p>	<p><b>ANNUAL REPAYMENT:</b> Annual principal and interest payments shall be deferred from the Loan’s Effective Date through the first 39 months. Beginning in month 40, May 1, 2023, annual payments will be made on a Residual Receipts, as defined below, basis until the maturity date. Annual payments shall be applied first to outstanding interest accrued and unpaid and then to principal.</p> <p>“Residual Receipts” is defined as follows: May 1, 2023, annual installments (as described in Sections [f] through [l] of this paragraph) are to begin. Based on the annual audited financial statement from the preceding year, payments will be made upon a “Residual Cash Flow” basis meaning Net Operating Income (NOI) less:</p> <ul style="list-style-type: none"> <li>(a) Debt service on the senior loan</li> <li>(b) Monitoring fees to the County of Sacramento Housing Authority on the mortgage revenue bond issuance;</li> <li>(c) If applicable, to the limited partner for any amounts owed to the limited partner to the Partnership pursuant to the Borrower’s Amended and Restated Partnership Agreement;</li> <li>(d) Asset management fees up to \$8,000 annually as of the Loan’s Effective Date escalating at 3% annually;</li> <li>(e) Partnership management fee up to \$8,000 annually as of the Loan’s Effective Date escalating at 3% annually;</li> <li>(f) Deferred developer fee;</li> </ul> <p>After Sections (a) through (f) of this paragraph are paid,</p> <ul style="list-style-type: none"> <li>(g) Fifty percent (50%) of the available cash flow from NOI to the Housing Authority of the City of Sacramento Construction and Permanent Loan, divided equally first to the Capital Funds Note, then to Cash Proceeds Note, including principal and interest, and</li> <li>(h) Fifty percent (50%) of the available cash flow from NOI to the Housing Authority of the County of Sacramento Construction and Permanent Loan, divided equally first to the Capital Funds Note, then to Cash Proceeds Note, including principal and interest;</li> </ul> <p>After Sections (a) through (h) of this paragraph are paid,</p> <ul style="list-style-type: none"> <li>(i) Fifty percent (50%) of the available cash flow from NOI to the Housing Authority of the County of Sacramento Seller Carryback Loan (Improvements), and</li> <li>(j) Fifty percent (50%) of the available cash flow from NOI to the Housing Authority of the City of Sacramento Seller Carryback Loan (Improvements);</li> </ul> <p>After Sections (a) through (j) of this paragraph are paid,</p> <ul style="list-style-type: none"> <li>(k) One hundred percent (100%) of the available cash flow from NOI to Sacramento Housing and Redevelopment Agency Construction and Permanent Loan;</li> </ul> <p>After Sections (a) through (k) of this paragraph are paid,</p> <ul style="list-style-type: none"> <li>(l) Fifty percent (50%) of the available cash flow from NOI to the Housing Authority of the County of Sacramento Ground Lease, and</li> <li>(m) Fifty percent (50%) of the available cash flow from NOI to the Housing Authority of the City of Sacramento Ground Lease.</li> </ul> <p>The Net Operating Income is defined as periodic “Revenue” less “Operating Expenses.” “Revenue” means all revenue from the leasing of the Project, including but not limited to all rents, fees, and charges paid by tenants as well as rental subsidy payments regardless of the source of these subsidies, forfeited tenant deposits, rent increases, proceeds from vending machines and laundry room machines. Revenue shall not include tenants’ security deposits (unless forfeited), interest on those deposits, loan proceeds, capital contributions or similar advances, or amounts released from reserves or interest on reserves.</p> <p>“Operating Expenses” shall mean actual costs, fees and expenses as evidenced by invoices attributable to the operation, recordkeeping, maintenance, taxes and management of the Project, including property management fees; taxes and assessments; payroll, benefits and payroll taxes of for property employees; insurance; security; painting, cleaning, repairs, and alterations; landscaping; sewer charges; utility charges; advertising, promotion and publicity; cable television, satellite and other similar services; office, janitorial, cleaning and building supplies; recreational amenities and supplies; purchase, repair, servicing and installation of appliances; costs and expenses associated with the provision of social and/or community services to the residents of the Project; equipment, fixtures and furnishing; fire alarm and elevator monitoring; fees and expenses of accountants, attorneys, consultants and other professionals. The definition will include deposits into operating and/or replacement reserves maintained by the Borrower but will not include initial deposits to capitalize the reserve accounts or amounts expended from a reserve account, or capital costs.</p> <p>Principal and interest due in full upon refinance, sale or end of Term.</p>
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	The first day of the 684th calendar month following the Effective Date: February 1, 2077.	Principal and accrued interest due in full
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**FOR VALUE RECEIVED, THE UNDERSIGNED, JOINTLY AND SEVERALLY, PROMISES TO PAY** to Lender, or its successors or assigns, the Principal Amount or such lesser amount as may be endorsed on this Note on behalf of Lender. The Loan shall bear interest on the outstanding principal balance, computed from the Accrual Date at the Interest Rate.

1. This Note evidences the obligation of Borrower to Lender for repayment of funds loaned to Borrower under a loan agreement between Borrower and Lender dated as of the Effective Date ("Loan Agreement"). The terms and covenants of the Loan Agreement are incorporated in this Note by reference. The Loan Agreement provides for and incorporates the RAD Use Agreement ("RAD Use Agreement"), the making of which is further consideration for this Note.

2. All payments on this Note shall be applied first to fees and charges due under the Loan Agreement, if any, then interest and then to the principal due on this Note. Borrower shall make the payments to the Lender at 801 12<sup>th</sup> Street, Sacramento, CA 95814, or to such other person or organization as may be designated by Lender to Borrower and noticed as provided in the Loan Agreement.

3. If any installment under this Note is not received by Lender within fifteen (15) calendar days after the installment is due, Borrower shall pay to Lender a late charge of five percent (5%) of such installment. Such late charge shall be immediately due and payable without demand by Lender.

4. This Note is secured by a Deed of Trust with Assignment of Rents against the real property described in the Loan Agreement ("Property"), recorded in the office of the County Recorder of Sacramento County ("Trust Deed"). The Trust Deed securing this Note provides that Lender may at its option, declare all funds secured by the Trust Deed immediately due and payable, if any interest in the real property is sold, transferred or conveyed to any person, whether voluntarily or involuntarily. The Trust Deed further provides that if Borrower does not comply with the requirements of the RAD Use Agreement and fails to come into compliance with the RAD Use Agreement within thirty (30) days after Lender's written notice to Borrower of such failure, then, subject to any rights of Borrower's limited partners explicitly set forth in the Trust Deed, (or such longer period explicitly set forth in the Trust Deed), Lender may at its option, declare all funds secured by the Trust Deed immediately due and payable.

5. Lender and Borrower shall comply with and fulfill the Special Terms.

6. 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 Interest Rate from the date of the advancement of the Loan's proceeds, subject to applicable cure periods, set forth herein or in the Loan Agreement or Trust Deed if any:

- a. Borrower defaults in the payment of any principal or interest when due and fails to cure within 10 (ten) days.
- b. Lender discovers that Borrower, in any application to Lender in connection with the Loan, had failed to disclose or misrepresented any fact that would have prevented Borrower from being eligible for the Loan.
- c. Lender discovers that Borrower has made any misrepresentations or has intentionally withheld any fact in the making of this Loan, the knowledge of which could have affected the decision of Lender to make the Loan.
- d. Borrower defaults or breaches any of the terms of Loan Agreement, the Trust Deed, the RAD Use Agreement or this Note and Borrower fails to cure within 30 days after receipt of notice, provided, however, that if such cure cannot reasonably be effected within such 30 day period, such failure shall not be a default so long as Borrower promptly (and in any event, within ten (10) days after receipt of such notice) commences such cure and thereafter diligently (and in any event, within ninety (90) days after receipt of such notice) prosecutes such cure to completion.. Any limited partner of Borrower is entitled to the notice and cure provisions set forth in Section 16 of the Trust Deed.
- e. Borrower fails to perform any covenant, term or condition in any instrument creating a lien upon the Property, which is the security under the Trust Deed, or any part thereof, which lien shall have priority over the lien of the Trust Deed securing this Note.
- f. The sale, transfer of title, conveyance or further encumbrance of the Property, whether by sale, exchange, gift, inheritance or other means, without prior written consent of Lender.
- g. The occurrence of any of the following:



1) Borrower becoming insolvent or bankrupt or being unable or admitting, in writing, Borrower's inability to pay debts as they mature or making a general assignment of or entering into any restructure payment arrangement with creditors.

2) Proceedings for the appointment of a receiver, trustee or liquidator of the assets of Borrower or a substantial part of such assets, being authorized or instituted by or against the Borrower which are not stayed within 90 days.

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 which are not stayed within 90 days.

7. Any limited partner of Borrower is entitled to the notice and cure provisions set forth in Section 16 of the Trust Deed.

8. 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.

9. Borrower may prepay this Note in full or in part at any time, without any prepayment penalty being charged by Lender.

10. During the existence of default or delinquency under the terms of this Note or the Trust Deed, the Lender is expressly authorized to apply all payments made on this Note to the payment of all or part of the delinquency, as it may elect.

11. This Loan is a non-recourse 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.

12. Borrower shall pay to Lender all costs of enforcement of all or any portion of this Note and the Trust Deed, including attorney's fees, witness fees, investigator fees and court costs, incurred by Lender, whether or not litigation is commenced.

**IN WITNESS WHEREOF**, Borrower has executed this Note as of the Effective Date.

**Borrower:**  
**RAD PILOT LP, A CALIFORNIA LIMITED PARTNERSHIP**

By: RAD Pilot LLC, a California limited liability company,  
its managing general partner

By: Sacramento Housing Authority Repositioning Program, Inc.,  
a California nonprofit public benefit corporation, its sole member and manager

\_\_\_\_\_  
James Shields, President

**Exhibit 3.2: Cash Proceeds Note Form**

**PROMISSORY NOTE  
(CASH PROCEEDS)  
RAD 1**

**City of Sacramento**

**4921 FOLSOM BOULEVARD, SACRAMENTO, CA 95819 (APN 008-0341-044-0000)**

**1043 43RD AVENUE, SACRAMENTO, CA 95822 (APN 029-0184-017-0000, 029-0184-001-0000 AND 029-0184-002-0000)**

**CONSTRUCTION AND PERMANENT LOAN AGREEMENT**

**BORROWER HAS MADE THIS PROMISSORY NOTE (“NOTE”) AS OF THE EFFECTIVE DATE.** The Lender is making the Loan pursuant to the terms and conditions of the Loan Agreement, this Note, and the Capital Funds Note. This Note includes all attachments and Exhibits listed below, which are attached to and incorporated in this Note by this reference. The capitalized terms in this Note shall have the meanings assigned in the following table of definitions and as defined in the body of the Note. (Terms being defined are indicated by quotation marks. If an item in the table is marked “None, Not Applicable, N/A or equivalent or is left blank, that defined term is not applicable to this Note or the referenced item is not required or is not included in this Note as the context may indicate.) The Lender is making the Loan to Borrower in consideration of Borrower making this Note and the Capital Funds Note and delivering both to Lender.

For purposes of this Note, the following terms shall have the following meanings:

<b>DEFINED TERM:</b>	<b>DEFINITION:</b>	
“Effective Date”	_____ __, 2020	
“Lender”	Housing Authority of the City of Sacramento	
“Borrower”	RAD Pilot LP	
“Borrower Legal Status”	A California limited partnership	
“Loan Agreement”	The Construction and Permanent Loan Agreement by and between the Borrower and Lender as of the Effective Date for making of the loan (“Loan”) evidenced by this Note and that certain promissory note of even date herewith evidencing the loan of public housing capital funds in the approximate amount of One Million Nine Hundred Eighty-Three Thousand Three Hundred Seventy-One Dollars and No Cents (\$1,983,371.00) (the “Capital Funds Note”).	
“Principal Amount”	Five Hundred Eighty-Nine Thousand Four Hundred Eleven Dollars and No Cents (\$589,411.00)	
“Interest Rate”	Three percent (3%) annually, simple interest	
“Accrual Date”	Interest shall accrue starting on the following “Accrual Date”:	Date of ownership transfer to Borrower.
“Special Terms”	Residual receipt loan with payments as based on the formula provided below in Payment Amount(s).	
<b>PAYMENT SCHEDULE.</b> Repayment of this Note shall be made the following amounts:		
“Maturity Date”	The first day of the 684 <sup>th</sup> calendar month following the Effective Date: February 1, 2077.	
“Payment Start Date”	Commencing on the first day of the 40th month following the Effective Date of this Loan Agreement, May 1, 2023, annual payments of interest and principal shall be due in arrears subject to review of annual audited financial statement as described below in Payment Amount(s).	

<p>“Payment Amount(s)”</p>	<p><b>ANNUAL REPAYMENT:</b> Annual principal and interest payments shall be deferred from the Loan’s Effective Date through the first 39 months. Beginning in month 40, May 1, 2023, annual payments will be made on a Residual Receipts, as defined below, basis until the maturity date. Annual payments shall be applied first to outstanding interest accrued and unpaid and then to principal.</p> <p>“Residual Receipts” is defined as follows: May 1, 2023, annual installments (as described in Sections [f] through [l] of this paragraph) are to begin. Based on the annual audited financial statement from the preceding year, payments will be made upon a “Residual Cash Flow” basis meaning Net Operating Income (NOI) less:</p> <ul style="list-style-type: none"> <li>(a) Debt service on the senior loan</li> <li>(b) Monitoring fees to the County of Sacramento Housing Authority on the mortgage revenue bond issuance;</li> <li>(c) If applicable, to the limited partner for any amounts owed to the limited partner to the Partnership pursuant to the Borrower’s Amended and Restated Partnership Agreement;</li> <li>(d) Asset management fees up to \$8,000 annually as of the Loan’s Effective Date escalating at 3% annually;</li> <li>(e) Partnership management fee up to \$8,000 annually as of the Loan’s Effective Date escalating at 3% annually;</li> <li>(f) Deferred developer fee;</li> </ul> <p>After Sections (a) through (f) of this paragraph are paid,</p> <ul style="list-style-type: none"> <li>(g) Fifty percent (50%) of the available cash flow from NOI to the Housing Authority of the City of Sacramento Construction and Permanent Loan, divided equally first to the Capital Funds Note, then to Cash Proceeds Note, including principal and interest, and</li> <li>(h) Fifty percent (50%) of the available cash flow from NOI to the Housing Authority of the County of Sacramento Construction and Permanent Loan, divided equally first to the Capital Funds Note, then to Cash Proceeds Note, including principal and interest;</li> </ul> <p>After Sections (a) through (h) of this paragraph are paid,</p> <ul style="list-style-type: none"> <li>(i) Fifty percent (50%) of the available cash flow from NOI to the Housing Authority of the County of Sacramento Seller Carryback Loan (Improvements), and</li> <li>(j) Fifty percent (50%) of the available cash flow from NOI to the Housing Authority of the City of Sacramento Seller Carryback Loan (Improvements);</li> </ul> <p>After Sections (a) through (j) of this paragraph are paid,</p> <ul style="list-style-type: none"> <li>(k) Fifty percent (50%) of the available cash flow from NOI to the Housing Authority of the County of Sacramento Ground Lease, and</li> <li>(l) Fifty percent (50%) of the available cash flow from NOI to the Housing Authority of the City of Sacramento Ground Lease.</li> </ul> <p>The Net Operating Income is defined as periodic “Revenue” less “Operating Expenses.” “Revenue” means all revenue from the leasing of the Project, including but not limited to all rents, fees, and charges paid by tenants as well as rental subsidy payments regardless of the source of these subsidies, forfeited tenant deposits, rent increases, proceeds from vending machines and laundry room machines. Revenue shall not include tenants’ security deposits (unless forfeited), interest on those deposits, loan proceeds, capital contributions or similar advances, or amounts released from reserves or interest on reserves.</p> <p>“Operating Expenses” shall mean actual costs, fees and expenses as evidenced by invoices attributable to the operation, recordkeeping, maintenance, taxes and management of the Project, including property management fees; taxes and assessments; payroll, benefits and payroll taxes of for property employees; insurance; security; painting, cleaning, repairs, and alterations; landscaping; sewer charges; utility charges; advertising, promotion and publicity; cable television, satellite and other similar services; office, janitorial, cleaning and building supplies; recreational amenities and supplies; purchase, repair, servicing and installation of appliances; costs and expenses associated with the provision of social and/or community services to the residents of the Project; equipment, fixtures and furnishing; fire alarm and elevator monitoring; fees and expenses of accountants, attorneys, consultants and other professionals. The definition will include deposits into operating and/or replacement reserves maintained by the Borrower but will not include initial deposits to capitalize the reserve accounts or amounts expended from a reserve account, or capital costs.</p> <p>Principal and interest due in full upon refinance, sale or end of Term.</p>
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**FOR VALUE RECEIVED, THE UNDERSIGNED, JOINTLY AND SEVERALLY, PROMISES TO PAY** to Lender, or its successors or assigns, the Principal Amount or such lesser amount as may be endorsed on this Note on behalf of Lender. The Loan shall bear interest on the outstanding principal balance, computed from the Accrual Date at the Interest Rate.

1. This Note evidences the obligation of Borrower to Lender for repayment of funds loaned to Borrower under a loan agreement between Borrower and Lender dated as of the Effective Date ("Loan Agreement"). The terms and covenants of the Loan Agreement are incorporated in this Note by reference. The Loan Agreement provides for and incorporates the RAD Use Agreement ("RAD Use Agreement"), the making of which is further consideration for this Note.

2. All payments on this Note shall be applied first to fees and charges due under the Loan Agreement, if any, then interest and then to the principal due on this Note. Borrower shall make the payments to the Lender at 801 12<sup>th</sup> Street, Sacramento, CA 95814, or to such other person or organization as may be designated by Lender to Borrower and noticed as provided in the Loan Agreement.

3. If any installment under this Note is not received by Lender within fifteen (15) calendar days after the installment is due, Borrower shall pay to Lender a late charge of five percent (5%) of such installment. Such late charge shall be immediately due and payable without demand by Lender.

4. This Note is secured by a Deed of Trust with Assignment of Rents against the real property described in the Loan Agreement ("Property"), recorded in the office of the County Recorder of Sacramento County ("Trust Deed"). The Trust Deed securing this Note provides that Lender may at its option, declare all funds secured by the Trust Deed immediately due and payable, if any interest in the real property is sold, transferred or conveyed to any person, whether voluntarily or involuntarily. The Trust Deed further provides that if Borrower does not comply with the requirements of the RAD Use Agreement and fails to come into compliance with the RAD Use Agreement within thirty (30) days after Lender's written notice to Borrower of such failure, then, subject to any rights of Borrower's limited partners explicitly set forth in the Trust Deed, (or such longer period explicitly set forth in the Trust Deed), Lender may at its option, declare all funds secured by the Trust Deed immediately due and payable.

5. Lender and Borrower shall comply with and fulfill the Special Terms.

6. 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 Interest Rate from the date of the advancement of the Loan's proceeds, subject to applicable cure periods, set forth herein or in the Loan Agreement or Trust Deed if any:

a. Borrower defaults in the payment of any principal or interest when due and fails to cure within 10 (ten) days.

b. Lender discovers that Borrower, in any application to Lender in connection with the Loan, had failed to disclose or misrepresented any fact that would have prevented Borrower from being eligible for the Loan.

c. Lender discovers that Borrower has made any misrepresentations or has intentionally withheld any fact in the making of this Loan, the knowledge of which could have affected the decision of Lender to make the Loan.

d. Borrower defaults or breaches any of the terms of Loan Agreement, the Trust Deed, the RAD Use Agreement or this Note and Borrower fails to cure within 30 days after receipt of notice, provided, however, that if such cure cannot reasonably be effected within such 30 day period, such failure shall not be a default so long as Borrower promptly (and in any event, within ten (10) days after receipt of such notice) commences such cure and thereafter diligently (and in any event, within ninety (90) days after receipt of such notice) prosecutes such cure to completion.. Any limited partner of Borrower is entitled to the notice and cure provisions set forth in Section 16 of the Trust Deed.

e. Borrower fails to perform any covenant, term or condition in any instrument creating a lien upon the Property, which is the security under the Trust Deed, or any part thereof, which lien shall have priority over the lien of the Trust Deed securing this Note.

f. The sale, transfer of title, conveyance or further encumbrance of the Property, whether by sale, exchange, gift, inheritance or other means, without prior written consent of Lender.

g. The occurrence of any of the following:

1) Borrower becoming insolvent or bankrupt or being unable or admitting, in writing, Borrower's inability to pay debts as they mature or making a general assignment of or entering into any restructure payment arrangement with creditors.

2) Proceedings for the appointment of a receiver, trustee or liquidator of the assets of Borrower or a substantial part of such assets, being authorized or instituted by or against the Borrower which are not stayed within 90 days.

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 which are not stayed within 90 days.

7. Any limited partner of Borrower is entitled to the notice and cure provisions set forth in Section 16 of the Trust Deed.

8. 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.

9. Borrower may prepay this Note in full or in part at any time, without any prepayment penalty being charged by Lender.

10. During the existence of default or delinquency under the terms of this Note or the Trust Deed, the Lender is expressly authorized to apply all payments made on this Note to the payment of all or part of the delinquency, as it may elect.

11. This Loan is a non-recourse 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.

12. Borrower shall pay to Lender all costs of enforcement of all or any portion of this Note and the Trust Deed, including attorney's fees, witness fees, investigator fees and court costs, incurred by Lender, whether or not litigation is commenced.

**IN WITNESS WHEREOF**, Borrower has executed this Note as of the Effective Date.

**Borrower:**

**RAD PILOT LP, A CALIFORNIA LIMITED PARTNERSHIP**

By: RAD Pilot LLC, a California limited liability company,  
its managing general partner

By: Sacramento Housing Authority Repositioning Program, Inc.,  
a California nonprofit public benefit corporation, its sole member and manager

\_\_\_\_\_  
James Shields, President

**Exhibit 4: Trust Deed Form**

NO FEE DOCUMENT:  
Entitled to free recording  
per Government Code 27383.

When recorded, return to: HOUSING AUTHORITY OF THE CITY OF SACRAMENTO  
801 12<sup>th</sup> Street  
Sacramento, CA 95814  
Attention: Portfolio Management

**DEED OF TRUST AND ASSIGNMENT OF RENTS  
CONSTRUCTION AND PERMANENT LOAN  
RAD 1  
CITY OF SACRAMENTO**

**4921 FOLSOM BOULEVARD, SACRAMENTO, CA 95819 (APN 008-0341-044-0000)  
1043 43RD AVENUE, SACRAMENTO, CA 95822 (APN 029-0184-017-0000, 029-0184-001-0000 AND 029-0184-002-0000)**

For purposes of this Deed of Trust the following capitalized terms shall have the meanings ascribed in the space adjacent to them:

“Effective Date”	_____, 2020	
“Trustor” and “Borrower”	RAD Pilot LP, a California limited partnership	
“Borrower Address”	c/o SHARP, 801 12 Street, Sacramento, California 95814	
“Trustee”	Placer Title Company, 2901 K Street, Suite 390, Sacramento, CA 95816	
“Beneficiary” and “Lender”	Housing Authority of the City of Sacramento, a public body, corporate and politic	
“Lender Address”	801 12th Street, Sacramento, California 95814	
“Property”	Which consists of the Improvements and leasehold estate in real property located in the City of Sacramento and the State of California as more particularly described in the Legal Description.	
	Address and Assessor’s Parcel Number (APN)	4921 Folsom Boulevard, Sacramento, California (APN 008-0341-044-0000)  1043 43rd Avenue, Sacramento, California (APN 029-0184-017-0000, 029-0184-001-0000 and 029-0184-002-0000)
“Legal Description”	The Legal Description of the Property which is more particularly described in the attached <b><u>Exhibit 1 Legal Description</u></b> , which is incorporated in and an integral part of this Deed of Trust.	
“Loan”	Which are Lender’s loans to Borrower evidenced by the Note and which is secured by this Deed of Trust.	
“Loan Agreement”	Which is the Construction and Permanent Agreement between Lender and Borrower stating the term and conditions of the Loan.	
	Which is dated:	_____, 2020

<p>“Additional Notices”</p>	<p>Lender shall give copies of notices required to be delivered to Borrower to the following parties at the following addresses; provided, however that Borrower acknowledges that such notice is an accommodation and the failure of the Lender to properly deliver any such notice shall not give rise to any claims or defenses of Borrower or any third party:</p>	
	<p>“Note”</p>	<p><b>TAX CREDIT EQUITY INVESTOR</b>  NEF Assignment Corporation  Attention: General Counsel  10 South Riverside Plaza, Suite 1700  Chicago, IL 60606</p> <p><b>CONSTRUCTION LENDER</b>  Wells Fargo Bank, National Association  Community Lending and Investment  333 Market Street, 17<sup>th</sup> Floor  MAC# A0119-177  San Francisco, California 94105  Attention: Loan Administration Officer  Loan No. 1019305</p> <p><b>PERMANENT LENDER</b>  Prudential Affordable Mortgage Company, LLC, or affiliate  C/O PRUDENTIAL ASSET RESOURCES  2100 ROSS AVENUE, SUITE 2500  DALLAS, TEXAS 75201  ATTN: ASSET MANAGEMENT DEPARTMENT  Agency-Notice@prudential.com</p> <p>With a copy to:</p> <p>Federal Home Loan Mortgage Corporation  8100 Jones Branch Drive, MS B4P  McLean, Virginia 22102  Attention: Multifamily Operations - Loan Accounting  Email: mfla@freddiemac.com  Telephone: (703) 714-4177</p> <p>with a copy to: Federal Home Loan Mortgage Corporation  8200 Jones Branch Drive, MS 210  McLean, Virginia 22102  Attention: Managing Associate General Counsel –  Multifamily Legal Division  Email: joshua_schonfeld@freddiemac.com  Telephone: (703) 903 2000</p> <p><b>FISCAL AGENT</b>  U.S. Bank Global Corporate Trust  Attention: RAD 1  1 California Street, Suite 1000  San Francisco, CA 94111</p>
<p>“Note”</p>	<p>Which collectively refers to Borrower's two promissory notes made in accordance with the Loan Agreement together evidencing the following principal sum or such lesser amount as shall equal the aggregate amount disbursed to Borrower by Lender, with interest.</p> <p>Which have a total principal sum of</p>	<p>Two Million Five Hundred Seventy-Two Thousand Seven Hundred Eighty-Two Dollars and No Cents (\$2,572,782.00) divided in the following manner:</p> <ul style="list-style-type: none"> <li>• \$1,983,371.00 HACS Capital Fund; and</li> <li>• \$589,411.00 Cash Proceeds from the sale of Improvements.</li> </ul>

THIS DEED OF TRUST is made as of the Effective Date between the Trustor also referenced as the Borrower, the Trustee, and the Beneficiary also referenced as Lender.

Borrower, in consideration of the indebtedness described below and the trust created by this Deed of Trust, irrevocably grants and conveys the Property to Trustee, in trust with power of sale.

Together with all the improvements now or subsequently erected on the property, and all easements, rights, appurtenances, rents (subject, however, to the rights and authorities given to Lender to collect and apply such rents), royalties, mineral, oil and gas rights and profits, water, water rights, and water stock, and all fixtures, including but not limited to all gas and electric fixtures, engines and machinery, radiators, heaters, furnaces, heating equipment, steam and hot water boilers, stoves, ranges, elevators and motors, bathtubs, sinks, water closets, basins, pipes, faucets and other plumbing and heating equipment, cabinets, mantels, refrigerating plant and refrigerators, whether mechanical or otherwise, cooking apparatus and appurtenances, furniture, shades, awnings, screens, venetian blinds and other furnishings, now or hereafter attached to the property, all of which, including replacements and additions thereto, shall be deemed to be and remain a part of the property covered by this Deed of Trust; and all of the foregoing, together with said property (or the leasehold estate if this Deed of Trust is on a leasehold) are referred to as the "Property";

To secure to Lender: (a) the repayment of the Loan; and (b) the performance of the covenants and agreements of Borrower contained in this Deed of Trust, the Note, or the Loan Agreement.

Borrower covenants that Borrower is lawfully seized of the estate conveyed by this Deed of Trust and has the right to grant and convey the Property, and that Borrower will warrant and defend generally the title of the Property against all claims and demands, subject to any declarations, easements or restrictions listed in a schedule of exceptions to coverage in any title insurance policy insuring Lender's interest in the Property.

Borrower and Lender covenant and agree as follows:

1. Payment of Principal and Interest. Borrower shall promptly pay when due the principal and interest, if any, on the indebtedness evidenced by the Note. All payments received by Lender under the Note shall be applied by Lender first to interest payable on the Note and thereafter to the unpaid principal of the Note.
2. Charges; Liens. Borrower shall pay all taxes, assessments and other charges, fines and impositions attributable to the Property and leasehold payments or ground rents, if any by Borrower making payment, when due, directly to the appropriate payee. Borrower shall promptly furnish to Lender all notices of amounts due under this paragraph, and in the event that Borrower makes payment directly, Borrower shall promptly furnish to Lender receipts evidencing such payments. Borrower shall pay when due any encumbrance, charge and lien, with interest in accordance with its terms, on the Property or any portion which is inferior or superior to this Deed of Trust. Provided, however, Borrower shall have the right to contest such amount in good faith provided that Borrower causes any such lien to be released from the Property by the posting of a bond or by other appropriate means.
3. Hazard Insurance. Borrower shall keep the improvements now existing or later erected on the Property insured against loss of fire or hazards under a policy approved by Lender consistent with the insurance requirements of the Loan Agreement. In addition, Borrower shall insure against loss of all furniture, equipment and other personal property owned by Borrower related to Borrower's operation of the Property. Lender shall have the right to hold the policies and policy renewals, and Borrower shall promptly furnish to Lender all renewal notices and all receipts of paid premiums. In the event of loss, Borrower shall give prompt notice to the insurance carrier and Lender. Lender may make proof of loss if not made promptly by Borrower.

Unless Lender and Borrower otherwise agree in writing, insurance proceeds shall be applied to restoration or repair of the Property damaged, as and to the extent provided in the Loan Agreement.

Unless Lender and Borrower otherwise agree in writing, any such application of insurance proceeds to principal shall not extend or postpone the due date of any Loan payment or change the amount of such payment. If the Property is acquired by Lender pursuant to this Deed of Trust, all right, title and interest of Borrower in and to any insurance policies and proceeds of such policies resulting from damage to the Property prior to the sale of acquisition shall pass to Lender to the extent of the sums secured by this Deed of Trust immediately prior to such sale or acquisition.



4. Liability Insurance. In addition to the casualty insurance required under the Loan Agreement during the course of construction, Borrower shall keep comprehensive general liability insurance for the Property in a form and coverage consistent with the provisions of the Loan Agreement and reasonably approved by Lender.
5. Preservation and Maintenance of Property. Borrower shall keep the Property in good repair and shall not commit waste or permit impairment, demolition, or deterioration of the Property.
6. Protection of Lender's Security. Borrower shall appear and defend any action or proceeding purporting to affect the security under this Deed of Trust or the rights of the Lender. If Borrower fails to perform the covenants and agreements contained in this Deed of Trust, or if any action or proceeding is commenced which materially affects Lender's interest in the Property, including, but not limited to, foreclosure, involuntary sale, eminent domain, insolvency, code enforcement, or arrangements or proceedings involving a bankrupt or decedant, then Lender may, upon notice to Borrower, make such appearances, disburse such sums and take such actions as are necessary to protect Lender's interest, including, but not limited to, disbursement of judgments, costs or reasonable attorney's fees and entry upon the Property to make repairs.

Any amounts disbursed by Lender pursuant to this Section 6, with interest, shall become additional indebtedness of Borrower secured by this Deed of Trust. Unless Borrower and Lender agree to other terms of payment, such amounts shall be payable upon notice from Lender to Borrower requesting payment, and shall bear interest from the date of disbursement at the highest rate permissible under applicable law. In any event, this Section shall be construed as a right and an option of Lender and shall not be construed to require Lender to incur any expense or take any action.

7. Inspection. Lender, by its designated representative, may make reasonable entries upon and inspections of the Property, provided that Lender shall give Borrower and any occupant of the Property reasonable prior notice of any such inspection.
8. Condemnation. The proceeds of any award or claim for damages, direct or consequential, in connection with any condemnation or other taking of all or any part of the Property, or for conveyance in lieu of condemnation, shall be applied as provided in the Loan Agreement.

If the Property is abandoned by Borrower, or if, after notice by Lender to Borrower that the condemnor offers to make an award or settle a claim for damages, Borrower fails to respond to Lender within 30 days after the date such notice is mailed, Lender is authorized to collect and apply the proceeds, at Lender's option, either to restoration or repair of the Property or to the sums secured by this Deed of Trust.

Unless Lender and Borrower otherwise agree in writing, any such application of proceeds to principal shall not extend or postpone the due date of any payment or change the amount of such payment.

9. Borrower Not Released. Extension of the time for payment of the sums secured by this Deed of Trust granted by Lender to Borrower or any successor in interest of Borrower shall not operate to release, in any manner, the liability of the original Borrower and Borrower's successors in interest. Lender shall not be required to commence proceedings against such successor or refuse to extend time payment by reason of any demand made by the original Borrower or Borrower's successors in interest.
10. Forbearance by Lender Not a Waiver. Any forbearance by Lender in exercising any right or remedy under this Deed of Trust, or otherwise afforded by applicable law, shall not be a waiver or preclude the exercise of any such right or remedy. The procurement of insurance or the payment of taxes or other liens or charges by Lender shall not be a waiver of Lender's right to accelerate the maturity of the indebtedness secured by this Deed of Trust.
11. Remedies Cumulative. All remedies provided in this Deed of Trust are distinct and cumulative to any other right or remedy under this Deed of Trust, the Note, the Loan Agreement or afforded by law or equity, and may be exercised concurrently, independently or successively.

12. Successors and Assigns Bound; Joint and Several Liability Captions. The covenants and agreements contained in this Deed of Trust shall bind, and the rights under this Deed of Trust shall inure to, the respective successors and assigns of Lender and Borrower, subject to the provisions of Section 15. All covenants and agreements of Borrower shall be joint and several. The captions and headings of the paragraphs of this Deed of Trust are for convenience only and are not to be used to interpret or to define its provisions.

13. Notice. Except for any notice required under applicable law to be given in another manner, any notice to be given under this Deed of Trust shall be given as provided for in the Loan Agreement. Any notice provided for in this Deed of Trust shall be deemed to have been given to Borrower or Lender when given in the manner designated.

14. Governing Law; Severability. This Deed of Trust shall be governed by the law of the State of California. If any term or provision of this Deed of Trust shall, to any extent, be held invalid or unenforceable, the remainder of this Deed of Trust shall remain in full force and effect and the invalid or unenforceable provision shall be valid and enforceable as to any other person or circumstance.

15. Acceleration on Transfer or Refinancing of the Property; Assumption. Except as otherwise provided in the Loan Agreement, if all or any part of the Property or an interest in the Property is sold or transferred or refinanced by Borrower without Lender's prior written consent, Lender may, at Lender's option, declare all the sums secured by this Deed of Trust to be immediately due and payable. Lender shall have waived such option to accelerate if, prior to the refinancing, sale or transfer, Lender and the person to whom the Property is to be sold or transferred reach agreement in writing that the loan may be assumed. If Lender has waived the option to accelerate provided in this Section and if Borrower's successor in interest has executed a written assumption agreement accepted in writing by Lender, Lender shall release Borrower from all obligations under this Deed of Trust and the Note. Lender's prior approval is not required for (1) the sale or transfer of the limited partner's interest to one or more of the other partners that currently comprise the Borrower's entity, (2) the admission of the limited partner or an affiliate of National Equity Fund, Inc. to the Borrower and the transfer of its interest to an affiliate thereof so long as the general partner, or managing member, of the transferor, or an affiliate thereof, is the general partner, or managing member of the transferee, or partner; however, Borrower is obligated to notify Lender within 30 days from the date of such sale or transfer, (3) the removal of the general partner of the Borrower by the limited partner for a default under Borrower's partnership agreement, provided that any replacement general partner is approved by Lender, which approval shall not be unreasonably withheld, conditioned or delayed.

If Lender exercises such option to accelerate, Lender shall mail Borrower notice of acceleration. Such notice shall provide a period of not less than 30 days from the date the notice is mailed within which Borrower, or any of its principals or anyone with a substantial legal interest in Borrower, may pay the sums declared due. If Borrower fails to pay such sums prior to the expiration of such period, Lender may, without further notice or demand on Borrower, invoke any remedies permitted by this Deed of Trust.

16. Acceleration on Breach; Remedies. Except as provided in Section 15, upon Borrower's breach of any covenant or agreement of Borrower in this Deed of Trust, the Note, (including the covenants to pay when due any sums secured by this Deed of Trust and restricting transfer of the Property) or Loan Agreement, Lender shall mail notice to Borrower and the limited partner specifying: (1) the breach; (2) the action required to cure such breach; (3) a date, no less than 30 days from the date the notice is mailed to Borrower, and the limited partner by which breach must be cured; and (4) that failure to cure such breach on or before the date specified in the notice may result in acceleration of the sums secured by this Deed of Trust and sale of the Property. If the breach is not cured on or before the date specified in the notice, Lender at Lender's option may declare all of the sums secured by this Deed of Trust to be immediately due and payable without further demand and may invoke the power of sale and any other remedies permitted by applicable law, provided, however, that if such cure cannot reasonably be effected within such 30 day period, such failure shall not be a default so long as Borrower promptly (and in any event, within ten (10) days after receipt of such notice) commences such cure and thereafter diligently (and in any event, within ninety (90) days after receipt of such notice) prosecutes such cure to completion. The limited partner is entitled to cure any defaults on behalf of the Borrower within the same specified time periods; said cure periods shall not extend statutory periods and times for notice and commencement of foreclosure; provided, however, that if, in order to cure any such default the limited partner must first remove a general partner of Borrower, then, provided that the limited partner notifies Lender of such removal and removes such general partner within a reasonable period, then the limited partner shall have until the date 30 days after the effective date of such removal to effect such cure. In

any event, such cure process shall not exceed 120 days. Lender shall be entitled to collect from the Borrower, or sale proceeds, if any, all reasonable costs and expenses incurred in pursuing the remedies provided in this Section, including, but not limited to reasonable attorney's fees.

If Lender invokes the power of sale, Lender shall execute or cause Trustee to execute a written notice of the occurrence of an event of default and of Lender's election to cause the Property to be sold and shall cause such notice to be recorded in each county in which any portion of the Property is located. Lender or Trustee shall mail copies of such notice in the manner prescribed by applicable law to Borrower and to the other persons prescribed by applicable law. Trustee shall give public notice of sale to the persons and in the manner prescribed by applicable law. After the lapse of such time as may be required by applicable law, Trustee, without demand on Borrower, shall sell the Property at public auction to the highest bidder at the time and place and under the terms designated in the notice of sale, in one or more parcels and in such order as Trustee may determine. Trustee may postpone sale of all or any parcel of the Property by public announcement at the time and place of any previously scheduled sale. Lender or Lender's designee may purchase the Property at any sale.

Trustee shall deliver to the purchaser a Trustee's deed conveying the Property so sold without any covenant or warranty, expressed or implied. The recitals in the Trustee's deed shall be prima facie evidence of the truth of the statements it contains. Trustee shall apply the proceeds of the sale in the following order: (a) to all reasonable costs and expenses of the sale, including, but not limited to, reasonable Trustee's and attorney's fees and costs of title evidence; (b) to all sums secured by this Deed of Trust; and (c) the excess, if any, to the person or persons legally entitled thereto as determined by Lender. In the event of a dispute regarding the excess funds, either Lender or Trustee may file an action in interpleader to determine who shall receive the funds and may then deposit the excess funds with the court.

17. Assignment of Rents; Appointment of Receiver; Lender in Possession. As additional security, Borrower assigns to Lender the rents of the Property, provided that Borrower shall, prior to an acceleration for breach as provided above or abandonment of the Property, have the right to collect such rents as they become due.

Upon acceleration for breach or abandonment of the Property, Lender, in person, by agent or by judicially appointed receiver shall be entitled to enter upon, take possession of and manage the Property and to collect the rents of the Property including those past due. All rents collected by Lender, its agent, or the receiver shall be applied first to payment of the costs of management of the Property and collection of rents, including, but not limited to receiver's fees, premiums on receiver's bonds and reasonable attorney's fees, and then to the sums secured by this Deed of Trust. Lender, its agent and the receiver shall be liable to account only for those rents actually received.

18. Prior Lienholder. The provisions of this Deed of Trust shall operate subject to the claims of prior lienholders to the extent of such claims.

19. Nonrecourse. Notwithstanding any provision of this Deed of Trust or any document evidencing or securing this Loan, Borrower, and Borrower's principals, partners, agents, officers, and successors in interest shall not be personally liable for the payment of the Loan or any obligation of the Loan and Lender's sole recourse is to the collateral secured by this Deed of Trust.

20. Reconveyance. Upon payment of all sums secured by this Deed of Trust, Lender shall request Trustee to reconvey the Property and shall surrender this Deed of Trust and all notes evidencing indebtedness secured by this Deed of Trust to Trustee. Trustee shall reconvey the Property without warranty and without charge to the person or persons legally entitled to such reconveyance. Such person or persons shall pay all costs of recordation, if any. The recitals in the reconveyance of any matters or facts shall be conclusive proof of their truthfulness.

21. Substitute Trustee. Lender, at Lender's option, may from time to time remove Trustee and appoint a successor trustee to any Trustee appointed under this Deed of Trust. Without conveyance of the Property, the successor trustee shall succeed to all the title, power and duties conferred upon the Trustee by this Deed of Trust and applicable law.

22. Request for Notice. Borrower and each party listed to receive Additional Notices request that copies of the notice of default and notice of sale be sent to their respective addresses.

23. Statement of Obligation. Lender may collect a reasonable fee for furnishing the statement of obligation as provided by Section 2943 of the Civil Code of California, as it may be amended from time to time.

24. Use of Property. Borrower shall not permit or suffer the use of any of the Property for any purpose other than the use for which the same was intended at the time this Deed of Trust was executed.

25. Extended Use Agreement. In order to receive an allocation of federal low income housing tax credits, Borrower will be required to record in the real property records of the County in which the property is located, an "extended low-income housing commitment" (as defined in Section 42(h)(6)(B) of the Internal Revenue Code of 1986, as amended ("Code")) ("Extended Use Agreement"). Lender acknowledges and agrees that, in the event of a foreclosure of its interest under this Deed of Trust or delivery by the Borrower of a deed in lieu thereof (collectively, a "Foreclosure"), Lender agrees to comply with all the following rule contained in Section 42(h)(6)(E)(ii) of the Code shall apply: For a period of three (3) years from the date of Foreclosure, with respect to any unit that had been regulated by the Extended Use Agreement, (i) none of the eligible tenants occupying those units at the time of Foreclosure may be evicted or their tenancy terminated (other than for good cause, including but not limited to, the tenants' ineligibility pursuant to regulations of Section 42 of the Code), (ii) nor may any rent be increased except as otherwise permitted under Section 42 of the Code.

IN WITNESS WHEREOF, Borrower has executed this Deed of Trust.

**BORROWER (Trustor):**  
**RAD PILOT LP, A CALIFORNIA LIMITED PARTNERSHIP**

By: RAD Pilot LLC, a California limited liability company,  
its managing general partner

By: Sacramento Housing Authority Repositioning Program, Inc.,  
a California nonprofit public benefit corporation, its sole member and manager

\_\_\_\_\_  
James Shields, President

**Exhibit 5: Escrow Instructions Form**

**JOINT ESCROW INSTRUCTIONS  
FOR AGENCY (AS LENDER, ISSUER, AND GROUND LESSOR),  
AND BORROWER (AS BORROWER AND GROUND LESSEE)**

<b>“Effective Date”</b>	_____, 2020
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Agency and Borrower execute these Escrow Instructions as of the Effective Date. This document, including attachments and any amendments and additions, shall constitute the joint escrow instructions of Agency and Borrower for the transactions described below.

**ARTICLE I. GENERAL TERMS.**

1. **GENERAL.** These Escrow Instructions, in addition to items listed below, include Article II Instructions, which is attached to and incorporated in these Escrow Instructions by this reference.

2. **DEFINITIONS.** The capitalized terms in these Escrow Instructions shall have the meanings assigned in Article I General Terms and as defined in Article II Instructions. (Terms being defined are indicated by quotation marks.)

<b>“Title Company”</b>	Placer Title Company			
	<b>Address:</b>	301 University Avenue, Suite 120, Sacramento, CA 95825		
<b>“Escrow” with Title Company</b>	<b>Escrow Number:</b>	P-362723-2	<b>Attention:</b>	Jenny Vega
	<b>“Agency”</b>			
	Housing Authority of the City of Sacramento, a public body, corporate and politic			
	<b>Address:</b>	801 12 <sup>th</sup> Street, Sacramento, CA 95814		
	<b>Attention:</b>	Anne Nicholls		
<b>“Agency Improvements”</b>	The improvements on the Agency Sites.			
<b>“Agency Sites”</b>	4921 Folsom Boulevard, Sacramento, CA 95819 (APN: 008-0341-044-0000) (“ <b>Folsom</b> ”) 1043 43rd Avenue, Sacramento, CA 95822 (APN: 029-0184-017-0000, 029-0184-001-0000 and 029-0184-002-0000) (“ <b>43<sup>rd</sup></b> ”)			
<b>“Bank”</b>	Wells Fargo Bank, National Association			
<b>“Borrower”</b>	RAD Pilot LP, a California limited partnership			
	<b>Address:</b>	c/o SHARP 801 12 <sup>th</sup> Street, Sacramento, California 95814		
	<b>Attention:</b>	James Shields, President		
<b>“Closing Date”</b>	_____, 2020 or mutually agreed upon Closing Date.			
<b>“HACOS”</b>	Housing Authority of the County of Sacramento, a public body, corporate and politic			
<b>“HACOS Improvements”</b>	The improvements on HACOS Sites (defined below).			
<b>“HACOS Sites”</b>	4500 Perry Avenue, Sacramento, Ca 95820 (APN 022-0052-011-0000 and 022-0052-012-0000) 4930 El Paraiso Avenue, Sacramento, Ca 95824 (APN 037-0224-047-0000) 9205 Elk Grove Boulevard, Elk Grove, Ca 95624 (APN 125-0270-051-0000) 8223 Walerga Road, Antelope, Ca 95843 (APN 203-0070-041-0000)			
<b>“HUD”</b>	The United States Department of Housing and Urban Development			
<b>“Property”</b>	The Agency Sites and HACOS Sites, collectively.			

<p><b>Description of the transaction</b></p>	<ol style="list-style-type: none"> <li>1. The Agency is the fee owner of the Agency Sites, which is comprised of 43rd and Folsom. HUD previously recorded declarations of trust against the Agency’s fee interest in 43rd (the “<b>43rd Declaration</b>”) and Folsom (the “<b>Folsom Declaration</b>”). Through this escrow, HUD will fully release the 43rd Declaration through a release (the “<b>43rd Release</b>”) and partially release the Folsom Declaration from Folsom through a release (the “<b>Folsom Release</b>”).</li> <li>2. The Borrower will finance and develop a one hundred twenty-four (124) unit affordable housing development on the Property (the "<b>Project</b>"). In connection with the Project, the Agency will convey a fee interest in the Agency Improvements to the Borrower by two (2) grant deeds (the “<b>Grant Deeds</b>”).</li> <li>3. Concurrently with conveyance of the Improvements by the Grant Deeds, the Agency and the Borrower will enter into a ground lease whereby the Borrower will acquire a leasehold interest in the Agency Sites (the "<b>Ground Lease</b>"). The Ground Lease will be evidenced by a memorandum of ground lease (the "<b>Memorandum of Ground Lease</b>") to be recorded on the Agency’s fee interest in the Agency Sites.</li> <li>4. As part of this Project, HUD will require a use agreement by and among the Agency, HACOS, HUD, and the Borrower to be recorded against the Agency’s and HACOS’ fee interests in the Property and on the Borrower’s leasehold interest in the Property (the "<b>RAD Use Agreement</b>"). The RAD Use Agreement is to be recorded first and remain in senior position to all other Bank items, Borrower Items (defined below) and Agency Items (defined below).</li> <li>5. To finance the Project, HACOS will make a mortgage loan (the “<b>HACOS Project Loan</b>”) to the Borrower with proceeds received from the separate loan made to the Agency by the Bank (the “<b>Bank Funding Loan</b>”). In connection with the HACOS Project Loan, HACOS will record a tax regulatory agreement and declaration of restrictive covenants against the Borrower’s leasehold interest in 43rd (the “<b>43rd Regulatory Agreement</b>”) and a tax regulatory agreement and declaration of restrictive covenants against the Borrower’s leasehold interest in Folsom (the “<b>Folsom Regulatory Agreement</b>”) (collectively the "<b>Tax Regulatory Agreements</b>"). The Bank will secure the Bank Funding Loan with a first lien leasehold deed of trust with assignment of rents, security agreement and fixture filing recorded against the Borrower's leasehold interest in the Property (the "<b>Bank Deed of Trust</b>", and, together with the Tax Regulatory Agreements, the "<b>Tax Exempt Loan Documents</b>").</li> <li>6. To finance the Project, the Bank will also make a construction-permanent loan pursuant to a loan agreement evidenced by a promissory note secured by a deed of trust with assignment of rents, security agreement and fixture filing recorded against the Borrower’s leasehold interest in the Property (the “<b>Bank Construction-Permanent Loan DOT</b>”).</li> <li>7. The Agency is making the following three loans to Borrower. The first loan is the Construction and Permanent Loan, made pursuant to a loan agreement (the “<b>Agency Construction-Permanent Loan Agreement</b>”), evidenced by two promissory notes (the “<b>Agency Construction-Permanent Loan Notes</b>”) secured by a deed of trust (“<b>Agency Construction-Permanent Loan DOT</b>”); the second loan is the Ground Lease Loan for the capitalized rent due under the Ground Lease, which loan is evidenced by a promissory note (the “<b>Agency Ground Lease Loan Promissory Note</b>”) secured by a leasehold deed of trust with assignment of rents, security agreement and fixture filing (the “<b>Agency Ground Lease Loan DOT</b>”); and the third is the Seller Carry Back Loan for the acquisition of the Improvements, which loan is evidenced by a promissory note (the “<b>Agency Seller Carryback Note</b>”) secured by a deed of trust with assignment of rents, security agreement and fixture filing the “<b>Agency Seller Carryback DOT</b>”).</li> </ol>
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8. Concurrent with the closing of the construction financing, the Borrower will be syndicated, and an investor limited partner will be admitted to the Borrower. The Borrower will grant to the Agency an option and right of first refusal to acquire the Borrower’s leasehold interest in the Property or the investor limited partner's interest in the Borrower. Through this escrow a Memorandum of Option and Right of First Refusal (the "**Memorandum of Option**") will be recorded on the Borrower’s leasehold interest

RAD 1 - Housing Authority of the City of Sacramento Construction and Permanent Loan Agreement

<p><b>“Recorded Documents”- The following documents are to be recorded against the interests specified, and in the order listed (top being first in priority). Copies of the Recorded documents are attached.</b></p>	<p><b>Documents:</b></p> <ol style="list-style-type: none"> <li>1. 43rd Release, recorded against the Agency’s fee interest in 43rd only</li> <li>2. Folsom Release, recorded against the Agency’s fee interest in Folsom only</li> <li>3. Grant Deeds, recorded against the Agency’s fee interest in the Agency Sites</li> <li>4. Memorandum of Ground Lease and TCAC Lease Rider, recorded against the Agency’s fee interest in the Agency Sites</li> <li>5. RAD Use Agreement, recorded against the Agency’s and HACOS’ fee interests in the Property and the Borrower’s leasehold interest in the Property</li> <li>6. 43rd Regulatory Agreement, recorded against the Borrower’s leasehold interest in 43rd</li> <li>7. Folsom Regulatory Agreement, recorded against the Borrower’s leasehold interest in Folsom</li> <li>8. Bank Construction-Permanent Loan DOT, recorded against the Borrower’s leasehold interest in the Property</li> <li>9. Agreement to subordinate the Tax Exempt Loan Documents to the RAD Use Agreement, by and among the Agency, HACOS, the Bank, and Borrower, recorded against the Borrower’s leasehold interest in the Property</li> <li>10. Agency Construction-Permanent Loan DOT, recorded against the Borrower’s leasehold interest in the Agency Sites and Agency Improvements</li> <li>11. Agency Ground Lease Loan DOT, recorded against the Borrower’s leasehold interest in the Agency Sites</li> <li>12. Agency Seller Carryback Loan DOT, recorded against the Borrower’s leasehold interest in the Agency Sites and Agency Improvements</li> <li>13. Agreement to subordinate the Agency Loan Documents to the RAD Use Agreement, by and between the Agency and the Borrower, recorded against the Borrower’s leasehold interest in the Agency Sites</li> <li>14. Agreement to subordinate the Bank Construction-Permanent Loan DOT to the RAD Use Agreement, by and among the Agency, the Bank, and the Borrower, recorded against the Borrower’s leasehold interest in the Agency Sites</li> <li>15. Memorandum of Option, by and between the Agency and the Borrower, recorded against the Borrower’s leasehold in the Property</li> <li>16. Agreement to subordinate Memorandum of Ground Lease to the RAD Use Agreement, recorded against the Borrower’s leasehold interest in the Property</li> <li>17. Agreement to subordinate TCAC Lease Rider to the RAD Use Agreement, recorded against the Borrower’s leasehold interest in the Property</li> </ol>	<p><b>Marked for return to:</b> The Agency (address above) or the Borrower (address above), whichever entity possesses the interest being encumbered by the recorded document.</p>
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<b>“Agency Items”</b>	<ol style="list-style-type: none"> <li>1. Agency Construction-Permanent Loan Notes</li> <li>2. Agency Ground Lease Loan Note</li> <li>3. Agency Seller Carryback Note</li> <li>4. Agency Construction-Permanent Loan Agreement</li> <li>5. Ground Lease</li> <li>6. Disposition and Development Agreement</li> <li>7. Authorizing resolutions for all Borrower signatories</li> </ol>	
<b>“Borrower Items”</b>	Loan proceeds in the amount of [\$ _____ ] The Grant Deeds and conforming copies of the recorded documents	

<b>“Special Provisions”:</b>	<p>The RAD Use Agreement is to be in first position and senior to all the other transaction documents/items</p> <p>Title Policy shall, in addition to customary endorsements, bear the following endorsements:</p>
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<b>“Agency Lender’s Title Policy” in the form of an ALTA Agency’s Lender’s Policy insuring that the following are valid liens against the Agency Sites:</b>	<b>Documents:</b>	<b>Coverage amount:</b>	
	The Tax Exempt Loan Documents	In the amount of the loan secured	
<b>“Agency Fee Owner’s Title Policy” in the form of an ALTA Agency’s Owner’s Policy insuring that the following are valid liens against the Agency’s fee interest in the Agency Sites</b>	<ol style="list-style-type: none"> <li>1. The RAD Use Agreement</li> <li>2. Memorandum of Ground Lease</li> </ol>	In the amount of [\$ _____ ]	
<b>“Borrower Leasehold Owner’s Title Policy” in the form of an ALTA Borrower’s Owner’s Policy insuring that the following are valid liens against the Borrower’s leasehold interest in the Agency Sites</b>	<ol style="list-style-type: none"> <li>1. 43rd Regulatory Agreement</li> <li>2. Folsom Regulatory Agreement</li> <li>3. Bank Construction-Permanent Loan DOT</li> <li>4. Agency Construction-Permanent Loan DOT</li> <li>5. Agency Ground Lease Loan DOT</li> <li>6. Agency Seller Carryback Loan DOT</li> <li>7. Agreement to subordinate the Agency Loan Documents to the RAD Use Agreement</li> <li>8. Memorandum of Option</li> </ol>	In the amount of [Debt plus Equity]	
<b>The title policies shall be subject only to the following “Conditions of Title”:</b>	Items	<b>Dated:</b>	October 3, 2019
		<b>Number:</b>	P-362723-2



**THE PARTIES HAVE EXECUTED THESE ESCROW INSTRUCTIONS** in Sacramento, California as of the date first written above.

**BORROWER:**

**RAD PILOT LP, A CALIFORNIA LIMITED PARTNERSHIP**

By: RAD Pilot LLC, a California limited liability company, its managing general partner

By: Sacramento Housing Authority Repositioning Program, Inc., a California nonprofit public benefit corporation, its sole member and manager

By: \_\_\_\_\_  
James Shields, President

**AGENCY:**

**HOUSING AUTHORITY OF THE CITY OF SACRAMENTO**, a public body, corporate and politic

By: \_\_\_\_\_  
La Shelle Dozier, Executive Director

Approved as to form:

\_\_\_\_\_  
Agency Counsel

## ARTICLE II. INSTRUCTIONS

1. **CLOSING DATE.** Escrow shall close on or before the Closing Date as it may be changed from time to time by written agreement of Borrower and Agency.

2. **CONDITIONS TO CLOSE OF ESCROW.** "Close of Escrow" means the fulfillment of the Escrow terms and conclusion of the Escrow, including, without limitation, the execution of unexecuted documents, the recordation of documents specified for recording, the issuance of title insurance policies, the payment of fees and the delivery of funds and documents as directed in the escrow instructions for the Escrow. The Close of Escrow shall occur on the Closing Date.

2.1. **CONDITIONS.** The following are conditions to the Close of Escrow:

2.1.1. The conditions precedent to performance stated in the Recorded Documents are satisfied as of the Closing Date.

2.1.2. Simultaneously with the Close of Escrow, Title Company shall issue the Agency Lender's Title Insurance and Agency Fee Owner's Title Insurance to Agency (at Borrower's cost) in the amount stated. The Agency Lender's Title Insurance and Agency Fee Owner's Title Insurance shall include all usual and customary endorsements and any endorsements and other commitments as Agency may reasonably require. The Agency Lender's Title Insurance and Agency Fee Owner's Title Insurance shall show the Recorded Documents marked for return to Agency as valid liens against the Property in favor of the Agency, subject only to the Conditions of Title, and securing, as applicable, Borrower's performance of its obligations and repayment of Agency Funding.

2.1.3. Prior to the Closing Date, the parties shall duly execute (in Escrow or prior to deposit in Escrow) each such document and shall execute those to be recorded in a manner suitable for recording.

2.1.4. On or before the Closing Date, Agency shall also deposit with Title Company the Borrower Items and any Loan Amount then to be disbursed under this Agreement, but not less than closing costs, fees and charges required for Close of Escrow.

2.1.5. On or before the Close of Escrow, Borrower shall also deposit with Title Company the Agency Items and Borrower's share of closing costs and fees.

2.1.6. Title Company is satisfied that all required funds have been deposited in Title Company's account for the Escrow, have cleared the originating bank and are available for transfer by Title Company's check or wire transfer to the appropriate party.

2.2. **UPON CLOSE OF ESCROW.** The Close of Escrow shall take place on the Closing Date. On the Closing Date, Title Company shall complete the Close of Escrow as follows and in the following order (unless otherwise stated, all recorded documents are recorded with the Sacramento County Recorder):

2.2.1. Assure fulfillment of the Special Provisions;

2.2.2. Assure all documents are complete and affix legal descriptions of the Property as necessary to complete them;

2.2.3. Obtain full execution of all unexecuted documents;

2.2.4. Date all undated documents as of the Closing Date;

2.2.5. Record the Recorded Documents in the priority listed;

2.2.6. Determine all closing costs and fees; including without limitation, all charges, fees, taxes and title insurance premiums payable under this Agreement on Close of Escrow and any other fees and charges approved for payment from Escrow by both parties and deduct such fees from the Loan proceeds deposited by Agency in Escrow;

2.2.7. Deliver the Agency Items to Agency and the Borrower Items to Borrower; and

2.2.8. Prepare and deliver to Borrower and Agency, respectively, one signed original of all documents included for delivery to either party and not delivered for recording, one signed original of Title Company's closing statement showing all receipts and disbursements of the Escrow, and one conformed copy of each of the recorded documents.

2.3. **INABILITY TO CLOSE.** If Title Company is unable to simultaneously perform all of the preceding instructions, Title Company shall notify Borrower and Agency, and upon each of their directions return to each party all documents, items and funds deposited in Escrow by such party (less fees and expenses incurred by the respective party) and bill the respective parties for any unpaid fees and expenses incurred in Escrow. If Escrow fails to close on the Closing Date because Borrower has not complied with Borrower's obligations under this Loan Agreement, then Borrower shall pay the costs incurred through Escrow to the date the Escrow is terminated, including the cost of any preliminary title report and any cancellation fees or other costs of this Escrow. If Escrow fails to close on or before the Closing Date because Agency has not complied with Agency's obligations under this Loan Agreement, such costs shall be paid by Agency. If Escrow fails to close on or before the Closing Date for any other reason, such costs shall be divided equally between the parties.

2.4. **COMMISSIONS.** Agency is not responsible, by the Agency Loan Documents or otherwise, to pay commissions in relation to this transaction.

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**ACCEPTANCE OF ESCROW INSTRUCTIONS**

Your acceptance of this escrow shall create a contractual obligation by you with Agency and Borrower for complete compliance with these instructions. Agency and Borrower reserve the right to jointly revoke this escrow at any time upon their payment to you of your fees and reimbursement to you of your expenses in accordance with the terms of these escrow instructions. Your obligations as Escrow Holder under these escrow instructions shall be subject to the following provisions:

You are not responsible as to the sufficiency or correctness as to form, manner of execution, or validity of any instrument deposited in this escrow nor as to the authority or rights of any person executing such instrument. Except as otherwise provided in these escrow instructions, your duties as Escrow Holder are limited to the proper handling of monies and the proper safekeeping of instruments and other items received by you as Escrow Holder, and for the performance of your obligations as specifically provided under these escrow instructions. You are responsible for the sufficiency of any instruments or documents prepared by you for this escrow.

Borrower agrees to indemnify and hold you harmless from damages incurred as a result of your good faith and diligent performance of your duties under these escrow instructions.

Upon your acceptance of these escrow instructions, return the executed counterparts of these escrow instructions to Agency and Borrower, respectively.

Escrow Holder acknowledges receipt of the foregoing escrow instructions and agrees to act as Escrow Holder and to comply with the terms and conditions of the escrow instructions.

Dated: \_\_\_\_\_

**TITLE COMPANY  
PLACER TITLE COMPANY**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Its authorized agent and signatory

**Exhibit 6: RAD Use Agreement**

**Recording Requested By:  
When Recorded Mail To:**

Housing Authority of the County of Sacramento  
801 12th Street, 6th Floor  
Sacramento, CA 95814  
Attention: Executive Director

No fee for recording pursuant to  
Government Code Section 27383 and 27388.1

\_\_\_\_\_SPACE ABOVE THIS LINE FOR RECORDER'S USE\_\_\_\_\_

**Rental Assistance Demonstration  
Use Agreement  
(RAD Pilot)**

**Rental Assistance  
Demonstration  
Use Agreement**

**U.S. Department of Housing  
and Urban Development**  
Office of Housing  
Office of Public and Indian Housing

**OMB Approval No. 2502-0612  
(Exp. 04/30/2020)**

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Prepared by:

Housing Authority of the County of Sacramento  
801 12th Street, 6th Floor  
Sacramento, CA 95814  
Attention: Executive Director

Housing Authority of the City of Sacramento  
801 12th Street, 6th Floor  
Sacramento, CA 95814  
Attention: Executive Director

After recording return to:

Housing Authority of the County of Sacramento  
801 12th Street, 6th Floor  
Sacramento, CA 95814  
Attention: Executive Director

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**This Rental Assistance Demonstration Use Agreement** (hereinafter called the “Agreement”) is made as of \_\_\_\_\_, 2020 for the benefit of and agreed to by the United States Department of Housing and Urban Development, acting by and through the Secretary, his or her successors, assigns or designates (hereinafter called “HUD”) by RAD Pilot LP, a California limited partnership, (“Project Owner”), the Housing Authority of the County of Sacramento, a public body corporate and politic (the “County PHA”), and the Housing Authority of the City of Sacramento, a public body corporate and politic (the “City PHA”) (collectively, the “PHA”).

**Whereas**, Rental Assistance Demonstration (hereinafter called “RAD”) provides the opportunity to test the conversion of public housing and other HUD-assisted properties to long-term, project-based Section 8 rental assistance to achieve certain goals, including the preservation and improvement of these properties through access to private debt and equity to address immediate and long-term capital needs.

**Whereas**, the County PHA is the fee owner of the real property described on Exhibit A, Exhibit B, Exhibit C and Exhibit D, and the City PHA is the fee owner of the real property described on Exhibit E and Exhibit F (collectively the “Property”), upon which is or will be located improvements owned or to be owned by Project Owner receiving assistance converted pursuant to RAD, which project will commonly be known as RAD Pilot (the “Project”). The

Project will contain 124 dwelling units, of which 118 (“Assisted Units”) are subject to a RAD Housing Assistance Payment contract, as the same may be renewed, amended or replaced from time to time (“RAD HAP contract”).

**Whereas**, pursuant to the Consolidated and Further Continuing Appropriations Act of 2012 (Public Law 112-55, approved November 18, 2011, as amended from time to time, the “RAD Statute”); and the corresponding PIH Notice 2012-32, rev-2, as amended from time to time, and any successor document and/or regulations (hereinafter called the “RAD Notice”), which this Agreement incorporates by this reference, the PHA and/or the Project Owner, as applicable, has agreed to encumber the Property and the Project Owner has agreed to operate the Project in accordance with this Agreement in exchange for HUD’s agreement to execute or permit the execution of the RAD HAP contract and the assistance provided thereby;

**Whereas**, in accordance with the RAD Statute and RAD Notice, except as otherwise agreed in writing by HUD, this Agreement is to be recorded superior to other liens on the Property, run until the conclusion of the initial term of the RAD HAP contract, automatically renew upon each extension or renewal of the RAD HAP contract for a term that runs with each renewal term of the RAD HAP contract, and remain in effect even in the case of abatement or termination of the RAD HAP contract for the term the RAD HAP contract would have run, absent the abatement or termination.

**Now Therefore**, in consideration of the foregoing, conversion of assistance pursuant to RAD, provision of rental assistance pursuant to the RAD HAP contract and other valuable consideration, the parties hereby agree as follows:

1. **Definitions.** All terms used in this Agreement and not otherwise defined have the same meaning as set forth in the RAD Notice.

2. **Term.** The initial term of this Agreement commences upon the date this Agreement is entered into and shall run until the conclusion of the initial term of the RAD HAP contract. The RAD HAP contract is effective for 20 years. Unless otherwise approved by HUD, this Agreement shall remain in effect through the initial term of the RAD HAP contract and for additional periods to coincide with any renewal term of the RAD HAP contract or any replacement HAP contract. It is the intention of the parties that the RAD HAP and this Agreement shall each renew upon the completion of its initial term. Therefore, this Agreement shall remain in effect until a release is recorded as contemplated by Section 8. Such release shall be the evidence of the non-renewal of the HAP Contract, of the determination not to execute a replacement HAP contract and of the termination of this Agreement. This Agreement will survive abatement of assistance or termination of the RAD HAP contract unless otherwise approved by HUD.

3. **Use Restriction and Tenant Incomes.** The Assisted Units shall be leased in accordance with the RAD HAP contract, including any applicable eligibility and/or income-targeting requirements. In the case that the RAD HAP contract is terminated prior to the completion of the term or renewal term, if applicable, of this Agreement (by way of illustration and not limitation, for breach or non-compliance), for the remainder of the term of this Agreement new tenants leasing the Assisted Units (except if any of the Assisted Units is a HUD-approved manager unit) must have incomes at or below 80 percent of the Area Median Income (AMI) at the time of admission (“Eligible Tenants”). Additionally, rents for such Assisted Units must not exceed 30% of 80% of the AMI for households of the size occupying an appropriately sized unit. Notwithstanding the foregoing, in the event the Project Owner so requests and is able to demonstrate to HUD’s satisfaction that despite the Project Owner’s good faith and diligent efforts to do so, the Project Owner is unable either (1) to rent a sufficient percentage of Assisted Units to Eligible Tenants in order to satisfy the restrictions in this paragraph, or (2) to otherwise provide for the financial viability of the Project, HUD may, in its sole discretion, agree to reduce the percentage of units subject to the restriction under this paragraph or otherwise modify this restriction in a manner acceptable to the Project Owner and HUD. Any such modification of the restrictions listed in this paragraph shall be evidenced by a written amendment to this Agreement executed by each of the parties hereto.

4. **Survival.** This Agreement will survive foreclosure and bankruptcy.

5. **Fair Housing and Civil Rights Requirements.** The Project Owner and its agents, where applicable, shall ensure that the Project complies with applicable federal fair housing and civil rights laws, regulations, and other legal authorities, including those identified at 24 C.F.R. § 5.105.

6. **Accessibility Requirements.** The Project Owner and its agents, where applicable, shall ensure that the Project complies with all applicable federal accessibility requirements under the Fair Housing Act and implementing

regulations at 24 CFR Part 100, Section 504 of the Rehabilitation Act of 1973 and implementing regulations at 24 CFR Part 8, and Titles II and III of the Americans with Disabilities Act and implementing regulations at 28 CFR Parts 35 and 36, respectively.

**7. Restrictions on Transfer.** HUD has been granted and is possessed of an interest in the above described Project. Except as authorized below, the Project Owner and, if a party hereto, the PHA, shall not transfer, convey, encumber or permit or suffer any transfer, conveyance, assignment, lease, mortgage, pledge or other encumbrance of said Project and/or Property or any part thereof without prior written consent of HUD. Notwithstanding the foregoing, HUD hereby authorizes (a) leases in the normal operation of the Project, (b) subordinate liens contemplated by a RAD Conversion Commitment executed in connection with the Project, whether such liens are recorded concurrent with the recordation of this Use Agreement or recorded subsequent hereto (such as permanent financing to replace construction-period financing), and (c) conveyance or dedication of land for use as streets, alleys, or other public rights-of-way and grants and easements for the establishment, operation and maintenance of public utilities. Except as otherwise approved in writing by HUD, any lien on the Project and/or Property shall be subject and subordinate to this Agreement. Unless this Agreement is released by HUD, any transferee of the Project and/or Property shall take title subject to this Agreement. In the event of a default under the RAD HAP contract including, without limitation, upon any transfer of the Property or Project without HUD consent, upon expiration of any applicable notice and/or cure periods, HUD may transfer the RAD HAP contract and the rental assistance contemplated therein to another entity and/or Property and/or Project. The Project Owner has constituted HUD as its attorney-in-fact to effect any such transfer.

**8. Amendment or Release.** This Agreement may not be amended without HUD consent. This Agreement shall remain as an encumbrance against the Property unless and until HUD executes a release for recording. This Agreement may only be released by HUD in its sole discretion. In the event that the RAD HAP is, in accordance with all applicable laws and RAD program requirements, not renewed or replaced, HUD shall not unreasonably fail to provide such a release upon the completion of the applicable term of this Agreement.

**9. Enforcement.** In the event of a breach or threatened breach of any of the provisions of this Agreement, any eligible tenant or applicant for occupancy within the Project, or the Secretary or his or her successors or delegates, may institute proper legal action to enforce performance of such provisions, to enjoin any acts in violation of such provisions, to recover whatever damages can be proven, and/or to obtain whatever other relief may be appropriate.

**10. Severability.** The invalidity, in whole or in part, of any of the provisions set forth in this Agreement shall not affect or invalidate any remaining provisions.

**11. Conflicts.** Any conflicts between this Agreement and the RAD HAP contract or any other applicable HUD program requirements shall be conclusively resolved by the Secretary.

**12. Execution of Other Agreements.** The Project Owner and, if a party hereto, the PHA, agrees that it has not and will not execute any other agreement with provisions contradictory to, or in opposition to, the provisions of this Agreement, and that in any event, the provisions of this Agreement are paramount and controlling as to the rights and obligations set forth and supersede any other conflicting requirements.

**13. Subsequent Statutory Amendments.** If revisions to the provisions of this Agreement are necessitated by subsequent statutory amendments, the Project Owner and, if a party hereto, the PHA, agrees to execute modifications to this Agreement that are needed to conform to the statutory amendments. At HUD's option, HUD may implement any such statutory amendment through rulemaking.

**14. Lender Provisions.**

- A. Nothing in this Agreement prohibits any holder of a mortgage or other lien against the Property or Project from foreclosing its lien or accepting a deed in lieu of foreclosure. Any lien holder shall give HUD, as a courtesy, written notice prior to declaring an event of default. Any lien holder shall provide HUD concurrent notice with any written filing of foreclosure filed in accordance with state law provided that the foreclosure sale shall not occur sooner than sixty days (60) days after such notice to HUD. The Notice to HUD may be personally delivered or sent by U.S. certified or registered mail, return receipt requested, first class postage prepaid, addressed as follows:



If for PBRA transactions:  
U.S. Department of Housing and Urban Development  
451 7<sup>th</sup> Street SW, Room 9100  
Washington, DC 20410  
Attention: Office of the Assistant Secretary for Housing - Rental Assistance Demonstration

If for PBV transactions:  
U.S. Department of Housing and Urban Development  
451 7<sup>th</sup> Street SW, Room 4100  
Washington, DC 20410  
Attention: Office of the Assistant Secretary for Public and Indian Housing - Rental Assistance Demonstration

B. Notwithstanding any lien holder's foreclosure rights, this Agreement survives foreclosure and any new owners of the Property or the Project take ownership subject to this Agreement.

C. Transfer of title to the Property or the Project may be grounds for termination of assistance under the RAD HAP contract. However, HUD may permit, through prior written consent by HUD, the new owner of the Property or the Project to assume the RAD HAP contract, subject to the terms included therein, or enter into a new HAP contract. Any HUD consent to continued HAP assistance is subject to the RAD Statute and other RAD program requirements.

D. Each entity interested in purchasing the Property in a foreclosure sale administered under state foreclosure law may submit a written request to HUD to continue RAD HAP contract assistance in the event of such entity's successful acquisition at the foreclosure sale. Such request shall be submitted by the latter of ten business days after first publication of the foreclosure sale or 60 days prior to such foreclosure sale.

15. **Successors and Assigns.** This Agreement shall be binding upon the Project Owner and, if a party hereto, the PHA, and all future successors and assigns of either with respect to any portion of the Property or the Project.

In Witness Whereof, these declarations are made as of the first date written above.

**Department of Housing and Urban Development**

By: \_\_\_\_\_

Name:

Title:

Date: \_\_\_\_\_

District of Columbia

)  
)  
)

ss:

Before me, \_\_\_\_\_, a Notary Public in and for the District of Columbia on this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, personally appeared \_\_\_\_\_, who is personally known to me to be the person who executed the foregoing instrument by virtue of the authority vested in him by the Department of Housing and Urban Development, and did acknowledge the signing thereof to be a free and voluntary act and done on behalf of the Secretary of Housing and Urban Development for the uses, purposes and considerations therein set forth.

Witness my hand and official seal this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.  
(Seal)

\_\_\_\_\_ (Notary Public)

My commission expires \_\_\_\_\_, 20\_\_\_\_.

**Project Owner:**

RAD Pilot LP, a California limited partnership

By: RAD Pilot LLC, a California limited liability company, its managing general partner

By: Sacramento Housing Authority Repositioning Program, Inc., a California nonprofit public benefit corporation, its sole member and manager

\_\_\_\_\_  
James Shields, President

Date: \_\_\_\_\_

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA )  
 )  
COUNTY OF \_\_\_\_\_ )

On \_\_\_\_\_, before me, \_\_\_\_\_, Notary Public, personally appeared \_\_\_\_\_, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify UNDER PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

\_\_\_\_\_  
Name: \_\_\_\_\_  
Notary Public





**EXHIBIT A – Property Subject to this RAD Use Agreement**

**Legal Description of Pointe Lagoon - 9205 Elk Grove Boulevard, Elk Grove, CA 95624**

TRACT A:

The land described herein is situated in the State of California, County of Sacramento, City of Elk Grove, described as follows:

Parcel 1:

All that portion of the Southeast one-quarter of Section 31, Township 7 North, Range 6 East, described as follows:

Beginning at a point on the South line of said Section 31 bears West (measured along the South line of said Section 31) 1408.5 feet distant; thence from said point of beginning, North 231 feet; thence West 88.5 feet; thence South 231 feet to a point on the South line of said Section 31; thence along the South line of said Section 31, East 88.5 feet to the point of beginning.

Parcel 2:

All that portion of the Southeast one-quarter of Section 31, Township 7 North, Range 6 East, described as follows:

Beginning at a point on the South line of said Section 31, from which point the Southwest corner of the Southeast one-quarter of Section 31 bears West (measured along the South line of said Section 31) 1458.5 feet distant; thence, from said point of beginning, North 231 feet; thence West 50 feet; thence South 231 feet to a point on the South line of said Section 31; East 50 feet to the point of beginning.

Parcel 3:

All that portion of the Southeast one-quarter of Section 31, Township 7 North, Range 6 East, described as follows:

Beginning at a point on the South line of said Section 31, from which point the Southwest corner of the Southeast one-quarter of said Section 31 bears West (measured along the South line of said Section 31) 1508.5 feet distant; from said point of beginning, North 231 feet, thence West 50 feet; thence South 231 feet to a point on the South line of said Section 31; thence, along the South line of said Section 31, East 50 feet to the point of beginning.

APN: 125-0270-051-0000

**EXHIBIT B – Property Subject to this RAD Use Agreement**

**Legal Description of Rio Garden - 8223 Walerga Road, Antelope, CA 95843**

TRACT B:

The land described herein is situated in the State of California, County of Sacramento, unincorporated area, described as follows:

Parcel A of that certain Parcel Map entitled "A portion of the Southwest one-quarter of section 18, Township 10 North, Range 6 East, M.D.B. & M.", filed June 24, 1976 in Book 26 of Parcel Maps, Page 48 in the office of the recorder, Sacramento County.

APN: 203-0070-041-0000

**EXHIBIT C – Property Subject to this RAD Use Agreement**

**Legal Description of Pointe Lagoon - 4930 El Paraiso Avenue, Sacramento, CA 95824**

TRACT C:

The land described herein is situated in the State of California, County of Sacramento, unincorporated area, described as follows:

Lot A, as shown on the "Revised Plat of Country Place" filed in the office of the recorder of Sacramento County, in Book 149 of Maps, Map No. 16.

Excepting therefrom, that portion of said land granted to the Redevelopment Agency of the County of Sacramento, in Grand Deed recorded August 24, 1984 as Book 840824, Page 370, Official Records, described as follows:

Beginning at the Northerly corner of Lot A that lies on the centerline of Sampson Boulevard as said Boulevard is shown on said Map; thence from said point of beginning along said centerline and the most Westerly line of said Lot A South 0° 00' 00" West, 52.50 feet; thence leaving said centerline along a portion of the Southerly boundary of said Lot A, South 88° 12' 00" East, 212.00 feet; thence leaving last said line, North 6° 50' 00" East, 59.71 feet to a point on the Northerly boundary of said Lot A; thence along last line South 89° 58' 00" West, 219.00 feet to the point of beginning.

APN: 037-0224-047-0000



**EXHIBIT D – Property Subject to this RAD Use Agreement**

**Legal Description of Pointe Lagoon - 4500 Perry Avenue, Sacramento, CA 95820**

TRACT D:

The land described herein is situated in the State of California, County of Sacramento, unincorporated area, described as follows:

Lot 10 as shown on the "Amended Plat of Hunger Tract No. 1", recorded in Book 15 of Maps, Map No. 8, records of said County.

Pursuant to that certain Certificate of Compliance, recorded September 20, 2019, Instrument No. 201909200647 Official Records.

APN: 022-0052-011-0000 and 022-0052-012-0000

## **EXHIBIT E – Property Subject to this RAD Use Agreement**

### **Legal Description of Oak Park – 4921 Folsom Boulevard, Sacramento, CA 95819**

#### PARCEL 1:

The land described herein is situated in the State of California, County of Sacramento, City of Sacramento, described as follows:

All that real property situated in the City of Sacramento, County of Sacramento, State of California, and being a portion of lot 5, as said lot is shown and so designated on that certain Map entitled "Portion of Tullar Homestead Tract Owned by Philip Wolf, Jr., Sacramento California", filed in the office of the recorder of Sacramento County on June 7, 1898, in Book "A" of Surveys, Map No. 57, and a portion of the land Southerly of and adjacent to the South line of said lot 5, more particularly described as follows:

Beginning at an iron pipe marking the Northwest corner of said lot 5, and the Southwest corner of lot 7, as said lot is shown and so designated on that certain Map entitled "Love Tract", filed in the office of the recorder of Sacramento County on June 24, 1947, in Book 26 of Maps, Map No. 22; thence from said point of beginning, Easterly along the North line of lot 5, South 70° 35' 00" East 119.33 feet to the West line of that certain parcel of land described in the Deed from Chester A. Moore, et ux, to Martine P. Cupich, et ux, filed in the office of the recorder of Sacramento County in Book 713 of Deeds, Page 522; thence, Southerly along said West line South 19° 53' 00" West 273.44 feet, more or less, to the South line of said Lot 5 and the Northeasterly line of Folsom Boulevard, a public road; thence, Northwesterly along the Northeasterly line of Folsom Boulevard North 63° 00' 00" West 39.28 feet to a point on the East line of that certain parcel of land described in the Deed from Chester A. Moore, et ux, to W.L. Young, et ux, filed in the office of the recorder of Sacramento County in Book 56 of Official Records, Page 19, said point located South 63° 00' 00" East, along the Northeasterly line of Folsom Boulevard, 80.6 feet from the projected West line of lot 5; thence continuing along the Northeasterly line of Folsom Boulevard, North 63° 00' 00" West 80.60 feet to a point on the Southerly projection of said Lot 5, located South 19° 35' 00" West 1.30 feet from the original Southwest corner of Lot 5; thence, North 19° 35' 00" East 1.30 feet to the Southwest corner of said Lot 5; thence, Northerly along the West line of Lot 5 North 19° 45' 10" East 256.31 feet to the point of beginning and described on that certain Certificate of Compliance for Lot Merger executed by the Department of Public Works and recorded January 25, 1995 as Book 950125, Page 1097, Official Records.

APN: 008-0341-044-0000

## EXHIBIT F – Property Subject to this RAD Use Agreement

### Legal Description of Meadow Commons – 1043 43<sup>rd</sup> Avenue, Sacramento, CA 95822

#### PARCEL 2:

The land described herein is situated in the State of California, County of Sacramento, City of Sacramento, described as follows:

#### Parcel No. A:

All that portion of Lot B of South Land Park Hills Unit No. 31; according to the official plat thereof, filed in the office of the Recorder of Sacramento County, California, on July 12, 1961, in Book 66 of Maps, Map No. 5, described as follows:

BEGINNING at the Southwest corner of said Lot B, thence from said point of beginning along the Westerly boundary of said Lot B the following three (3) courses and distances: (1) North 36° 16' 50" East 118.48 feet, (2) North 44° 12' 10" West 115.09 feet, and (3) North 51° 44' 50" East 165.17 feet; thence South 64° 06' 12" East 114.27 feet; thence South 13° 31' 16" West 305.00 feet to a point located on the Southerly boundary of said Lot B; thence along said Southerly boundary, Westerly, curving to the right on an arc of 390.19 feet radius, said arc being subtended by a chord bearing North 66° 20' 32" West 164.92 feet to the point of beginning.

#### Parcel No. B:

All that portion of 43rd Avenue and Lot C, of South Land Park Hills Unit No. 31; according to the official plat thereof, filed in the office of the Recorder of Sacramento County, California, on July 12, 1961, in Book 66 of Maps, Map No. 5, described as follows:

BEGINNING at the most Southerly corner of Lot 16 as said Lot is shown on the official plat of said South Land Park Hills Unit No. 31; thence from said point of beginning along the Southerly boundary of Lot B as said Lot is shown and so designated on the official plat of said South Land Park Hills Unit No. 31, Southerly, curving to the left on an arc of 390.19 feet radius, said arc being subtended by a chord bearing South 66° 20' 32" East 164.92 feet; thence South 13° 31' 16" West 73.56 feet; thence Westerly, curving to the right on an arc of 900.00 feet radius, said arc being subtended by a chord bearing South 79° 10' 15" West 51.82 feet; thence curving to the right on an arc of 20.00 feet radius, said arc being subtended by a chord bearing North 51° 51' 17" West 29.41 feet; thence curving to the left on an arc of 200.00 feet radius, said arc being subtended by a chord bearing North 25° 17' 43" West 141.81 feet; thence North 36° 16' 50" East 1.30 feet to the point of beginning.

APN: 029-0184-017-0000

#### Parcel No. C:

Lots 16 and 17, as shown on the official plat of South Land Park Hills Unit No. 31, according to the official plat thereof, filed in the office of the Recorder of Sacramento County, California, on July 12, 1961, in Book 66 of Maps, Map No. 5.

APN: 029-0184-001-0000 and 029-0184-002-0000

## **Exhibit 7: Federal Requirements**

### **FEDERAL REQUIREMENTS**

The following provisions shall be applicable to this Agreement and binding on Contractor and Sacramento Housing and Redevelopment Agency (Agency) only if all or part of the funds to be paid for work performed under this Agreement are provided by the United States Department of Housing and Urban Development (other than Community Development Block Grant funds) or some other funding program of the federal government. In the event of a dispute as to the applicability of any of the following provisions to Contractor's work under this Contract, Agency's decisions shall be final.

1. **DEFINITIONS.** For purposes of this contract and in addition to definitions made elsewhere in this contract, the following quoted words and phrases contained in this Contract shall have the following meanings:
  - a) The "Act" is the federal Housing and Community Development Act of 1974, as amended.
  - b) "Cost Objective" generally means a service, program, project or activity in which costs can be assigned to and measured from. See 2 CFR §200.28.
  - c) "Allocable Costs" are particular to a Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received. See 2 CFR §200.405.
  - d) "Direct costs" are those costs that can be identified specifically with a particular final cost objective or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy. See 2 CFR §200.413.
  - e) "Indirect costs" means those costs incurred for a common or joint purpose benefitting more than one cost objective and not readily assignable to the cost objectives specifically benefitted without effort disproportionate to the results achieved. See 2 CFR §§ 200.56, 200.413, and 200.414.
  - f) "Reasonable Costs" include costs that are generally recognized as ordinary and necessary for the operation or efficient performance of the contract or award and do not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. See 2 CFR §200.404.
  
2. **ANTI-KICKBACK RULES.** Monthly, or more often, Contractor must, without condition, pay the salaries of architects, draftsmen, technical engineers and technicians performing work under this Contract. Such payments shall be made without deduction or rebate, excepting only such payroll deductions as are mandatory by law or permitted by applicable regulations issued by the Secretary of Labor pursuant to the "Anti-Kickback Act" of June 13, 1937 (Title 18 U.S.C., Section 874). Contractor shall comply with all applicable "Anti-Kickback" regulations and shall insert appropriate provisions in all subcontracts covering work under this Contract to ensure compliance by subcontractors with such regulations. Contractor shall be responsible for the submission of affidavits required of subcontractors under this Contract, except for such variations or exemptions as the Secretary of Labor may specifically allow.
  
3. **WORK HOURS.** Contractor must comply with the provisions of the Contract Work Hours and Safety Standards Act (40 U.S.C. Sections 3701-3708) and must cooperate with Agency in implementing and enforcing the provisions of such Act. Among other requirements of the act, Contractor must pay not less than one and one-half times the basic rate of pay for the work of Contractor's employee in excess of eight hours in one day or forty hours in one week, in the performance of this Contract. Contractor must insert appropriate provisions in all subcontracts covering work under this Contract to ensure compliance with such Act. Contractor must meet and cooperate with Agency's Labor Compliance officer to assure compliance with such Act.
  
4. **WITHHOLDING OF SALARIES.** If, in the performance of this Contract, there is any underpayment of salaries by Contractor or by any subcontractor, Agency must withhold from Contractor out of payments due to him or her any amount sufficient to pay employees underpaid the difference between the salaries required under this Contract

to be paid and the salaries actually paid such employees for the total number of hours worked. The amounts withheld shall be disbursed by Agency for and on account of Contractor or subcontractor to the respective employees to whom they are due.

**5. CLAIMS AND DISPUTES PERTAINING TO SALARY RATES.** Claims and disputes pertaining to salary rates or to classification of architects, draftsmen, technical engineers and technicians performing work under this Contract must be promptly reported in writing by Contractor to Agency for the latter's decision which shall be final with respect thereto.

**6. EQUAL EMPLOYMENT OPPORTUNITY REQUIREMENTS:**

- i. Contractor will send to each labor union or representative of workers with whom he or she has a collective bargaining agreement or other contract or understanding, a notice to be provided by Agency, advising the labor union or workers' representative of Contractor's commitments under Section 202 of Executive order No. 11246 of September 24, 1965, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.
- ii. Contractor will comply with all provisions of Executive Order No. 11246 of September 24, 1965, and of the rules, regulations and relevant orders of the Secretary of Labor.
- iii. Contractor will furnish all information and reports required by Executive Order No. 11246 of September 24, 1965, and by the rules, regulations and orders of the Secretary of Labor, or pursuant thereto, and will permit access to his or her books, records and accounts by Agency and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations and orders.

**7. ECONOMIC OPPORTUNITY EMPLOYMENT REQUIREMENTS.** The following is applicable to all contracts related to the project which is the subject of this Contract.

- i. The work to be performed under this Contract is on a project assisted under a program providing direct federal financial assistance from the Department of Housing and Urban Development and is subject to the requirements of Section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. §1701u. Section 3 requires that, to the greatest extent feasible, opportunities for training and employment be given to lower-income residents of the project area and contracts be awarded to business concerns which are located in, or owned in substantial part by persons residing in, the area of the project.
- ii. The parties to this Contract will comply with the provisions of said Section 3 and the regulations issued pursuant thereto by the Secretary of Housing and Urban Development set forth in 24 CFR 135, and all applicable rules and orders of the Department issued thereunder prior to the execution of this Contract.
- iii. The contract requires that, to the greatest extent feasible, opportunities for training and employment be given to lower-income residents of the project area.
- iv. The parties to this Contract certify and agree that they are under no contractual or other disability which would prevent them from complying with these requirements.
- v. Contractor will send to each labor organization or representative of workers with which he or she has a collective bargaining agreement or other contract or understanding, if any, a notice advising said labor organization or workers' representative of his or her commitments under this Employment Clause and shall post copies of the notice in conspicuous places available to employees and applicants for employment or training.
- vi. Contractor will include this Employment Clause in every subcontract for work in connection with the project.

vii. Each Contractor or subcontractor undertaking work in connection with a Section 3 covered project must fulfill its obligation to utilize lower-income project area residents as employees to the greatest extent feasible by:

- (1) Identifying the number of positions in the various occupational categories including skilled, semi-skilled, and unskilled labor, needed to perform each phase of the Section 3 covered project;
- (2) Identifying the positions described in Paragraph (1) of this Section, the number of positions in the various occupational categories which are currently occupied by regular, permanent employees;
- (3) Identifying the positions described in Paragraph (1) of this Section, the number of positions in the various occupational categories which are not currently occupied by regular permanent employees;
- (4) Establishing the positions described in Paragraph (3) of this Section, a goal which is consistent with the purpose of this subpart within each occupational category of the number of positions to be filled by lower income residents of the Section 3 covered project area; and
- (5) Making a good faith effort to fill all of the positions identified in Paragraph (4) of this Section with lower income project area residents, first and foremost, through the First Source Program.
- (6) Making a good faith effort to fill the positions identified in Paragraph (4) of this Section with lower-income project area residents.

8. **DAVIS-BACON ACT.** Unless expressly indicated otherwise in this Contract, if this Contract is for construction, alteration, or repair (including painting and decorating) of public buildings or public works, Contractor must comply with the provisions of the Davis-Bacon Act (40 U.S.C. §3142) and all rules, regulations and orders promulgated under said Act. Among other provisions, said act establishes minimum wages and fringe benefits; prohibits deductions or rebates from payments; provides for the withholding of funds to assure compliance with wage provisions; and provides for the termination of this Contract and debarment of the Contractor for failure so to comply.

9. **CONFLICT OF INTEREST.** No member, officer or any employee of Contractor, or its designees or agents, who exercises any functions or responsibilities with respect to the program during his or her tenure or for one (1) year thereafter, shall have an interest, direct or indirect, in any contract or its proceeds, for work to be performed in connection with the program assisted under this Contract. Contractor must incorporate, or cause to be incorporated, in all subcontracts a provision prohibiting such interest pursuant to the purposes of this Section.

10. **DISCRIMINATION BECAUSE OF CERTAIN LABOR MATTERS.** No person employed on the work covered by this Contract shall be discharged or in any way discriminated against because he or she has filed any complaint or instituted or caused to be instituted any proceeding or has testified or is about to testify in any proceeding under or relating to the labor standards applicable to his or her employer under this Contract.

11. **RECORDS, REPORTING AND MONITORING.** Agency may monitor the adequacy of Contractor's performance in any manner which Agency deems most effective. Contractor must cooperate with Agency in such monitoring. Subrecipient must keep all necessary books and records, including loan documentation and financial records, in connection with the operation and services performed under this Contract and must document all transactions so Agency may properly audit all expenditures made pursuant to this Contract. Subrecipient must maintain and preserve all records related to this Contract in its possession for a period of three (3) years from the completion date of this Contract, unless otherwise directed by Agency. All books, records and accounts kept by Subrecipient in connection with the performance of this Contract shall be made available for inspection by representatives of the federal government and/or Agency staff as required to monitor or audit the program.

In addition to the reports specified in this Contract, Subrecipient shall retain the records required by the applicable provisions of 24 CFR §570.506 and provide the Agency with the reports required pursuant to 2 CFR §§ 200.328,

200.333, and 200.343, and such other records and reports as the Agency may reasonably require in the administration of this Contract. Subrecipient shall keep all other necessary books and records, including property, personnel, loan documentation and financial records, in connection with the operation and services performed under this Contract, in accordance with the provisions of Executive Order 11246 and 2 CFR §200.333. Subrecipient shall conduct audits in accordance with 2 CFR, Part 200, Subpart F. Subrecipient shall document all transactions sufficiently for Agency to properly monitor and audit all expenditures made pursuant to this Contract.

**12. DRUG FREE WORKPLACE.** Contractor must comply with the Drug-Free Workplace Act of 1988 (final rule published on May 25, 1990) and Agency's policies and rules promulgated under the Act. Contractor must obtain such policies and rules from the Agency

**13. RESEARCH AND DEVELOPMENT (R & D).** Funds may not be used for R & D. R & D means all research and development related activities, both basic and applied, that are performed by non-Federal entities. See 2 CFR §200.87 for additional information on R & D.

**14. COSTS.** All costs must be necessary and reasonable for the performance of the federal award and be allocable thereto under these principles per 2 CFR §§ 200.403 and 404. Classifying a particular cost as direct or indirect depends on whether it can be identified directly with a cost objective (such as a project or activity) without disproportionate effort. All costs must comply with 2 CFR Part 200, Subpart E-Cost Principles (2 CFR §§ 200.420-200.475).

The contractor may elect, but is not required, to charge for indirect costs. If the contractor chooses to charge for indirect costs, the maximum indirect cost rate is 10% (*de minimis*), unless an indirect cost rate has been previously negotiated with and approved by the agency which is the federal agency responsible for reviewing, negotiating and approving cost allocation plans or indirect cost rate proposals. The negotiated rate must be accepted by all federal awarding agencies.

**15. FOOD, TRAVEL AND ENTERTAINMENT.** Travel costs may include expenses for transportation, lodging and subsistence, and are only allowable for employees who are in travel status on official business and approved as part of this contract or with prior written approval and are specifically related to this contract. Costs must be considered reasonable and must not exceed charges allowed by contractor's Out of Town Travel Policy. See 2 CFR §200.474 for additional information on travel costs and [www.shra.org](http://www.shra.org) for the Out of Town Travel Policy.

The costs of entertainment, including amusement, diversion and social activities and any associated costs are not allowed except where specific costs that might otherwise be considered entertainment have a programmatic purpose and are authorized either in the approved budget for the federal award or with prior written approval. All entertainment costs must comply with 2 CFR §200.438. In addition, the costs of alcoholic beverages are not allowed under 2 CFR §200.423.

**16. CHANGES IN LAWS AND REGULATIONS.** In the event an applicable law or regulation is modified or eliminated, or a new law or regulation is adopted, the revised law or regulation **shall automatically supersede the contract's scope of work and any attachments. The most current exhibits, laws and regulations will be posted at [www.shra.org](http://www.shra.org).**

**17. OTHER FEDERAL REQUIREMENTS.** Agency must provide Contractor with all relevant program information regarding the federal programs having jurisdiction over this Contract. Agency must assist Contractor in the interpretation of the requirements of such programs. Contractor shall be considered to be familiar with the requirements of such programs and shall comply with such requirements.

**Exhibit 8: New Hire Form**



**NEW HIRE TRACKING SUMMARY**

**Contractor/Subcontractor:** \_\_\_\_\_

**Project Name:** \_\_\_\_\_ **Project Number:** \_\_\_\_\_

**Total number of employees who performed work on this project:** \_\_\_\_\_

You are required to furnish the following information to comply with the terms of the contract for this project. It is the responsibility of the prime contractor to collect the completed form from all subcontractors working on this project and compile the information on one form to submit for the entire project.

During the course of the project you and/or your subcontractor(s) may find the need to hire new workers. "New Hires" are defined as persons hired specifically to perform work on this project. Should "New Hires" be necessary, you are encouraged to hire Section 3 residents<sup>1</sup>. Each new hire applicant is to complete a New Hire Questionnaire at the time of applying for a position.

Collect, tally and record the following information during the course of the project (use additional sheets if necessary). This requirement applies to **all** contractors and subcontractors working on this project.

Number of new hires: \_\_\_\_\_ Number of Section 3 new hires: \_\_\_\_\_

Number of job inquiries: \_\_\_\_\_

Number of job applicants: \_\_\_\_\_ Number of Section 3 job applicants: \_\_\_\_\_

Number of Section 3 resident job offers: \_\_\_\_\_

Number of Section 3 resident hires: \_\_\_\_\_

**In the table below, please list:**

1. What trades/classifications/professions (e.g. carpenter, plumber, laborer, architect, engineer, etc.) were hired specifically for this project.
2. Total number of New Hires for each trade/classification/profession.
3. Number of New Hires that were Section 3.

TRADE/CLASSIFICATION/PROFESSION	TOTAL NEW HIRES	SECTION 3 NEW HIRES

I declare that the above is true and correct to the best of my knowledge.

\_\_\_\_\_  
**Signature**

\_\_\_\_\_  
**Print Name and Title**

\_\_\_\_\_  
**Date**

<sup>1</sup>See 24 CFR §135.38 Section 3 Clause



## SECTION 3 CLAUSE

**(1) 24 CFR §135.38 Section 3 clause.** All Section 3 covered contract shall include the following clause (referred to as the Section 3 Clause):

- A. The work to be performed under this contract is subject to the requirements of section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. 1701u (Section 3). The purpose of Section 3 is to ensure that employment and other economic opportunities generated by HUD assistance or HUD-assisted projects covered by Section 3, shall, to the greatest extent feasible, be directed to low- and very low-income persons, particularly persons who are recipients of HUD assistance for housing.
- B. The parties to this contract agree to comply with HUD's regulations in 24 CFR part 135, which implement Section 3. As evidenced by their execution of this contract, the parties to this contract certify that they are under no contractual or other impediment that would prevent them from complying with the part 135 regulations.
- C. The contractor agrees to send to each labor organization or representative or workers with which the contractor has a collective bargaining agreement or other understanding, if any, a notice advising the labor organization or workers' representative of the contractor's commitments under this Section 3 clause, and will post copies of the notice in conspicuous places at the work site where both employees and applicants for training and employment positions can see the notice. The notice shall describe the Section 3 preference, shall set forth minimum number and job titles subject to hire, availability of apprenticeship and training positions, the qualifications for each; and the name and location of the person(s) taking applications for each of the positions; and the anticipated date the work shall begin.
- D. The contractor agrees to include this Section 3 clause in every subcontract subject to compliance with regulations in 24 CFR part 135, and agrees to take appropriate action, as provided in an applicable provision of the subcontract or in this Section 3 clause, upon a finding that the subcontractor is in violation of the regulations in 24 CFR part 135. The contractor will not subcontract with any subcontractor where the contractor has notice or knowledge that the subcontractor has been found in violation of the regulations in 24 CFR part 135.
- E. The contractor will certify that any vacant employment positions, including training positions, that are filled (1) after the contractor is selected but before the contract is executed, and (2) with persons other than those to whom the regulations of 24 CFR part 135 require employment opportunities to be directed, were not filled to circumvent the contractor's obligations under 24 CFR part 135.
- F. Noncompliance with HUD's regulations in 24 CFR part 135 may result in sanctions, termination of this contract for default, and debarment or suspension from future HUD assisted contracts.
- G. With respect to work performed in connection with Section 3 covered Indian housing assistance, section 7(b) of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450e) also applies to the work to be performed under this contract. Section 7(b) requires that to the greatest extent feasible (i) preference and opportunities for training and employment shall be given to Indians, and (ii) preference in the award of contracts and subcontracts shall be given to Indian organizations and Indian-owned Economic Enterprises. Parties to this contract that are subject to the provisions of Section 3 to the maximum extent feasible, but not in derogation of compliance with section 7(b).

DISPOSITION AND DEVELOPMENT AGREEMENT  
RAD 1  
CITY OF SACRAMENTO  
4921 FOLSOM BOULEVARD AND 1043 43RD AVENUE  
CITY OF SACRAMENTO, CALIFORNIA

THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO  
AND  
RAD PILOT LP  
\_\_\_\_\_, 2020

DISPOSITION AND DEVELOPMENT AGREEMENT  
RAD 1  
CITY OF SACRAMENTO  
4921 FOLSOM BOULEVARD AND 1043 43RD AVENUE  
CITY OF SACRAMENTO, CALIFORNIA

THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO (“AUTHORITY”), and RAD PILOT LP (“Developer”) enter into this Disposition and Development Agreement, also called DDA, as of \_\_\_\_\_, 2020. For purposes of this Agreement, the capitalized terms shall have the meanings assigned in Section 16.

**RECITALS**

- A. Authority is the owner of real property consisting of land and improvements located at 4921 Folsom Boulevard and 1043 43<sup>rd</sup> Avenue all in the City of Sacramento, State of California, more particularly described in the Property Description (the “Property”).
- B. The primary purpose of this DDA is to provide for the Developer to acquire, rehabilitate, and preserve affordable residential units. In order to accomplish such purpose, this DDA provides the Authority will transfer a portion of the Authority's interests in these Properties to the Developer by selling the improvements (the “Improvements”) and leasing the land on which they are situated (the “Land”) collectively, the “Project” to Developer upon the express condition that Developer will rehabilitate and operate the Project for the uses described in and assured by this DDA.
- C. This DDA effectuates the Option Agreement by and between Housing Authority of the City of Sacramento, and the Sacramento Housing Authority Repositioning Program (“SHARP”), the Optionee under the Option Agreement originally dated July 23, 2019 as amended.
- D. Developer desires to acquire and rehabilitate the Project, by leasing the Land and purchasing the Improvements thereon and Authority desires to lease the Land and sell the Improvements for acquisition and rehabilitation, on the terms and conditions in this DDA.

**AGREEMENT**

**NOW THEREFORE**, the parties acknowledge that the foregoing Recitals are true and correct, and based upon such Recitals and in consideration of the following mutual covenants, obligations and agreements and for other good and valuable consideration, the receipt and adequacy of which are acknowledged, the parties agree as follows:

1. **PERFORMANCE.** The parties shall perform their obligations at the times and in the manner specified in this DDA. The time for performance is stated in this DDA and in the Schedule of Performances; provided, however that such times shall be extended for periods of Unavoidable Delay.
2. **PROJECT DESCRIPTION.** Authority is entering into this DDA and conveying the Project to Developer solely for the purposes of acquiring and rehabilitating the Project. The Project shall be the following:

A. 4921 Folsom Boulevard, Sacramento, California consisting of 10 units (APN 008-0341-044-0000); and

B. 1043 43rd Avenue, Sacramento, California consisting of 28 units (APN 029-0184-017-0000, 029-0184-001-0000 and 029-0184-002-0000).

Rehabilitation includes, but is not limited to, life-safety and code compliance improvements; lighting; energy efficiency improvements, and other minor, physical updates as more fully described in the Scope of Work attached hereto and incorporated herein as Exhibit 3).

### 3. **GROUND LEASE AND PURCHASE AND SALE OF IMPROVEMENTS.**

3.1. **THE IMPROVEMENTS.** Authority agrees to sell and Developer agrees to purchase the Improvements subject to the terms and conditions in this DDA. This DDA, if executed by Developer only, constitutes Developer's offer to purchase the Improvements and enter into the Ground Lease on the terms and conditions contained in this DDA and subject to the covenants, conditions and restrictions contained in the RAD Use Agreement to be executed by the Authority and Developer and recorded on the Land and the Improvements upon conveyance of the Improvements to Developer.

3.1.1. **PURCHASE PRICE.** The Purchase Price for the Improvements shall be One Million Five Hundred Forty Thousand Dollars and no cents (\$1,540,000) and shall be payable as pursuant to the seller carryback loan as described in Section 4, below.

3.1.2. **ESCROW.** Developer and Authority have opened, or within ten (10) days after the Effective Date, shall open, the Escrow account subject to the provisions of the Escrow Instructions. Authority and Developer shall execute and deliver the Escrow Instructions to Title Company within ten (10) days after the Effective Date.

3.2. **GROUND LEASE.** The Authority and Developer agree to enter into a ground lease for the purpose of leasing the Land in conjunction with the Project as defined in this DDA and the subject to the terms and conditions in the Ground Lease (attached hereto and incorporated herein as Exhibit 7: the Ground Lease), including a capitalized ground lease payment in the amount of One Million Three Hundred Forty Thousand Dollars and no cents (\$1,340,000) payable pursuant to a promissory note secured by a deed of trust (the "Ground Lease Loan").

3.3. **CONDITIONS TO AUTHORITY'S PERFORMANCE.** Authority's obligation to perform under this DDA is subject to all of the following conditions:

3.3.1. Developer has performed all of the obligations that it is required to perform pursuant to this DDA, including without limitation, obtaining all required approvals of the Plans; obtaining building permits sufficient to commence Project construction; providing all required budgets, reports and evidence of funding and insurance; and providing required construction contracts.

3.3.2. The closing conditions as defined in the Escrow Instructions are fulfilled as of Close of Escrow.

3.3.3. Developer's representations and warranties in this DDA are true and correct as of the date of this DDA and as of the Close of Escrow.

3.3.4. The DDA is in full force and effect, no default on the part of Developer having occurred under this DDA, and no event having occurred, which, with the giving of notice or the passage of time, will constitute default by Developer under this DDA.

3.4. **CONDITIONS TO DEVELOPER'S PERFORMANCE.** Developer's obligation to perform under this DDA is subject to satisfaction of all of the following conditions:

3.4.1. The closing conditions as defined in the Escrow Instructions are fulfilled as of Close of Escrow.

3.4.2. Authority's representations and warranties in this DDA are true and correct as of the date of this DDA and as of the Close of Escrow.

3.4.3. The DDA is in full force and effect, no default on the part of Authority having occurred under this DDA, and no event having occurred, which, with the giving of notice or the passage of time, will constitute default by Authority under this DDA.

3.5. **GENERAL COVENANTS AND REPRESENTATIONS AND WARRANTIES.** The parties make the following covenants, representations and warranties regarding the Project.

3.5.1. **AUTHORITY'S REPRESENTATIONS AND WARRANTIES.** Authority represents and warrants to Developer that as of the date of this DDA and as of the Close of Escrow, the date for which is set forth on the Schedule of Performances, to the knowledge of Authority's legal department, its Executive Director, and its staff with responsibility for development of the Property:

a) Authority has received no notice, warning, notice of violation, administrative complaint, judicial complaint, or other formal or informal notice alleging that conditions on the Property are in violation of any applicable laws regarding Hazardous Substances, or informing Authority that the Project is subject to investigation or inquiry regarding Hazardous Substances.

b) Developer has caused a Phase I environmental study to be performed for Project and Developer by Geocon Consultants, Inc., dated June 5 and June 6, 2019. To the extent, if any, that Developer relies on the study, Developer does so at Developer's own risk.

c) To the best of Authority's knowledge, there is no pending or threatened litigation, administrative proceeding, or other legal or governmental action with respect to the Project or with respect to Authority that would affect the Project.

d) This DDA and all other documents delivered for the Close of Escrow have been duly authorized, executed, and delivered by Authority; are binding obligations of Authority; and do not violate the provisions of any agreements to which Authority is a party.

3.5.2. **AUTHORITY'S COVENANTS.** Commencing with the full execution of this DDA by both parties and until the Close of Escrow:

a) Authority shall promptly notify Developer of any facts that would cause any of the representations contained in this DDA to be untrue as of the Close of Escrow.

b) Authority shall not permit any liens, encumbrances, or easements to be placed on the Property, other than the approved exceptions named as acceptable in the Escrow Instructions or as identified and approved in this DDA.

c) Authority shall not, without Developer's written consent, enter into any agreement regarding the sale, rental, management, repair, improvement, or any other matter affecting the Property that would be binding on Developer or the Project after the Close of Escrow without the prior written consent of Developer, except as otherwise agreed in this DDA.

d) Authority shall not permit any act of waste or act that would tend to diminish the value of the Project for any reason, other than ordinary wear and tear.

Authority shall convey the Project to Developer pursuant to the terms and conditions contained in this DDA.

**3.5.3. DEVELOPER'S REPRESENTATIONS AND WARRANTIES.** Developer, for itself and its principals, represents and warrants to Authority that as of the date of this DDA and as of the Close of Escrow:

a) Developer has reviewed the condition of the Project, including without limitation, the physical condition of the Project and issues regarding land use and development of the Project, and if Developer closes Escrow for the acquisition of the Project, Developer shall be deemed to be satisfied that the Project is suitable in all respects for its intended development and uses.

b) Developer's agreement to close the Escrow for the acquisition of the Project serves as Developer's representation that Developer has obtained all additional information regarding the Project that Developer considers necessary for its due diligence in acquiring the Project.

c) To the best of Developer's knowledge, there is no pending or threatened litigation, administrative proceeding or other legal or governmental action with respect to Developer which would affect its ability to fulfill its obligations under this DDA and acquire the Project or which may constitute a lien against Developer's equity or Developer's interests in the Project, now or in the future.

d) Any information that Developer has delivered to Authority, either directly or through Developer's agents, is, to the best of Developer's knowledge, accurate, and Developer has disclosed all material facts concerning the operation, development, or condition of the Project.

e) Developer has the financial capital, the equity and the financing necessary to fulfill its obligations under this DDA and acquire the Project. Developer represents that any equity and funding commitments represented by Developer to Authority as available to the Project are unencumbered and that Developer has not represented to any other party that it will use such funds for any purpose other than the Project (and covenants that it will not use them for any other purpose) without prior written Authority consent.

f) Developer is duly organized, validly existing and in good standing under the laws of the State of California, and this DDA and all other documents delivered for the Close of Escrow have been duly authorized, executed, and delivered by Developer; are binding obligations of Developer; and do not violate the provisions of any agreements to which Developer is a party.

**3.5.4. DEVELOPER'S COVENANTS.** Commencing with the full execution of this DDA by both parties and until the Close of Escrow:

a) Developer covenants by and for itself and assigns, and all persons claiming under or through it, that it shall not discriminate on the basis of race, color, national origin, religion, sexual orientation or gender identity, gender, language proficiency, familial status, age (except that a minimum

age qualification is acceptable to maintain this property's status as "senior housing") or disability in the sale, lease, or rental or in the use or occupancy of the Property. Owner covenants by and for him/her/itself, his/her/its heirs, executors, administrators, and assigns, and all persons claiming under or through them that there shall be no discrimination against or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the Property.

b) Developer shall promptly notify Authority of any facts that would cause any of the representations contained in this DDA to be untrue as of the Close of Escrow.

c) Developer shall not cause any liens, encumbrances, or easements to be placed on the Project prior to Close of Escrow, except as otherwise permitted by this DDA or approved in writing by Authority.

d) Developer shall not cause any act of waste or act that would tend to diminish the value of the Project for any reason, except that caused by ordinary wear and tear.

e) Developer shall complete the development of the Project at Developer's cost and without requesting or receiving additional Authority or County contributions to the Project other than as provided in this DDA.

f) Developer shall comply with all provisions of the RAD Use Agreement, and cause any subsequent purchaser of the property to so comply.

**3.5.5. CLOSE OF ESCROW.** The Escrow shall not close, and the Project shall not be conveyed to Developer unless the preceding conditions have been satisfied together with all other conditions stated in the Escrow Instructions for Close of Escrow. The Escrow shall close on or about the date shown on the Schedule of Performances.

**3.6. DAMAGE, DESTRUCTION AND CONDEMNATION BEFORE CLOSE OF ESCROW.** If, prior to the Close of Escrow: (a) damage occurs to any portion of the Project by earthquake, mudslide, fire, release of or exposure to any Hazardous Substances, or any other casualty (other than any damage caused by Developer or its employees, agents, Contractor or subcontractors) resulting in repairs or remediation costs that will exceed five percent (5%) of the Purchase Price; or (b) any portion of the Project is taken by eminent domain or otherwise, or is the subject of a threatened or pending taking action resulting in a five percent (5%) or more decrease in the after-taking value of the Project, Authority shall notify Developer in writing of the damage, destruction or condemnation. Developer may, within fifteen (15) days after such notice, elect to terminate this DDA by written notice to Authority.

3.6.1. If this DDA is to continue in full force and effect after any such damage or destruction, Authority shall do one of the following:

a) Authority shall pay or assign to Developer any amount due from or paid by any insurance company or any other party as a result of the damage; and the amount of any deductible under Authority's insurance policy; or

b) Authority shall pay to Developer through credit in Escrow against the cash portion of the Purchase Price for the cost of repairing or correcting such damage not covered by insurance, provided, however, that the amount of any payment of such credit against the Purchase Price pursuant to this clause shall not exceed thirty percent (30%) of the Purchase Price. If this DDA is to continue in full

force and effect after such condemnation action, Authority shall pay any amounts received on account of, and assign to Developer all of Authority's rights regarding, any awards for such taking.

3.6.2. **COMMISSIONS.** Authority is not responsible, by this DDA or otherwise, to pay commissions on this transaction or any related transaction.

4. **AUTHORITY FUNDING.** The Authority shall provide funding for the Project as follows: a seller carryback loan for the improvements and payment of capitalized rent pursuant to the ground lease. All terms and conditions specifically related to the seller carryback loan are in the loan agreement. The rent shall be financed pursuant to the terms and conditions of the Ground Lease. As to this Authority Funding, the order of repayment priority shall be the seller carryback loan for the Improvements first, and the ground lease rent, second.

5. **PREPARATION AND APPROVAL OF PLANS AND RELATED DOCUMENTS.** The Authority shall have the right, but not the obligation, to review Plans to assure their conformity with the provisions of this DDA. Based upon such review the Authority shall have the right to approve or reject the Plans for reasonable cause.

5.1. **EXTENT AND CHARACTER OF PLAN REVIEW.** Authority's right of review includes, without limitation, the right to review architectural and engineering plans and specifications, off-site plans and specifications, and landscaping designs and specifications. Authority's approval of Plans is neither a representation of nor an assurance of their adequacy or correctness. Authority has reserved approval rights solely (a) to assure that the Plans further the objectives of the Project; (b) to assure that the Final Plans conform to the Plans; and (c) to assure that Authority's purposes are fulfilled and any Authority funds which may be obligated under this DDA are used as intended by the Authority. This DDA is a financing document and not a land use or planning document. Approval of the Project and Plans under this DDA is only an approval by Authority of the Project design "concept" as presented in this DDA. Such approval by Authority is not and shall not be considered an approval of land use entitlements, structural design of the Project, or the aesthetic design of the Project. Developer shall comply with all applicable land use, planning and design laws, rules and regulations of each Governmental Authority acting in proper exercise of its respective jurisdiction, including without limitation, departments, staff, boards and commissions of the City.

5.2. **CONCURRENT REVIEW.** Authority agrees that its review of the Final Plans shall occur before or concurrently with City's review of such plans, so as not to delay the commencement and progress of Project development.

5.3. **PLANS.** Developer has provided Authority with Plans, and the Authority has approved the Plans concurrently with this DDA. The Authority has been induced to undertake its obligations under this DDA by Developer's promise to develop the Project in accordance with the Plans, the Scope of Development and the provisions of this DDA.

5.4. **PREPARATION OF FINAL PLANS AND RELATED DOCUMENTS.** Developer has prepared the Final Plans that shall include all construction plans, drawings, specifications and other documents necessary to obtain all required building permits for the construction of the Project. Developer has submitted the Final Plans to the Authority for Authority's review. The Final Plans shall conform in all material respects to this DDA, including without limitation, Plans and the Scope of Development. To the extent that this DDA has insufficient detail or is unclear, this DDA shall be deemed to provide that the Project shall contain high-quality materials, and shall conform to all applicable laws, regulations, zoning, design and usage guidelines. The Final Plans included all changes or corrections approved as provided in this DDA. The Final Plans incorporated all related mitigation measures required, if any there are, for



compliance with approvals under CEQA and or NEPA and any conditions of City approval of the project, unless otherwise fulfilled. Developer agrees that it is complying with the requirements of the City of Sacramento Design Review/Preservation Board to the extent of its jurisdiction.

5.5. **DELIVERY.** Developer has delivered the Final Plans or changes to the Final Plans for Authority review.

5.6. **GOVERNMENTAL CHANGES.** If any revisions or corrections of the Final Plans shall be required by any government official, Authority, department or bureau in exercise of its proper jurisdiction, the Developer shall inform the Authority. Developer shall incorporate the change and it shall be deemed approved by Authority.

5.7. **APPROVAL OF SUBSTANTIAL CHANGES TO FINAL PLANS.** If the Developer desires to make any substantial changes in the Final Plans, Developer shall submit such proposed changes, in writing, to the Authority for its approval. The Authority shall approve or disapprove the proposed change as soon as practicable. The Final Plans shall be construed to include any changes approved in the same manner as for approval of the original Final Plans under this section. The Final Plans shall be construed to include any such changes. Nothing in this Section shall be construed to relieve Developer of its obligations under all applicable laws regarding such changes.

5.7.1. **SUBSTANTIAL CHANGE.** A substantial change in the Final Plans shall include, without limitation, the following changes, excluding those items generally considered to be tenant improvements:

- a) Material changes in the layout, elevation design, functional utility or square footage.
- b) Material changes in use of exterior finishing materials substantially affecting architectural appearance or functional use and operation.
- c) Any change that reduces the effectiveness of any mitigation measure required for CEQA approval of the Project.
- d) Material changes in site development items for the Property that are specified in the Final Plans.
- e) Material changes in quality of project or landscaping materials.
- f) Any change in public amenities specified in the Final Plans.
- g) Any changes requiring approval of, or any change required by, any City, City or state board, body, commission or officer.
- h) Any change that would preclude or materially reduce the ability to use the Project as intended by this DDA.

5.7.2. **MISREPRESENTATION.** If the Authority's approval of the Final Plans is reasonably based upon a material misrepresentation to Authority by Developer or by anyone on Developer's behalf, the Authority may, within a reasonable time after discovery of the misrepresentation, take any action permitted by law with regard to any such misrepresentation, notwithstanding Authority's prior approval, including without limitation, rescission of the approval or such other equitable remedies as may then be appropriate to such rescission.

6. **DEVELOPMENT PROVISIONS.** As stated in detail in this Section 6, Developer shall construct and manage the Project according to the requirements established in this DDA, which includes, without limitation, the Scope of Development, the Schedule of Performances and the Plans. Developer shall promptly begin, diligently prosecute and timely complete the construction of the Project.

6.1. **NOTICE TO PROCEED.** Developer shall not enter the Property or begin work on the Project until the Authority has issued to Developer a written notice to proceed with the work. Authority will issue a notice to proceed after, City's issuance of a building permit, Developer's compliance with all governmental requirements for start of construction, Developer's provision of required policies of insurance, and Developer's provision of proof of construction financing in an amount adequate to begin the Project work.

6.2. **CONSTRUCTION CONTRACTS.** Developer shall submit to Authority the construction contract or contracts for the Project. Authority's review of the construction contract shall be only for determining its compliance with this DDA. If the cost of construction of the Project or any part of the Project exceeds the costs projected by Developer, Developer shall, nevertheless, bear the responsibility to complete, at Developer's cost, the construction of the Project in accordance with this DDA.

6.3. **GOVERNMENTAL REVIEW PROCESS.** Notwithstanding any other provision of this DDA, Developer is subject to all building, planning, design and other plan review requirements that are otherwise applicable to the project, including without limitation those of the City of Sacramento. Conditions to the project imposed by the City shall be considered obligations of the Developer under this DDA. If a dispute with City staff arises regarding such City conditions, Developer shall accept the decision of the City's Planning Commission interpreting, imposing and enforcing such City conditions, subject to any applicable appeals process of the Planning Commission.

6.4. **ART IN PUBLIC PLACES EXEMPTION.** The Project improves and preserves the stock of affordable housing in the community. Imposition of the Art in Public Places Program would increase the cost of the Project substantially and reduce either the number of affordable units available in the Project or the affordability of those units. Therefore, the Aesthetic Improvement Policy requirements are not applicable.

6.5. **SUBSTANTIAL CHANGES.** Developer covenants and agrees that Developer shall not make or permit to be made any construction of the Project which incorporates a substantial change in the Final Plans, as described in Section 5.7, without Authority approval of such changes as provided in Section 5.7.

6.6. **LOCAL, STATE AND FEDERAL LAWS.** The Developer shall assure that the construction of the Project is carried out in conformity with all applicable laws and regulations, including all applicable federal and state labor standards. Before commencement of construction or development of any buildings, structures or other work of improvement upon the Property, Developer shall at its own expense secure any and all certifications and permits which may be required by any Governmental Authority having jurisdiction over such construction, development or work. Authority shall cooperate in securing certifications and permits which require consent of the owner of the Property. Developer shall permit only persons or entities which are duly licensed in the State of California, City of Sacramento and County of Sacramento, as applicable, to perform work on or for the Project.

**PREVAILING WAGES.** Developer agrees to comply federal Davis Back prevailing wage laws (40 U.S.C 276 et al). There are federal funds including project based housing choice vouchers from the United States Department of Housing and Urban Development which require that Davis-Bacon prevailing

wages to be paid on this Project. Developer shall inform the Contractor and shall require the Contractor to inform all subcontractors and materialmen furnishing goods or services to the Project of Authority's determination of the applicability of Davis –Bacon prevailing wage requirements.

Developer and General Contractor have made their own independent determinations of the applicability of prevailing wage laws and have independently implemented such determinations. Developer indemnifies, holds harmless and defends the Authority from all additional wages, benefits, fees, penalties, fines, legal fees, court costs, arbitration costs, and other costs arising from the improper application of these prevailing wage laws to the Project by Developer or General Contractor or both of them.

California state prevailing wages are not applicable pursuant to 24 CFR § 965.101.

**6.7. PUBLIC SAFETY PROTECTIONS.** Developer shall assure that all necessary steps are taken (including the erection of fences, barricades and warning devices) to protect private contractors and their employees and the public from the risk of injury arising out of the condition of the Property or Developer's activities in connection with the Project, including without limitation, fire, or the failure, collapse or deterioration of any improvements or buildings.

**6.8. NO DISCRIMINATION DURING CONSTRUCTION.** Developer for itself, the general contractor and their respective successors and assigns, agrees that the following provisions shall apply to, and be contained in all contracts and sub-contracts for the construction of the Project.

**6.8.1. EMPLOYMENT.** Developer shall not discriminate against any employee or applicant for employment because of sex, race, color, religion, ancestry, national origin, disability, medical condition, marital status, sexual orientation or gender identity. The Developer will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their sex, race, color, religion, ancestry, national origin, language proficiency, age, disability, medical condition, marital status, or sexual orientation or gender identity. Such action shall include, but not limited to, the following: employment, upgrading, demotion or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. Developer agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the Authority setting forth the provisions of this nondiscrimination clause.

**6.8.2. ECONOMIC OPPORTUNITY EMPLOYMENT REQUIREMENTS.** The construction contract shall require that to the greatest extent feasible, opportunities for training and employment be given to lower income residents in and around the area of the project. The Developer will instruct its General Contractor and its subcontractors to utilize lower income project area residents as employees to the greatest extent feasible by using the First Source Program:

(1) Identifying the number of positions in the various occupational categories including skilled, semi-skilled, and unskilled labor, needed to perform each phase of phase of the Project;

(2) Identifying the positions described in Paragraph (1) of this Section, the number of positions in the various occupational categories which are currently occupied by regular, permanent employees;

(3) Identifying the positions described in Paragraph (1) of this Section, the number of positions in the various occupational categories which are not currently occupied by regular permanent employees;

(4) Establishing the positions described in Paragraph (3) of this Section, a goal which is consistent with the purpose of this subpart within each occupational category of the number of positions to be filled by lower income residents of the Section 3 covered project area; and

(5) Making a good faith effort to fill all of the positions identified in Paragraph (4) of this Section with lower income project area residents.

6.8.3. **ADVERTISING.** Developer or its Contractor will, in all solicitations or advertisements for employees placed by or on behalf of the Developer, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, creed, sex, marital status, national origin, ancestry, familial status, or disability.

6.8.4. **MONITORING PROVISIONS.** Developer, Contractor and subcontractors shall comply with the requirements of the Authority for monitoring the anti-discrimination and all applicable labor requirements.

6.9. **PUBLIC IMPROVEMENTS.** Developer shall, at Developer's expense, undertake and complete any modification, construction, relocation or improvement of public facilities, improvements and utilities for the development of the Property.

6.10. **AUTHORITY ACCESS TO THE PROPERTY.** Developer shall permit Authority representatives access, without charge, to the entire Property at any time and for any purpose which Authority reasonably considers necessary to carry out its obligations and protect its interests under this DDA. Purposes for Authority entry may include, without limitation, inspection of all work being performed in connection with the construction of the Project.

6.10.1. **INSPECTION.** Authority may, at any time and without notice to Developer, enter on the Property and inspect the Project; and, during regular business hours, examine the books, records, accounting data, plans, shop drawings, specifications, and other documents of Developer pertaining to the Project and to make extracts or copies. Developer shall make all such documents available to Authority promptly on demand. Developer agrees to cooperate fully (and to cause the General Contractor to cooperate fully) with the Authority and its Authority's designated agent and to permit all appropriate access to the Property and to all relevant books and records. Developer shall bear the cost of reasonable inspections. If however, the Authority's inspection discovers issues of a nature that require further third-party review or investigation, Developer shall bear the costs of such third party review.

6.11. **PROJECT SIGN.** If Developer places a sign on the Project during construction stating the names of the Project participants, it shall also name "Sacramento Housing and Redevelopment Agency" ("SHRA") as a participant in the Project. The SHRA name on the sign shall be in letters not less than the size of letters used to name any of the other participants.

6.12. **CERTIFICATE OF COMPLETION.** After the Authority has determined that Developer has completed the construction of the Project in accordance with the Final Plans and Developer's obligations under this DDA, the Authority will furnish the Developer with the Certificate of Completion certifying such completion. The Authority's issuance of the Certificate of Completion shall be a conclusive determination of satisfaction and termination of the agreements and covenants in this DDA with respect to the obligations of the Developer to rehabilitate the Project as of the Completion Date specified in the Schedule of Performances, subject to any qualifications or limitations stated in such certification. Authority shall prepare and execute the Certificate of Completion in a form suitable for recording in the Official Records of Sacramento County.

6.12.1. The Certificate of Completion shall not constitute evidence of compliance with any governmental requirements regarding the Project other than those of Authority or satisfaction of any obligation of the Developer to any holder of a mortgage, or any insurer of a mortgage, securing money loaned to finance all or any part of the Project. The Certificate of Completion shall not constitute

evidence of compliance with or satisfaction of any provision of this DDA that is not related to construction of the Project.

6.12.2. If the Authority fails to provide a Certificate of Completion within fifteen (15) days after written request by Developer, the Authority shall, within an additional fifteen (15) days after a second written request by the Developer, provide the Developer with a written statement, indicating in adequate detail in what respects the Developer has failed to complete the Project in accordance with the provisions of this DDA, or is otherwise in default, and what measure or acts it will be necessary, in the opinion of the Authority, for the Developer to take or perform in order to obtain such certification.

6.12.3. This DDA pertains to two development projects which make the Project on the Property. Should these development projects reach completion at different times, Authority shall issue Certificates of Partial Completion as to each specific development project which Developer has completed to Authority's satisfaction and Authority's issuance of a Certificate of Partial Completion shall be a conclusive determination of satisfaction and termination of the agreements and covenants in this DDA with respect to the obligations of the Developer as to the development project to which it applies. Authority shall prepare and execute a Certificate of Partial Completion in a form suitable for recording in the official records of Sacramento County with respect to each completed development project.

6.13. **REPORTS.** During the period of construction, the Developer shall submit to the Authority a written report of the progress of the work as and when reasonably requested by the Authority, but not more often than once each month.

6.14. **NOTIFICATION OF GENERAL CONTRACTORS, ARCHITECTS AND ENGINEERS.** Developer shall assure notification of the Project contractors, architects and engineers for the Project of the requirements of this DDA. Developer shall include, where applicable, the provisions of this DDA in construction contracts, subcontracts, materials and supplies contracts and services and consulting contracts for the Project, and Developer shall undertake the enforcement of such provisions.

6.15. **PROPERTY IS TRANSFERRED IN ITS AS-IS CONDITION.** The Project is being transferred in it as-is condition. Developer, at Developer's expense, shall conduct any investigation beyond those provided by Authority under this DDA and which Developer may consider necessary to determine the condition of the Property for the development of the Project. As between the Authority and Developer, Developer shall be solely responsible for the adequacy of such investigations. Except as provided in this DDA, if the condition of the Project is not in all respects entirely suitable for the use or uses to which the Project will be put, it is the sole responsibility and obligation of the Developer to take such reasonable actions as may be necessary to place the condition of the Project in a condition which is entirely suitable for its development in accordance with the construction plans and drawings approved by Authority. Authority shall not be responsible for removing any surface or subsurface obstructions, or structures of any kind on or under the Project.

6.16. **ZONING.** Authority exercises no authority with regard to zoning of the Project. Developer shall assure that zoning of the Project at the time of development shall be such as to permit the development and construction, use, operation and maintenance of the Project in accordance with the provisions of this DDA.

6.17. **HAZARDOUS SUBSTANCES.** Developer has obtained such Hazardous Substances assessments as Developer deems reasonably necessary to assure the development of the Project in accordance with all applicable laws, rules and regulations; provided, however that such assessments are prepared by a qualified environmental specialist in accordance with nationally recognized standards to determine the existence of and to quantify the extent of Hazardous Substances on the Property. As between the

Authority and Developer, Developer shall be solely responsible. Developer is relying on these assessments, as adequate Hazardous Substances investigations. If Hazardous Substances are known to be present, based on these assessments, Developer shall remediate or encapsulate such Hazardous Substances to the extent required by any federal, state or local Authority having jurisdiction regarding Hazardous Substances standards or remediation and as may be necessary to avoid incurring liability or further liability under any federal, State and local law or regulation. If Hazardous Substances are discovered after conveyance of the project to Developer and have not been released after conveyance to Developer and the cost to remediate such Hazardous Substances is reasonably estimated to exceed Fifty Thousand Dollars (\$50,000), Developer may elect to terminate this DDA, upon reconveyance of the Property to Authority and return of all monies and properties delivered by Authority to Developer pursuant to or in furtherance of this DDA.

**6.18. DEVELOPER ACCESS TO PROPERTY.** Prior to the conveyance of the Project by Authority to Developer, the Authority shall permit representatives of Developer to have access, without charge, to the Project, at all reasonable times for the purpose of obtaining data and making various tests necessary to carry out Developer's obligations under this DDA; provided, however, that Developer shall not enter the Property except (a) after execution by Developer and Authority of Authority's standard "Permit for Entry" and (b) after Developer has obtained insurance coverage then required by Authority. No work shall be performed on the Property until a "Notice of Nonresponsibility" has been recorded and posted in accordance with applicable laws, assuring that the Authority's interest in the Project shall not be subject to mechanic's liens related to such work. Developer shall not commence any work on the Project without Authority's written approval of the work to be done, and in any event, Developer shall not commence any work which might be construed as commencement of the work of the Project for establishment of mechanic's lien rights.

**7. RELOCATION.** Authority is required by law to provide relocation services and make relocation payments to eligible tenants that are displaced as a result of the Project. Developer shall comply fully with all relocation laws that are the obligation of Authority or are otherwise applicable to the Project. Developer's compliance with the relocation requirements as stated in this Section 7 is a material element of this DDA. Developer's failure to comply with the relocation requirements as stated in this Section 7 is an Event of Default, subject to Developer's opportunity to cure in accordance with applicable law.

**7.1. RELOCATION COSTS.** Relocation costs shall be borne by Developer.

**7.2. COOPERATION AND ACCESS.** Developer shall cooperate fully with Authority in complying with such relocation laws, including without limitation, providing Authority access to all tenants of the Project, to all books and records related to the tenants of the Project and to all properties offered for temporary or permanent relocation. Prior to taking any action with respect to relocation of tenants, Developer shall meet with Authority to establish reasonable protections for tenants and related reporting requirements for Developer.

**7.3. DEVELOPER AS RELOCATION AGENT.** Developer is acting as Authority's agent in accomplishing relocation. Developer may enter into agreements for the provision of relocation services, or Developer may perform such services directly. Developer shall, by provisions in its agreements or by direction to its staff, assure that the entity performing the relocation services: (a) complies with all applicable laws; (b) fully informs Authority of all relocation activities; (c) makes all requests for direction or clarification to Authority; and (d) responds to and follow the Authority's instruction and direction.

**8. DEVELOPMENT FINANCING.** Except as specifically provided in this DDA, Developer shall be responsible for and shall pay all costs of developing the Project in accordance with this DDA. As a

condition precedent to Authority's conveyance of the Project to Developer, Developer shall provide the Authority with a complete and firm Project budget including all proposed sources and uses of funds, all "hard" and "soft" costs and contingencies and reflecting, as possible, firm bids or accepted contracts and with evidence of sufficient funds to meet all budget requirements. To the extent that funds specified in this DDA for the Project are insufficient to fully fund the Project, the Developer shall provide evidence, satisfactory to the Authority, of the additional required construction and permanent financing. Authority is not obligated by this DDA or otherwise to make any contribution beyond its obligations stated in this DDA.

**8.1. EVIDENCE OF AVAILABLE FUNDS.** Unless otherwise approved by the Authority, Developer's evidence of available funds, as required in the preceding section, must include only the following: (a) Developer equity (as provided in Section 8.3); (b) firm and binding loan commitments (as provided in Section 8.2) from each lender, in form and content acceptable to Authority; and (c) Authority contribution, if any, as specified in this DDA. Within ten (10) days after Authority's request, Developer shall provide all additional information requested by the Authority for evaluation of the actual availability of funds included in such evidence, including without limitation, requests for clarification, further evidence or audited financial reports.

**8.2. COMMITMENT AND LOAN REQUIREMENTS.** As a material obligation under this DDA, Developer shall assure that the loan documents for the Project are consistent with the lender's commitment approved by the Authority and comply, in all respects, with this DDA. The Authority may reject a loan commitment unless such commitment: (a) is subject only to lender's reasonable conditions of title and Developer's execution of standard loan documents (copies of which have been previously provided to and approved by the Authority); (b) contains only usual, customary, and commercially reasonable loan terms; (c) continues in effect until a time when subject financing is reasonably expected to be required; and (d) for construction financing, provides for a construction loan term not less than that specified in the Schedule of Performances for completion of construction and any additional time necessary to fulfill all conditions precedent to funding of permanent financing. The Authority may also reject any commitment if it is based upon sources and uses of Project funds that are different from those approved by Authority for the Project. The Authority may also reject any commitment that requires changes to the Project which conflict with this DDA, that require amendment of this DDA or that require the Authority to enter into agreements with any lender, guarantor, equity partner or any other third-party.

**8.3. EVIDENCE OF DEVELOPER EQUITY.** Developer shall provide proof of an equity commitment for the Project in the amount of approximately \$7,000,000 in Tax Credit Equity.

**8.4. Other Financing:** Developer, as a requirement of this DDA and Authority Funding (Section 4 above), shall procure and deliver to Authority evidence satisfactory to Authority that Developer has obtained the following described financing which may be secured by a lien upon the Improvements (Developer's Leasehold Interest) superior or subordinate to Authority's liens, and which shall be otherwise on terms and conditions acceptable to Authority:

8.4.1. As a condition precedent to the sale of the Authority Improvements, financing from a private lender(s) in an amount(s) sufficient to complete construction of the Property according to a scope of work as approved by Authority and made for a term not less than that specified in the Schedule of Performance for completion of construction, and in any event not less than the time necessary to fulfill all conditions precedent to funding of the permanent financing.

8.4.2. Commitments for seller carryback loan financing in an amount equal to appraised value of the Improvements and Ground Lease with capitalized rent amount equal to appraised value of the Land.

8.4.3. Commitments for permanent financing sufficient to “take out” all liens senior to the Authority’s liens.

Such commitments for financing shall not require modification of Authority loan documents, or ground lease or any term of this DDA.

Such commitments shall not be based upon sources and uses of Project funds that are different from those approved by Authority for the Project or be subject to conditions which require amendment of the Authority loan documents or other agreements.

**9. INDEMNIFICATION FOR HAZARDOUS SUBSTANCES.** Developer shall indemnify, protect and defend Authority, its officers, directors, council members and supervisors, employees, advisory committee members, and agents, and hold them harmless from any and all liability, costs, fees, fines, penalties and claims (including without limitation court, mediation or arbitration costs, attorneys’ fees, witnesses’ fees, and investigation fees) related to the existence of Hazardous Substances on the Project that were not on the Property prior to Authority’s transfer of possession of the Project to Developer or that were related to the removal or discharge of Hazardous Substances by Developer, or its employees, agents or contractors, during Developer's remediation of the Project pursuant to this Section.

Authority shall indemnify, protect and defend Developer, its officers, directors, employees, and agents, and hold them harmless from any and all liability, costs, fees, penalties and claims (including without limitation court, mediation or arbitration costs, attorneys’ fees, witnesses’ fees, and investigation fees) related to Hazardous Substances discharged on the Project during Authority’s ownership of the Project or related to the removal or discharge of Hazardous Substances by Authority or its employees, agents or contractors.

**10. INDEMNIFICATION.** Developer shall indemnify, protect, defend and hold harmless Authority, its officers, directors, commission members, employees, advisory committee members, and agents from any and all liability from bodily injury, death and property damage caused by or resulting from the acts or omissions of Developer, its officers, employees, agents or independent contractors and for any and all costs incurred by Authority in defending against such liability claims, including reasonable attorney's fees, except for injury, death or property damage caused by the negligent act or willful misconduct of Authority.

Authority shall indemnify, protect, defend and hold Developer harmless from any and all liability from bodily injury, death and property damage caused by or resulting from the acts or omissions of Authority, its officers, commission members, employees, advisory committee members or agents and for any and all costs incurred by Developer in defending against such liability claims, including reasonable attorney's fees, except for injury, death or property damage caused by the negligent act or willful misconduct of Developer. This indemnification provision (Section 10) shall survive the termination of this Agreement.

**11. LIABILITY INSURANCE.** With regard to this DDA, the Developer shall obtain and maintain for the life of the Ground Lease, defined in Section 16.14, below, in connection with the Authority Ground Lease Loan, and require the Contractor and subcontractors for the Project to obtain and maintain for the term of the development of the Project, such insurance as will protect them, respectively, from the following claims which may result from the operations of the Developer, Contractor, subcontractor or anyone directly or indirectly employed by any of them, or by anyone for whose acts any of them may be liable: (a) claims under workers' compensation benefit acts; (b) claims for damages because of bodily injury, occupational sickness or disease, or death of its employees; (c) claims for damages because of bodily injury, sickness or disease, or death of any person other than its employees; (d) claims for



damages insured by usual personal injury liability coverage which are sustained (1) by any person as a result of an offense directly or indirectly related to the employment of such person by the Developer, or (2) by any other person, claims for damages, other than to the construction itself, because of injury to or destruction of tangible property, including resulting loss of use; (e) claims for damages because of bodily injury or death of any person or property damage arising out of the ownership, maintenance or use of any motor vehicle; and (f) claims for contractual liability arising from the Developer's obligations under this DDA.

**11.1 LIABILITY INSURANCE POLICY LIMITS.** Developer shall obtain all insurance under this Section 11 written with a deductible of not more than Twenty-five Thousand Dollars (\$25,000) or an amount approved by Authority, and for limits of liability which shall not be less than the following:

**11.2 WORKER'S COMPENSATION.** Developer shall obtain and maintain worker's compensation coverage for the statutory limits as required by Article 1 (commencing with Section 3700) of Chapter 4 of Part 1 of Division 4 of the California Labor Code (as it may, from time to time, be amended) and having an employer's liability of not less than \$1,000,000, or statutory limits, whichever are greater.

**11.3 COMMERCIAL GENERAL LIABILITY.** Developer shall obtain and maintain Commercial General Liability insurance in Insurance Services Office ("ISO") policy form CG 00 01 Commercial General Liability (Occurrence) or better. Such insurance shall have limits of liability, which are not less than \$1,000,000, per occurrence limit; \$5,000,000 general aggregate limit, and \$5,000,000 products and completed operations aggregate limit, all per location of the Project.

**11.4 COMPREHENSIVE AUTOMOBILE LIABILITY.** Developer shall obtain and maintain comprehensive automobile liability coverage for any vehicle used for, or in connection with, the Project (owned, nonowned, hired, leased) having a combined single limit of not less than \$1,000,000.

**11.5 PROPERTY INSURANCE.** For the duration of the RAD Use Agreement, Developer shall obtain and maintain property insurance in ISO policy form CP 10 30 - Building and Personal Property Coverage - Causes of Loss - Special Form, to the full insurable value of the Property with no coinsurance penalty (and with endorsements of Builder's Risk until completion of construction of the Project), Boiler and Machine to the extent necessary to obtain full insurance coverage, and with such other endorsements and in such amounts as the Authority may reasonably require to protect the Project. In the event of damage to the Project and subject to the requirements of lender, Developer shall use the proceeds of such insurance to reconstruct the Project and the public improvements.

**11.6 INSURANCE PROVISIONS.** Each policy of insurance required under this DDA shall be obtained from a provider licensed to do business in California and having a current Best's Insurance Guide rating of A+ VII, which rating has been substantially the same or increasing for the last five (5) years, or such other equivalent rating, as may reasonably be approved by Authority's legal counsel. Each policy shall contain the following provisions as applicable, unless otherwise approved by Authority's legal counsel in writing in advance:

**11.6.1 ADDITIONAL INSURED.** Developer shall obtain a policy in ISO form CG 20 33 or better, naming the "Sacramento Housing and Redevelopment Agency and its constituent entities, including but not limited the Housing Authority of the City of Sacramento," as additional insured under the Commercial General Liability Policy.

**11.6.2 SINGLE PROJECT INSURANCE.** It is the intent of the parties that the Project have available all the specified insurance coverages. Developer shall not provide insurance coverages that are considered in aggregate with other Projects which Developer or its Contractor might have concurrently

under construction. The Authority may at its discretion permit an aggregate policy if and only if Developer or the respective Contractor or subcontractor has fully disclosed to Authority other projects which will or may be considered in aggregate with the Project, and thereafter, Developer shall immediately inform Authority of the change in or addition to any such projects. Nevertheless, Authority may at any time require that the insurance coverage be provided solely for the Project.

**11.6.3 CERTIFIED POLICY COPY.** Developer shall provide Authority with a certified copy of each required policy of insurance. Pending delivery of the certified policy, Developer shall provide Authority with a Certificate of Insurance for each policy on the applicable ACORD form. The ACORD form shall not substitute for the policy. ACORD 25-S “Certificate of Liability Insurance shall be used for liability insurance deleting the sentence in the top right-hand block immediately below the title (commencing “This certificate is issued as a matter of information . . .) and in the bottom right-hand box above the authorized representative signature, deleting the words “endeavor to” and “but failure to do so shall impose no obligation or liability of any kind upon the insurer, its agents or representatives.”

**11.6.4 CANCELLATION.** Each policy shall bear an endorsement precluding cancellation or termination of the policy or reduction in coverage unless the Authority has been given written notice of such intended action at least thirty (30) days prior to its effective date.

a) Developer will provide the Authority with the cancellation clause and/or any amendatory endorsements that modify or change the policy cancellation clause of the insurance policies in force. It is the Developer’s responsibility to notify the Authority of any notice of cancellation, non-renewal or non-payment of premium in accordance with your policy provisions. In the event insurance is cancelled or not renewed, the Developer shall notify the Authority within forty eight (48) hours of such cancellation or non-renewal.

\_\_\_\_\_ **Developer’s Initials**

**11.6.5 FAILURE TO MAINTAIN.** If Developer fails to obtain or maintain, or cause to be obtained and maintained, any insurance required by this DDA, the Authority shall have the right, but not the obligation, to purchase the insurance on Developer’s behalf, and Developer shall promptly reimburse the full cost of such insurance to the Authority. If Developer fails to reimburse the Authority for insurance, the amount of unpaid reimbursement shall bear interest at the maximum rate permissible under the law until paid. Failure to maintain the insurance required by this Section 11 shall be a default under this DDA (see Section 12, below).

**11.6.7. BLANKET COVERAGE.** Developer’s obligation to carry insurance as required under this Section 11 may be satisfied by coverage under a “blanket” policy or policies of insurance (as the term is customarily used in the insurance industry); provided, however, that the Authority shall nevertheless be named as an additional insured under such blanket policy or policies to the extent required by this Section, the coverage afforded the Authority will not be reduced or diminished thereby, and all of the other requirements of this Section 12 with respect to such insurance shall otherwise be satisfied by such blanket policy.

**12. DEFAULTS AND REMEDIES.** Except as otherwise provided in this DDA, if either party defaults in its obligations under this DDA, the defaulting party shall immediately commence and diligently proceed to cure the default within thirty (30) days after written notice of default from the other party or, if reasonable, such longer time as is reasonably necessary to remedy such default if such default cannot reasonably be cured within thirty (30) days for reasons beyond the control of the defaulting party, provided that the defaulting party shall promptly begin and diligently pursue such cure to completion. If

the defaulting party does not promptly begin and diligently cure the default within a reasonable time, the other party may institute proceedings to cure the default, including without limitation, proceedings to compel specific performance by the defaulting party. Subject to any extension of time permitted by this DDA, a failure or delay by a party to perform any term or provision of this DDA constitutes a default of this DDA. As a condition precedent to termination of this DDA under this Section, each party shall first tender the return of all property or funds received from or on behalf of the other party, other than funds properly retained as liquidated damages. After such return of property and funds and termination of this DDA, neither Authority nor Developer shall have any further rights against or liability to the other under this DDA except as expressly set forth in this DDA to the contrary.

Notwithstanding anything to the contrary contained herein, so long as any General Partner of the Developer is affiliated with the Authority, the Authority shall not declare a default or exercise any remedies available hereunder without the prior written consent of the Developer's tax credit equity investor and each holder of any Approved Financing (as defined in the Ground Lease).

**13. ENCUMBRANCE OF PROJECT AND LENDER PROTECTIONS.** Before issuance of a Certificate of Completion, if Developer has obtained Authority's prior written approval, which approval Authority may withhold in exercise of its reasonable discretion and in consideration of the commercially reasonable protection of its interests under this DDA, the Developer may obtain a loan and encumber the Project as security for the loan, provided either that the proceeds of the loan are used solely for construction of the Project improvements upon usual and customary and commercially reasonable terms or that the loan is permanent project financing made upon usual and customary and commercially reasonable terms. Each lender shall be a federal or state chartered financial institution, a pension fund, an insurance company or such other lender which Authority may approve in writing in advance. Authority has approved the Approved Financing (as defined in the Ground Lease). After issuance of a Certificate of Completion, the Authority shall have no rights of approval regarding financing secured by the Project, except as provided by the RAD Use Agreement or Authority loan documents. As a condition to Authority's approval of a loan, Developer shall provide the Authority with a conformed copy of all documents related to the loan. Authority acknowledges that a lender will rely upon this DDA in making the loan and that Authority's obligations under this DDA are inducements to lender's making of the loan. If a lender or any successor foreclosed on the Project or obtains a deed in lieu of foreclosure, neither the lender nor any successor shall be liable for any actions, inactions, liability or damages incurred or suffered by the Developer prior to date such party acquires the Project.

**13.1. NOTICES.** If the Authority gives any notice of default to Developer under this DDA, the Authority shall contemporaneously give a copy of such notice to each lender who has requested such notice in the following form of request for notice at the address stated in such request for notice, as provided in Section 15.12.3. Any such default notice that is not so delivered to a lender shall not be effective or binding with regard to lender or otherwise affect lender, but failure to deliver such default notice to lender shall not affect its validity with respect to Developer. Any lender shall use the following form for requesting notice:

[Date]

The undersigned, whose address for notices is stated immediately below its signature, does hereby certify that it is the lender as such term is defined in that certain Disposition and Development Agreement dated \_\_\_\_\_, 2020 between the Housing Authority of the City of Sacramento and **RAD Pilot LP** ("DDA"). The lender requests, in accordance with this DDA, that if any default notice shall be given to Developer under this DDA, a copy of such default notice shall be given to the lender.

[The lender Name and Address for Notice]

**13.2. ASSIGNMENTS AND TRANSFERS OF THE LOAN.** Authority shall not be bound to recognize any assignment of a lender's loan or related encumbrance of the Project unless and until lender has given Authority written notice of the name and address of the assignee (and if more than one person is an assignee, the designated name and address for notices) and such assignee qualifies as a lender under this DDA. Thereafter, such assignee shall be considered a lender with respect to the loan and the related encumbrance on the Project.

**13.3. LENDER NOT OBLIGATED TO CONSTRUCT.** Notwithstanding any of the provisions of this DDA, a lender shall not be obligated by the provisions of this DDA to construct or complete the Project. Nothing in this Section or any other provision of this DDA shall be construed to permit or authorize lender to devote the Project to any uses, or to construct any improvements on the Project, other than those uses or improvements provided or permitted in this DDA.

**13.4. LENDER'S AND LIMITED PARTNER'S OPTION TO CURE DEFAULTS.** After any default of Developer's obligations under this DDA, each lender shall have the right, at its option, to cure or remedy such default, within the time for cure allowed to Developer, and to add the cost of such cure to the debt and the lien secured by the Project. The Authority shall accept such performance as if it had been performed by Developer; provided, however, that such lender shall not be subrogated to the rights of the Authority by undertaking such performance. If the breach or default relates to construction of the Project, however, lender shall not undertake or continue the construction of the Project (beyond the extent necessary to conserve or protect Project or construction already made) unless lender assumes, in writing satisfactory to the Authority, Developer's obligations to complete the Project in the manner provided in this DDA. Any lender who properly completes the Project as provided in this DDA shall be entitled, upon written request made to the Authority, to a Certificate of Completion from the Authority in a manner provided in this DDA. Such certification shall mean that any remedies or rights with respect to the Project that the Authority may have, because of Developer's failure to cure any default with respect to the construction of the Project, or because of any other default of this DDA by the Developer, shall not apply to the part of the Project to which such Certification relates. Nothing in this Section shall be deemed to limit, modify or release any claim or remedy that the Authority may have against the Developer for such default. The Developer's limited partner has the same cure rights afforded to the Developer in this Section 13.

**13.5. DEFAULT BY DEVELOPER.** In the event of a default by Developer, Authority shall not terminate this DDA unless and until the Authority has given notice to Developer of such default, and Developer has failed to cure such default no later than 60 business days after receiving notice.

13.5.1. If such default cannot practicably be cured by the lender without taking possession of the Property, then the Schedule of Performances (and, therefore, the Authority's right to terminate this DDA) shall be tolled if and so long as, all of the following are true: (a) lender has delivered to the Authority, prior to the date on which Authority is entitled to give notice of termination of this DDA, a written instrument satisfactory to Authority in which lender or its designee unconditionally agrees that it will commence the cure of such default immediately upon lender or its designee taking possession of the Property and will thereafter diligently pursue such cure to completion; provided, however, that neither the lender nor its designee shall be obligated to pay damages to the Authority on account of such default, except to the extent of any monies due and unpaid from Developer; (b) the lender or its designee has rights to obtain possession of the Project (including possession by receiver) through foreclosure, deed in lieu of foreclosure or otherwise, and lender or its designee promptly commences and diligently proceeds to obtain possession of the Project; (c) if lender is prevented by court action or by any statutory stay from prosecuting foreclosure proceedings, that lender is diligently seeking relief from such action or stay; and (d) upon receiving possession of the Project, lender or its designee promptly commences and diligently proceeds to cure such default in accordance with this DDA.

13.5.2. From and after the cure of such Developer default, lender or its designee is not required to obtain possession or to continue in possession of the Project. Nothing in this Section shall preclude the Authority from exercising any of its rights or remedies with respect to Developer during any period of such forbearance.

13.6. **FORECLOSURE.** Foreclosure of any encumbrance securing the loan of lender, or any sale under such encumbrance, whether by judicial proceedings or by virtue of any power contained in such encumbrance, or any conveyance of the Project from the Developer to the lender or its designee through, or in lieu of, foreclosure or other appropriate proceedings in the nature of foreclosure, shall not require the consent of the Authority. Upon such foreclosure, sale or conveyance, the Authority shall recognize the resulting purchaser or other transferee as the Developer under this DDA, provided that such purchaser or transferee expressly assumes each and every obligation of the Developer under this DDA (except for the obligation to pay damages except to the extent of any monies due and unpaid from Developer under this DDA) by assumption agreement satisfactory to the Authority. If any lender or its designee acquires Developer's right, title and interest under this DDA as a result of a judicial or nonjudicial foreclosure under any power contained in such encumbrance, or any conveyance of the Property from the Developer to the lender or its designee through, or in lieu of, foreclosure or other appropriate proceedings in the nature of foreclosure, such lender or its designee shall have the right to assign or transfer Developer's right, title and interest under this DDA to an assignee; provided, however, that the assignee or transferee shall thereafter be subject to all of the terms and conditions of this DDA.

13.7. **MODIFICATIONS.** No modification or amendment to this DDA which materially and adversely affects the Authority's interest in the Project shall be valid and effective unless the Authority's written consent to such modification or amendment has first been obtained, which consent shall not be unreasonably withheld.

13.8. **FURTHER ASSURANCES TO LENDERS.** Authority and Developer shall in good faith consider making such reasonable modifications to this DDA and executing such further instruments and agreements between them as a lender may reasonably request, provided such modifications, instruments and agreements do not materially, adversely affect any party's expectations or benefit, rights or obligations under this DDA and provided such modifications, instruments, and agreements serve a material economic purpose.

13.9. **ESTOPPEL CERTIFICATE.** Any party may, at any time, request in writing of any other party to certify in writing that, to the knowledge of the certifying party, (i) this DDA is in full force and effect and a binding obligation of the parties; (ii) this DDA has not been amended or modified, or, if so amended, identifying the amendments; and (iii) the requesting party is not in default in the performance of its obligations under this DDA, or, if in default, describing the nature and extent of any such defaults. A party receiving such a request shall execute and return such certificate to the requesting party, or give a detailed written response explaining why it will not do so, within ten (10) days following its receipt. The Authority's designee shall be authorized to execute any such certificate requested by Developer from the Authority.

13.10. **PROHIBITIONS AGAINST ASSIGNMENT AND TRANSFER.** In reliance on the financial capability and experience of Developer, substantial public financing and other public aids have been made available by law and by the federal and local governments to make development of the Property possible. Developer shall not, prior to issuance of a Certificate of Completion, which in accordance with Section 6.13 may terminate this DDA subject to provisions expressly stated to survive this DDA, assign Developer's interests or obligations under this DDA or undertake any act or transaction resulting in a significant change in the interests of the principals of Developer or the degree of their control of

Developer without the prior written consent of Authority. The transfer or assignment, pursuant to this Section, requires the transferee or assignee to execute and deliver to Authority a valid, binding, written assumption of all obligations of Developer. Such a transfer as permitted in this Section shall not relieve Developer, or any other party bound in any way by this DDA, from any of its obligations under this DDA. With respect to this provision, the Developer and the parties signing this DDA on behalf of the Developer represent that they have the authority of all of Developer's principals to agree to and bind them to this provision.

14. **CONCURRENT AGREEMENTS.** The following agreements are to be executed and delivered to each party at Close of Escrow:

14.1. **RAD USE AGREEMENT.** The Rental Assistance Demonstration Use Agreement is to be recorded against the land and the leasehold estate of each of the two sites within the Project (RAD Use Agreement, Exhibit 5). This DDA shall in all respects be subordinated to the RAD Use Agreement. Subordination continues in effect with respect to any future amendment, extension, renewal, or any other modification of the RAD Use Agreement or this DDA. If any of the provisions of this DDA conflict with the terms of the RAD Use Agreement, the provisions of the RAD Use Agreement shall control.

15. **DOCUMENT INTERPRETATION.** This DDA shall be interpreted in accordance with the following rules.

15.1. **ENTIRE DDA; SEVERABILITY.** This DDA integrates all of the terms and conditions related or incidental to its subject matter, and supersedes all negotiations or previous agreements between the parties with respect to its subject matter. If any term or provision of this DDA shall, to any extent, be held invalid or unenforceable, the remainder of this DDA shall not be affected; provided that the intent of this DDA may then be reasonably fulfilled.

15.2. **WAIVERS AND AMENDMENTS.** All waivers of the provisions of this DDA must be in writing and signed by Authority or Developer, as applicable, and all amendments to this DDA must be in writing and signed by Authority and Developer. Any delay by Authority in asserting any rights under this Section shall not operate as a waiver of such rights or to deprive Authority of or limit such rights in any way. Any waiver in fact made by Authority with respect to any specific default by Developer under this Section shall not be considered as a waiver of the rights of Authority with respect to any other defaults by Developer under this Section or with respect to the particular default except to the extent specifically waived in writing.

15.3. **CAPTIONS, GENDER AND NUMBER.** The section headings, captions and arrangement of this DDA are for the convenience of the parties to this DDA. The section headings, captions and arrangement of this instrument do not in any way affect, limit, amplify or modify the terms and provisions of this DDA. The singular form shall include plural, and vice versa, and gender references shall be construed to include all genders.

15.4. **DRAFTER.** This DDA shall not be construed as if it had been prepared by one of the parties, but rather as if both parties have prepared it. Unless otherwise indicated, all references to sections are to this DDA. All exhibits referred to in this DDA are attached to it and incorporated in it by this reference.

15.5. **MERGER.** All of the terms, provisions, representations, warranties, and covenants of the parties under this DDA shall survive the Close of Escrow and shall not be merged in the Grant Deed or other documents.

15.6. **TIME FOR PERFORMANCE.** In determining time for performance, it shall be construed that Authority and Developer shall each do the actions required of them, promptly and when specified in this DDA, and that each action specified in the Schedule of Performances shall be performed by the responsible party on or before the date scheduled for its completion.

15.7. **GOVERNING LAW.** This DDA shall be governed and construed in accordance with California law.

15.8. **NO JOINT VENTURE, PARTNERSHIP, OR OTHER RELATIONSHIP.** Nothing contained in this DDA or in any other document executed in connection with this DDA shall be construed as creating a joint venture or partnership between Authority and Developer. Each Party is acting as an independent entity and not as an agent of the other in any respect. No relationship exists as between Authority and Developer other than that of a governmental entity regulating the development of private property, and the owner of such private property.

15.9. **NO THIRD PARTIES BENEFITED.** This DDA is made and entered into for the sole protection and benefit of the parties and their permitted successors and assigns, and no other Person will have any right of action or any rights to any property, benefits or funds at any time on deposit in the Construction Account or the Impound Account, if established.

15.10. **INSPECTION OF BOOKS AND RECORDS.** Authority has the right, at all reasonable times, to inspect the books and records of Developer regarding the Project as reasonably necessary to carry out its purposes under this DDA.

15.11. **OWNERSHIP OF DATA.** If this DDA is terminated, for any reason, prior to the completion of the Project, Developer shall deliver to Authority any and all data acquired for development of the Property. Authority shall have full ownership and rights to use such data.

15.12. **NOTICES.** All notices to be given under this DDA shall be in writing and sent to the following addresses by one or more of the following methods:

15.12.1. Addresses for notices are as follows:

a) Authority: Housing Authority of the City of Sacramento, 801 12th Street, Sacramento, California 95814, Attention: Portfolio Management Division.

b) Developer: RAD Pilot LP, c/o SHARP, 801 12<sup>th</sup> Street, Sacramento, California 95814, Attention: President of SHARP.

15.12.2. Notices may be delivered by one of the following methods:

a) Certified mail, return receipt requested, in which case notice shall be deemed delivered three (3) business days after deposit, postage prepaid in the United States Mail;

b) A nationally recognized overnight courier, by priority overnight service, in which case notice shall be deemed delivered one (1) business day after deposit with that courier;

c) Hand delivery with signed receipt for delivery from a person at the place of business of the receiving party and authorized to accept delivery for the receiving party, in which case notice shall be deemed delivered upon receipt, or

d) Telecopy or facsimile, if a copy of the notice is also sent the same day by United States Certified Mail, in which case notice shall be deemed delivered one (1) business day after transmittal by telecopier, provided that a transmission report is automatically generated by the telecopier reflecting the accurate transmission of the notices to receiving party at the "Fax Number" given in the Escrow Attachment or to such other address as Developer or Authority may respectively designate by written notice to the other.

15.12.3. **Additional Notices.** Authority shall give copies of notices required to be delivered to Developer to the following parties at the following addresses; provided, however that Developer acknowledges that such notice is an accommodation and the failure of the Authority to properly deliver any such notice shall not give rise to any claims or defenses of Developer or any third party:

**TAX CREDIT EQUITY INVESTOR**

NEF Assignment Corporation  
Attention: General Counsel  
10 South Riverside Plaza, Suite 1700  
Chicago, IL 60606

**CONSTRUCTION LENDER**

Wells Fargo Bank, National Association  
Community Lending and Investment  
333 Market Street, 17<sup>th</sup> Floor  
MAC# A0119-177  
San Francisco, California 94105  
Attention: Loan Administration Officer  
Loan No. 1019305

**PERMANENT LENDER**

Prudential Affordable Mortgage Company, LLC, or affiliate  
C/O PRUDENTIAL ASSET RESOURCES  
2100 ROSS AVENUE, SUITE 2500  
DALLAS, TEXAS 75201  
ATTN: ASSET MANAGEMENT DEPARTMENT  
Agency-Notice@prudential.com

With a copy to:

Federal Home Loan Mortgage Corporation  
8100 Jones Branch Drive, MS B4P  
McLean, Virginia 22102  
Attention: Multifamily Operations - Loan Accounting  
Email: mfla@freddiemac.com  
Telephone: (703) 714-4177

with a copy to: Federal Home Loan Mortgage Corporation  
8200 Jones Branch Drive, MS 210  
McLean, Virginia 22102  
Attention: Managing Associate General Counsel –  
Multifamily Legal Division  
Email: joshua\_schonfeld@freddiemac.com  
Telephone: (703) 903 2000

**FISCAL AGENT**

U.S. Bank Global Corporate Trust  
Attention: RAD 1  
1 California Street, Suite 1000  
San Francisco, CA 94111



15.13. **SUCCESSORS.** This DDA shall inure to the benefit of and shall be binding upon the parties to this DDA and their respective successors, and assigns.

16. **DEFINITIONS.** The following definitions shall apply for the purposes of this DDA:

16.1. "Authority" is the Housing Authority of the City of Sacramento. The Authority is a public body, corporate and politic, exercising governmental functions and powers, and organized and existing under the Housing Authorities Law of the State of California. The principal office of the Authority is located at 801 12th Street, Sacramento, California, 95814. Authority as used in this DDA includes the Sacramento Housing and Redevelopment Agency and any assignee of or successor to its rights, powers and responsibilities.

16.2. "Art in Public Places Program" is the commonly used name for the program implementing Authority's Aesthetic Improvement Policy. Aesthetic Improvement Policy is Authority's policy for the creation and display of artwork in public areas. The policy was adopted by Authority Resolution Number 2865, October 16, 1979. The policy as implemented is known as the Art in Public Places Program.

16.3. "Certificate of Completion" or "Certificate of Partial Completion" is the certificate issued by the Authority certifying Developer's completion, or partial completion of the Project.

16.4. "City" is the City of Sacramento in the State of California.

16.5. "County" is the County of Sacramento in the State of California.

16.6. "Close of Escrow" is the time for the close of the Escrow as provided in the Escrow Instructions.

16.7. "General Contractor" is Precision General Commercial Contractor, the contractor or contractors with whom Developer has contracted for the rehabilitation of the Project.

16.8. "Completion Date" is the date for completion of construction of the Project to the satisfaction of the Authority, which date shall be not sooner than the issuance of a certificate of occupancy or permit sign-off for the entire Project. The Completion Date is stated in the Schedule of Performances.

16.9. "DDA" is this Disposition and Development Agreement including the attachments to this DDA consisting of the exhibits named in and attached to this DDA, the Preliminary Plans the Final Plans and any other item expressly incorporated in this DDA, all of which are incorporated in this DDA as if included in full as provisions in the body of this DDA. A default of any of the items incorporated in this DDA by reference is a default of this DDA.

16.10. "Developer" is RAD Pilot LP, a California limited partnership. The principal office of the Developer is located at 801 12<sup>th</sup> Street, Sacramento, California 95814. The principal of Developer, Sacramento Housing Authority Repositioning Program, Inc. (James Shields, President).

16.11. "Escrow" is the escrow for the transfer of the Improvements and for all requirements related to the transfer. The Title Company is the holder of the Escrow.

16.12. "Escrow Instructions" are the escrow instructions for the close of the Escrow for this DDA.

16.13. “Final Plans” are the full and final plans, drawings and specifications for the Project as described in, and approved by the Authority under this DDA. The Final Plans include all construction plans, drawings, specifications and other documents required to obtain all required building permits for the construction of the Project. The Final Plans may refer, as the context may indicate, to partial Final Plans prepared and submitted in accordance with this DDA. The Final Plans shall incorporate all applicable mitigation measures which may be required for compliance with approvals under the California Environmental Quality Act (commencing at Public Resources Code Section 21000) and the rules and regulations promulgated under such act. The Final Plans shall specifically include changes or corrections of the Final Plans approved as provided in this DDA. The Final Plans shall include all landscaping, on- and off-site work and artwork related to the Project. Except as approved by the Authority, the Final Plans shall conform in all material respects to all provisions of this DDA.

16.14. “Grant Deed” is the grant deed for the transfer of the Improvements to Developer under this DDA. The Grant Deed contains covenants that run with the land, easements and a reverter provision **Exhibit 4: Grant Deed.**

16.15. “Ground Lease” is the Ground Lease dated concurrently with recording of this DDA by and between the Housing Authority of the City of Sacramento and the Developer for the land upon which the Improvements are situated **Exhibit 6: Form of Ground Lease.**

16.16. “Hazardous Substances” as used in this DDA shall include, without limitation to, all substances, wastes and materials designated or defined as hazardous or toxic pursuant to any of the following statutes, as they may be amended or superseded, from time to time: the Clean Water Act (33 U.S.C. '1321 et. seq.); the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (42 U.S.C. '9601 et seq.); the Resource Conservation and Recovery Act (42 U.S.C. '6901 et seq.); the United States Department of Transportation Hazardous Materials Table (49 CFR 172.101); the Environmental Protection Authority list of hazardous materials (40 CFR Part 302) and California Health and Safety Code Sections 25115, 25117, 25122.7, 25140 (Hazardous Waste Control Law), 25316 (Carpenter-Presley-Tanner Hazardous Substances Account Act), 25501 (Hazardous Materials Release Response Final Plans and Inventory) and 25281 (Underground Storage of Hazardous Substances); all applicable local regulations; and all rules and regulations promulgated pursuant to said laws.

16.17. “Senior Lender” shall mean all holders of any lien or encumbrance as security for a loan on all or any part of the Property which loan is made in accordance with this DDA or otherwise approved by Authority in writing.

16.18. “Plans” are the Project designs and elevations, prepared by the Project architects Pressey and Associates, Inc., dated July 26, 2019 for 4921 Folsom Boulevard and 1043 43<sup>rd</sup> Avenue, a portion of which (consisting of various elevations) is attached to the staff report for approval of this DDA. Authority has approved the Plans concurrently with the approval of this DDA.

16.19. “Project” is the leasehold in the land and fee in the improvements to be acquired and rehabilitated as described in this DDA for the uses stated in this DDA.

16.20. “Property Description” is the legal description of the two scattered sited within the Property by this DDA. The Property Description is attached as **Exhibit 1: Property Description.**

16.21. “Purchase Price” is the purchase price for the Improvements as set out in Section 3.1.

16.22. “Seller Carry-Back Loan” is the loan from the Housing Authority of the City of Sacramento to the Developer for the purchase of the Improvements subject to this DDA.

16.23. "Schedule of Performance" is the schedule that establishes the dates by which obligations of the parties under this DDA must be performed and on which conditions must be satisfied. The Schedule of Performance is attached as **Exhibit 2: Schedule of Performance**.

16.24. "Scope of Development" is the detailed description of the construction parameters for the Project. The Scope of Development is attached as **Exhibit 3: Scope of Development**.

16.25. "Title Company" is Placer Title Company, if approved by lender and investor. Title Company is the insurer of title under this DDA and the Escrow holder. The Title Company address is 301 University Avenue, Suite 120, Sacramento, CA 95825.

16.26. "Unavoidable Delay" is a delay in the performance by a party of any obligation which delay is unforeseeable and beyond the control of such party and without its fault or negligence. Unavoidable Delay shall include acts of God, acts of the public enemy, acts of the Federal Government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, and unusually severe weather (as for example, floods, tornadoes, or hurricanes) or delays of subcontractors due to such causes. In the event of the occurrence of any such enforced delay, the time or times for performance of such obligations of the parties shall be extended for the period of the enforced delay, as determined by the Authority, provided that the party seeking the benefit of the provisions of this Section shall, within thirty (30) days after it has or should have knowledge of any such enforced delay, have first notified the other party, in writing, of the delay and its cause, and requested an extension for the period of the enforced delay.

16.27. "RAD" is the Rental Assistance Demonstration Program of the United States Department of Housing and Urban Development.

16.28. "RAD Use Agreement" is, collectively, the use agreement entered into by and among the Authority, Lessee, and United States Department of Housing and Urban Development (HUD) specifying the affordability and use restrictions governing the Project under the RAD Program, and recorded against the Authority's fee interest in the Leased Premises and the Lessee's leasehold interest in the Leased Premises. The RAD Use Agreement is attached hereto and incorporated herein as **Exhibit 5: RAD Use Agreement**.

**THE PARTIES HAVE EXECUTED THIS DDA** in Sacramento, California, on the following dates, effective as of the date first written above.

**DEVELOPER: RAD PILOT LP, A CALIFORNIA LIMITED PARTNERSHIP**

By: RAD Pilot LLC, a California limited liability company, its managing general partner

By: Sacramento Housing Authority Repositioning Program, Inc., a California nonprofit public benefit corporation, its sole member and manager

\_\_\_\_\_  
James Shields, President

**AUTHORITY: THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO**, a public body corporate and politic

By: \_\_\_\_\_  
La Shelle Dozier, Executive Director

Date: \_\_\_\_\_

Approved as to form:

\_\_\_\_\_  
Authority Counsel

Exhibit 1: Property Description

**Legal Description of Oak Park - 4921 Folsom Boulevard, Sacramento, Ca 95819**

TRACT B:

SITE B: - 4921 Folsom Boulevard

The land described herein is situated in the State of California, County of Sacramento, City of Sacramento, described as follows:

All buildings and improvements situated on the following property, the buildings and improvements are and shall remain real property, pursuant to that certain Grant Deed dated To Be Recorded, recorded To Be Determined, as To Be Determined, of Official Records:

All that real property situate in the City of Sacramento, County of Sacramento, State of California, and being a portion of Lot 5, as said lot is shown and so designated on that certain Map entitled "Portion of Tullar Homestead Tract Owned by Philip Wolf, Jr., Sacramento California", filed in the office of the recorder of Sacramento County on June 7, 1898, in Book "A" of Surveys, Map No. 57, and a portion of the land Southerly of and adjacent to the South line of said Lot 5, more particularly described as follows:

Beginning at an iron pipe marking the Northwest corner of said lot 5, and the Southwest corner of Lot 7, as said lot is shown and so designated on that certain Map entitled "Love Tract", filed in the office of the recorder of Sacramento County on June 24, 1947, in Book 26 of Maps, Map No. 22; thence from said point of beginning, Easterly along the North line of Lot 5, South 70° 35' 00" East 119.33 feet to the West line of that certain parcel of land described in the Deed from Chester A. Moore, et ux, to Martine P. Cupich, et ux, filed in the office of the recorder of Sacramento County in Book 713 of Deeds, Page 522; thence, Southerly along said West line South 19° 53' 00" West 273.44 feet, more or less, to the South line of said Lot 5 and the Northeasterly line of Folsom Boulevard, a public road; thence, Northwesterly along the Northeasterly line of Folsom Boulevard North 63° 00' 00" West 39.28 feet to a point on the East line of that certain parcel of land described in the Deed from Chester A. Moore, et ux, to W.L. Young, et ux, filed in the office of the Recorder of Sacramento County in Book 56 of Official Records, Page 19, said point located South 63° 00' 00" East, along the Northeasterly line of Folsom Boulevard, 80.6 feet from the projected West line of Lot 5; thence continuing along the Northeasterly line of Folsom Boulevard, North 63° 00' 00" West 80.60 feet to a point on the Southerly projection of said Lot 5, located South 19° 35' 00" West 1.30 feet from the original Southwest corner of Lot 5; thence, North 19° 35' 00" East 1.30 feet to the Southwest corner of said Lot 5; thence, Northerly along the West line of Lot 5 North 19° 45' 10" East 256.31 feet to the point of beginning and described on that certain Certificate of Compliance for Lot Merger executed by the Department of Public Works and recorded January 25, 1995 as Book 950125, Page 1097, Official Records.

APN: 008-0341-044-0000

**Legal Description of Meadow Commons 1043 43rd Avenue, Sacramento, Ca 95822**

SITE A: 1043 43rd Avenue

The land described herein is situated in the State of California, County of Sacramento, City of Sacramento, described as follows:

Parcel No. 1:

All buildings and improvements situated on the following property, the buildings and improvements are and shall remain real property, pursuant to that certain Grant Deed dated To Be Recorded, recorded To Be Determined, as To Be Determined, of Official Records:

All that portion of Lot B of South Land Park Hills Unit No. 31; according to the official plat thereof, filed in the office of the Recorder of Sacramento County, California, on July 12, 1961, in Book 66 of Maps, Map No. 5, described as follows:

BEGINNING at the Southwest corner of said Lot B, thence from said point of beginning along the Westerly boundary of said Lot B the following three (3) courses and distances: (1) North 36° 16' 50" East 118.48 feet, (2) North 44° 12' 10" West 115.09 feet, and (3) North 51° 44' 50" East 165.17 feet; thence South 64° 06' 12" East 114.27 feet; thence South 13° 31' 16" West 305.00 feet to a point located on the Southerly boundary of said Lot B; thence along said Southerly boundary, Westerly, curving to the right on an arc of 390.19 feet radius, said arc being subtended by a chord bearing North 66° 20' 32" West 164.92 feet to the point of beginning.

Parcel No. 2:

All buildings and improvements situated on the following property, the buildings and improvements are and shall remain real property, pursuant to that certain Grant Deed dated To Be Recorded, recorded To Be Determined, as To Be Determined, of Official Records:

All that portion of 43rd Avenue and Lot C, of South Land Park Hills Unit No. 31; according to the official plat thereof, filed in the office of the Recorder of Sacramento County, California, on July 12, 1961, in Book 66 of Maps, Map No. 5, described as follows:

BEGINNING at the most Southerly corner of Lot 16 as said Lot is shown on the official plat of said South Land Park Hills Unit No. 31; thence from said point of beginning along the Southerly boundary of Lot B as said Lot is shown and so designated on the official plat of said South Land Park Hills Unit No. 31, Southerly, curving to the left on an arc of 390.19 feet radius, said arc being subtended by a chord bearing South 66° 20' 32" East 164.92 feet; thence South 13° 31' 16" West 73.56 feet; thence Westerly, curving to the right on an arc of 900.00 feet radius, said arc being subtended by a chord bearing South 79° 10' 15" West 51.82 feet; thence curving to the right on an arc of 20.00 feet radius, said arc being subtended by a chord bearing North 51° 51' 17" West 29.41 feet; thence curving to the left on an arc of 200.00 feet radius, said arc being subtended by a chord bearing North 25° 17' 43" West 141.81 feet; thence North 36° 16' 50" East 1.30 feet to the point of beginning.

APN: 029-0184-017-0000

Parcel No. 3:

All buildings and improvements situated on the following property, the buildings and improvements are and shall remain real property, pursuant to that certain Grant Deed dated To Be Recorded, recorded To Be Determined, as To Be Determined, of Official Records:

Lots 16 and 17, as shown on the official plat of South Land Park Hills Unit No. 31, according to the official plat thereof, filed in the office of the Recorder of Sacramento County, California, on July 12, 1961, in Book 66 of Maps, Map No. 5.

APN: 029-0184-001-0000 and 029-0184-002-0000

Exhibit 2: Schedule of Performances

July 2019	Governing Board Approval of Bond Issuance, Option Agreement, and Loan Commitment for a Seller Carry-Back (Improvements) Loan and Construction and Permanent Loan.
September 2019	Weekly closing calls begin.
September 2019	Comments on loan documents.
October 2019	4% LIHTC and MRB Allocation Awards.
January 2020	Governing Board Approval of Final Loan and Bond Documents. Close financing and begin Construction.
January 2022	Construction Completion deadline.

Exhibit 3: Scope of Development

**Scope of Development: Oak Park, 4921 Folsom Blvd, Sacramento (10 units)**

Item	Description
1	<b>Mitigation Requirement #1:</b> During renovation of the apartment interiors, install Land Science’s Retro-Coat™ Vapor Intrusion Coating System on the existing building slabs to help prevent further vapor intrusion.
2	<b>Mitigation Requirement #2:</b> Monitoring of VOCs in sub-slab vapor and indoor air of the site buildings is required following renovation. One monitoring event in the summer (i.e., during hotter temperatures) and one in the late winter to early spring (i.e., during cooler temperatures) is required to evaluate potential seasonal and temporal variation in vapor intrusion. Monitoring results shall be provided to the SHRA's Environmental Coordinator.
3	Seal and Stripe Parking Lots
4	Pedestrian pavement, sidewalk, concrete large 1,000 SF
5	Fence and gate refinish (wood) 500 SF
6	Replace interior and exterior light fixtures
7	Replace water heaters
8	Replace HVAC systems
9	Replace furnace (26 to 40 MBH gas)
10	New Hardware at all entry doors
11	Replace plumbing fixtures
12	Replace countertops at kitchen and baths
13	Replace shower/tub enclosure
14	Replace bath vanity cabinet, wood/cult marble
15	Replace sink (stainless steel)
16	Replace gas range
17	Replace range hood
18	Replace refrigerator 14-18 cf
19	Install new smoke detectors and CO (battery operated)
20	Load center 120/240 V 125 AMP single phase
21	New Interior and Exterior Paint
22	Replace windows (aluminum, dbl glazed)
23	Replace interior doors (hollow core)
24	Replace closet doors
25	Replace exterior door (steel)
26	New flooring to replace existing
27	New fire extinguishers
28	Correct ponding issues (allowance)
29	Final clean
30	Demolition
31	Site drainage will be addressed as needed
32	Replace all Kitchen Cabinets
33	Window Coverings
34	Dry Rot Repair
35	Flooring Replacement (LVP)
36	ADA Unit Conversion (1)
37	Unit accessories (towel bars, tp holder, etc.)
38	Unit bath exhaust fans
39	Landscape and irrigation repair and improvements

- fixture replacement
- 3. Stucco patching (to be done as necessary)
- 4. Signage replacement
- 5. ADA Trash Enclosure modification and repairs
- 6. Attic Access Hatches
- 7. Dishwashers
- 8. New dedicated circuits for dishwashers
- 9. Catch basin clean out
- 10. Scope storm drains and repair where damaged
- 11. Garbage disposals
- 12. New dedicated circuits for garbage disposals
- 13. BBQ

Add Alternatives (some items will be replaced as needed/discovered and contingent on budget availability):  
 1. nit subfloor repair (to be done as necessary)  
 2. nit entry light



14. Picnic Tables
15. Unit bath exhaust fans

**Scope of Development: Meadow Commons, 1043 43rd Avenue, Sacramento (28 units)**

Item	Description
1	Repair/replace exterior siding as needed
2	New hardware at all entry doors
3	Replace screen doors
4	Replace interior doors (wood hollow core)
5	Replace interior doors (sliding closet)
6	Replace windows (sliding glass prev. repl)
7	New interior and exterior paint
8	Install new vinyl plank flooring
9	Replace water heaters
10	Replace HVAC (packaged unit RTU, up to 2 ton)
11	Replace interior and exterior light fixtures
12	Replace kitchen ranges and hoods
13	Replace kitchen sinks (stainless steel)
14	Replace refrigerators (14-18 CF)
15	Replace plumbing fixtures
16	Replace shower surrounds
17	Toilet tank replacement
18	Sink replacement (vitreous china) bathroom
19	All cabinets and countertops being replaced
20	Replace bathroom exhaust fans
21	Install new smoke/CO detectors (Battery operated)
22	GFCI replacement (56)
23	Remove nurse call pull cords and patch holes
24	ADA Visual Bell and Strobe
25	ADA Kitchen, Sink and Counter Full Reconfig/Renovate
26	Upgrade community room - ADA Kitchen/Bath
27	Community room flooring - LVP
28	Community room cabinet replacement
29	Community room exterior paint
30	Community Room - Exterior wall shingle replacement
31	Community Room - Double glazed aluminum windows (10)
32	Community Room - interior door replacement
33	Community Room - interior ceiling paint and prep
34	Community Room - toilet replacement
35	Community Room - sink replacement (vitreous china)
36	Community Room - service sink (porcelain enamel/cast iron)
37	Community Room - Drinking Fountain replacement
38	Community Room - water heater replacement (50 gal electric)
39	Community Room - Condensing unit/Heat Pump split unit 4 ton
40	Community Room - ceiling exhaust fan replacement 70-110 CFM
41	Community Room - Fan Coil Unit 3.5-5 ton
42	Community Room - Fire extinguisher replacement
43	Community Room - Lighting system upgrade (interior)
44	Community Room - Replace Range (Electric)
45	Community Room - Replace Range Hood
46	Community Room - Replace Refrigerator (14-18 cf)

47	Community Room - Replace countertop (stone)
48	Replace fencing as required
49	Repair concrete patios
50	Provide concrete path to extinguishers
51	Pedestrian Gate - Wrought Iron replacement
52	Pipe and Fittings, Cast Iron 4", replacement
53	Metal Halide or LED Pole and Light Fixture 250 W (10)
54	Parking lot - pressure wash and restripe
55	Pedestrian pavement, sidewalk - concrete replacement (1000 SF)
56	Irrigation Valve Replacement
57	Kitchen Cabinets will be replaced
58	Window Coverings
59	Unit Accessories (towel bar, shower rod, medicine cabinet, TP holder)
60	New dedicated circuits for range hoods
61	Allowance for landscape and irrigation repairs and improvements

**Add Alternatives (some items will be replaced as needed/discovered and contingent on budget availability)**

1. Closet systems
2. Community building main panel
3. Community building exterior light fixtures
4. Unit Subfloor repair (as needed/discovered)
5. Unit Security Screens
6. Signage
7. Pole light head fixtures (tall)
8. Pole light head fixtures (short)
9. Garbage disposal
10. New Dedicated circuit for garbage disposal
11. Rooftop HVAC platforms

**Attachment 1: SHRA's Minimum Construction Standards exhibit is on the following page.**

## **Attachment 1: SHRA's Minimum Construction Standards**

This attachment is from Exhibit 5 from SHRA's Multifamily Lending Policies adopted in 2009.

### **RENTAL PROPERTY MINIMUM CONSTRUCTION STANDARDS**

The following is a list of the required construction standards that must be incorporated into projects participating in the Agency's investor assistance programs. All rental units and sites associated with these projects must meet or exceed these standards.

#### **General Requirements**

- A. Any component of the project which does or may present a health or safety hazard to the public or tenants shall be corrected to the satisfaction of the local building department.
- B. A useful life of 15 years for all systems located within the approved complex. This can be met in one of two ways, installing and maintaining systems with at least a 15-year scheduled life or install, maintain and replace as needed for a period of 15 years.  
  
Any component of a rehabilitation project whose useful life expectancy has exceeded the useful life identified in the section, "Useful Life Expectancy," shall be replaced unless waived by the Agency in writing. It is not the intent of the Agency to replace systems that appear to have some economic life remaining and appear to be maintained and functioning effectively. It is the intent of the Agency to be assured that systems will be maintained and replaced as needed for a period of 15 years. The preferred method is by replacement and maintenance at the outset of the project; and by setting aside replacement reserves sufficient to address the needs based on current and projected conditions.
- C. A clear pest inspection report will be required at the conclusion of the construction work.
- D. All materials funded under this loan must be new unless previously approved. Recycled items must be approved in writing by the Agency prior to their use.
- E. All work shall comply with Federal and State ADA accessibility requirements. When there are differences the stricter of the two shall apply. Special attention needs to be applied when federal funding is involved.
- F. For all structures built before 1979, a report of compliance with the initial certified inspection report of lead-based paint and asbestos is required.
- G. All units shall be approved for occupancy by the local building department at the conclusion of the work and prior to occupancy, if applicable.
- H. Web-based security cameras and the equipment to record events are required for primary ingress/egress points to and from the site and for the principal parking and common areas.
- I. Site lighting is required for all parking and outside public spaces.

#### **Site Work**

- A. All landscaping and irrigation systems must be in a well-maintained condition. Trees and large shrubs must be trimmed, grass areas must be mowed, and all planter areas must be weed-free. All landscaped areas must be served by a programmable automated irrigation system. Irrigation cannot be spraying on building. Sprinklers should minimize overspray that runs to storm drain drop inlets. Areas that show evidence of erosion of soil shall be landscaped to eliminate problem.
- B. All fencing must be in good and serviceable condition.
- C. All driveways and sidewalks must be in good condition. All cracked or uplifted areas (more than ¼") determined in need of repair by the Agency shall be repaired or replaced.
- D. All projects shall meet the parking requirements of the local Agency having jurisdiction over the project. "Grandfathered Projects" will need to show that they are in fact "Grandfathered" by the Local Agency having jurisdiction. All projects shall meet the governing ADA requirements for parking.
- E. A two percent (2%) slope shall be maintained for a distance of five feet from all structures and no standing water shall remain on the site. Provide an on-site drainage system if necessary.

#### **Building Envelope and Moisture Protection**

- A. All wet areas must be sealed and watertight.
- B. Roofs must have 15 years or more of remaining life with no visible signs of leakage. A third layer of shingles is not allowed. Provide a 15 year certification if requested by the Agency.
- C. All siding must have 15 years or more of remaining life. Provide a 15 year certification if requested by the Agency.

#### **Doors and Windows**

- A. All units must have screens on all windows that are designed to open. Windows designed to open must have functional locks and must operate freely without excessive effort. All windows must at least be low e, double pane energy efficient.
- B. All doors and doorjamb must be in good condition. No damaged or worn doorjamb or doors are allowed.
- C. All exterior doors must have deadbolt locks, keyed latch assemblies, viewers, and 2-inch screws in strike plates.
- D. All sliding exterior doors shall have screen doors and shall have functional locks and must operate freely without excessive effort.
- E. All doors and windows must meet current egress standards.

**Casework**

- A. All cabinets shall be in very good condition both structurally and in appearance.
- B. All counter tops shall be in very good condition with no significant imperfections, scratches, burns, or other imperfections.

**Finishes**

- A. Floor coverings must be in good, useable condition - no holes, tears, rips, or stains.
- B. All kitchens and bathrooms must be floored in sheet goods or tile to provide a cleanable, impervious surface.
- C. All exterior and interior surfaces must be painted. No peeling, cracking, chipping, or otherwise failing paint will be allowed. All painted surfaces must be new, or in near new condition and appearance.

**Equipment**

- A. All appliances must be new or in very good operating condition. All new appliances must be energy star.
- B. Dishwashers are required in all non- permanent supportive housing, disabled, SRO, and homeless projects unless a waiver has been granted by the Executive Director. Permanent supportive, disabled, and homeless projects will be encouraged to provide dishwashers in each unit but will be reviewed and approved on a case-by case basis.
- C. All kitchens must have adequate cabinet and counter space.

**Furnishings**

- A. All units must have window coverings on all windows.

**Special Construction**

- A. Non-habitable structures on property must be painted to match primary buildings and must be structurally sound.
- B. Laundry facilities must be provided on the basis of one washer and dryer for every ten units, consistent with CTCAC requirements. If the project is more than 20 units, then 1 set of ADA accessible laundry machines must be provided.
- C. Laundry facilities must be provided on the basis of one washer dryer for every ten units, consistent with the TCAC requirements. If a project is more than 20 units, then 1 set of ADA accessible laundry machines must be provided
- D. Public pools will have a self-closing gate. Fence and gate shall meet applicable current codes and standards. Joints between coping and concrete deck shall be appropriately caulked.
- E. In the case of new construction or substantial upgrade to existing pool, a handicap chair lift is the minimum requirement. The pool will meet applicable standards and codes.

**Mechanical/Plumbing**

- A. Water heaters must be in enclosures in all habitable rooms and must be insulated and have earthquake strapping and pressure relief valves with lines that terminate to the exterior.
- B. All units must have heating and air conditioning. Wall mount or central systems are acceptable. Evaporated coolers are not acceptable.
- C. All plumbing fixtures shall be new or in very good working condition.
- D. All toilets, sinks, and tubs shall be chip and stain free.

**Electrical**

- A. All new electrical panels must be of the breaker type. Fused disconnects must be approved by the Agency.
- B. All units must have at least one hard-wired smoke detector per bedroom corridor and a minimum of one battery-operated smoke detector per bedroom.

- C. All bathrooms must have at least one GFCI protected outlet, and tub surrounds must be a minimum of 1/8" laminated plastic.
- D. Kitchens must have all GFCI protected outlets within 6 feet of the sink.

**Resident Services Community Space**

All properties, regardless of project type (i.e. senior, family, or large family), must devote space to actual resident services in the following minimum amounts:

Less than 100 units: 12 s.f. per unit (but no less than 400 s.f. in total)  
100 units and over: 1,200 s.f.

Resident services space includes common kitchens, computer rooms, meeting rooms and general gathering space. It does not include public restrooms, leasing offices, laundry facilities and lobbies.

**Useful Life Expectancy**

A useful life expectancy list has been established and is available upon request to benchmark the lives of certain components on a multifamily site.

**End of Scope of Development**

## Exhibit 4: Grant Deed Form

NO FEE DOCUMENT:  
Entitled to free recording  
per Government Code §§ 6103 and 27383.  
Recording Requested by the  
HOUSING AUTHORITY OF THE CITY OF SACRAMENTO  
801 12<sup>th</sup> Street  
Sacramento, California 95814  
Attention: Portfolio Management

Mail Tax Statements to:  
HOUSING AUTHORITY OF THE CITY OF SACRAMENTO  
C/O SHARP, Inc.  
801 12<sup>th</sup> Street  
Sacramento, California 95814

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### GRANT DEED

(WITH REVESTMENT PROVISIONS, COVENANTS, RESTRICTIONS AND RESERVATIONS)

For valuable consideration, receipt of which is hereby acknowledged,

THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO, a public body, corporate and politic, of the State of California (the "Grantor"), acting to carry out rehabilitation and operation of residential units, the ("Project"), under the Housing Authority Law of California, hereby grants to RAD Pilot LP, a California limited partnership (the "Grantee"), the Improvements, only (the "Property"), as, described in **Exhibit 1** which is attached to, and incorporated in this Deed by this reference, and as situated upon certain real property, subject to the covenants, restrictions and reservations set forth below which covenants, restrictions and reservations shall inure to the benefit of, and bind, each and every successor, assign or successor in interest of the parties, including any heirs, executors, administrators, transferees or any other person or entity claiming through the parties.

The Property is conveyed in accordance with, and subject to, (i) the Disposition and Development Agreement (DDA) dated \_\_\_\_\_, 2020.

1. The Grantee covenants and agrees that the Property shall be devoted only to the uses specified in the applicable provisions of the Rental Assistance Demonstration Program Use Agreement of the United States Department of Housing and Urban Development ("RAD Use Agreement"), this Deed and any and all instruments recorded pursuant to the Disposition and Development Agreement, including such Agreement, duly recorded by Grantor and affecting the Property. Grantee hereby covenants and agrees that the Grantee, such successors and such assigns shall rehabilitate, use, and maintain the Property as follows: residential units available for rent by the general public, containing not less than 38 units affordable to tenants having an income of not more than 80% of the Area Median Income as determined by the United States Department of Housing and Urban Development.

2. Grantee acknowledges and agrees that the Property shall be subject to the RAD Use Agreement as recorded against the Property.

2.1. As provided in the DDA, Grantee shall promptly commence and complete development of the Property in accordance with plans and specifications approved by Grantor. Rehabilitation of improvements and redevelopment of the Property (the "Improvements") required by the DDA shall commence and be prosecuted diligently to completion at the time specified in, and subject to the terms of, the DDA.

2.2. Grantee shall maintain the Improvements and any other improvements on the Property in good condition and order, shall keep the Property free from accumulation of debris and waste materials and shall permit no action or inaction on the Property such that the Property detracts from the surrounding neighborhood in any substantial manner.

2.3. All obligations imposed upon Grantee herein shall bind any and all successors of Grantee; provided, however, that upon sale or conveyance of the Project, the party selling or conveying shall be relieved of any such obligation to the extent that such obligation arises after the date of sale or conveyance.

3. The Grantee covenants and agrees that:

3.1. There shall be no discrimination against or segregation of any person on the basis of sex, race, color, religion, ancestry, national origin, disability, medical condition, marital status, language proficiency or sexual orientation or gender identity, in the sale, lease, or rental or in the use or occupancy of the Property. Grantee covenants by and for itself, its successors and assigns, and all persons claiming under or through them that there shall be no discrimination against or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the Property. Grantee covenants by and for himself, his heirs, executors, administrators, and assigns, and all persons claiming under or through them that there shall be no discrimination against or segregation with reference to the selection, location, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the Property. The foregoing covenants shall run with the land.

3.2. All advertising (including signs) for sale and/or rental of the whole or any part of the Property shall include the legend "Equal Opportunity Housing" in type or lettering of easily legible size and design. The word "Project" or "Development" may be substituted for the word "Housing" where circumstances require such substitution.

4. No violation or breach of the covenants, conditions, restrictions, provisions or limitations contained in this Grant Deed shall defeat or render invalid or in any way impair the lien or charge of any mortgage or deed of trust made in good faith and for value; provided, however, that any subsequent owner of the Property shall be bound by such remaining covenants, conditions, restrictions, limitations and provisions, whether such owner's title was acquired by foreclosure, deed in lieu of foreclosure, trustee's sale or otherwise.

5. All covenants contained in this Deed shall be covenants running with the land and equitable servitudes thereon. Every covenant contained in this Deed shall terminate thirty (30) years from the date of recordation in the official records of Sacramento County, except that the covenants against discrimination contained in Section 3 of this Grant Deed shall remain in perpetuity.

6. All covenants without regard to technical classification or designation shall be binding for the benefit of the Grantor, its successors and assigns, the City of Sacramento, California, any successor in interest to the Property, the owner of any other land (or of any interest in such land) in Project which is subject to the covenants against discrimination contained in Section 3.1 shall be binding for the benefit of the Grantor, the City of Sacramento and the United States of America and such covenants shall run in favor of the Grantor, the City of Sacramento and the United States of America, for the entire period during which such covenants shall be in force and effect, without regard to whether the Grantor or the City of Sacramento, is or remains an owner of any land or interest therein to which such covenants relate. The Grantor, in the event of any breach of any such covenant, and the City of Sacramento (and the United States of America, in the event of any such breach of the covenants in Section 3), shall have the right to exercise all the rights and remedies, and to maintain any actions at law or suits in equity or other property proceedings to enforce the curing of such breach against Grantee, its successors to and assigns of the Property or any part or interest in the Property, any subcontracting party or parties or other transferees under the DDA, and any party in possession or occupancy of all or any part of the Property.

7. Both before and after issuance of a Certificate of Completion, the Grantor and Grantee and their successors and assigns only shall have the right to mutually consent and agree to changes in, or to eliminate in whole or in part, any of the covenants, easements, or other restrictions contained in this Deed or to subject the Property to additional covenants, easements, or other restrictions, and Grantor and Grantee may do so without the consent of any tenant, lessee, easement holder, licensee, or any other such person or entity having any interest less than a fee in the Property other than lenders with loans secured by the Property.

8. The covenants contained in this Deed shall not be construed as conditions which might result in forfeiture of title, except for the covenants and conditions contained in Section 3 of this Grant Deed.

9. Promptly after the issuance of a Certificate of Occupancy or permit sign-off from the City of Sacramento Building Department and completion of the Improvements in accordance with the provisions of the construction plans approved pursuant to the DDA and fulfillment of the related obligations of the Grantee under the DDA, the Grantor shall furnish the Grantee with an appropriate instrument (the "Certificate of Completion") certifying such completion and stating that the Certificate of Completion shall be a conclusive determination of satisfaction and termination of the agreements and covenants in the DDA and in this Deed obligating the Grantee with respect to the construction of the Improvements and the dates for beginning and completion thereof.

With respect to such individual parts or parcels of the Property which, if so provided in the DDA, the Grantee may convey or lease as the Improvements thereon are completed, the Grantor shall also, upon proper completion of the Improvements relating to any such part or parcel and prior to such conveyance or lease, issue a Certificate of Completion with regard to such part or parcel. Such certification shall mean and provide (1) that any party purchasing or leasing such individual part or parcel with required authorization shall not (because of such purchase or lease) incur any obligation with respect to the construction of the

Improvements relating to such part or parcel or to any other part or parcel of the Property; and (2) that neither the Grantor nor any other party shall thereafter have or be entitled to exercise with respect to any such individual part or parcel so sold (or, in the case of lease, with respect to the leasehold interest) any rights or remedies or controls that it may otherwise have or be entitled to exercise with respect to the Property as a result of a default in or breach of any provisions of the DDA or of this Deed by the Grantee or any successor in interest or assignee, unless (i) such default or breach be by the purchaser or lessee, or any successor in interest to or assignee of such individual part or parcel with any other of the covenants contained and referred to in this Deed and the Regulatory Agreements and (ii) the right, remedy or control relates to such default or breach.

The Certificate of Completion shall be in a form acceptable for recordation in the proper office for the recordation of deeds and other instruments pertaining to the Property. If the Grantor shall refuse or fail to provide the Certificate of Completion, the Grantor shall, within thirty (30) days after written request by the Grantee provide the Grantee with a written statement, indicating in what respects the Grantee has failed to duly complete said Improvements and what measures or acts will be necessary, in the opinion of the Grantor, for the Grantee to take or perform in order to obtain such certification.

10. The Grantor certifies that Grantor has complied with all conditions precedent to the valid execution and delivery of this Deed required on its part and that all things necessary to constitute this Deed and its valid, binding and legal agreement on the terms and conditions and for the purposes set forth herein have been done and performed and have happened, and that the execution and delivery of this Deed on its part have been and are in all respects authorized in accordance with law. The Grantee similarly certifies with reference to its execution and delivery of this Deed.

IN WITNESS WHEREOF, the Grantor and the Grantee have caused this instrument to be executed on their behalf by their respective and duly authorized officers.

**GRANTEE: RAD PILOT LP, A CALIFORNIA LIMITED PARTNERSHIP**

By: RAD Pilot LLC, a California limited liability company,  
its managing general partner

By: Sacramento Housing Authority Repositioning Program, Inc., a California nonprofit public benefit corporation, its sole member and manager

\_\_\_\_\_  
James Shields, President

**GRANTOR: HOUSING AUTHORITY OF THE CITY OF SACRAMENTO, a public body corporate and politic**

By: \_\_\_\_\_  
La Shelle Dozier, Executive Director

Approved as to form:

\_\_\_\_\_  
Agency Counsel



Exhibit 5: RAD Use Agreement

**Recording Requested By:**  
**When Recorded Mail To:**

Housing Authority of the County of Sacramento  
801 12th Street, 6th Floor  
Sacramento, CA 95814  
Attention: Executive Director

No fee for recording pursuant to  
Government Code Section 27383 and 27388.1

\_\_\_\_\_SPACE ABOVE THIS LINE FOR RECORDER'S USE\_\_\_\_\_

**Rental Assistance Demonstration  
Use Agreement  
(RAD Pilot)**

**Rental Assistance  
Demonstration  
Use Agreement**

**U.S. Department of Housing  
and Urban Development**  
Office of Housing  
Office of Public and Indian Housing

**OMB Approval No. 2502-0612  
(Exp. 04/30/2020)**

**Public reporting burden** for this collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the Reports Management Officer, Paperwork Reduction Project (2577-0276), Office of Information Technology, U.S. Department of Housing and Urban Development, Washington, D.C. 20410-3600. This agency may not collect this information, and you are not required to complete this form, unless it displays a currently valid OMB control number.

Prepared by:

Housing Authority of the County of Sacramento  
801 12th Street, 6th Floor  
Sacramento, CA 95814  
Attention: Executive Director

Housing Authority of the City of Sacramento  
801 12th Street, 6th Floor  
Sacramento, CA 95814  
Attention: Executive Director

After recording return to:

Housing Authority of the County of Sacramento  
801 12th Street, 6th Floor  
Sacramento, CA 95814  
Attention: Executive Director

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**This Rental Assistance Demonstration Use Agreement** (hereinafter called the “Agreement”) is made as of \_\_\_\_\_, 2020 for the benefit of and agreed to by the United States Department of Housing and Urban Development, acting by and through the Secretary, his or her successors, assigns or designates (hereinafter called “HUD”) by RAD Pilot LP, a California limited partnership, (“Project Owner”), the Housing Authority of the County of Sacramento, a public body corporate and politic (the “County PHA”), and the Housing Authority of the City of Sacramento, a public body corporate and politic (the “City PHA”) (collectively, the “PHA”).

**Whereas**, Rental Assistance Demonstration (hereinafter called “RAD”) provides the opportunity to test the conversion of public housing and other HUD-assisted properties to long-term, project-based Section 8 rental assistance to achieve certain goals, including the preservation and improvement of these properties through access to private debt and equity to address immediate and long-term capital needs.

**Whereas**, the County PHA is the fee owner of the real property described on Exhibit A, Exhibit B, Exhibit C and Exhibit D, and the City PHA is the fee owner of the real property described on Exhibit E and Exhibit F (collectively the “Property”), upon which is or will be located improvements owned or to be owned by Project Owner receiving assistance converted pursuant to RAD, which project will commonly be known as RAD Pilot (the “Project”). The Project will contain 124 dwelling units, of which 118 (“Assisted Units”) are subject to a RAD Housing Assistance Payment contract, as the same may be renewed, amended or replaced from time to time (“RAD HAP contract”).

**Whereas**, pursuant to the Consolidated and Further Continuing Appropriations Act of 2012 (Public Law 112-55, approved November 18, 2011, as amended from time to time, the “RAD Statute”); and the corresponding PIH Notice 2012-32, rev-2, as amended from time to time, and any successor document and/or regulations (hereinafter called the “RAD Notice”), which this

Agreement incorporates by this reference, the PHA and/or the Project Owner, as applicable, has agreed to encumber the Property and the Project Owner has agreed to operate the Project in accordance with this Agreement in exchange for HUD's agreement to execute or permit the execution of the RAD HAP contract and the assistance provided thereby;

**Whereas**, in accordance with the RAD Statute and RAD Notice, except as otherwise agreed in writing by HUD, this Agreement is to be recorded superior to other liens on the Property, run until the conclusion of the initial term of the RAD HAP contract, automatically renew upon each extension or renewal of the RAD HAP contract for a term that runs with each renewal term of the RAD HAP contract, and remain in effect even in the case of abatement or termination of the RAD HAP contract for the term the RAD HAP contract would have run, absent the abatement or termination.

**Now Therefore**, in consideration of the foregoing, conversion of assistance pursuant to RAD, provision of rental assistance pursuant to the RAD HAP contract and other valuable consideration, the parties hereby agree as follows:

1. **Definitions.** All terms used in this Agreement and not otherwise defined have the same meaning as set forth in the RAD Notice.

2. **Term.** The initial term of this Agreement commences upon the date this Agreement is entered into and shall run until the conclusion of the initial term of the RAD HAP contract. The RAD HAP contract is effective for 20 years. Unless otherwise approved by HUD, this Agreement shall remain in effect through the initial term of the RAD HAP contract and for additional periods to coincide with any renewal term of the RAD HAP contract or any replacement HAP contract. It is the intention of the parties that the RAD HAP and this Agreement shall each renew upon the completion of its initial term. Therefore, this Agreement shall remain in effect until a release is recorded as contemplated by Section 8. Such release shall be the evidence of the non-renewal of the HAP Contract, of the determination not to execute a replacement HAP contract and of the termination of this Agreement. This Agreement will survive abatement of assistance or termination of the RAD HAP contract unless otherwise approved by HUD.

3. **Use Restriction and Tenant Incomes.** The Assisted Units shall be leased in accordance with the RAD HAP contract, including any applicable eligibility and/or income-targeting requirements. In the case that the RAD HAP contract is terminated prior to the completion of the term or renewal term, if applicable, of this Agreement (by way of illustration and not limitation, for breach or non-compliance), for the remainder of the term of this Agreement new tenants leasing the Assisted Units (except if any of the Assisted Units is a HUD-approved manager unit) must have incomes at or below 80 percent of the Area Median Income (AMI) at the time of admission ("Eligible Tenants"). Additionally, rents for such Assisted Units must not exceed 30% of 80% of the AMI for households of the size occupying an appropriately sized unit. Notwithstanding the foregoing, in the event the Project Owner so requests and is able to demonstrate to HUD's satisfaction that despite the Project Owner's good faith and diligent efforts to do so, the Project Owner is unable either (1) to rent a sufficient percentage of Assisted Units to Eligible Tenants in order to satisfy the restrictions in this paragraph, or (2) to otherwise provide for the financial viability of the Project, HUD may, in its sole discretion, agree to reduce the percentage of units subject to the restriction under this paragraph or otherwise modify this restriction in a manner acceptable to the Project Owner and HUD. Any such modification of the restrictions listed in this paragraph shall be evidenced by a written amendment to this Agreement executed by each of the parties hereto.

4. **Survival.** This Agreement will survive foreclosure and bankruptcy.

5. **Fair Housing and Civil Rights Requirements.** The Project Owner and its agents, where applicable, shall ensure that the Project complies with applicable federal fair housing and civil rights laws, regulations, and other legal authorities, including those identified at 24 C.F.R. § 5.105.

6. **Accessibility Requirements.** The Project Owner and its agents, where applicable, shall ensure that the Project complies with all applicable federal accessibility requirements under the Fair Housing Act and implementing regulations at 24 CFR Part 100, Section 504 of the Rehabilitation Act of 1973 and implementing regulations at 24 CFR Part 8, and Titles II and III of the Americans with Disabilities Act and implementing regulations at 28 CFR Parts 35 and 36, respectively.

7. **Restrictions on Transfer.** HUD has been granted and is possessed of an interest in the above described Project. Except as authorized below, the Project Owner and, if a party hereto, the PHA, shall not transfer, convey, encumber or permit or suffer any transfer, conveyance, assignment, lease, mortgage, pledge or other encumbrance of said Project and/or Property or any part thereof without prior written consent of HUD. Notwithstanding the foregoing, HUD hereby authorizes (a) leases in the normal operation of the Project, (b) subordinate liens contemplated by a RAD Conversion Commitment executed in connection with the Project, whether such liens are recorded concurrent with the recordation of this Use Agreement or recorded subsequent hereto (such as permanent financing to replace construction-period financing), and (c) conveyance or dedication of land for use as streets, alleys, or other public rights-of-way and grants and easements for the establishment, operation and maintenance of public utilities. Except as otherwise approved in writing by HUD, any lien on the Project and/or Property shall be subject and subordinate to this Agreement. Unless this Agreement is released by HUD, any transferee of the Project and/or Property shall take title subject to this Agreement. In the event of a default under the RAD HAP contract including, without limitation, upon any transfer of the Property or Project without HUD consent, upon expiration of any applicable notice and/or cure periods, HUD may transfer the RAD HAP contract and the rental assistance contemplated therein to another entity and/or Property and/or Project. The Project Owner has constituted HUD as its attorney-in-fact to effect any such transfer.

8. **Amendment or Release.** This Agreement may not be amended without HUD consent. This Agreement shall remain as an encumbrance against the Property unless and until HUD executes a release for recording. This Agreement may only be released by HUD in its sole discretion. In the event that the RAD HAP is, in accordance with all applicable laws and RAD program requirements, not renewed or replaced, HUD shall not unreasonably fail to provide such a release upon the completion of the applicable term of this Agreement.

9. **Enforcement.** In the event of a breach or threatened breach of any of the provisions of this Agreement, any eligible tenant or applicant for occupancy within the Project, or the Secretary or his or her successors or delegates, may institute proper legal action to enforce performance of such provisions, to enjoin any acts in violation of such provisions, to recover whatever damages can be proven, and/or to obtain whatever other relief may be appropriate.

10. **Severability.** The invalidity, in whole or in part, of any of the provisions set forth in this Agreement shall not affect or invalidate any remaining provisions.

11. **Conflicts.** Any conflicts between this Agreement and the RAD HAP contract or any other applicable HUD program requirements shall be conclusively resolved by the Secretary.

12. **Execution of Other Agreements.** The Project Owner and, if a party hereto, the PHA, agrees that it has not and will not execute any other agreement with provisions contradictory to, or in opposition to, the provisions of this Agreement, and that in any event, the provisions of this Agreement are paramount and controlling as to the rights and obligations set forth and supersede any other conflicting requirements.

13. **Subsequent Statutory Amendments.** If revisions to the provisions of this Agreement are necessitated by subsequent statutory amendments, the Project Owner and, if a party hereto, the PHA, agrees to execute modifications to this Agreement that are needed to conform to the statutory amendments. At HUD's option, HUD may implement any such statutory amendment through rulemaking.

14. **Lender Provisions.**

- A. Nothing in this Agreement prohibits any holder of a mortgage or other lien against the Property or Project from foreclosing its lien or accepting a deed in lieu of foreclosure. Any lien holder shall give HUD, as a courtesy, written notice prior to declaring an event of default. Any lien holder shall provide HUD concurrent notice with any written filing of foreclosure filed in accordance with state law provided that the foreclosure sale shall not occur sooner than sixty days (60) days after such notice to HUD. The Notice to HUD may be personally delivered or sent by U.S. certified or registered mail, return receipt requested, first class postage prepaid, addressed as follows:

If for PBRA transactions:

U.S. Department of Housing and Urban Development  
451 7<sup>th</sup> Street SW, Room 9100  
Washington, DC 20410

Attention: Office of the Assistant Secretary for Housing - Rental Assistance Demonstration

If for PBV transactions:

U.S. Department of Housing and Urban Development  
451 7<sup>th</sup> Street SW, Room 4100  
Washington, DC 20410

Attention: Office of the Assistant Secretary for Public and Indian Housing - Rental Assistance Demonstration

B. Notwithstanding any lien holder's foreclosure rights, this Agreement survives foreclosure and any new owners of the Property or the Project take ownership subject to this Agreement.

C. Transfer of title to the Property or the Project may be grounds for termination of assistance under the RAD HAP contract. However, HUD may permit, through prior written consent by HUD, the new owner of the Property or the Project to assume the RAD HAP contract, subject to the terms included therein, or enter into a new HAP contract. Any HUD consent to continued HAP assistance is subject to the RAD Statute and other RAD program requirements.

D. Each entity interested in purchasing the Property in a foreclosure sale administered under state foreclosure law may submit a written request to HUD to continue RAD HAP contract assistance in the event of such entity's successful acquisition at the foreclosure sale. Such request shall be submitted by the latter of ten business days after first publication of the foreclosure sale or 60 days prior to such foreclosure sale.

15. **Successors and Assigns.** This Agreement shall be binding upon the Project Owner and, if a party hereto, the PHA, and all future successors and assigns of either with respect to any portion of the Property or the Project.

In Witness Whereof, these declarations are made as of the first date written above.

**Department of Housing and Urban Development**

By: \_\_\_\_\_  
Name:  
Title:

Date: \_\_\_\_\_

District of Columbia )  
 ) ss:  
 )

Before me, \_\_\_\_\_, a Notary Public in and for the District of Columbia on this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, personally appeared \_\_\_\_\_, who is personally known to me to be the person who executed the foregoing instrument by virtue of the authority vested in him by the Department of Housing and Urban Development, and did acknowledge the signing thereof to be a free and voluntary act and done on behalf of the Secretary of Housing and Urban Development for the uses, purposes and considerations therein set forth.

Witness my hand and official seal this \_\_\_\_\_ day of \_\_\_\_\_, 20 \_\_\_\_.  
(Seal)

\_\_\_\_\_ (Notary Public)

My commission expires \_\_\_\_\_, 20 \_\_\_\_.

**Project Owner:**

RAD Pilot LP, a California limited partnership

By:  
RAD Pilot LLC, a California limited liability company, its managing general partner

By:  
Sacramento Housing Authority Repositioning Program, Inc., a California nonprofit public benefit corporation, its sole member and manager

\_\_\_\_\_  
James Shields, President

Date: \_\_\_\_\_

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA )  
 )  
COUNTY OF \_\_\_\_\_ )

On \_\_\_\_\_, before me, \_\_\_\_\_, Notary Public, personally appeared \_\_\_\_\_, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify UNDER PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

\_\_\_\_\_  
Name: \_\_\_\_\_  
Notary Public

**PHA/Fee Owner:**

HOUSING AUTHORITY OF THE COUNTY OF SACRAMENTO,  
a public body corporate and politic

By: \_\_\_\_\_  
La Shelle Dozier, Executive Director

Date: \_\_\_\_\_

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA )  
 )  
COUNTY OF \_\_\_\_\_ )

On \_\_\_\_\_, before me, \_\_\_\_\_, Notary Public, personally appeared \_\_\_\_\_, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify UNDER PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

\_\_\_\_\_  
Name: \_\_\_\_\_  
Notary Public

**PHA/Fee Owner:**

HOUSING AUTHORITY OF THE CITY OF SACRAMENTO,  
a public body corporate and politic

By: \_\_\_\_\_  
La Shelle Dozier, Executive Director

Date: \_\_\_\_\_

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA )  
 )  
COUNTY OF \_\_\_\_\_ )

On \_\_\_\_\_, before me, \_\_\_\_\_, Notary Public, personally appeared \_\_\_\_\_, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify UNDER PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

\_\_\_\_\_  
Name: \_\_\_\_\_  
Notary Public



**EXHIBIT A – Property Subject to this RAD Use Agreement**

**Legal Description of Pointe Lagoon - 9205 Elk Grove Boulevard, Elk Grove, CA 95624**

SITE F: 9205 Elk Grove Boulevard

The land described herein is situated in the State of California, County of Sacramento, City of Elk Grove, described as follows:

Parcel No. 1:

All buildings and improvements situated on the following property, the buildings and improvements are and shall remain real property, pursuant to that certain Grant Deed dated To Be Recorded, recorded To Be Determined, as To Be Determined, of Official Records:

All that portion of the Southeast one-quarter of Section 31, Township 7 North, Range 6 East, described as follows:

Beginning at a point on the South line of said Section 31 bears West (measured along the South line of said Section 31) 1408.5 feet distant; thence from said point of beginning, North 231 feet; thence West 88.5 feet; thence South 231 feet to a point on the South line of said Section 31; thence along the South line of said Section 31, East 88.5 feet to the point of beginning.

Parcel No. 2:

All buildings and improvements situated on the following property, the buildings and improvements are and shall remain real property, pursuant to that certain Grant Deed dated To Be Recorded, recorded To Be Determined, as To Be Determined, of Official Records:

All that portion of the Southeast one-quarter of Section 31, Township 7 North, Range 6 East, described as follows:

Beginning at a point on the South line of said Section 31, from which point the Southwest corner of the Southeast one-quarter of Section 31 bears West (measured along the South line of said Section 31) South 231 feet to a point on the South line of said Section 31; East 50 feet to the point of beginning.

Parcel No. 3:

All buildings and improvements situated on the following property, the buildings and improvements are and shall remain real property, pursuant to that certain Grant Deed dated To Be Recorded, recorded To Be Determined, as To Be Determined, of Official Records:

All that portion of the Southeast one-quarter of Section 31, Township 7 North, Range 6 East, described as follows:

Beginning at a point on the South line of said Section 31, from which point the Southwest corner of the Southeast one-quarter of said Section 31 bears West (measured along the South line of said Section 31) 1508.5 feet distant; from said point of beginning, North 231 feet, thence West 50 feet; thence South 231 feet to a point on the South line of said Section 31; thence, along the South line of said Section 31, East 50 feet to the point of beginning.

APN: 125-0270-051-0000

**EXHIBIT B – Property Subject to this RAD Use Agreement**

**Legal Description of Rio Garden - 8223 Walerga Road, Antelope, CA 95843**

SITE E: 8223 Walerga Road

The land described herein is situated in the State of California, County of Sacramento, unincorporated area, described as follows:

All buildings and improvements situated on the following property, the buildings and improvements are and shall remain real property, pursuant to that certain Grant Deed dated To Be Recorded, recorded To Be Determined, as To Be Determined, of Official Records:

Parcel A of that certain Parcel Map entitled "A portion of the Southwest one-quarter of Section 18, Township 10 North, Range 6 East, M.D.B. & M.", filed June 24, 1976 in Book 26 of Parcel Maps, Page 48 in the office of the recorder, Sacramento County.

APN: 203-0070-041-0000

**EXHIBIT C – Property Subject to this RAD Use Agreement**

**Legal Description of Pointe Lagoon - 4930 El Paraiso Avenue, Sacramento, CA 95824**

SITE C: 4930 El Paraiso Avenue

The land described herein is situated in the State of California, County of Sacramento, unincorporated area, described as follows:

All buildings and improvements situated on the following property, the buildings and improvements are and shall remain real property, pursuant to that certain Grant Deed dated To Be Recorded, recorded To Be Determined, as To Be Determined, of Official Records:

Lot A, as shown on the "Revised Plat of Country Place" filed in the office of the recorder of Sacramento County, in Book 149 of Maps, Map No. 16.

Excepting therefrom, that portion of said land granted to the Redevelopment Agency of the County of Sacramento, in Grand Deed recorded August 24, 1984 as Book 840824, Page 370, Official Records, described as follows:

Beginning at the Northerly corner of Lot A that lies on the centerline of Sampson Boulevard as said Boulevard is shown on said Map; thence from said point of beginning along said centerline and the most Westerly line of said Lot A South 0° 00' 00" West, 52.50 feet; thence leaving said centerline along a portion of the Southerly boundary of said Lot A, South 88° 12' 00" East, 212.00 feet; thence leaving last said line, North 6° 50' 00" East, 59.71 feet to a point on the Northerly boundary of said Lot A; thence along last line South 89° 58' 00" West, 219.00 feet to the point of beginning.

APN: 037-0224-047-0000

**EXHIBIT D – Property Subject to this RAD Use Agreement**

**Legal Description of Pointe Lagoon - 4500 Perry Avenue, Sacramento, CA 95820**

SITE D: 4500 and 4530 Perry Avenue

The land described herein is situated in the State of California, County of Sacramento, unincorporated area, described as follows:

All buildings and improvements situated on the following property, the buildings and improvements are and shall remain real property, pursuant to that certain Grant Deed dated To Be Recorded, recorded To Be Determined, as To Be Determined, of Official Records:

Lot 10 as shown on the "Amended Plat of Hunger Tract No. 1", recorded in Book 15 of Maps, Map No. 8, records of said County.

Pursuant to that certain Certificate of Compliance, recorded September 20, 2019, Instrument No. 201909200647 Official Records.

APN: 022-0052-011-0000 and 022-0052-012-0000

## **EXHIBIT E – Property Subject to this RAD Use Agreement**

### **Legal Description of Oak Park – 4921 Folsom Boulevard, Sacramento, CA 95819**

TRACT B:

SITE B: - 4921 Folsom Boulevard

The land described herein is situated in the State of California, County of Sacramento, City of Sacramento, described as follows:

All buildings and improvements situated on the following property, the buildings and improvements are and shall remain real property, pursuant to that certain Grant Deed dated To Be Recorded, recorded To Be Determined, as To Be Determined, of Official Records:

All that real property situate in the City of Sacramento, County of Sacramento, State of California, and being a portion of Lot 5, as said lot is shown and so designated on that certain Map entitled "Portion of Tullar Homestead Tract Owned by Philip Wolf, Jr., Sacramento California", filed in the office of the recorder of Sacramento County on June 7, 1898, in Book "A" of Surveys, Map No. 57, and a portion of the land Southerly of and adjacent to the South line of said Lot 5, more particularly described as follows:

Beginning at an iron pipe marking the Northwest corner of said lot 5, and the Southwest corner of Lot 7, as said lot is shown and so designated on that certain Map entitled "Love Tract", filed in the office of the recorder of Sacramento County on June 24, 1947, in Book 26 of Maps, Map No. 22; thence from said point of beginning, Easterly along the North line of Lot 5, South 70° 35' 00" East 119.33 feet to the West line of that certain parcel of land described in the Deed from Chester A. Moore, et ux, to Martine P. Cupich, et ux, filed in the office of the recorder of Sacramento County in Book 713 of Deeds, Page 522; thence, Southerly along said West line South 19° 53' 00" West 273.44 feet, more or less, to the South line of said Lot 5 and the Northeasterly line of Folsom Boulevard, a public road; thence, Northwesterly along the Northeasterly line of Folsom Boulevard North 63° 00' 00" West 39.28 feet to a point on the East line of that certain parcel of land described in the Deed from Chester A. Moore, et ux, to W.L. Young, et ux, filed in the office of the Recorder of Sacramento County in Book 56 of Official Records, Page 19, said point located South 63° 00' 00" East, along the Northeasterly line of Folsom Boulevard, 80.6 feet from the projected West line of Lot 5; thence continuing along the Northeasterly line of Folsom Boulevard, North 63° 00' 00" West 80.60 feet to a point on the Southerly projection of said Lot 5, located South 19° 35' 00" West 1.30 feet from the original Southwest corner of Lot 5; thence, North 19° 35' 00" East 1.30 feet to the Southwest corner of said Lot 5; thence, Northerly along the West line of Lot 5 North 19° 45' 10" East 256.31 feet to the point of beginning and described on that certain Certificate of Compliance for Lot Merger executed by the Department of Public Works and recorded January 25, 1995 as Book 950125, Page 1097, Official Records.

APN: 008-0341-044-0000

**EXHIBIT F – Property Subject to this RAD Use Agreement**

**Legal Description of Meadow Commons – 1043 43<sup>rd</sup> Avenue, Sacramento, CA 95822**

SITE A: 1043 43rd Avenue

The land described herein is situated in the State of California, County of Sacramento, City of Sacramento, described as follows:

Parcel No. 1:

All buildings and improvements situated on the following property, the buildings and improvements are and shall remain real property, pursuant to that certain Grant Deed dated To Be Recorded, recorded To Be Determined, as To Be Determined, of Official Records:

All that portion of Lot B of South Land Park Hills Unit No. 31; according to the official plat thereof, filed in the office of the Recorder of Sacramento County, California, on July 12, 1961, in Book 66 of Maps, Map No. 5, described as follows:

BEGINNING at the Southwest corner of said Lot B, thence from said point of beginning along the Westerly boundary of said Lot B the following three (3) courses and distances: (1) North 36° 16' 50" East 118.48 feet, (2) North 44° 12' 10" West 115.09 feet, and (3) North 51° 44' 50" East 165.17 feet; thence South 64° 06' 12" East 114.27 feet; thence South 13° 31' 16" West 305.00 feet to a point located on the Southerly boundary of said Lot B; thence along said Southerly boundary, Westerly, curving to the right on an arc of 390.19 feet radius, said arc being subtended by a chord bearing North 66° 20' 32" West 164.92 feet to the point of beginning.

Parcel No. 2:

All buildings and improvements situated on the following property, the buildings and improvements are and shall remain real property, pursuant to that certain Grant Deed dated To Be Recorded, recorded To Be Determined, as To Be Determined, of Official Records:

All that portion of 43rd Avenue and Lot C, of South Land Park Hills Unit No. 31; according to the official plat thereof, filed in the office of the Recorder of Sacramento County, California, on July 12, 1961, in Book 66 of Maps, Map No. 5, described as follows:

BEGINNING at the most Southerly corner of Lot 16 as said Lot is shown on the official plat of said South Land Park Hills Unit No. 31; thence from said point of beginning along the Southerly boundary of Lot B as said Lot is shown and so designated on the official plat of said South Land Park Hills Unit No. 31, Southerly, curving to the left on an arc of 390.19 feet radius, said arc being subtended by a chord bearing South 66° 20' 32" East 164.92 feet; thence South 13° 31' 16" West 73.56 feet; thence Westerly, curving to the right on an arc of 900.00 feet radius, said arc being subtended by a chord bearing South 79° 10' 15" West 51.82 feet; thence curving to the right on an arc of 20.00 feet radius, said arc being subtended by a chord bearing North 51° 51' 17" West 29.41 feet; thence curving to the left on an arc of 200.00 feet radius, said arc being subtended by a chord bearing North 25° 17' 43" West 141.81 feet; thence North 36° 16' 50" East 1.30 feet to the point of beginning.

APN: 029-0184-017-0000

Parcel No. 3:

All buildings and improvements situated on the following property, the buildings and improvements are and shall remain real property, pursuant to that certain Grant Deed dated To Be Recorded, recorded To Be Determined, as To Be Determined, of Official Records:

Lots 16 and 17, as shown on the official plat of South Land Park Hills Unit No. 31, according to the official plat thereof, filed in the office of the Recorder of Sacramento County, California, on July 12, 1961, in Book 66 of Maps, Map No. 5.

APN: 029-0184-001-0000 and 029-0184-002-0000

Exhibit 6: Ground Lease

**GROUND LEASE**

By and Between

**THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO,**

a public body, corporate and politic  
and

**RAD PILOT LP,**

a California limited partnership

\_\_\_\_\_, 2020



**GROUND LEASE  
(HACS to RAD Pilot LP)**

This Ground Lease (the "Lease") is entered into as of \_\_\_\_\_, 2020, (the "Effective Date") by and between THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO, a public body, corporate and politic (the "Authority") and RAD PILOT LP, a California limited partnership ("Lessee").

**RECITALS**

A. The Authority and the Housing Authority of the County of Sacramento (the "County Authority") are the constituent entities of the Sacramento Housing and Redevelopment Agency, a joint powers authority ("SHRA"). The Authority and the County Authority were selected to undertake a joint scattered site rehabilitation project under the Rental Assistance Demonstration ("RAD") program, authorized under the Consolidated and Further Continuing Appropriations Act of 2012 and administered by the United States Department of Housing and Urban Development ("HUD") pursuant to Notice PIH-2012-32 (HA), REV-4 issued September 5, 2019, as such authorization or notice may be amended or revised (collectively, the "RAD Program"). The Authority and City properties are presently operated as public housing, as defined in the United States Housing Act of 1937, 42. U.S.C.A. 1437 et seq.

B. The Authority owns two separate properties in the City of Sacramento, California as listed in this Recital (the "Authority Sites"). The land underlying the Authority Sites constitutes the "Leased Premises" as defined in Article 1 of this Lease and is more particularly described in **Exhibit A**. The Authority Sites presently consist of thirty-eight (38) residential housing units as follows:

1. 4921 Folsom Boulevard, Sacramento, California consisting of 10 units (APN 008-0341-044-0000); and
2. 1043 43rd Avenue, Sacramento, California consisting of 28 units (APN 029-0184-017-0000, 029-0184-001-0000 and 029-0184-002-0000).

C. The County Authority owns four properties in the County of Sacramento, California (the "County Sites") presently consisting of eighty-six (86) residential housing units, which will be leased to Lessee under a separate lease (the "County Lease").

D. The sole member of the managing general partner of Lessee is the Sacramento Housing Authority Repositioning Program, Inc., a California nonprofit public benefit ("SHARP"), an affiliate of SHRA.

E. Lessee is to rehabilitate the Authority Sites and the County Sites together as a single low-income housing project under the RAD Program (collectively, the "Project"). To effectuate the Project, the following will occur simultaneously: (i) the Authority will lease the Leased Premises to Lessee by executing this Lease, (ii) the County Authority will lease the land underlying the County Sites to Lessee by executing the County Lease, and (iii) the Authority and the County Authority each will convey to Lessee a fee interest in the improvements in the Authority Sites and the County Sites, respectively.

F. Pursuant to the Approved Financing described in Article 1 below, the Authority and the County will each provide separate financing to the Project. However, all other Approved Financing will apply jointly to the Authority Sites and the County Sites.

G. The Authority desires to lease the Leased Premises to Lessee for a period of Ninety-nine (99) years pursuant to the terms of this Lease, so long as Lessee complies with the terms of this Lease.

H. Capitalized terms which are referred to and utilized throughout this Lease are defined in Article 1 of this Lease.

NOW, THEREFORE, for and in consideration of the foregoing premises, the covenants, representations, warranties and agreements set forth herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows:

#### **ARTICLE 1. DEFINITIONS AND EXHIBITS**

For purposes of this Lease, the following defined terms shall have the meanings given them in this Article 1.

##### 1.1 Definitions.

The following terms shall have the following meanings in this Lease:

(a) "AMI" or Area Median Income means the median gross yearly income adjusted for actual household size in Sacramento County, California, as published from time to time by HUD.

(b) "Appraisal" means the appraisal of the Authority Sites conducted by Smith and Associates, Inc. Real Estate Appraisal and Consulting firm dated as of August 14, 2019.

(c) "Approved Financing" means all mortgage loans made by Authority to Lessee and such other financing as Authority may approve. Approved Financing as of the date hereof includes the following:

i. A construction loan (the "Construction Loan") from Wells Fargo, N.A. ("Bank") in the approximate amount of Twelve Million Five Hundred Thousand Dollars and No Cents (\$12,500,000.00) funded with tax-exempt bonds issued by Authority (the "Bonds");

ii. A permanent loan from the Authority (the "Tax Exempt Loan") using proceeds from a separate loan made by Prudential Affordable Mortgage Company, LLC, or affiliate, which will be purchased by the Freddie Mac, in the approximate amount of Four Million Dollars and No Cents (\$4,000,000.00), (the "Prudential/Freddie Mac Loan");

iii. Low Income Housing Tax Credit/Investor equity funds in the approximate amount of Seven Million Dollars and No Cents (\$7,000,000.00), (the "Tax Credit Equity").

iv. A General Partnership Contribution (RAD Pilot LLC, a California limited liability company) in the approximate amount Seven Hundred Fifty Thousand Dollars and No Cents (\$750,000.00), (the "GP Contribution");

v. A Deferred Developer Fee from the Lessee in the approximate amount of Six Hundred Thousand Dollars and No Cents (\$600,000.00), (the "Deferred Developer Fee");

vi. A seller carryback loan from the County Authority for the purchase of the Improvements, in an amount not to exceed Four Million Nine Hundred Thousand Dollars and No Cents (\$4,900,000.00), or an amount justified by an updated fair market value appraisal, (the "County Seller Carryback Loan");

vii. A construction/permanent loan from the County Authority in an amount

not to exceed Three Million Two Hundred Ninety-Eight Thousand Six Hundred Forty-Six Dollars and No Cents (\$3,298,646) , which is being made pursuant to a capital funds promissory note in the amount of Eight Hundred Seven Thousand Forty-Six Dollars and No Cents (\$807,046) and a cash proceeds promissory note (from the sale of improvements) in the amount of Two Million Four Hundred Ninety-One Thousand Six Hundred Dollars and No Cents (\$2,491,600.00) (the "County Construction/Permanent Loan");

viii. A ground lease loan from the County Authority in an amount not to exceed One Million Twenty Thousand Dollars and No Cents (\$1,020,000.00), or an amount justified by an updated fair market value appraisal, (the "County Ground Lease Loan");

ix. A seller carryback loan from the Authority for the purchase of the improvements in the City Sites, in an amount not to exceed One Million Forty-Two Thousand Six Hundred Dollars and No Cents (\$1,042,600.00), or an amount justified by an updated fair market value appraisal (the "City Seller Carryback Loan");

x. A construction/permanent loan from the Authority in an amount not to exceed Two Million Nine Hundred Ninety-Three Thousand Five Hundred Seventy-One Dollars and No Cents (\$2,993,571.00) which is being made pursuant to a capital funds promissory note in the amount of Two Million Three Hundred Seventy-One Thousand Eight Hundred Seventy One Dollars and No Cents (\$2,371,871.00) and a cash proceeds promissory note (from the sale of improvements) in the amount of Six Hundred Twenty-One Thousand Seven Hundred Dollars and No Cents (\$621,700.00) (the "City Construction/Permanent Loan"); and

xi. A ground lease loan from the Authority in an amount not to exceed One Million Three Hundred Forty Thousand Dollars and No Cents (\$1,340,000.00), or an amount justified by an updated fair market value appraisal, (the "City Ground Lease Loan").

xii. A construction/permanent loan from SHRA in an amount not to exceed Nine Hundred Fifty Thousand Dollars and No Cents (\$950,000.00), which is being made pursuant to a County HOME Investment Partnerships Program promissory note (the "SHRA Construction/Permanent Loan");

(d) "Authority" means the Housing Authority of the City of Sacramento, and its successors and assigns.

(e) "Bond Regulatory Agreement" means, collectively, the two (2) regulatory agreements executed by the Authority and Lessee as required in connection with the issuance of the Bonds.

(f) "Casualty" has the meaning defined in Article 13 of this Lease.

(g) "CFR" means the Code of Federal Regulations.

(h) "City" means the City of Sacramento, California.

(i) "DDA" means that certain Disposition and Development Agreement relating to the Authority Sites, by and between the Authority and Lessee, dated as of \_\_\_\_\_, 2020, as it may be amended by the parties, as recorded against the Project.

(j) "Effective Date" means the date first written above.

(k) "Final Plans" means the 100% complete plans, which were completed by the Project Architect(s) that include an approved scope of work agreed upon by the Authority, Lessee, and all members included in the Partnership Agreement.

(l) "Freddie Mac" means the Federal Home Loan Mortgage Corporation, a shareholder-owned government-sponsored enterprise.

(m) "Governmental Authority" and "Governmental Authorities" means any applicable federal, state or local governmental or quasi-governmental entities, subdivisions, agencies, authorities or instrumentalities having jurisdiction over the Leased Premises, the Improvements, the Authority, or Lessee.

(n) "HAP Contract" means a Housing Assistance Payment Contract provided by the Authority in order to subsidize the Tenant Households' monthly rent in one (1) PBV Unit.

(o) "Hazardous Materials" means any oil or any fraction thereof or petroleum products or "hazardous substance" as defined in Section 101(14) of CERCLA (42 U.S.C. Section 9601(14)) or Section 25281(h) or 25316 of the California Health and Safety Code at such time; any "hazardous waste," "infectious waste" or "hazardous material" as defined in Section 25117, 25117.5 or 25501(j) of the California Health and Safety Code at such time; any other waste, substance or material designated or regulated in any way as "toxic" or "hazardous" in the RCRA (42 U.S.C. Section 6901 et seq.), CERCLA Federal Water Pollution Control Act (33 U.S.C. Section 1251 et seq.), Safe Drinking Water Act (42 U.S.C. Section 300(f) et seq.), Toxic Substances Control Act (15 U.S.C. Section 2601 et seq.), Clean Air Act (42 U.S.C. Section 7401 et seq.) California Health and Safety Code (Section 25100 et seq., Section 39000 et seq.), or California Water Code (Section 13000 et seq.) at such time; and any additional wastes, substances or material which at such time are classified, considered or regulated as hazardous or toxic under any other present or future environmental or other similar laws relating to the Leased Premises, but excluding any substances or materials used in the construction, development, maintenance or operation of the Leased Premises, so long as the same are used in accordance with all applicable laws.

(p) "Hazardous Materials Law" means all federal, state, and local laws, ordinances, regulations, orders and directives pertaining to Hazardous Materials in, on or under the Leased Premises or any portion thereof.

(q) "HUD" means the United States Department of Housing and Urban Development.

(r) "Impositions" means all taxes including property taxes, assessments, water and sewer charges, charges for public utilities, excises, levies, license and permit fees and other charges that shall or may be assessed, levied or imposed during the Term by any Governmental Authorities upon the Leased Premises or any part thereof, including the buildings or improvements now or hereafter located thereon; provided, however, that the term "Impositions" shall not include any income tax, capital levy, estate, succession, inheritance, transfer or similar taxes of the Authority, or any franchise tax imposed upon any owner of the fee of the Leased Premises, or any income, profits or revenue tax, assessment or charge imposed upon the rent or other benefit received by the Authority under this Lease by any Governmental Authorities.

(s) "Improvements" means, collectively, the buildings, structures, and other improvements, including the building fixtures therein, now or hereafter located on the Leased Premises.

(t) "Investor Limited Partner" means NEF Assignment Corporation, as nominee, an Illinois not-for-profit corporation, and its successors and assigns.

(u) "Lease" means this ground lease between the Authority and Lessee and shall include any and all amendments made to this Lease.

(v) "Leased Premises" means, collectively, that certain real property, not including the Improvements thereon, described in Exhibit A attached hereto and together with all and singular rights, easements, licenses, privileges and appurtenances thereunto attaching or in any way belonging thereto.

(w) "Lease Term" means the Ninety-nine (99) year period during which this Lease

will be in effect as described in Section 2.2, unless earlier terminated as provided herein.

(x) "Lease Year" means a calendar year, except that the first Lease Year shall commence on the date of this Lease and end on the following \_\_\_\_\_, 2020. The last Lease Year shall begin on January 1 of that year and end on the last day of this Lease.

(y) "Leasehold Estate" means the estate held by Lessee pursuant to and created by this Lease.

(z) "Lessor's Estate" means the Authority's fee estate in the Leased Premises.

(aa) "Leasehold Mortgage" means any mortgage, deed of trust, security agreement or collateral assignment encumbering the Leasehold Estate created hereunder as a leasehold mortgage lien.

(bb) "Leasehold Mortgagee" means the holder, mortgagee, grantee or secured party under any Leasehold Mortgage, including Prudential Affordable Mortgage Company, LLC, or affiliate, and/or Freddie Mac for so long as the Prudential/Freddie Mac Loan is outstanding.

(cc) "Legal Requirements" means the RAD Requirements and all laws, statutes, codes, ordinances, orders, rules, regulations and requirements of all Governmental Authorities and the appropriate agencies, officers, departments, boards and commissions thereof, whether now or hereafter in force, applicable to the Authority, Lessee, the Leased Premises, the Improvements, or any portion thereof, to the extent so applicable.

(dd) "Lessee" has the meaning set forth in the first sentence of this Lease.

(ee) "Memorandum of Ground Lease" means the memorandum of the Lease to be recorded against the Leased Premises in the official records of Sacramento County in the form attached here to as Exhibit B.

(ff) "Net Condemnation Award" means the net amounts owed or paid to the Parties or to which either of the Parties may be or become entitled by reason of any Taking or pursuant to any agreement with any condemning authority which has been made in settlement of any proceeding relating to a Taking, less any costs and expenses incurred by the Parties in collecting such award or payment.

(gg) "Option Agreement" means that certain [Purchase Option and Right of First Refusal Agreement] by and among the Authority, Lessee, and the Investor Limited Partner with respect to the Project, a memorandum of which will be recorded currently with the Memorandum of Lease, which agreement and memorandum are and shall remain subject and subordinate in all respects to the terms and provisions of this Lease and any Leasehold Mortgage.

(hh) "Partnership Agreement" means that certain Amended and Restated Agreement of Limited Partnership by and among RAD Pilot LLC, a California limited liability company as the general partner and Investor Limited Partner as the limited partner, \_\_\_\_\_, 2020.

(ii) "Party" means the Authority or Lessee, as applicable. The Authority and Lessee shall be referred to collectively as the "Parties."

(jj) "PBVs" means Project-Based Section 8 Vouchers.

(kk) "PBV Units" means Units receiving PBVs.

(ll) "Permanent Lender" means the Authority, and so long as the Prudential/Freddie Mac Loan is outstanding, Prudential Affordable Mortgage Company, LLC, or affiliate, or Freddie Mac.

(mm) "RAD Conversion Commitment" means the Rental Assistance Demonstration Conversion Commitment among HUD, the Authority, and Lessee dated as November 14, 2019.

(nn) "RAD Documents" means, collectively, the RAD Conversion Commitment, the RAD Use Agreement, the RAD HAP Contract, and any other documents applicable to the Project under the RAD Program.

(oo) "RAD HAP Contract" means, collectively, the HAP contract to be entered into between the Lessee and the Authority for the Project that sets forth the rights and duties of Lessee and the Authority with respect to the 37 RAD PBV Units and the payments under the contract. For the

purpose of this Lease the term means collectively, the following documents: Rental Assistance Demonstration for the Conversion of Public Housing to the Section 8 Project-Based Voucher Program- Parts I & II (HUD Form 52530A) and Addendum to HAP Contract – Labor Standards, in the form attached to the RAD Conversion Commitment.

(pp) "RAD Program" has the meaning set forth in Recital A.

(qq) "RAD PBVs" means the project-based vouchers provided under the RAD Program.

(rr) "RAD PBV Units" means the Units receiving RAD PBVs.

(ss) "RAD Requirements" means all requirements of the RAD Program applicable to Lessee as set forth in the RAD Documents and any other rules or regulations promulgated by HUD for the RAD Program.

(tt) "RAD Use Agreement" means the Rental Assistance Demonstration Use Agreement entered into by and among the Authority, Lessee, and HUD specifying the affordability and use restrictions governing the Project under the RAD Program, and recorded against the Authority's fee interest in the Leased Premises and the Lessee's leasehold interest in the Leased Premises.

(uu) "Regulatory Agreements" refers to the RAD Use Agreement and any other recorded restrictions related to the other Approved Financing, including the Bond Regulatory Agreement and the Tax Credit Restrictive Covenant, setting forth certain terms and conditions under which the Leased Premises will be operated.

(vv) "Rent" means the rent from Lessee to the Authority as described in Section 2.3, below.

(ww) "Senior Leasehold Mortgagee" means the Bank or the Permanent Lender along with their respective successors and assigns.

(xx) "SHARP" has the meaning set forth in Recital D.

(yy) "Taking" means during the Term hereof of all or any part of the Leased Premises and/or the Improvements, or any interest therein or right accruing thereto, as a result of the exercise of the right of condemnation or eminent domain or a change in grade materially affecting the Leased Premises or any part thereof. A conveyance in lieu of or in anticipation of the exercise of any such right of condemnation or eminent domain shall be considered a Taking. Any such Taking shall be deemed to have occurred upon the earlier to occur of (a) the date on which the property, right or interest so taken must be surrendered to the condemning authority, or (b) the date title vested in a condemning authority or other party pursuant to any Taking.

(zz) "TCAC" means the California Tax Credit Allocation Committee.

(aaa) "Tenant Household" means any household authorized by Lessee to occupy a Unit.

(bbb) "Tenant Rent" means the Tenant Household's share of rent charged for a Unit.

(ccc) "Transfer" means any sale, assignment, transfer, conveyance, encumbrance, mortgage, or hypothecation, in any manner or form or any agreement to do any of the foregoing.

(ddd) "Total Tenant Payment" has the meaning set forth in 24 CFR Part 5.628.

(eee) "Units" means the residential units in the Improvements, excluding one manager's unit, which shall be occupied by the Tenant Households.

1.2 Exhibits. The Exhibits referred to in this Lease and attached hereto are:

- Exhibit A Leased Premises
- Exhibit B Memorandum of Ground Lease
- Exhibit C Hazardous Materials Disclosure
- Exhibit D Federal Requirements

**ARTICLE 2. LEASE OF THE LAND; RENTAL PROVISIONS**

**2.1 Lease of the Land.**

The Authority, for and in consideration of the Rent and the covenants and agreements to be kept and performed by Lessee, leases the Leased Premises to Lessee, and in consideration thereof, Lessee does take, hire and lease the Leased Premises from the Authority pursuant to the terms of this Lease. Lessee or its designee shall operate the Leased Premises in compliance with all applicable laws.

**2.2 Term.**

The term of this Lease (the "Lease Term" or the "Term") shall commence on the Effective Date, and shall continue from such date until the expiration of Ninety-nine (99) years, unless earlier terminated in accordance with this Lease.

**2.3 Rent.**

Lessee shall pay the Authority on the Effective Date capitalized rent in the amount of One Million Twenty Thousand Dollars and No Cents (\$1,020,000.00), which amount reflects the appraised value of the Leased Premises as set forth in the Appraisal, and which amount shall be paid in accordance with the terms of the Ground Lease Loan.

**2.4 Additional Rent.**

In addition to the Rent specified in Section 2.3 hereof, any and all of the payments that Lessee is required to make under this Lease to or for the benefit of the Authority shall be deemed to be "Additional Rent." All such Additional Rent shall be payable in accordance with the provisions of the Sections of this Lease specifying the payment of such Additional Rent. The Rent specified in Section 2.3 hereof and Additional Rent payable under this Lease collectively shall be deemed "Rents" reserved by the Authority, and any remedies now or hereafter given to the Authority under the laws of the State of California for collection of the Rents shall exist in favor of the Authority, in addition to any and all other remedies specified in this Lease.

**2.5 Payments.**

All Rents or other sums, if any, due the Authority under this Lease shall be paid by Lessee to the Authority at the address of the Authority set forth hereinafter for notices, or to such other person and/or at such other address as the Authority may direct by written notice to Lessee, without notice or demand, and without abatement, deduction or set off.

**ARTICLE 3. THE IMPROVEMENTS**

**3.1 Construction.**

Lessee shall cause the commencement of rehabilitation of the Improvements within thirty (30) days following recordation of the Memorandum of Lease. Lessee shall cause the Improvements to be rehabilitated in substantial compliance with the construction plans and specifications for the Improvements that have been previously approved by the Authority pursuant to the DDA. Any and all Improvements rehabilitated by or on behalf of Lessee shall be constructed in a good and workman-like manner, in compliance with all applicable Legal Requirements, including, without limitation, the requirements of the Approved Financing, MBE & WBE, and the RAD Requirements below. Lessee shall take no action to effectuate any material amendments, modifications or alterations to the plans and specifications unless the Authority has approved such in accordance with the DDA. Lessee acknowledges that the RAD Requirements require the Improvements to be constructed in compliance with the laws, regulations and administrative requirements governing the RAD Program including (but not limited to) the following:

(a) The prevailing wage requirements of the Davis-Bacon Act and implementing rules and regulations (40 U.S.C. 3141-3148); the Copeland "Anti-Kickback" Act (40 U.S.C. 276(c)); the Contract Work Hours and Safety Standards Act – CWHSSA (40 U.S.C. 3701-3708); and Title 29, Code

of Federal Regulations, Subtitle A, Parts 1, 3 and 5 are the regulations and procedures issued by the Secretary of Labor for the administration and enforcement of the Davis-Bacon Act, as amended.

(b) The requirements of Section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. 1701u requiring that to the greatest extent feasible opportunities for training and employment be given to lower income residents of the project area and agreements for work in connection with the project be awarded to business concerns which are located in, or owned in substantial part by persons residing in, the areas of the project.

(c) The requirement of the Lead-Based Paint Poisoning Prevention Act, as amended (42 U.S.C. 4821 et seq.); and the Residential Lead-Based Paint Hazard Reduction Act (42 U.S.C. 4851 et seq.), and implementing regulations at 24 C.F.R. Part 35.

(d) The requirements of the Fair Housing Act (42 U.S.C. 3601 et seq.) and implementing regulations at 24 C.F.R. Part 100; Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794), and federal regulations issued pursuant thereto; and the applicable requirements of Title II and/or Title III of the Americans with Disabilities Act of 1990 (42 U.S.C. 12131 et seq.), and federal regulations issued pursuant thereto.

(e) The requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (42 U.S.C. 4601, et seq.), and implementing regulations at 49 C.F.R. Part 24.

### 3.2 No Liens.

Lessee shall not have any right, authority or power to bind the Authority, Lessor's Estate or any other interest of the Authority in the Leased Premises, for any claim for labor or material or for any other charge or expense, lien or security interest incurred in connection with the development, construction or operation of the Improvements or any change, alteration or addition thereto. Lessee shall not have any right to encumber the Leasehold Estate without the written consent of the Authority, other than as set forth in the preliminary title report and other than with Leasehold Mortgages for Approved Financing, the Regulatory Agreements, utility easements and other customary easements necessary and incidental to the development, construction and operation of the Improvements, which easements are subject to the approval of the Authority, which shall not be unreasonably withheld.

The Lessee shall promptly pay and discharge all claims for work or labor done, supplies furnished or services rendered at the request of the Lessee and shall keep the Leased Premises free and clear of all mechanics' and materialmen's liens in connection therewith. If any claim of lien is filed against the Leased Premises or a stop notice is served on the Authority or other third party in connection with the development, construction or operation of the Improvements or any change, alteration or addition thereto, then Lessee shall, within thirty (30) days after such filing or service, either pay and fully discharge the lien or stop notice, effect the release of such lien or stop notice by delivering to the Authority a surety bond in sufficient form and amount, or provide the Authority with other assurance satisfactory to the Authority that the claim of lien or stop notice will be paid or discharged, provided that the Authority provides written notice of such claim of lien or stop notice to the Lessee promptly upon receipt by the Authority.

If Lessee fails to discharge any lien, encumbrance, charge, or claim in the manner required in this Section, then in addition to any other right or remedy, the Authority may (but shall be under no obligation to) discharge such lien, encumbrance, charge, or claim at Lessee's expense and, Lessee shall pay to the Authority as Additional Rent any such amounts expended by the Authority within thirty (30) days after written notice is received from the Authority of the amount expended. Alternately, the Authority may require Lessee to immediately deposit with the Authority the amount necessary to satisfy such lien or claim and any costs, pending resolution thereof. The Authority may use such deposit to satisfy any claim or lien that is adversely determined against Lessee.



Lessee shall file a valid notice of cessation or notice of completion upon cessation of construction of the Improvements for a continuous period of thirty (30) days or more, except in the event such cessation of construction is caused by adverse weather conditions, and shall take all other reasonable steps to forestall the assertion of claims of lien against the Leased Premises. The Authority shall have the right to post or keep posted on the Leased Premises, or in the immediate vicinity thereof any notices of non-responsibility for any construction, alteration or repair of the Leased Premises by Lessee. Lessee authorizes the Authority, but without any obligation, to record any notices of completion or cessation of labor, or any other notice that the Authority deems necessary or desirable to protect its interest in the Leased Premises.

3.3 Permits, Licenses and Easements. Lessee shall be responsible for obtaining any and all permits, licenses, easements and other authorizations required by any Governmental Authority with respect to any construction or other work to be performed on the Leased Premises and to grant or cause to be granted all permits, licenses, easements and other governmental authorizations that are necessary or helpful for electric, telephone, gas, cable television, water, sewer, drainage, access and such other public or private utilities or facilities as may be reasonably necessary or desirable in connection with the construction or operation of the Improvements. Lessee shall be entitled, without separate payment to the Authority for tap or connection fees, to tap into the existing lines, facilities and systems of applicable electric, gas, cable, water, sewer, sewer treatment and other utilities serving the Leased Premises, provided Lessee remains responsible for payment of such fees therefor as are required by the City. The Authority agrees to use reasonable efforts to assist Lessee to obtain waiver, reduction or deferral, as applicable, of all fees and other charges otherwise payable in connection with obtaining any permits, licenses, easements and other authorizations required by any Governmental Authority with respect to any construction or other work to be performed on the Leased Premises in connection with the Improvements.

3.4 Title to Improvements During the Term. The Authority hereby grants to Lessee, without warranty express or implied, any right, title, or interest that the Authority has or may have in the Improvements now or hereafter located on the Leased Premises which improvements are and shall remain real property. Notwithstanding any provision in this Lease to the contrary, the Improvements and all alterations, additions, equipment and fixtures built, made or installed by Lessee in, on, under or to the Leased Premises or Improvements shall be the sole property of Lessee or its successors and/or assigns and Lessee shall hold title to all such Improvements until the expiration of the Term or other termination of this Lease; provided, however, that Lessee shall have no right to destroy, demolish or remove the Improvements except as necessary to effect the rehabilitation of the Authority Sites during the construction loan period and except as specifically provided for in this Lease or as approved in writing by the Authority. It is the intent of the parties hereto that this Lease shall create a constructive notice of severance of the Improvements from the Leased Premises without the necessity of a deed from the Authority.

(b) After the Term. Upon the expiration of the Term or other termination of the Lease, the Improvements and all alterations, additions, equipment and fixtures shall be deemed to be and shall automatically become the property of the Authority, without cost or charge to the Authority. The Authority agrees that Lessee, at any time prior to the sixtieth (60th) day after the expiration or other termination of this Lease, may remove from the Leased Premises any and all equipment which Lessee has furnished for maintenance purposes or for the use of the management agent, provided that Lessee shall repair any physical damage to the Leased Premises caused by the removal of such equipment and property. Lessee agrees to execute, at the request of the Authority at the end of the Term, a quitclaim deed of the Improvements to the Authority to be recorded at the Authority's option and expense and any other documents that may be reasonably required by the Authority or the Authority's title company to

provide the Authority title to the Leased Premises and the Improvements free and clear of all monetary liens and monetary encumbrances not caused or agreed to by the Authority.

3.5 Benefits of Improvements During Term. The Authority acknowledges and agrees that any and all depreciation, amortization, profits, losses, income and tax credits for federal or state tax purposes relating to the Improvements located on the Leased Premises and any and all additions thereto, substitutions therefor, fixtures therein and other property relating thereto shall be deducted or credited exclusively to Lessee during the Term and for the tax years during which the Term begins and ends.

3.6 Restrictions Applicable to Units. The Lessee shall, at all times throughout the Term, comply with all applicable requirements of the Regulatory Agreements that are then encumbering Leasehold Estate. To the extent applicable, in no event will any action be taken which violates Section 42(h)(6)(E)(ii) of the U.S. Internal Revenue Code of 1986, as amended, regarding prohibitions against evicting, terminating tenancy or increasing rent of tenants for a period of three (3) years after acquisition of a building by foreclosure or deed-in-lieu of foreclosure.

3.7 Equal Opportunity. During the rehabilitation of the Improvements, Lessee shall not discriminate against any person or group of persons on the grounds of race, color, creed, religion, sex, sexual orientation or gender identity, marital status, disability, national origin, ancestry, language proficiency or age in the hiring, firing, promoting or demoting of any person engaged in the construction work. Lessee shall comply with and adhere to the covenants contained in the MBE & WBE Requirements, as set forth in Exhibit D.

#### **ARTICLE 4. AFFORDABILITY AND OCCUPANCY**

##### **4.1 Occupancy and Rent Requirements.**

At a minimum, the Units shall be affordable to and occupied by households having an income not greater than eighty percent (80%) of AMI at admission. Income averaging may be used to ensure that this income threshold is met. Tenant Rent and the Units shall continue to be affordable to and occupied by households having incomes no greater than eighty percent (80%) of AMI at admission for the Term of this Lease.

##### **4.2 RAD Project Based Vouchers and Other Project Based Vouchers.**

Lessee will enter into a RAD HAP Contract with the Authority for the thirty-seven (37) RAD PBV Units in the Leased Premises pursuant to which Lessee will receive RAD PBVs that will be implemented in accordance with the RAD Program and the Authority's Section 8 Administrative Plan. It is anticipated that Lessee will enter into a HAP Contract with the Authority for one (1) PBV Unit in the Leased Premises pursuant to which it will receive PBVs authorized by the United States Housing Act of 1937 (42 U.S.C.A. 1437(o)(13)) and implemented in accordance with the Authority's Section 8 Administrative Plan. The RAD HAP Contract shall be automatically renewed pursuant to the RAD Program. With respect to the one (1) PBV Unit, Lessee agrees to accept PBVs or any equivalent rental subsidy if the Project Based Voucher program ceases to exist, and to apply for an extension of the term of the HAP Contract for the Term of this Lease, so long as the occupancy and rent requirements of Section 4.1 are in effect.

Pursuant to the RAD HAP Contract and the HAP Contract, the Authority will pay Lessee the difference between the Tenant Rent and the rent to owner amount determined pursuant to the RAD Program and 24 CFR Part 983.301, respectively, or any successor rules or regulations.

Notwithstanding anything to the contrary herein, so long as there is a RAD HAP Contract or HAP Contract for the Leased Premises, the amount of Tenant Rent payable by a Tenant Household eligible to receive Section 8 assistance shall be determined pursuant to the RAD Program, the RAD HAP Contract and HAP Contract, the Authority's Section 8 Administrative Plan, and applicable HUD regulations.

Nothing in this Lease shall limit the maximum amount payable to Lessee pursuant to any RAD HAP Contract or HAP Contract.

## **ARTICLE 5. INCOME CERTIFICATION AND REPORTING**

### **5.1 Tenant Selection Plan.**

Lessee, **to the extent required under or in connection with the RAD HAP Contract or HAP Contract**, shall only lease Units to households from the Authority's waiting lists or, as applicable, from a waiting list approved in writing by the Authority. Lessee agrees to comply with all federal rules that apply to the RAD Program and the Authority's Project-Based Section 8 Voucher program, including those regarding income targeting. Authority agrees and acknowledges that the Units shall also be leased in accordance with and subject to Section 42 of the Internal Revenue Code and a regulatory agreement to be entered into with the California Tax Credit Allocation Committee for the term of that regulatory agreement.

### **5.2 Income Certification.**

Lessee shall insure that Tenant Households are income certified consistent with the requirements provided to it by the Authority.

### **5.3 Annual Report to the Authority.**

Lessee shall submit to the Authority not later than the fifteenth (15th) day after the close of each fiscal year of the Lessee, or such other date as may be requested by the Authority, a statistical report, including income, occupancy, rent, and work order data for all Units, or as otherwise requested by the Authority.

### **5.4 Additional Information.**

Lessee shall provide any additional information reasonably requested by the Authority or HUD. The Authority and HUD shall have the right, upon reasonable notice during regular business hours, to examine and make copies of all books, records or other documents of Lessee which pertain to any of the Leased Premises.

### **5.5 Tenant Records.**

(a) Lessee shall keep and maintain in accordance with generally accepted accounting principles consistently applied, complete, accurate and current records pertaining to the Leased Premises, and shall permit any duly authorized representative of the Authority or HUD to inspect records, including records pertaining to income and household size of Tenant Households, and rent charged Tenant Households. All Tenant lists, applications and waiting lists relating to the Leased Premises shall at all times be kept separate and identifiable from any other business of Lessee and shall be maintained as required by the Authority, in a reasonable condition for proper audit and subject to examination during business hours by representatives of the Authority or HUD. The Authority shall retain copies of all materials obtained or produced with respect to occupancy of the Units for a period of at least five (5) years after creation.

(b) The Authority shall notify Lessee of any records it deems insufficient. Lessee shall have fifteen (15) calendar days after the receipt of such a notice to correct any deficiency in the records specified by the Authority in such notice, or if a period longer than fifteen (15) days is reasonably necessary to correct the deficiency, then Lessee shall begin to correct the deficiency within fifteen (15) days and correct the deficiency as soon as reasonably possible.

### **5.6 On-Site Inspection.**

The Authority shall have the right to perform an on-site inspection of the Leased Premises at least one (1) time per year to verify compliance with the requirements of this Lease. Lessee agrees to cooperate in such inspection. If the Authority desires to inspect the interior of the residential units, the Authority shall give Lessee sufficient notice to allow Lessee to provide state law required notice to Tenant Households.

## **ARTICLE 6. PROPERTY MANAGEMENT AND MAINTENANCE; RESERVES**

### **6.1 Management Responsibilities.**

Lessee is responsible for all management functions with respect to the Leased Premises, including without limitation the selection of tenants, certification and recertification of household size and income, evictions, collection of rents and deposits, maintenance, landscaping, routine and extraordinary repairs, replacement of capital items, and security. Lessee shall contract with the Authority to manage the Leased Premises, or, upon approval of the Authority in its sole discretion, retain a professional property management company approved by the Authority in its reasonable discretion to perform the property management duties hereunder. The Authority shall have no responsibility over management of the Leased Premises unless pursuant to a separate contract for management between the Parties. The rental subsidy programs for the Leased Premises shall be administered in accordance with the RAD Program and the Authority's Section 8 Administrative Plan.

### **6.2 Management Agent; Periodic Reports.**

If the Authority directs or agrees upon request of Lessee, to allow for the management of the Leased Premises, by other than the Authority, then management shall be by an experienced management agent acceptable to the Authority, with demonstrated ability to operate residential facilities like the Leased Premises in a manner that will provide decent, safe, and sanitary housing (as approved, the "Management Agent"). Lessee shall submit for the Authority's approval the identity of any proposed Management Agent. Lessee shall also submit such additional information about the background, experience and financial condition of any proposed Management Agent as is reasonably necessary for the Authority to determine whether the proposed Management Agent meets the standard for a qualified Management Agent set forth above. If the proposed Management Agent meets the standard for a qualified Management Agent set forth above, the Authority shall approve the proposed Management Agent by notifying Lessee in writing. Notwithstanding the foregoing, the proposed Management Agent will be deemed approved in the event that Prudential Affordable Mortgage Company, LLC, or affiliate, and/or Freddie Mac approve of such proposed Management Agent.

### **6.3 Performance Review.**

The Authority reserves the right to conduct an annual (or more frequently, if deemed necessary by the Authority) review of the management practices and financial status of the Lessee and the Leased Premises. The purpose of each periodic review will be to enable the Authority to determine if the Leased Premises are being operated and managed in accordance with the requirements and standards of this Lease. Lessee shall cooperate with the Authority in such reviews.

### **6.4 Replacement of Management Agent.**

If, as a result of a periodic review, the Authority determines in its reasonable judgment that the Leased Premises are not being operated and managed in accordance with any of the material requirements and standards of this Lease, the Authority shall deliver notice to Lessee of its intention to cause replacement of the Management Agent, if other than the Authority, including the reasons therefor subject to the requirements of the loan documents evidencing the Prudential/Freddie Mac Loan. Within fifteen (15) days of receipt by Lessee of such written notice, the Authority's staff and Lessee shall meet in good faith to consider methods for improving the financial and operating status of the Leased Premises, including, without limitation, replacement of the Management Agent.

If, after such meeting, the Authority's staff recommends in writing the replacement of the Management Agent, Lessee shall promptly, and in no event later than 60 business days after receiving the recommendation, dismiss the Management Agent consistent with the approved property management contract, and shall appoint as the Management Agent a person or entity meeting the standards for a Management Agent set forth in Section 6.2 above and approved by the Authority pursuant to Section 6.2

above. The Authority will notify Prudential Affordable Mortgage Company, LLC, or affiliate and/or Freddie Mac of the Authority's recommendation to the Lessee to replace the Management Agent.

Any contract for the operation or management of the Leased Premises entered into by Lessee shall provide that the contract can be terminated as set forth above. Failure to remove the Management Agent in accordance with, and subject to the provisions of this Section shall constitute an Event of Default under this Lease.

#### 6.5 Approval of Management Policies.

Lessee shall have control in the selection of tenants pursuant to a Management Plan and/or Tenant Selection Plan that has been approved by the Authority.

#### 6.6 Property Maintenance.

Lessee shall maintain the interior and exterior of all Improvements, including landscaping, in good condition and repair (and, as to landscaping, in a healthy condition) and in accordance with all applicable laws, rules, ordinances, orders and regulations of all federal, state, county, municipal, and other governmental agencies and bodies having or claiming jurisdiction over the Property and all their respective departments, bureaus, and officials.

The Authority places prime importance on quality maintenance to ensure that the Leased Premises are not allowed to deteriorate due to below-average maintenance. Normal wear and tear of the Leased Premises will be acceptable to the Authority so long as Lessee makes all repairs and replacements necessary to keep the Improvements in good condition and repair.

Lessee shall be responsible for the cost of the following utilities: water and sewer, common area electricity and waste removal supplied to the Leased Premises. Subject to Section 8.2(d), Lessee shall pay utilities or cause same to be paid currently and as due.

#### 6.7 Authority's Approval.

Any repairs, alterations or replacements to the Leased Premises, after the recording of the Lessee's Notice of Completion for the rehabilitation anticipated to cost in excess of One-hundred Thousand dollars (\$100,000) must be approved in advance by the Authority.

#### 6.8 Replacement Reserve.

Lessee shall establish and maintain a Replacement Reserve ("Replacement Reserve") until the termination of this Lease. The Replacement Reserve shall be funded by deposits in the amount of at least Three Hundred Dollars (\$300) per unit per year or such greater amount as required by the Investor Limited Partner or the Senior Leasehold Mortgagee, due on the first day of each month. The Authority may adjust, (though not decrease, without the consent of the Senior Leasehold Mortgagee) at any time, the amount of the monthly payments to be made into the Replacement Reserve as necessary to, in its sole discretion, keep pace with increases in the costs of replacing structural elements and equipment of the Leased Premises. The Replacement Reserve shall be used upon the Authority's written approval to replace major structural elements or equipment of the Leased Premises or for any other purpose consistent with maintaining the financial and physical integrity of the Improvements. Notwithstanding the foregoing, for so long as the Prudential/Freddie Mac Loan is outstanding, (a) the Replacement Reserve shall be held by Prudential Affordable Mortgage Company, LLC, or affiliate (or such other servicer approved by Freddie Mac), and (b) the disbursement of the Replacement Reserve shall be governed by the requirements of the loan documents evidencing the Prudential/Freddie Mac Loan.

#### 6.9 Operating Reserve.

Lessee shall establish and maintain an Operating Reserve funded by an initial deposit in the amount of Three Thousand Seven Hundred Forty-Seven Dollars and no cents (\$3,747) per unit or such greater amount required by the Senior Leasehold Mortgagee or the Investor Limited Partner, due at the time the Senior Leasehold Mortgagee loan converts to permanent financing. The Operating Reserve shall be used upon Authority approval to cover operating deficits.

**ARTICLE 7. ASSURANCES OF LESSEE; TAXES AND ASSESSMENTS**

**7.1 Assurances of Lessee.**

Lessee shall use the Leased Premises for the operation of the Improvements in accordance with the restrictions and assurances set forth in this Lease. Further, Lessee agrees and warrants:

(a) That Lessee will use commercially reasonable efforts to prevent any member of any Tenant Household from committing or maintaining any nuisance or unlawful conduct on or about the Leased Premises and that Lessee will not use or allow the Leased Premises to be used for any disorderly or unlawful purpose;

(b) That Lessee will use commercially reasonable efforts to prevent any member of any Tenant Household from violating any of the covenants and conditions of this Lease with respect to the Authority Sites;

(c) Subject to all applicable laws and the rights of Tenant Households, that Lessee will take commercially reasonable action, if necessary, to abate any violation of this Lease by any member of any Tenant Household upon notice from the Authority; and

(d) Lessee shall operate the Leased Premises in compliance with the RAD Requirements.

**7.2 Taxes and Assessments.**

(a) Payment of Taxes and Assessments. Except as provided in Section 8.2(e), Lessee covenants and agrees during the entire Lease Term, at its own cost and expense, to pay the public officers charged with their collection, as the same become due and payable and before any fine, penalty, interest, or other charge may be added to them for non-payment, all real estate taxes, general and special, ordinary and extraordinary, unforeseen as well as foreseen, of any kind and nature, made, assessed, levied or imposed upon, or due and payable in connection with, or which become a lien upon, the Leased Premises, the Improvements, or any part of the Leased Premises or Improvements, or upon this Lease, as well as assessments for sidewalks, streets, sewers, water, or any other public improvements and any other improvements or benefits which shall, during the Lease Term, be made, assessed, levied, or imposed upon or become due and payable in connection with, or a lien upon the Leased Premises, the Improvements, or any part of the Leased Premises or Improvements, or upon this Lease. Lessee shall be responsible for obtaining a low-income housing property tax exemption, as available, or necessary. Upon the written request of the Authority, Lessee shall exhibit and deliver to the Authority evidence satisfactory to the Authority of payment of all Impositions. Lessee recognizes and agrees that this Lease creates a possessory interest which is subject to taxation, and that this Lease requires Lessee to pay any and all possessory interest taxes levied upon Lessee's interest pursuant to an assessment lawfully made by the applicable governmental assessor. Lessee further acknowledges that any sublease or transfer permitted under this Lease may constitute a change in ownership, within the meaning of the California Revenue and Taxation Code, and therefore may result in a transfer tax and reassessment of any possessory interest created hereunder in accordance with applicable law.

(b) Payment of Fees. Except as provided in Section 8.2(e), Lessee covenants and agrees during the entire Lease Term, at its own cost and expense, to pay, as the same become due and payable and before any fine, penalty, interest, or other charge may be added to them for non-payment, license and permit fees, charges for public utilities of any kind, and any and all governmental charges relating to the use or occupancy of the Improvements.

(c) Copies of Notices to Lessee. The Authority agrees promptly to send to Lessee copies of any and all notices received by it in respect to any taxes, assessments, charges, or fees for which Lessee is liable pursuant to this Section 7.2.

(d) Lessee's Right to Contest. If Lessee disputes any amount or validity of any Impositions, including but not limited to any liens, taxes, assessments, charges, penalties or claims, and any liens or claims of material suppliers, mechanics or laborers, upon the Leased Premises or the

Improvements, regardless of whether such amounts are payable by the Authority or Lessee, Lessee may contest and defend against the same at its cost, and in good faith diligently conduct any necessary proceedings in connection therewith to prevent and avoid the same; provided, however, that such contest shall be prosecuted to a final conclusion as speedily as possible. The Authority agrees to render to Lessee all reasonable assistance, at no expense to the Authority, in contesting the validity or amount of any such taxes, assessments or charges, including joining in the signing of any protests or pleadings which Lessee may deem advisable to file. During any such contest, Lessee shall (by the payment of such disputed taxes, assessments, or charges, if necessary) prevent any advertisement of tax sale, any foreclosure of, or any divesting thereby of title, reversion or other interest in or to the Leased Premises. Nothing contained in this Section 8.2(d), however, shall be construed to allow any such contested Imposition to remain unpaid for a length of time which shall permit the Leased Premises, or any part thereof, to be sold by any Governmental Authorities for the non-payment of such Imposition. Lessee shall promptly furnish the Authority copies of all notices, appeals, pleadings, motions and orders in any proceedings commenced with respect to such contested Imposition. During such contest, Lessee shall (by the payment of such disputed taxes, assessments, or charges, if necessary) prevent any advertisement of tax sale, any foreclosure of, or any divesting thereby of Authority's title, reversion or other interest in or to the Leased Premises and the Improvements.

(e) The Authority's Obligations. The provisions of this Lease shall not be deemed to require Lessee to pay any municipal, county, state, or federal income or gross receipts or excess profits taxes assessed against the Authority, or any municipal, county, state, or federal capital levy, estate, succession, inheritance, gift, or transfer taxes of the Authority, or franchise taxes imposed upon any owner in fee of the Leased Premises. Any rebate made on account of any taxes or charges paid by the Authority and not reimbursed by Lessee shall belong and be paid to the Authority; otherwise such rebate shall belong to Lessee.

#### **ARTICLE 8. HAZARDOUS MATERIALS.**

##### **8.1 Certain Covenants and Agreements.**

Lessee hereby covenants and agrees that at all times during the Term:

(a) Lessee shall not knowingly permit the Leased Premises or any portion thereof to be a site for the use, generation, treatment, manufacture, storage, disposal or transportation of Hazardous Materials in violation of any applicable law or otherwise knowingly permit the presence of Hazardous Materials in, on or under the Leased Premises in violation of any applicable law;

(b) Lessee shall keep and maintain the Leased Premises and each portion thereof in compliance with, and shall not cause or permit the Leased Premises or any portion thereof to be in violation of, any Hazardous Materials Laws;

(c) Upon receiving actual knowledge of the following Lessee shall immediately advise the Authority in writing of:

i. any and all enforcement, cleanup, removal or other governmental or regulatory actions instituted, completed or threatened against Lessee or the Leased Premises pursuant to any applicable Hazardous Materials Laws;

ii. any and all claims made or threatened by any third party against Lessee or the Leased Premises relating to damage, contribution, cost recovery, compensation, loss or injury resulting from any Hazardous Materials (the matters set forth in the foregoing clause (i) and this clause (ii) are hereinafter referred to as "Hazardous Materials Claims"); or

iii. the presence of any Hazardous Materials in, on or under the Leased Premises.

If the Authority reasonably determines that Lessee is not adequately responding to a Hazardous Material Claim or any condition in Sections 9.1(c)(iii) or (iv), the Authority shall have the right to join and participate in, as a party if it so elects, any legal proceedings or actions initiated in connection with any such Hazardous Materials Claims and to have its reasonable attorney's fees in connection therewith paid by Lessee.

(d) Without the Authority's prior written consent, which shall not be unreasonably withheld or delayed, Lessee shall not take any remedial action in response to the presence of any Hazardous Materials on, under, or about the Leased Premises, nor enter into any settlement agreement, consent decree, or other compromise in respect to any Hazardous Materials Claims.

(e) [The Authority acknowledges that the Leased Premises contain existing Hazardous Materials in the form of asbestos and lead based paint that was present in building materials used in construction of the Improvements prior to Lessee's ownership, as described in the report(s) listed on Exhibit C, and the Authority has agreed that, in compliance with all regulatory and statutory requirements, Lessee shall remediate and remove an agreed upon portion of said Hazardous Materials in accordance with the Final Plans and will also be encapsulating and leaving in place within the Leased Premises the remaining portion of said Hazardous Materials in accordance with the Final Plans.]

## 8.2 Indemnity.

Without limiting the generality of the indemnification set forth in Section 11.4 below, Lessee hereby agrees to indemnify, protect, hold harmless and defend (by counsel reasonably satisfactory to the Authority) the Authority, its board members, commissioners, officers, agents, successors, assigns and employees (the "Indemnitees") from and against any and all claims, losses, damages, liabilities, fines, penalties, charges, administrative and judicial proceedings and orders, judgments, remedial action requirements, enforcement actions of any kind, and all costs and expenses incurred in connection therewith (including, but not limited to, attorney's fees and expenses), arising directly or indirectly, in whole or in part, out of:

(a) The failure of Lessee or any other person or entity (other than an indemnitee) on or after the Effective Date (or prior to the Effective Date if due to the negligence or willful misconduct of Lessee or any other person under the control of Lessee to the extent resulting in material harm to an Indemnitee), to comply with any Hazardous Materials Law relating in any way whatsoever to the handling, treatment, presence, removal, storage, decontamination, cleanup, transportation or disposal of Hazardous Materials into, on, under or from the Leased Premises;

(b) Any release or discharge of any Hazardous Materials into, on, under or from the Leased Premises, arising on or after the Effective Date, or the presence in, on, or under the Leased Premises of any Hazardous Materials that occurs on the Leased Premises after the Effective Date (or prior to the Effective Date if due to the negligence or willful misconduct of Lessee or any person under the control of Lessee to the extent resulting in material harm to an Indemnitee); or

(c) Any activity or omission of activity carried on or undertaken on or off the Leased Premises, on or after the Effective Date (or prior to the Effective Date if due to the negligence or willful misconduct of Lessee or any employees, agents, contractors or subcontractors of Lessee to the extent resulting in material harm to an Indemnitee), and whether by Lessee or any employees, agents, contractors or subcontractors of Lessee or any successor in title that is related to Lessee occupying or present on the Leased Premises, in connection with the handling, treatment, removal, storage, decontamination, cleanup, transport or disposal of any Hazardous Materials located or present on or under the Leased Premises. Lessee's indemnity obligations as they pertain to activities occurring off the Leased Premises shall only extend to activities performed by or arising from activities performed by Lessee or any employees, agents, contractors or subcontractors of Lessee.

The foregoing indemnity shall further apply to any residual contamination on or under the Leased Premises, or affecting any natural resources, and to any contamination of any property or natural



resources in connection with the generation, use, handling, treatment, storage, transport or disposal of any such Hazardous Materials, and irrespective of whether any of such activities were or will be undertaken in accordance with Hazardous Materials Laws. The provisions of this subsection shall survive expiration of the Term or other termination of this Lease, and shall remain in full force and effect. This indemnity obligation shall not extend to any claim arising solely from any Indemnitee's negligence or willful misconduct.

#### 8.3 No Limitation.

Lessee hereby acknowledges and agrees that Lessee's duties, obligations and liabilities under this Lease, including, without limitation, under Section 9.2 above, are in no way limited or otherwise affected by any information the Authority may have concerning the Leased Premises and/or the presence on the Leased Premises of any Hazardous Materials, whether the Authority obtained such information from Lessee or from its own investigations, except to the extent the Authority's knowledge prior to the Effective Date and failure to act on such knowledge constituted negligence or willful misconduct on the part of the Authority.

#### 8.4 As-Is Conveyance.

This Lease is made "AS IS," with no warranties or representations by the Authority concerning the condition of the Leased Premises, including the presence or absence of any Hazardous Materials, except as expressly set forth in Section 9.5, below. Lessee hereby agrees and acknowledges that except in the event of any fraud, misrepresentation, or withholding of information by the Authority: (i) neither the Authority, nor anyone acting for or on behalf of the Authority, has made any representation, statement, warranty or promise to Lessee concerning the development potential or condition of the Leased Premises except as set forth in Section 9.5 below; and (ii) in entering into this Lease, Lessee has not relied on any representation, statement or warranty of the Authority, or anyone acting for or on behalf of the Authority, other than as may expressly be contained in writing in this Lease; (iii) all matters concerning the Leased Premises have been or shall be independently verified by Lessee and that Lessee shall purchase or lease the Leased Premises on Lessee's own prior examination thereof; and (iv) THAT LESSEE IS LEASING THE LEASED PREMISES, IN AN "AS IS" PHYSICAL CONDITION AND IN AN "AS IS" STATE OF REPAIR.

#### 8.5 Authority Representations. Except as set forth in Exhibit C:

(a) The Authority has not received any information that Hazardous Materials exist on the Leased Premises in violation of Hazardous Materials Laws, nor has the Authority received any information indicating that there are any Hazardous Materials Claims with respect to the Leased Premises.

(b) General Release. Subject to Section 9.3 and 9.4, above, Lessee and its owners, employees, agents, assigns and successors agree that upon the Effective Date, Lessee shall be deemed conclusively to have released and discharged the Authority and its agents, employees, trustees, assigns and successors, from any and all damages, losses, demands, claims, debts, liabilities, obligations, causes of action and rights, whether known or unknown, by Lessee regarding the Leased Premises, including, but not limited to, the environmental condition of the Leased Premises.

(c) Waiver of Civil Code § 1542. Lessee agrees that, with respect to the General Release contained in Section 9.5(b) above, the General Release extends to all matters regarding the Leased Premises, whether or not claimed or suspected, to and including the date of execution hereof, and constitutes a waiver of each and all the provisions of the California Civil Code § 1542, which reads as follows:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER MUST HAVE

MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY."

Lessee herein acknowledges that the effect and import of the provisions of Civil Code § 1542 have been explained to it by its own counsel. Lessee understands and acknowledges the significance and the consequence of such specific waiver of unknown claims and hereby assumes full responsibility for any injuries, damages, losses or liabilities that it may hereinafter incur from the waiver of these unknown claims

\_\_\_\_\_**Lessee's Initials**

8.6 Environmental Work.

Lessee shall be responsible for performing the work of any investigation and remediation on the Leased Premises which may be required in order to develop the Leased Premises. The determination as to whether any such remediation is needed, and as to the scope and methodology thereof, shall be made by mutual agreement of the governmental agency with responsibility for monitoring such remediation and Lessee, with the consent of the Authority, which consent shall not be unreasonably withheld, conditioned or delayed. Lessee shall notify the Authority promptly upon discovery of any actionable levels of Hazardous Materials, and upon any release thereof, and shall consult with the Authority in order to establish the extent of remediation to be undertaken and the procedures by which remediation thereof shall take place. Lessee shall comply with, and shall cause its agents and contractors to comply with, all regulatory agency directives and all laws regarding the use, removal, storage, transportation, disposal and remediation of Hazardous Materials. The investigation and remediation work shall be carried out in accordance with all regulatory agency directives and all applicable laws (including Hazardous Materials Laws) and such other procedures and processes as may be described in this Lease.

**ARTICLE 9. Assignments and Transfers**

9.1 Consent Required.

Lessee may not Transfer its interest in this Lease without the written consent of the Authority, which consent shall be at the Authority's sole discretion except as set forth in Section 10.2 and in Article 17, below. A Transfer shall be deemed to include any attempt by Lessee to: (a) demolish all or any portion of the Leased Premises after construction of the Improvements; (b) make or permit any voluntary or involuntary, total or partial, sale, lease, assignment, conveyance, mortgage, pledge, encumbrance, or other transfer of any or all of the Leased Premises, the Improvements, any equipment related thereto, or this; or (c) transfer, convey or assign: (i) any interest of a managing member, general partner, or controlling affiliate or stockholder (any such interest being referred to as a "Controlling Interest") in Lessee; or (ii) a Controlling Interest in any entity which has a Controlling Interest in Lessee; or (iii) any other interest in Lessee, or in any partner or member thereof. Any person to whom any Transfer is attempted without such consent shall have no claim, right or remedy whatsoever under this Lease against the Authority, and the Authority shall have no duty to recognize any person claiming under or through the same.

9.2 Limitations on Consent Requirement. Notwithstanding the foregoing, the consent of the Authority shall not be required for:

- (a) the lease of any Unit at the Leased Premises, subject to the Authority's prior approval of the form of Tenant Lease;
- (b) the mortgage of Lessee's interest in the Leased Premises and Improvements to any approved Leasehold Mortgagee (or its nominee) and transfer of the Leased Premises and Improvements to such Leasehold Mortgagee (or its nominee) by foreclosure or deed-in-lieu of foreclosure (or the leasehold equivalent thereof), or to a third-party purchaser pursuant to a foreclosure sale (or the leasehold equivalent thereof), or to the first transfer of the Leased Premises and the Improvements by such Leasehold Mortgagee to an unrelated third party following a foreclosure or deed in lieu of foreclosure so

long as such transferee or its third-party property management agent is qualified to manage and operate affordable housing projects similar to the Leased Premises;

(c) transfers or syndications of the Investor Limited Partner's limited partner interests in Lessee that are permitted under Lessee's Partnership Agreement;

(d) the removal of the general partner of Lessee by the Investor Limited Partner in accordance with the terms of the Partnership Agreement and the loan documents evidencing the Prudential/Freddie Mac Loan, and/or the subsequent transfer of the general partner interest to (i) a 501(c)(3) tax exempt nonprofit corporation selected by the Investor Limited Partner, provided such replacement general partner is approved by the Authority which approval shall not be unreasonably withheld, conditioned or delayed, or (ii) the Investor Limited Partner or an affiliate thereof, but only for a period not to exceed one hundred-twenty (120) days from the date of removal of the general partner, during which time such entity shall diligently seek a replacement general partner meeting the requirements of subsection (i) above; or

(e) the encumbrance of the Leased Premises with the Regulatory Agreements.

9.3 Subsequent Assignment. In cases where the Authority's consent is required, the Authority's consent to one assignment will not waive the requirement of its consent to any subsequent assignment.

9.4 Request for Consent. If Lessee requests the Authority's consent to a specific assignment, Lessee shall provide to the Authority such information as may reasonably be required by the Authority.

9.5 Grant of Purchase Option to Lessee Affiliate or Authority. Notwithstanding anything to the contrary set forth in any other provision of this Lease, nothing shall prohibit: the granting of a purchase option and/or right of first refusal to the Authority, or any entity owned or controlled by or under common control with the Authority, to purchase the Leasehold Estate, as provided in the Option Agreement, and/or the exercise of such option in accordance with the Option Agreement. The terms and provisions of this Lease are and shall remain superior in all respects to the Option Agreement and any memorandum recorded evidencing the Option Agreement, which Option Agreement is and shall remain subordinate and inferior to the terms and provisions of this Lease.

#### **ARTICLE 10. INSURANCE**

##### 10.1 Required Insurance Coverage.

(a) Fire and Extended Coverage Endorsement. Lessee shall during the Lease Term keep the Leased Premises insured against loss or damage by a standard all risk policy in amounts such that the proceeds of such insurance shall not be less than the replacement value of the Leased Premises, or, should insurance in such amount not be reasonably and commercially available, or the cost of such insurance shall not be commercially reasonable given Lessee's net income, such lesser amount as may be reasonably acceptable to the Authority. The amount of such insurance shall be adjusted by reappraisal of the Improvements by the insurer or its designee at least once every five (5) years during the Lease Term, if requested by the Authority. If an all risk policy insuring the full replacement value of the Leased Premises is not reasonably and commercially available, Lessee shall use best efforts to obtain and maintain an extended coverage endorsement that ensures the full replacement value of the Leased Premises as soon as such coverage becomes commercially and reasonably available, subject to the approval of the Authority.

(b) Liability and Property Damage Insurance. During the Lease Term, Lessee shall keep in full force and effect a policy or policies of comprehensive general liability and property damage insurance against liability for bodily injury to or death of any person or property damage arising out of an occurrence on or about the Lease Premises. The limits of such insurance shall be not less than Three Million Dollars (\$3,000,000) combined single limit for bodily injury and property damage. The limits of the insurance shall be adjusted once every five (5) years if and as reasonably required by the Authority.

(c) Workers' Compensation Insurance. Lessee shall carry or cause to be carried

workers' compensation insurance covering all persons employed in connection with the Leased Premises and with respect to whom death, bodily injury, or sickness insurance claims could be asserted against the Authority or Lessee.

(d) Builders' Risk Insurance. During the course of any alteration, construction or reconstruction, the cost of which exceeds Two Hundred Fifty Thousand Dollars (\$250,000), Lessee shall require any contractor to provide builders' risk insurance for not less than Five Million Dollars (\$5,000,000) combined single limit for bodily injury or property damage insuring the interests of the Authority, Lessee and any contractors and subcontractors.

#### 10.2 Insurance Policies and Premiums.

(a) All liability policies required by this Lease shall name the Authority as an additional insured. Duplicate copies of such policies or certificates of such insurance shall be promptly furnished to the Authority.

(b) All policies described in Section 11.1 shall include the Authority and Lessee, together with any Leasehold Mortgagees, as additional insureds or as loss payees, as their respective interests may appear. All policies described in Section 11.1 shall contain (a) the agreement of the insurer to give the Authority and each Leasehold Mortgagee, as applicable, at least thirty (30) days' notice prior to cancellation (including, without limitation, for non-payment of premium) or any material change in said policies, provided that if such agreement cannot be obtained from the insurer, Lessee will provide such notice to the Authority; (b) an agreement that such policies are primary and non-contributing with any insurance that may be carried by the Authority; (c) a provision that no act or omission of Lessee shall affect or limit the obligation of the insurance carrier to pay the amount of any loss sustained; (d) a waiver by the insurer of all rights of subrogation against the Authority and its authorized parties in connection with any loss or damage thereby insured against; and (e) terms providing that any loss covered by such insurance may be adjusted with the Authority, Lessee and the holder of a Leasehold Mortgage, but shall be payable to the holder of any Leasehold Mortgage, who shall agree to receive and disburse all proceeds of such insurance, subject to the duty of Lessee to repair or restore, as set forth in Article 13.

(c) To the extent obtainable, all policies described in Section 11.1 shall provide that any change or cancellation of said policy must be made in writing and sent to Lessee and the Authority at their respective principal offices at least thirty (30) days before the effective date of change or cancellation.

i. It is the Lessee's responsibility to notify the Authority of any notice of cancellation, non-renewal or non-payment of premium in accordance with your policy provisions. In the event insurance is cancelled or not renewed, the Lessee shall notify the Authority within forty-eight (48) hours of such cancellation or non-renewal.

#### \_\_\_\_\_Lessee's Initials

ii. Lessee is in material breach of this Lease for so long as Lessee fails to maintain all of the required insurance. The Authority has the right, but not the obligation, to pay any delinquent insurance premiums and any other charges to reinstate or maintain the required insurance policies and coverage. Upon the Authority's demand, Lessee must immediately reimburse the Authority for any and all costs incurred by the Authority in so obtaining or maintaining insurance.

#### 10.3 Proceeds of Insurance.

Subject to the requirements of the loan documents evidencing the Prudential/Freddie Mac Loan and Leasehold Mortgages, all insurance proceeds received under the policies set forth in this Article 10 shall be paid to Lessee, provided that Lessee shall apply such proceeds, to the extent possible, and

subject to the terms and conditions of the Leasehold Mortgages for reconstruction or repair in a manner consistent with the provisions of Section 13.1.

#### 10.4 Indemnification.

Lessee hereby agrees to indemnify, protect, hold harmless and defend (by counsel reasonably satisfactory to the Authority) the Authority, its commissioners, officers, directors, affiliates, agents and employees from and against any and all claims, losses, damages, liabilities, fines, penalties, charges, administrative and judicial proceedings and orders, judgments, remedial action requirements, enforcement actions of any kind, and all costs and expenses incurred in connection therewith, including, but not limited to, reasonable attorneys' fees and expenses, to the extent arising from or relating to Lessee's obligations under this Lease, and the construction or operations of the Improvements, except to the extent arising from or relating to the gross negligence or willful misconduct of the Authority, or any of its commissioners, officers, directors, affiliates, agents or employees.

In addition, if any contractor or subcontractor which performed preconstruction work or any construction work for Lessee or Lessee's affiliates on the Improvements shall assert any claim against the Authority on account of any damage alleged to have been caused by reason of acts or omissions of Lessee or Lessee's affiliates, their members, partners, officers, directors, affiliates, agents or employees, or their construction contractors, Lessee shall defend at its own expense any suit based upon such claim; and if any judgment or claim against the Authority shall be allowed, Lessee shall pay or cause to be paid or satisfied such judgment or claim and pay or cause to be paid all costs and expenses in connection therewith.

This indemnity shall survive expiration of the Term or other termination of this Lease.

### **ARTICLE 11. CONDEMNATION**

#### 11.1 Termination of Lease.

The Authority and Lessee agree that, in the event of a Taking such that Lessee reasonably determines that the Leased Premises cannot continue to be operated, at reasonable cost, for its then-current use, then, subject to the rights of Leasehold Mortgagees, this Lease shall, at Lessee's sole option, terminate as of the Taking Date.

#### 11.2 Continuation of Lease and Presumption of Restoration.

The Authority and Lessee agree that, in the event of a Taking that does not result in the termination of this Lease pursuant to Section 12.1 above, this Lease shall continue in effect as to the remainder of the Leased Premises, and the Net Condemnation Award will be disbursed in accordance with Section 12.4 below to Lessee and/or any Leasehold Mortgagee, if the terms of the applicable Leasehold Mortgage so require, and shall be used so as to make the same a complete, unified and efficient operating unit as nearly as reasonably possible to the condition existing prior to the Taking, subject to any applicable requirements of the Leasehold Mortgagee.

#### 11.3 Temporary Taking.

If there shall be a temporary Taking with respect to all or any part of the Leased Premises or of Lessee's interest in this Lease, then the Term shall not be reduced and Lessee shall continue to pay in full all Rents, taxes and other charges required herein, without reduction or abatement thereof at the times herein specified; provided, however, that Lessee shall not be required to perform such obligations that Lessee is prevented from performing by reason of such temporary Taking.

#### 11.4 Apportionment of Award.

Subject to the rights of Leasehold Mortgagees under their respective loan documents, if there is a Taking, whether whole or partial, the Authority and Lessee shall be entitled to receive and retain such separate awards and portions of lump sum awards as may be allocated to their respective interests in any condemnation proceedings, or as may be otherwise agreed, taking into consideration the fact that the Authority's interest in the Leased Premises is limited to the land (exclusive of the Improvements, as encumbered by this Lease), and a reversionary interest in the Leased Premises upon the expiration of the

Term. If the Leased Premises shall be restored as in contemplated in Section 11.2 above, Lessee shall be entitled to recover the costs and expenses incurred in such restoration out of any Net Condemnation Award. Thereafter, if the condemning authority does not make separate awards, the Parties agree that any Net Condemnation Award will be allocated on a proportionate basis. If the Parties are unable to agree as to the exact amounts that are to be allocated to the respective interests of each Party, then each Party shall select an independent M.A.I. real estate appraiser (an "Appraiser"). Each Appraiser shall separately determine the amount of the balance of the Net Condemnation Award that is to be allocated to the interests of each Party. If the percentage of the balance of the Net Condemnation Award each Appraiser allocates to the Authority (a) are within ten percent (10%) of each other, the two allocations shall be averaged, and such average shall be the final allocation of the Net Condemnation Award, or (b) are not within ten percent (10%) of each other, the two Appraisers shall then select a third Appraiser, who shall independently allocate the Net Condemnation Award between the Authority and Lessee, and the middle of such three allocations shall be the final allocation of the Net Condemnation Award. Notwithstanding any of the foregoing, any award to which the Lessee is entitled will be paid to the Senior Ground Leasehold Mortgagee (or an independent trustee if a partial Taking).

#### 11.5 Joinder.

If a Leasehold Mortgage exists, the Leasehold Mortgagees, to the extent permitted by law, shall be made a party to any Taking proceeding.

### **ARTICLE 12. DAMAGE OR DESTRUCTION**

#### 12.1 Damage or Destruction to Leased Premises.

Lessee shall give prompt written notice to the Authority after the occurrence of any fire, earthquake, act of God or other casualty to or in connection with the Leased Premises, the Improvements or any portion thereof (hereinafter sometimes referred to as "Casualty"). Subject to Section 12.2 below, and the rights of any Leasehold Mortgagees, if during the Term the Improvements shall be damaged or destroyed by Casualty, Lessee shall repair or restore the Improvements, so long as Lessee determines, after consultation and approval by the Authority, that it is feasible to do so and in such event Lessee provides or causes to be provided sufficient additional funds which, when added to such insurance proceeds, will fully effect such repair or restoration. Upon the occurrence of any such Casualty, Lessee, promptly and with all due diligence and subject to the rights of the Leasehold Mortgagees, shall apply for and collect all applicable insurance proceeds recoverable with respect to such Casualty, for the benefit of the Leasehold Mortgagees, if any. In the event that Lessee shall determine, subject to the rights of any Leasehold Mortgagees, by notice to the Authority given within thirty (30) days after receipt by Lessee of any such insurance proceeds, that it is not economically practical to restore the Leased Premises to substantially the same condition in which they existed prior to the occurrence of such Casualty, then Lessee may terminate this Lease as of a date that is not fewer than thirty (30) days after the date of such notice. If Lessee terminates this Lease pursuant to this Section 13.1, Lessee immediately shall surrender possession of the Leased Premises to the Authority and assign to the Authority (or, if same has already been received by Lessee, pay to the Authority) all of its right, title and interest in and to the proceeds from Lessee's insurance upon the Leased Premises, subject to the prior rights of any Leasehold Mortgagee.

#### 12.2 Damage or Destruction Near End of Term.

If, during the last year of the Term, the Improvements shall be damaged by Casualty, then Lessee shall have the option, to be exercised within one hundred twenty (120) days after such Casualty:

- (a) subject to the rights of Leasehold Mortgages for to repair or restore the Improvements as hereinabove provided in this Article 12; or
- (b) subject to the rights of Leasehold Mortgagees, to terminate this Lease by notice to the Authority, which termination shall be deemed to be effective as of the date of the Casualty. If

Lessee terminates this Lease pursuant to this Section 12.2, Lessee shall surrender possession of the Leased Premises to the Authority immediately and assign to the Authority (or, if same has already been received by Lessee, pay to the Authority) all of its right, title and interest in and to the proceeds from Lessee's insurance upon the Leased Premises, subject to the prior rights of any Leasehold Mortgagee therein, as referenced in Section 12.3 below.

#### 12.3 Distribution of Insurance Proceeds.

In the event that insurance proceeds are not applied to restoration of the Property and this Lease is terminated pursuant to Sections 12.1 or 12.2 hereof, the insurance proceeds received as the result of such Casualty shall be distributed as follows: (a) first, to the Senior Leasehold Mortgagee in accordance with the Leasehold Mortgage of the Senior Leasehold Mortgagee while such Leasehold Mortgagee is in effect; (b) second, the balance, if any, of such insurance proceeds shall be paid to Lessee or, as applicable pursuant to Sections 13.1 and 13.2 above, assigned or paid over to the Authority.

### **ARTICLE 13. PARTICULAR COVENANTS**

#### 13.1 Non-Discrimination.

(a) Lessee or its designee shall not, in the selection or approval of Tenant Households or provision of services or in any other matter, discriminate against any person or group of persons on the grounds of race, color, creed, religion, sex, sexual orientation or gender identity, marital status, disability, national origin, ancestry, language proficiency, source of income, or that the prospective tenant is receiving rental assistance pursuant to the RAD Program or the HUD Housing Choice Voucher Program or any other rental assistance program. In addition, Lessee covenants by and for Lessee and Lessee's successors, assigns and all persons claiming under or through Lessee that this Lease is made subject to the condition that there shall be no discrimination against or segregation of any person or group of persons on account of race, color, religion, creed, sex, sexual orientation or gender identity, marital status, disability, national origin, ancestry, language proficiency, source of income or that the Tenant Household is receiving rental assistance pursuant to the RAD Program or the HUD Housing Choice Voucher Program or any other rental assistance program in the leasing, subleasing, transferring, use, occupancy, tenure, or enjoyment of the Units, nor shall Lessee or any person claiming under or through it establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of Tenant Households, lessees, sublessees, subtenants or vendees on the Leased Premises.

(b) The Authority shall be entitled to invoke any remedies available at law or in equity to redress any breach of these subsections or to compel compliance therewith by Lessee. The Authority shall be entitled to invoke any remedies available at law or in equity to redress any breach of this Article 13 or to compel compliance therewith by Lessee.

### **ARTICLE 14. ASSURANCES OF THE AUTHORITY**

#### 14.1 The Authority to Give Peaceful Possession.

The Authority covenants that it owns in fee simple, and that it has good and marketable title to the Leased Premises and that the Leased Premises are free of all liens, encumbrances, easements, covenants, conditions, and restrictions except for those exceptions specifically approved in writing by Lessee. The Authority covenants and warrants that Lessee and its tenants shall have, hold and enjoy, during the Lease Term, peaceful, quiet, and undisputed possession of the Leased Premises without hindrance from anyone so long as Lessee is not in default under this Lease.

#### 14.2 Release of the Authority.

The Authority may sell, assign, transfer, or convey all or any part of the Authority's interest in the Leased Premises, provided that the purchaser, assignee, or transferee expressly assumes all of the obligations of the Authority under this Lease by a written instrument in a form reasonably satisfactory to

the Authority. In the event the Authority intends to sell all or any part of the Leased Premises, the Authority shall notify Lessee and all Tenant Households of such intention not later than sixty (60) days before the approval of such sale is scheduled for approval by the Authority Commission. In the event of a sale, assignment, transfer, or conveyance by the Authority of the Leased Premises or its rights under this Lease, the same shall operate to release the Authority from any liability arising on or after the effective date of such transfer upon any of the covenants or conditions of this Lease, expressed or implied, in favor of Lessee, and in such event Lessee shall look solely to the successor in interest of the Authority in and to the Leased Premises or this Lease. Provided, however, Lessee may terminate this Lease if, after notice of the Authority's intent to sell, assign, transfer or convey any part of the Leased Premises, within thirty (30) days of receipt of such notice, it declares its intention to terminate in writing to the Authority. This Lease shall not be affected by any such sale, and Lessee agrees to attorn to any such purchaser or assignee.

#### **ARTICLE 15. DEFAULTS AND REMEDIES**

##### **15.1 Events of Default; Remedy of Default by Lessee.**

(a) Any one or more of the following events shall constitute an "Event of Default":

i. Failure to pay rent when due, or any other payment required hereunder, and continuance of such failure for a period of thirty (30) days after receipt by Lessee of written notice specifying the non-payment; or

ii. Failure of Lessee to observe and perform any covenant, condition, or agreement hereunder on its part to be performed, including, but not limited to failure to use and operate the Leased Premises in compliance with the RAD Requirements, and (i) continuance of such failure for a period of ninety (90) days after receipt by Lessee of written notice specifying the nature of such default, or (ii) if by reason of the nature of such default the same cannot be remedied within said ninety (90) days, Lessee fails to proceed with reasonable diligence after receipt of said notice to cure the same; or

iii. Subject to the rights of any Leasehold Mortgagee, a general assignment by Lessee for the benefit of creditors; or

iv. Subject to the rights of any Leasehold Mortgagee, the filing of a voluntary petition by Lessee, or the filing of an involuntary petition by any of Lessee's creditors seeking the rehabilitation, liquidation, or reorganization of Lessee under any law relating to bankruptcy, insolvency, or other relief of debtors, provided that in the case of an involuntary petition Lessee shall have one hundred twenty (120) days to cause such petition to be withdrawn or dismissed; or

v. The appointment of a receiver or other custodian, not including receivership pursuant to any Leasehold Mortgage, to take possession of substantially all of Lessee's assets or of this leasehold which appointment is not withdrawn or dismissed within one hundred twenty (120) days; or

vi. Lessee declares it is unwilling to pay its debts as they become due; or any court enters a decree or order directing the winding up or liquidation of Lessee or of substantially all of its assets; or Lessee takes any action toward the dissolution or winding up of its affairs or the cessation or suspension of its use of the Leased Premises; or

vii. Attachment, execution, or other judicial seizure of substantially all of Lessee's assets or this leasehold, which is not dismissed, bonded, or stayed within ninety (90) days;



provided however that the foreclosure of any Leasehold Mortgage shall not be construed as an Event of Default within the meaning of this Section 16.1(a)(vii).

(b) Whenever any default shall have occurred and be continuing and upon expiration of any applicable cure periods provided herein, the Authority may take whatever action at law or in equity as may appear reasonably necessary to enforce performance or observance of any obligations, agreements, or covenants of Lessee under this Lease, including without limitation, termination of this Lease. In the event of such default, the Authority's remedies shall be cumulative, and no remedy expressly provided for in this Section shall be deemed to exclude any other remedy allowed by law.

(c) Notwithstanding anything to the contrary contained herein, so long as Lessor or an Affiliate of Lessor is a general partner of Lessee, Lessor shall not declare a default nor exercise any remedy afforded it hereunder or under applicable law without the prior written consent of the Tax Credit Investor and all Leasehold Mortgagees.

#### 15.2 Remedy of Material Breach by the Authority.

If the Authority defaults under the Lease, Lessee shall give the Authority written notice requiring that the default be remedied by the Authority. If the default is not cured within the time set forth by Lessee (which shall be a reasonable time for curing the default and shall in any event be at least thirty (30) days), Lessee may take any action as may be necessary to protect its interests. Such action, in the event that the Authority shall fail to perform any of its obligations under this Lease and such failure shall continue after the expiration of the cure period specified in this Section, shall include the right of Lessee to cure such default and receive any reimbursement of expenditure with interest thereon from the Authority within thirty (30) days after sending to the Authority a statement therefor.

### **ARTICLE 16. PERMITTED MORTGAGES AND INVESTOR RIGHTS**

16.1 Right to Encumber. Lessee shall have the right during the Term to encumber, through a Leasehold Mortgage pursuant to the Approved Financing and the Regulatory Agreements, all of Lessee's right, title and interest in the Leased Premises, subject to the provisions of this Lease; provided, however, that any Mortgage shall be in all respects subordinate and inferior to the Authority's right, title and interest in the Leased Premises and such Leasehold Mortgagee shall be subject to all of the rights and obligations of the Authority herein contained in this Lease, except as otherwise provided in this Lease. For purposes of this Lease, the Authority and Lessee acknowledge and agree that the Bank, along with their respective successors and assigns, and at such time as the Tax Exempt Loan and the Prudential/Freddie Mac Loan are made, then Prudential Affordable Mortgage Company, or affiliate and Freddie Mac, is or shall be deemed a permitted Leasehold Mortgagee and all references to a "Leasehold Mortgagee" shall specifically include Senior Leasehold Mortgagee. All references to a Leasehold Mortgage shall include that certain Construction Leasehold Deed of Trust with Assignment of Rents, Security Agreement and Fixture Filing, dated as of even date herewith, made by Lessee for the benefit of Senior Leasehold Mortgagee, or the Multifamily Leasehold Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing if and when made by the Lessee for the benefit the Authority in connection with the Prudential/Freddie Mac Loan. For so long as any Leasehold Mortgage is outstanding, the Authority shall not agree to any mutual termination or accept any surrender of this Lease without the prior written consent of the holders of Leasehold Mortgages then in effect. The Authority and Lessee agree and acknowledge: (i) that the Authority's fee interest in the Leased Premises will be encumbered by the RAD Use Agreement, and this Lease shall at all times remain subordinate to the RAD Use Agreement; (ii) that at the time required by the TCAC, the Authority and Lessee shall execute and record against the Leased Premises the lease rider required by TCAC; and (iii) the DDA shall be recorded against the Leased Premises.

(a) Lessor's Estate shall not be subject to and the Authority shall have no obligation

to consent to any subordination agreement requiring the subordination of Lessor's Estate in order to secure any financing or Mortgage of Lessee. Except for the Approved Financing and the provisions of this Lease, the Authority agrees not to encumber or convey any interest in Lessor's Estate as security for any debt which is not expressly subordinate to the Leasehold Estate under this Lease.

16.2 Notice to Leasehold Mortgagee. During any period in which a Leasehold Mortgage is in place, the Authority shall give any such Leasehold Mortgagee of which the Authority has received notice from Lessee a duplicate copy of all notices of default or other notices that Authority may give to or serve in writing upon Lessee pursuant to the terms of this Lease. The address of the Leasehold Mortgagee originally designated in the Leasehold Mortgage may be changed upon written notice delivered to the Authority in the manner specified in Section 20.2 below. The Authority's failure to give any such notice to any such Leasehold Mortgagee shall not render such notice ineffective, nor shall any such failure constitute an Event of Default under this Lease; however, the Authority shall not exercise any remedies under this Lease without first providing a copy of such notice to Leasehold Mortgagee. The Authority acknowledges the identity and addresses of the initial Leasehold Mortgagee set forth in Section 17.2 below.

16.3 Right of Leasehold Mortgagee to Cure. Notwithstanding any default by Lessee under this Lease, the Authority shall have no right to terminate this Lease unless the Authority shall have given each Leasehold Mortgagee written notice of such default and such Leasehold Mortgagees shall have failed to remedy such default or acquire Lessee's leasehold estate created by this Lease or commence foreclosure or other appropriate proceedings as set forth in, and within the time specified by, this Section.

Any Leasehold Mortgagee which has an outstanding Leasehold Mortgage shall have the right, but not the obligation, at any time to pay any or all of the rental due pursuant to the terms of this Lease, and do any other act or thing required of Lessee by the terms of this Lease, to prevent termination of this Lease. Each Leasehold Mortgagee shall have ninety (90) days after receipt of notice from the Authority describing such default to cure the default. All payments so made and all things so done shall be as effective to prevent a termination of this Lease as the same would have been if made and performed by Lessee instead of by a Leasehold Mortgagee.

In addition to the cure period provided in this Section 18.3, if the default is such that possession of the Property may be reasonably necessary to remedy the default, any Leasehold Mortgagee shall have a reasonable time after the expiration of such ninety day (90) period within which to remedy such default, provided that (i) such Leasehold Mortgagee shall have fully cured any default in the payment of any monetary obligations of Lessee under this Lease, other than Prior Indemnity Obligations (as defined below), within such ninety (90) day period and shall continue to pay currently such monetary obligations when the same are due and (ii) such Leasehold Mortgagee shall have acquired Lessee's leasehold estate hereunder or commenced foreclosure or other appropriate proceedings prior to or within such period, and shall be diligently prosecuting the same.

Any default under this Lease which by its nature cannot be remedied by any Leasehold Mortgagee and all Prior Indemnity Obligations shall be deemed to be remedied if (i) within ninety (90) days after receiving written notice from the Authority describing the default, or prior thereto, any Leasehold Mortgagee shall have acquired Lessee's leasehold estate or commenced foreclosure or other appropriate proceedings, (ii) Leasehold Mortgagee shall diligently prosecute any such proceedings to completion, (iii) Leasehold Mortgagee shall have fully cured any default in the payment of any monetary obligations of Lessee hereunder (other than the Prior Indemnity Obligations) which does not require possession of the Leased Premises, and (iv) after gaining possession of the Leased Premises, the Leasehold Mortgagee shall cure within a reasonable time all non-monetary defaults of Lessee hereunder capable of cure by Leasehold Mortgagee.

As used herein, "Prior Indemnity Obligations" means all monetary obligations arising from the acts or inactions of Lessee prior to the date that the holder of a Leasehold Mortgage obtains possession of the Project by foreclosure, deed in lieu of foreclosure, or a new lease pursuant to Section 18.7, below.

If any Leasehold Mortgagee is prohibited, stayed or enjoined by any bankruptcy, insolvency or other judicial proceedings involving Lessee from commencing or prosecuting foreclosure or other appropriate proceedings, the times specified for commencing or prosecuting such foreclosure or other proceedings shall be extended for the period of such prohibition; provided that any Leasehold Mortgagee shall have fully cured any default in the payment of any monetary obligations of Lessee under this Lease other than any Prior Indemnity Obligations, and shall continue to pay currently such monetary obligations when the same fall due; provided, further, that such Leasehold Mortgagee shall not interfere with the Authority's efforts to seek compliance by the Lessee with any non-monetary obligation under this Lease.

Notwithstanding the foregoing, so long as Lessor or an Affiliate of Lessor is a general partner of Lessee, Leasehold Mortgagees shall not be obligated to cure any existing defaults in the performance of the obligations of Lessee hereunder as a condition of the exercise of their rights under this Section 16.3 or 16.7 hereof.

16.4 Limitation on Liability of Leasehold Mortgagee. No Leasehold Mortgagee shall be or become liable to the Authority as an assignee of this Lease or otherwise unless it expressly assumes by written instrument executed by the Authority and Leasehold Mortgagee or its assignee such liability (in which event the liability of any Leasehold Mortgagee or its assignee shall be limited to the period of time during which it is the owner of the leasehold estate created hereby) and no assumption shall be inferred from or result from foreclosure or other appropriate proceedings in the nature thereof or as the result of any other action or remedy provided for by such Leasehold Mortgage or other instrument or from a conveyance from Lessee pursuant to which the purchaser at foreclosure or grantee shall acquire the rights and interest of Lessee under the terms of this Lease. Any liability of the Leasehold Mortgagee and its assigns shall be limited to the value of their respective interests in the leasehold interest under this Lease.

16.5 Estoppel Certificates. The Authority and Lessee agree that at any time and from time to time upon not less than twenty (20) days' prior written notice by the other Party, or upon request from any Leasehold Mortgagee or Investor Limited Partner or a permitted assignee or other interested party, the Authority or Lessee will execute, acknowledge and deliver to the other Party or to such Leasehold Mortgagee or Investor Limited Partner a statement in writing certifying (a) that this Lease is unmodified and in full force and effect; (b) the date through which the Rents have been paid; and (c) that, to the knowledge of the certifier (if such be the case), there is no default, set off, defense or other claim against the Authority or Lessee, as applicable, other than those, if any, so specified under the provisions of this Lease. It is intended that any such statement may be relied upon by any persons proposing to acquire the interest of the Authority, Lessee or any Leasehold Mortgagee or Investor Limited Partner, as the case may be, in this Lease or by any prospective Leasehold Mortgagee or Investor Limited Partner or permitted assignee of any Leasehold Mortgage or Investor Limited Partner.

16.6 Registration of Leasehold Mortgages. Upon written request by the Authority, Lessee shall provide written notice to the Authority of the name and address of each Leasehold Mortgagee under this Lease.

16.7 New Lease. In the event of the termination of this Lease prior to the natural expiration of the Term of this Lease due to a default of Lessee or operation of law (except by eminent domain) or upon a foreclosure of the Leasehold Estate by a Leasehold Mortgagee or acceptance of a deed in lieu of foreclosure, the Authority, upon written request from any Leasehold Mortgagee, shall enter into a new lease with such holder or its designee in accordance with and upon the same terms and conditions as set forth herein. In this regard, in the event of the filing of a petition in bankruptcy by the Lessee, and the

Lessee rejects this Lease under the then applicable provisions of the Bankruptcy Code, the Authority shall, upon the request of a Leasehold Mortgagee, affirm this Lease, and the Authority will enter into a new lease on the same terms and conditions set forth herein with such holder or its designee immediately upon Lessee's rejection of this Lease. In the event of the filing of a petition in bankruptcy by the Authority, and the Authority rejects this Lease and the Lessee does not affirm it, a Leasehold Mortgagee will have the authority to affirm this Lease on behalf of the Lessee and to keep the Lease in full force and effect. If more than one Leasehold Mortgagee requests such New Lease, the most senior Leasehold Mortgagee shall be provided the New Lease. Any new Lease shall be subject to the RAD Use Agreement.

16.8 If at any time there shall be more than one Leasehold Mortgage, the most senior Leasehold Mortgagee shall be prior in lien and shall be vested with all of the rights of Leasehold Mortgagee under this Lease (other than the provisions for receipt of notices) to the exclusion of any junior Leasehold Mortgage and junior Leasehold Mortgagee; provided, however, that: (a) if the most senior Leasehold Mortgagee fails to or refuses to exercise its rights set forth under this Lease, each holder of a junior Leasehold Mortgage in the order of priority of their respective liens shall have the right to exercise such rights; and (b) with respect to the right of a Leasehold Mortgagee under Section 16.7 (right to request a new Lease), such right may, notwithstanding the limitation of time set forth in Section 16.7, if any, be exercised by the holder of any junior Leasehold Mortgage, in the event the holder of a senior Leasehold Mortgage shall not have exercised such right within a reasonable amount of time.

16.9 Rights of Investor Limited Partner. The Investor Limited Partner shall have the same notice and cure rights as any Leasehold Mortgagee (including monetary obligations) as set forth in Sections 16.2 and 16.3 above for so long as it is a limited partner of Lessee; provided, however, that Investor Limited Partner shall be deemed to have met any condition relating to commencement or continuation of a foreclosure proceeding as set forth in Section 16.3 above, if it is attempting with diligence and in good faith to remove the general partner of Lessee. The address for any notices to same, as of the date hereof, is provided in Section 17.2 hereof.

## **ARTICLE 17. MISCELLANEOUS**

17.1 Instrument is Entire Agreement; Amendment.

This Lease and the attached Exhibits constitute the entire agreement between the Parties with respect to the matters set forth herein. This Lease shall completely and fully supersede all other prior understandings or agreements, both written and oral, between the Authority and Lessee relating to the lease of the Leased Premises by the Authority to Lessee. This Lease may not be amended except by a written agreement between the Authority, Lessee, any Leasehold Mortgagee and the Investor Limited Partner.

17.2 Notices.

All formal notices, requests, demands, or other communications required or permitted to be given under this Lease shall be in writing and shall be addressed and delivered by hand or by certified mail, return receipt requested, or by overnight or hand delivery by a recognized, reputable delivery service or courier, to each Party at the addresses set forth below. Any such notice, request, demand or other communication shall be considered given or delivered, as the case may be, on the date of receipt. Rejection or other refusal to accept or inability to deliver because of changed address of which proper notice was not given shall be deemed to be receipt of the notice, request, demand or other communication. By giving prior written notice thereof, any Party, from time to time, may change its address for notices under this Lease. Legal counsel for the respective Parties may send to the other Party any notices, requests, demands or other communications required or permitted to be given under this Lease by such Party.

To the Authority

Housing Authority of the City of Sacramento  
801 12th Street, 6th Floor  
Sacramento, CA 95814  
Attention: Executive Director

with a copy to:  
Goldfarb & Lipman LLP  
1300 Clay Street, 11th Floor  
Oakland, CA 94612  
Attention: Michelle Brewer

if to Lessee:

SHARP  
801 12th Street, 4th Floor  
Sacramento, CA 95814  
Attention: James Shield

with a copy to:  
Goldfarb & Lipman LLP  
1300 Clay Street, 11th Floor  
Oakland, CA 94612  
Attention: Isabel Brown

(a) Additional Notices.

Authority shall give copies of notices required to be delivered to Lessee to the following parties at the following addresses; provided, however that Lessee acknowledges that such notice is an accommodation and the failure of the Authority to properly deliver any such notice shall not give rise to any claims or defenses of Lessee or any third party:

**TAX CREDIT EQUITY INVESTOR**

NEF Assignment Corporation  
Attention: General Counsel  
10 South Riverside Plaza, Suite 1700  
Chicago, IL 60606

**CONSTRUCTION LENDER**

Wells Fargo Bank, National Association  
Community Lending and Investment  
333 Market Street, 17<sup>th</sup> Floor  
MAC# A0119-177  
San Francisco, California 94105  
Attention: Loan Administration Officer  
Loan No. 1019305

**PERMANENT LENDER**

Prudential Affordable Mortgage Company, LLC, or affiliate  
C/O PRUDENTIAL ASSET RESOURCES  
2100 ROSS AVENUE, SUITE 2500  
DALLAS, TEXAS 75201  
ATTN: ASSET MANAGEMENT DEPARTMENT  
Agency-Notice@prudential.com

With a copy to:

Federal Home Loan Mortgage Corporation  
8100 Jones Branch Drive, MS B4P  
McLean, Virginia 22102  
Attention: Multifamily Operations - Loan Accounting  
Email: mfla@freddiemac.com  
Telephone: (703) 714-4177

with a copy to: Federal Home Loan Mortgage Corporation  
8200 Jones Branch Drive, MS 210  
McLean, Virginia 22102  
Attention: Managing Associate General Counsel –  
Multifamily Legal Division  
Email: joshua\_schonfeld@freddiemac.com  
Telephone: (703) 903 2000

**FISCAL AGENT**

U.S. Bank Global Corporate Trust  
Attention: RAD 1  
1 California Street, Suite 1000  
San Francisco, CA 94111

17.3 Non-Waiver of Breach.

Neither the failure of the Authority or Lessee to insist upon strict performance of any of the covenants and agreements of this Lease nor the failure by the Authority or Lessee to exercise any rights or remedies granted to such Parties under the terms of this Lease shall be deemed a waiver or relinquishment (a) of any covenant herein contained or of any of the rights or remedies of Lessee or the Authority hereunder, (b) of the right in the future of the Authority or Lessee to insist upon and to enforce by any appropriate legal remedy a strict compliance with all of the covenants and conditions thereof, or (c) the right of the Authority to recover possession of the Leased Premises.

17.4 Effective Date; Counterparts.

This Lease shall become effective upon the commencement of the Lease Term set forth in Article 2. This Lease may be executed in counterparts, each of which shall be an original and all of which shall constitute the same instrument.

17.5 Lease Binding on Successors.

This Lease and all of its provisions and attached Exhibits shall inure to the benefit of, and shall be binding upon, the Authority, Lessee, and their respective permitted successors and permitted assigns. The Authority and Lessee intend, declare and covenant, on behalf of themselves and all successors and assigns during the Lease Term, that the provisions of this Lease shall be and are covenants running with

the land, encumbering the Leased Premises for the Lease Term and binding upon the Authority's successors in title and all successors and assigns of the Leased Premises, and shall bind the Lessee (and the benefits shall inure to the Lessee, the Authority, and any past, present or prospective Tenant Household) and its respective successors and assigns during the Lease Term. The Authority and Lessee hereby agree that any and all requirements of the laws of the State of California to be satisfied in order for the terms of this Lease to constitute covenants running with the land shall be deemed to be satisfied in full, and that any requirements or privileges of estate are intended to be satisfied, or in the alternate, that an equitable servitude has been created to insure that these restrictions run with the Leased Premises land.

#### 17.6 Approvals.

Notwithstanding any other provision of this Lease, the approval or consent of the Authority for any matter or item required to be approved by the Authority under this Lease shall not in and of itself impose any liability on the Authority with respect to such matter or item, which matter or item shall remain the sole responsibility of Lessee unless and to the extent it is determined by a court of competent jurisdiction that such matter was caused in whole or in part by the Authority.

#### 17.7 Relationship of Parties.

Nothing contained in this Lease shall be deemed or construed by the Parties or by any third Party to create the relationship of principal or agent or of partnership, joint venture or association or of buyer and seller between the Authority and Lessee, it being expressly understood and agreed that neither the computation of any payments and other charges under the terms of this Lease nor any other provisions contained in this Lease, nor any act or acts of the Parties, shall be deemed to create any relationship between the Authority and Lessee other than the relationship of the Authority and tenant.

#### 17.8 No Merger.

There shall be no merger of this Lease or any interest in this Lease nor of the Leasehold Estate created hereby, with the fee estate in the Leased Premises, by reason of the fact that this Lease or such interest therein, or such leasehold estate may be directly or indirectly held by or for the account of any person who shall hold the fee estate in the Leased Premises, or any interest in such fee estate, nor shall there be such a merger by reason of the fact that all or any part of the leasehold estate created hereby may be conveyed or mortgaged in a leasehold mortgage to a leasehold mortgagee who shall hold the fee estate in the Leased Premises or any interest of the Authority under this Lease.

#### 17.9 Gender and Number.

Words of any gender used in this Lease shall be held to include any other gender, and any words in the singular number shall be held to include the plural (and vice versa), when the sense requires.

#### 17.10 Titles.

The titles and article or paragraph headings are inserted only for convenience, and are in no way to be construed as a part of this Lease or as a limitation on the scope of the particular provisions to which they refer.

#### 17.11 Severability.

If any provision of this Lease or the application of any provision to any person or circumstances shall be invalid or unenforceable to any extent, the remainder of this Lease, or the application of such provision to persons or circumstances other than those as to which it is invalid or unenforceable, shall not be affected, and each provision of this Lease shall be valid and be enforced to the fullest extent permitted by law.

#### 17.12 Applicable Law.

This Lease shall be governed by and construed in accordance with the laws of the State of California.

**ARTICLE 18. ADDITIONAL RAD PROVISIONS**

18.1 Notwithstanding any other clause or provision in this Lease and so long as the RAD Use Agreement dated as of substantially even date herewith, as amended from time to time, is in effect, the following provisions shall apply:

(a) This Lease shall in all respects be subordinate to the RAD Use Agreement. Subordination continues in effect with respect to any future amendment, extension, renewal, or any other modification of the RAD Use Agreement or the Lease.

(b) If any of the provisions of this Lease conflict with the terms of the RAD Use Agreement, the provisions of the RAD Use Agreement shall control.

(c) The provisions in this Section 19.1 are required to be inserted into this Lease by HUD and may not be amended without HUD's prior written approval.

(d) Violation of the RAD Use Agreement constitutes a default of this Lease.

(e) Notwithstanding any other contract, document or other arrangement, upon termination of this Lease, title to the Leased Premises shall remain vested in the Authority and title to the buildings, fixtures, improvements, trade fixtures and equipment that belong to Lessee shall vest in the Authority.

(f) Neither the Lessee nor any of its partners shall have any authority to:

i. Take any action in violation of the RAD Use Agreement; or

ii. Fail to renew the RAD HAP Contract and/or HAP Contract upon such terms and conditions applicable at the time of renewal when offered for renewal by the Authority or HUD.

(g) Except to the extent permitted by the RAD HAP Contract or RAD Use Agreement and the normal operation of the Project, neither the Lessee nor any of its partners shall have any authority without the consent of the Authority to sell, transfer, convey, assign, mortgage, pledge, sublease or otherwise dispose of, at any time, the Project or any part thereof.

**SIGNATURES ON FOLLOWING PAGE**



IN WITNESS WHEREOF, the Parties have executed this Lease effective as of the day and year first above written.

**AUTHORITY:**  
**HOUSING AUTHORITY OF THE CITY OF SACRAMENTO,**  
a public body corporate and politic

By: \_\_\_\_\_  
La Shelle Dozier, Executive Director

**LESSEE:**  
**RAD PILOT LP, A CALIFORNIA LIMITED PARTNERSHIP**

By: RAD Pilot LLC, a California limited liability company, its managing general partner

By: Sacramento Housing Authority Repositioning Program, Inc., a California nonprofit public benefit corporation, its sole member and manager

\_\_\_\_\_  
James Shields, President

EXHIBIT A

LEASED PREMISES

**Legal Description of Oak Park - 4921 Folsom Boulevard, Sacramento, Ca 95819**

TRACT A:

SITE B: - 4921 Folsom Boulevard

The land described herein is situated in the State of California, County of Sacramento, City of Sacramento, described as follows:

All that real property situate in the City of Sacramento, County of Sacramento, State of California, and being a portion of Lot 5, as said lot is shown and so designated on that certain Map entitled "Portion of Tullar Homestead Tract Owned by Philip Wolf, Jr., Sacramento California", filed in the office of the recorder of Sacramento County on June 7, 1898, in Book "A" of Surveys, Map No. 57, and a portion of the land Southerly of and adjacent to the South line of said Lot 5, more particularly described as follows:

Beginning at an iron pipe marking the Northwest corner of said lot 5, and the Southwest corner of Lot 7, as said lot is shown and so designated on that certain Map entitled "Love Tract", filed in the office of the recorder of Sacramento County on June 24, 1947, in Book 26 of Maps, Map No. 22; thence from said point of beginning, Easterly along the North line of Lot 5, South 70° 35' 00" East 119.33 feet to the West line of that certain parcel of land described in the Deed from Chester A. Moore, et ux, to Martine P. Cupich, et ux, filed in the office of the recorder of Sacramento County in Book 713 of Deeds, Page 522; thence, Southerly along said West line South 19° 53' 00" West 273.44 feet, more or less, to the South line of said Lot 5 and the Northeasterly line of Folsom Boulevard, a public road; thence, Northwesterly along the Northeasterly line of Folsom Boulevard North 63° 00' 00" West 39.28 feet to a point on the East line of that certain parcel of land described in the Deed from Chester A. Moore, et ux, to W.L. Young, et ux, filed in the office of the Recorder of Sacramento County in Book 56 of Official Records, Page 19, said point located South 63° 00' 00" East, along the Northeasterly line of Folsom Boulevard, 80.6 feet from the projected West line of Lot 5; thence continuing along the Northeasterly line of Folsom Boulevard, North 63° 00' 00" West 80.60 feet to a point on the Southerly projection of said Lot 5, located South 19° 35' 00" West 1.30 feet from the original Southwest corner of Lot 5; thence, North 19° 35' 00" East 1.30 feet to the Southwest corner of said Lot 5; thence, Northerly along the West line of Lot 5 North 19° 45' 10" East 256.31 feet to the point of beginning and described on that certain Certificate of Compliance for Lot Merger executed by the Department of Public Works and recorded January 25, 1995 as Book 950125, Page 1097, Official Records.

Excepting therefrom all buildings and improvements situated thereon, which buildings and improvements are and shall remain real property.

APN: 008-0341-044-0000

**Legal Description of Meadow Commons 1043 43rd Avenue, Sacramento, Ca 95822**

SITE A: 1043 43rd Avenue

The land described herein is situated in the State of California, County of Sacramento, City of Sacramento, described as follows:

Parcel No. 1:

All that portion of Lot B of South Land Park Hills Unit No. 31; according to the official plat thereof, filed in the office of the Recorder of Sacramento County, California, on July 12, 1961, in Book 66 of Maps, Map No. 5, described as follows:

BEGINNING at the Southwest corner of said Lot B, thence from said point of beginning along the Westerly boundary of said Lot B the following three (3) courses and distances: (1) North 36° 16' 50" East 118.48 feet, (2) North 44° 12' 10" West 115.09 feet, and (3) North 51° 44' 50" East 165.17 feet; thence South 64° 06' 12" East 114.27 feet; thence South 13° 31' 16" West 305.00 feet to a point located on the Southerly boundary of said Lot B; thence along said Southerly boundary, Westerly, curving to the right on an arc of 390.19 feet radius, said arc being subtended by a chord bearing North 66° 20' 32" West 164.92 feet to the point of beginning.

Excepting therefrom all buildings and improvements situated thereon, which buildings and improvements are and shall remain real property.

Parcel No. 2:

All that portion of 43rd Avenue and Lot C, of South Land Park Hills Unit No. 31; according to the official plat thereof, filed in the office of the Recorder of Sacramento County, California, on July 12, 1961, in Book 66 of Maps, Map No. 5, described as follows:

BEGINNING at the most Southerly corner of Lot 16 as said Lot is shown on the official plat of said South Land Park Hills Unit No. 31; thence from said point of beginning along the Southerly boundary of Lot B as said Lot is shown and so designated on the official plat of said South Land Park Hills Unit No. 31, Southerly, curving to the left on an arc of 390.19 feet radius, said arc being subtended by a chord bearing South 66° 20' 32" East 164.92 feet; thence South 13° 31' 16" West 73.56 feet; thence Westerly, curving to the right on an arc of 900.00 feet radius, said arc being subtended by a chord bearing South 79° 10' 15" West 51.82 feet; thence curving to the right on an arc of 20.00 feet radius, said arc being subtended by a chord bearing North 51° 51' 17" West 29.41 feet; thence curving to the left on an arc of 200.00 feet radius, said arc being subtended by a chord bearing North 25° 17' 43" West 141.81 feet; thence North 36° 16' 50" East 1.30 feet to the point of beginning.

Excepting therefrom all buildings and improvements situated thereon, which buildings and improvements are and shall remain real property.

APN: 029-0184-017-0000

Parcel No. 3:

Lots 16 and 17, as shown on the official plat of South Land Park Hills Unit No. 31, according to the official plat thereof, filed in the office of the Recorder of Sacramento County, California, on July 12, 1961, in Book 66 of Maps, Map No. 5.

Excepting therefrom all buildings and improvements situated thereon, which buildings and improvements are and shall remain real property.

APN: 029-0184-001-0000 and 029-0184-002-0000

EXHIBIT B

MEMORANDUM OF GROUND LEASE

RECORDING REQUESTED BY AND  
WHEN RECORDED MAIL TO:

Housing Authority of the City of Sacramento  
ATTN: Portfolio Management  
801 12th Street  
Sacramento, CA 95814

No fee for recording pursuant to  
Government Code Section 27383 and 6301

Mail Tax Statements As Directed Above

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(SPACE ABOVE THIS LINE FOR RECORDER'S USE)

**MEMORANDUM OF GROUND LEASE**

THIS MEMORANDUM OF GROUND LEASE (the "Memorandum") is made as of \_\_\_\_\_, 2020, by and among the HOUSING AUTHORITY OF THE CITY OF SACRAMENTO, a public body, corporate and politic, ("Authority") and RAD PILOT LP, a California limited partnership ("Lessee"), with respect to that certain Ground Lease dated as of \_\_\_\_\_, 2020 (the "Lease"), between Authority and Lessee.

Pursuant to the Lease, Authority has leased to Lessee and Lessee has leased from Authority that certain real property, more particularly described in Exhibit A, attached hereto and incorporated herein, (the "Property") and Authority has granted to Lessee, all the improvements constructed or to be constructed on the Property for the term of the Lease, which improvements are and shall remain real property. The Lease commenced on \_\_\_\_\_, 2020, and shall continue from such date until the ninety-ninth (99th) anniversary of such date, or sooner termination pursuant to the terms of the Lease. The Lease shall remain subject and subordinate to the terms of that certain RAD Use Agreement recorded against the Property on or about the date of recordation of this Memorandum, for the term of the RAD Use Agreement.

This Memorandum shall incorporate herein all of the terms and provisions of the Lease as though fully set forth herein.

This Memorandum is solely for recording purposes and shall not be construed to alter, modify, amend or supplement the Lease, of which this is a memorandum.

IN WITNESS WHEREOF, the parties have caused this Memorandum to be duly executed as of the date first above written.

**AUTHORITY:**

HOUSING AUTHORITY OF THE CITY OF  
SACRAMENTO, a public body corporate and politic

By: \_\_\_\_\_  
La Shelle Dozier, Executive Director

**LESSEE:**

RAD PILOT LP, a California limited partnership

By:  
RAD Pilot LLC, a California limited liability company, its  
managing general partner

By:  
Sacramento Housing Authority Repositioning Program, Inc., a  
California nonprofit public benefit corporation, its sole member  
and manager

\_\_\_\_\_  
James Shields, President

EXHIBIT C

HAZARDOUS MATERIALS DISCLOSURE

Oak Park – 4921 Folsom Boulevard, Sacramento, CA 95819

1. Hazardous Material Limited Survey for Lead and Asbestos
2. Phase 1 ESA
3. Phase 2 ESA
4. Treatment Plan for Indoor Air Quality

Meadow Commons – 1043 43rd Avenue, Sacramento, CA 95822

1. Hazardous Material Limited Survey for Lead and Asbestos
2. Phase 1 ESA

EXHIBIT D

**FEDERAL REQUIREMENTS**

The following provisions shall be applicable to this Agreement and binding on Contractor and Sacramento Housing and Redevelopment Agency (Agency) only if all or part of the funds to be paid for work performed under this Agreement are provided by the United States Department of Housing and Urban Development (other than Community Development Block Grant funds) or some other funding program of the federal government. In the event of a dispute as to the applicability of any of the following provisions to Contractor's work under this Contract, Agency's decisions shall be final.

1. **DEFINITIONS.** For purposes of this contract and in addition to definitions made elsewhere in this contract, the following quoted words and phrases contained in this Contract shall have the following meanings:
  - a) The "Act" is the federal Housing and Community Development Act of 1974, as amended.
  - b) "Cost Objective" generally means a service, program, project or activity in which costs can be assigned to and measured from. See 2 CFR §200.28.
  - c) "Allocable Costs" are particular to a Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received. See 2 CFR §200.405.
  - d) "Direct costs" are those costs that can be identified specifically with a particular final cost objective or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy. See 2 CFR §200.413.
  - e) "Indirect costs" means those costs incurred for a common or joint purpose benefitting more than one cost objective and not readily assignable to the cost objectives specifically benefitted without effort disproportionate to the results achieved. See 2 CFR §§ 200.56, 200.413, and 200.414.
  - f) "Reasonable Costs" include costs that are generally recognized as ordinary and necessary for the operation or efficient performance of the contract or award and do not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. See 2 CFR §200.404.
  
2. **ANTI-KICKBACK RULES.** Monthly, or more often, Contractor must, without condition, pay the salaries of architects, draftsmen, technical engineers and technicians performing work under this Contract. Such payments shall be made without deduction or rebate, excepting only such payroll deductions as are mandatory by law or permitted by applicable regulations issued by the Secretary of Labor pursuant to the "Anti-Kickback Act" of June 13, 1937 (Title 18 U.S.C., Section 874). Contractor shall comply with all applicable "Anti-Kickback" regulations and shall insert appropriate provisions in all subcontracts covering work under this Contract to ensure compliance by subcontractors with such regulations. Contractor shall be responsible for the submission of affidavits required of subcontractors under this Contract, except for such variations or exemptions as the Secretary of Labor may specifically allow.
  
3. **WORK HOURS.** Contractor must comply with the provisions of the Contract Work Hours and Safety Standards Act (40 U.S.C. Sections 3701-3708) and must cooperate with Agency in implementing and enforcing the provisions of such Act. Among other requirements of the act, Contractor must pay not less than one and one-half times the basic rate of pay for the work of Contractor's employee in excess of eight hours in one day or forty hours in one week, in the performance of this Contract. Contractor must insert appropriate provisions in all subcontracts covering work under this Contract to ensure compliance with such Act. Contractor must meet and cooperate with Agency's Labor Compliance officer to assure compliance with such Act.
  
4. **WITHHOLDING OF SALARIES.** If, in the performance of this Contract, there is any underpayment of salaries by Contractor or by any subcontractor, Agency must withhold from Contractor out of payments due to him or her any amount sufficient to pay employees underpaid the difference between the salaries required under this Contract to be paid and the salaries actually paid such employees for the total number of hours worked. The amounts withheld shall be disbursed by Agency for and on account of Contractor or subcontractor to the respective employees to whom they are due.

**5. CLAIMS AND DISPUTES PERTAINING TO SALARY RATES.** Claims and disputes pertaining to salary rates or to classification of architects, draftsmen, technical engineers and technicians performing work under this Contract must be promptly reported in writing by Contractor to Agency for the latter's decision which shall be final with respect thereto.

**6. EQUAL EMPLOYMENT OPPORTUNITY REQUIREMENTS:**

- i. Contractor will send to each labor union or representative of workers with whom he or she has a collective bargaining agreement or other contract or understanding, a notice to be provided by Agency, advising the labor union or workers' representative of Contractor's commitments under Section 202 of Executive order No. 11246 of September 24, 1965, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.
- ii. Contractor will comply with all provisions of Executive Order No. 11246 of September 24, 1965, and of the rules, regulations and relevant orders of the Secretary of Labor.
- iii. Contractor will furnish all information and reports required by Executive Order No. 11246 of September 24, 1965, and by the rules, regulations and orders of the Secretary of Labor, or pursuant thereto, and will permit access to his or her books, records and accounts by Agency and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations and orders.

**7. ECONOMIC OPPORTUNITY EMPLOYMENT REQUIREMENTS.** The following is applicable to all contracts related to the project which is the subject of this Contract.

- i. The work to be performed under this Contract is on a project assisted under a program providing direct federal financial assistance from the Department of Housing and Urban Development and is subject to the requirements of Section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. §1701u. Section 3 requires that, to the greatest extent feasible, opportunities for training and employment be given to lower-income residents of the project area and contracts be awarded to business concerns which are located in, or owned in substantial part by persons residing in, the area of the project.
- ii. The parties to this Contract will comply with the provisions of said Section 3 and the regulations issued pursuant thereto by the Secretary of Housing and Urban Development set forth in 24 CFR 135, and all applicable rules and orders of the Department issued thereunder prior to the execution of this Contract.
- iii. The contract requires that, to the greatest extent feasible, opportunities for training and employment be given to lower-income residents of the project area.
- iv. The parties to this Contract certify and agree that they are under no contractual or other disability which would prevent them from complying with these requirements.
- v. Contractor will send to each labor organization or representative of workers with which he or she has a collective bargaining agreement or other contract or understanding, if any, a notice advising said labor organization or workers' representative of his or her commitments under this Employment Clause and shall post copies of the notice in conspicuous places available to employees and applicants for employment or training.
- vi. Contractor will include this Employment Clause in every subcontract for work in connection with the project.
- vii. Each Contractor or subcontractor undertaking work in connection with a Section 3 covered project must fulfill its obligation to utilize lower-income project area residents as employees to the greatest extent feasible by:
  - (1) Identifying the number of positions in the various occupational categories including skilled, semi-skilled, and unskilled labor, needed to perform each phase of the Section 3 covered project;
  - (2) Identifying the positions described in Paragraph (1) of this Section, the number of positions in the various occupational categories which are currently occupied by regular, permanent employees;
  - (3) Identifying the positions described in Paragraph (1) of this Section, the number of positions in the various occupational categories which are not currently occupied by regular permanent employees;



(4) Establishing the positions described in Paragraph (3) of this Section, a goal which is consistent with the purpose of this subpart within each occupational category of the number of positions to be filled by lower income residents of the Section 3 covered project area; and

(5) Making a good faith effort to fill all of the positions identified in Paragraph (4) of this Section with lower income project area residents, first and foremost, through the First Source Program.

(6) Making a good faith effort to fill the positions identified in Paragraph (4) of this Section with lower-income project area residents.

8. **DAVIS-BACON ACT.** Unless expressly indicated otherwise in this Contract, if this Contract is for construction, alteration, or repair (including painting and decorating) of public buildings or public works, Contractor must comply with the provisions of the Davis-Bacon Act (40 U.S.C. §3142) and all rules, regulations and orders promulgated under said Act. Among other provisions, said act establishes minimum wages and fringe benefits; prohibits deductions or rebates from payments; provides for the withholding of funds to assure compliance with wage provisions; and provides for the termination of this Contract and debarment of the Contractor for failure so to comply.

9. **CONFLICT OF INTEREST.** No member, officer or any employee of Contractor, or its designees or agents, who exercises any functions or responsibilities with respect to the program during his or her tenure or for one (1) year thereafter, shall have an interest, direct or indirect, in any contract or its proceeds, for work to be performed in connection with the program assisted under this Contract. Contractor must incorporate, or cause to be incorporated, in all subcontracts a provision prohibiting such interest pursuant to the purposes of this Section.

10. **DISCRIMINATION BECAUSE OF CERTAIN LABOR MATTERS.** No person employed on the work covered by this Contract shall be discharged or in any way discriminated against because he or she has filed any complaint or instituted or caused to be instituted any proceeding or has testified or is about to testify in any proceeding under or relating to the labor standards applicable to his or her employer under this Contract.

11. **RECORDS, REPORTING AND MONITORING.** Agency may monitor the adequacy of Contractor's performance in any manner which Agency deems most effective. Contractor must cooperate with Agency in such monitoring. Subrecipient must keep all necessary books and records, including loan documentation and financial records, in connection with the operation and services performed under this Contract and must document all transactions so Agency may properly audit all expenditures made pursuant to this Contract. Subrecipient must maintain and preserve all records related to this Contract in its possession for a period of three (3) years from the completion date of this Contract, unless otherwise directed by Agency. All books, records and accounts kept by Subrecipient in connection with the performance of this Contract shall be made available for inspection by representatives of the federal government and/or Agency staff as required to monitor or audit the program.

In addition to the reports specified in this Contract, Subrecipient shall retain the records required by the applicable provisions of 24 CFR §570.506 and provide the Agency with the reports required pursuant to 2 CFR §§ 200.328, 200.333, and 200.343, and such other records and reports as the Agency may reasonably require in the administration of this Contract. Subrecipient shall keep all other necessary books and records, including property, personnel, loan documentation and financial records, in connection with the operation and services performed under this Contract, in accordance with the provisions of Executive Order 11246 and 2 CFR §200.333. Subrecipient shall conduct audits in accordance with 2 CFR, Part 200, Subpart F. Subrecipient shall document all transactions sufficiently for Agency to properly monitor and audit all expenditures made pursuant to this Contract.

12. **DRUG FREE WORKPLACE.** Contractor must comply with the Drug-Free Workplace Act of 1988 (final rule published on May 25, 1990) and Agency's policies and rules promulgated under the Act. Contractor must obtain such policies and rules from the Agency.

13. **RESEARCH AND DEVELOPMENT (R & D).** Funds may not be used for R & D. R & D means all research and development related activities, both basic and applied, that are performed by non-Federal entities. See 2 CFR §200.87 for additional information on R & D.

14. **COSTS.** All costs must be necessary and reasonable for the performance of the federal award and be allocable thereto under these principles per 2 CFR §§ 200.403 and 404. Classifying a particular cost as direct or indirect depends on whether it can be identified directly with a cost objective (such as a project or activity) without disproportionate effort. All costs must comply with 2 CFR Part 200, Subpart E-Cost Principles (2 CFR

§§ 200.420-200.475).

The contractor may elect, but is not required, to charge for indirect costs. If the contractor chooses to charge for indirect costs, the maximum indirect cost rate is 10% (*de minimis*), unless an indirect cost rate has been previously negotiated with and approved by the agency which is the federal agency responsible for reviewing, negotiating and approving cost allocation plans or indirect cost rate proposals. The negotiated rate must be accepted by all federal awarding agencies.

**15. FOOD, TRAVEL AND ENTERTAINMENT.** Travel costs may include expenses for transportation, lodging and subsistence, and are only allowable for employees who are in travel status on official business and approved as part of this contract or with prior written approval and are specifically related to this contract. Costs must be considered reasonable and must not exceed charges allowed by contractor's Out of Town Travel Policy. See 2 CFR §200.474 for additional information on travel costs and [www.shra.org](http://www.shra.org) for the Out of Town Travel Policy.

The costs of entertainment, including amusement, diversion and social activities and any associated costs are not allowed except where specific costs that might otherwise be considered entertainment have a programmatic purpose and are authorized either in the approved budget for the federal award or with prior written approval. All entertainment costs must comply with 2 CFR §200.438. In addition, the costs of alcoholic beverages are not allowed under 2 CFR §200.423.

**16. CHANGES IN LAWS AND REGULATIONS.** In the event an applicable law or regulation is modified or eliminated, or a new law or regulation is adopted, the revised law or regulation **shall automatically supersede the contract's scope of work and any attachments. The most current exhibits, laws and regulations will be posted at [www.shra.org](http://www.shra.org).**

**17. OTHER FEDERAL REQUIREMENTS.** Agency must provide Contractor with all relevant program information regarding the federal programs having jurisdiction over this Contract. Agency must assist Contractor in the interpretation of the requirements of such programs. Contractor shall be considered to be familiar with the requirements of such programs and shall comply with such requirements.

**PROMISSORY NOTE  
(LOAN FOR THE GROUND LEASE)**

**RAD 1**  
**CITY OF SACRAMENTO**  
**4921 FOLSOM BOULEVARD, SACRAMENTO, CA 95819 (APN 008-0341-044-0000)**  
**1043 43RD AVENUE, SACRAMENTO, CA 95822 (APN 029-0184-017-0000, 029-0184-001-0000 AND 029-0184-002-0000)**

**BORROWER HAS MADE THIS PROMISSORY NOTE (“NOTE”) AS OF THE EFFECTIVE DATE.** The Lender is making the Loan pursuant to the terms and conditions of the Loan Agreement and this Note. The capitalized terms in this Note shall have the meanings assigned in the following table of definitions and as defined in the body of the Note. (Terms being defined are indicated by quotation marks. If an item in the table is marked “None, Not Applicable, N/A or equivalent or is left blank, that defined term is not applicable to this Note or the referenced item is not required or is not included in this Note as the context may indicate.) The Lender is making the Loan to Borrower in consideration of Borrower making this Note and delivering it to Lender.

For purposes of this Note, the following terms shall have the following meanings:

DEFINED TERM:	DEFINITION:	
“Effective Date”	_____, 2020	
“Lender”	Housing Authority of the City of Sacramento	
“Borrower”	RAD Pilot LP	
“Borrower Legal Status”	A California limited partnership	
“Loan Agreement”	The Ground Lease Agreement between the Borrower and Lender as of the Effective Date for making of the loan (“Loan”) evidenced by this Note.	
“Principal Amount”	One Million Three Hundred Forty Thousand Dollars and No Cents (\$1,340,000.00)	
“Interest Rate”	Interest shall accrue on the unpaid Principal Amount of this Note at the applicable federal rate in effect on the Accrual Date, which was _____ percent ( ___ %) per annum, compounded annually.	
“Accrual Date”	Interest shall accrue starting on the following “Accrual Date”:	Date ownership of the Property is transferred from Lender to Borrower.
“Special Terms”	None.	
<b>PAYMENT SCHEDULE.</b> Repayment of this Note shall be made the following amounts:		
“Maturity Date”	The first day of the 684th calendar month following the Effective Date: February 1, 2077.	
“Payment Start Date”	Commencing on the first day of the 40th month following the Effective Date of this Loan Agreement, May 1, 2023, annual payments of interest and principal shall be due in arrears subject to review of annual audited financial statement as described in the Promissory Note for the Improvements.	

<p>“Payment Amount(s)”</p>	<p><b>ANNUAL REPAYMENT:</b> Annual principal and interest payments shall be deferred from the Loan’s Effective Date through the first 39 months. Beginning in month 40, May 1, 2023, annual payments will be made on a Residual Receipts, as defined below, basis until the maturity date. Annual payments shall be applied first to outstanding interest accrued and unpaid and then to principal.</p> <p>“Residual Receipts” is defined as follows: May 1, 2023, annual installments (as described in Sections [f] through [l] of this paragraph) are to begin. Based on the annual audited financial statement from the preceding year, payments will be made upon a “Residual Cash Flow” basis meaning Net Operating Income (NOI) less:</p> <ul style="list-style-type: none"> <li>(a) Debt service on the senior loan</li> <li>(b) Monitoring fees to the County of Sacramento Housing Authority on the mortgage revenue bond issuance;</li> <li>(c) If applicable, to the limited partner for any amounts owed to the limited partner pursuant to the Borrower’s Amended and Restated Partnership Agreement;</li> <li>(d) Asset management fees up to \$8,000 annually as of the Loan’s Effective Date escalating at 3% annually;</li> <li>(e) Partnership management fee up to \$8,000 annually as of the Loan’s Effective Date escalating at 3% annually;</li> <li>(f) Deferred developer fee;</li> </ul> <p>After Sections (a) through (f) of this paragraph are paid,</p> <ul style="list-style-type: none"> <li>(g) Fifty percent (50%) of the available cash flow from NOI to the Housing Authority of the City of Sacramento Construction and Permanent Loan, divided equally first to the Capital Funds Note, then to Cash Proceeds Note, including principal and interest, and</li> <li>(h) Fifty percent (50%) of the available cash flow from NOI to the Housing Authority of the County of Sacramento Construction and Permanent Loan, divided equally first to the Capital Funds Note, then to Cash Proceeds Note, including principal and interest;</li> </ul> <p>After Sections (a) through (h) of this paragraph are paid,</p> <ul style="list-style-type: none"> <li>(i) Fifty percent (50%) of the available cash flow from NOI to the Housing Authority of the County of Sacramento Seller Carryback Loan (Improvements), and</li> <li>(j) Fifty percent (50%) of the available cash flow from NOI to the Housing Authority of the City of Sacramento Seller Carryback Loan (Improvements);</li> </ul> <p>After Sections (a) through (j) of this paragraph are paid,</p> <ul style="list-style-type: none"> <li>(k) One hundred percent (100%) of the available cash flow from NOI to Sacramento Housing and Redevelopment Agency Construction and Permanent Loan;</li> </ul> <p>After Sections (a) through (k) of this paragraph are paid,</p> <ul style="list-style-type: none"> <li>(l) Fifty percent (50%) of the available cash flow from NOI to the Housing Authority of the County of Sacramento Ground Lease, and</li> <li>(m) Fifty percent (50%) of the available cash flow from NOI to the Housing Authority of the City of Sacramento Ground Lease.</li> </ul> <p>The Net Operating Income is defined as periodic “Revenue” less “Operating Expenses.” “Revenue” means all revenue from the leasing of the Project, including but not limited to all rents, fees, and charges paid by tenants as well as rental subsidy payments regardless of the source of these subsidies, forfeited tenant deposits, rent increases, proceeds from vending machines and laundry room machines. Revenue shall not include tenants’ security deposits (unless forfeited), interest on those deposits, loan proceeds, capital contributions or similar advances, or amounts released from reserves or interest on reserves.</p> <p>“Operating Expenses” shall mean actual costs, fees and expenses as evidenced by invoices attributable to the operation, recordkeeping, maintenance, taxes and management of the Project, including property management fees; taxes and assessments; payroll, benefits and payroll taxes of for property employees; insurance; security; painting, cleaning, repairs, and alterations; landscaping; sewer charges; utility charges; advertising, promotion and publicity; cable television, satellite and other similar services; office, janitorial, cleaning and building supplies; recreational amenities and supplies; purchase, repair, servicing and installation of appliances; costs and expenses associated with the provision of social and/or community services to the residents of the Project; equipment, fixtures and furnishing; fire alarm and elevator monitoring; fees and expenses of accountants, attorneys, consultants and other professionals. The definition will include deposits into operating and/or replacement reserves maintained by the Borrower but will not include initial deposits to capitalize the reserve accounts or amounts expended from a reserve account, or capital costs.</p> <p>Principal and interest due in full upon refinance, sale or end of Term.</p>		
	<table border="1"> <tr> <td data-bbox="415 1579 928 1627">The first day of the 1,188th calendar month following the Effective Date: February 1, 2119.</td> <td data-bbox="935 1579 1425 1627">Principal and accrued interest due in full</td> </tr> </table>	The first day of the 1,188th calendar month following the Effective Date: February 1, 2119.	Principal and accrued interest due in full
The first day of the 1,188th calendar month following the Effective Date: February 1, 2119.	Principal and accrued interest due in full		

**FOR VALUE RECEIVED, THE UNDERSIGNED, JOINTLY AND SEVERALLY, PROMISES TO PAY** to Lender, or its successors or assigns, the Principal Amount or such lesser amount as may be endorsed on this Note on behalf of Lender. The Loan shall bear interest on the outstanding principal balance, computed from the Accrual Date at the Interest Rate.

1. This Note evidences the obligation of Borrower to Lender for repayment of funds loaned to Borrower under a loan agreement between Borrower and Lender dated as of the Effective Date ("Loan Agreement"). The terms and covenants of the Loan Agreement

are incorporated in this Note by reference. The Loan Agreement provides for and incorporates the RAD Use Agreement (“RAD Use Agreement”), the making of which is further consideration for this Note.

2. All payments on this Note shall be applied first to fees and charges due under the Loan Agreement, if any, then interest and then to the principal due on this Note. Borrower shall make the payments to the Lender at 801 12<sup>th</sup> Street, Sacramento, CA 95814, or to such other person or organization as may be designated by Lender to Borrower and noticed as provided in the Loan Agreement.

3. If any installment under this Note is not received by Lender within fifteen (15) calendar days after the installment is due, Borrower shall pay to Lender a late charge of five percent (5%) of such installment. Such late charge shall be immediately due and payable without demand by Lender.

4. This Note is secured by a Deed of Trust with Assignment of Rents against the real property described in the Loan Agreement (“Property”), recorded in the office of the County Recorder of Sacramento County (“Trust Deed”). The Trust Deed securing this Note provides that Lender may at its option, declare all funds secured by the Trust Deed immediately due and payable, if any interest in the real property is sold, transferred or conveyed to any person, whether voluntarily or involuntarily. The Trust Deed further provides that if Borrower does not comply with the requirements of the RAD Use Agreement and fails to come into compliance with the RAD Use Agreement within thirty (30) days after Lender’s written notice to Borrower of such failure, then, subject to any rights of Borrower’s limited partners explicitly set forth in the Trust Deed, (or such longer period explicitly set forth in the Trust Deed), Lender may at its option, declare all funds secured by the Trust Deed immediately due and payable.

5. Lender and Borrower shall comply with and fulfill the Special Terms.

6. 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 Interest Rate from the date of the advancement of the Loan's proceeds, subject to applicable cure periods, set forth herein or in the Loan Agreement or Trust Deed if any:

a. Borrower defaults in the payment of any principal or interest when due and fails to cure within 10 (ten) days.

b. Lender discovers that Borrower, in any application to Lender in connection with the Loan, had failed to disclose or misrepresented any fact that would have prevented Borrower from being eligible for the Loan.

c. Lender discovers that Borrower has made any misrepresentations or has intentionally withheld any fact in the making of this Loan, the knowledge of which could have affected the decision of Lender to make the Loan.

d. Borrower defaults or breaches any of the terms of Loan Agreement, the Trust Deed, the RAD Use Agreement or this Note and Borrower fails to cure within 30 days after receipt of notice, provided, however, that if such cure cannot reasonably be effected within such 30 day period, such failure shall not be a default so long as Borrower promptly (and in any event, within ten (10) days after receipt of such notice) commences such cure and thereafter diligently (and in any event, within ninety (90) days after receipt of such notice) prosecutes such cure to completion. Any limited partner of Borrower is entitled to the notice and cure provisions set forth in Section 16 of the Trust Deed.

e. Borrower fails to perform any covenant, term or condition in any instrument creating a lien upon the Property, which is the security under the Trust Deed, or any part thereof, which lien shall have priority over the lien of the Trust Deed securing this Note.

f. The sale, transfer of title, conveyance or further encumbrance of the Property, whether by sale, exchange, gift, inheritance or other means, without prior written consent of Lender.

g. The occurrence of any of the following:

1) Borrower becoming insolvent or bankrupt or being unable or admitting, in writing, Borrower’s inability to pay debts as they mature or making a general assignment of or entering into any restructure payment arrangement with creditors.

2) Proceedings for the appointment of a receiver, trustee or liquidator of the assets of Borrower or a substantial part of such assets, being authorized or instituted by or against the Borrower which are not stayed within 90 days.

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 which are not stayed within 90 days.

7. Any limited partner of Borrower is entitled to the notice and cure provisions set forth in Section 16 of the Trust Deed.

8. 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.

9. Borrower may prepay this Note in full or in part at any time, without any prepayment penalty being charged by Lender.

10. During the existence of default or delinquency under the terms of this Note or the Trust Deed, the Lender is expressly authorized to apply all payments made on this Note to the payment of all or part of the delinquency, as it may elect.

11. This Loan is a non-recourse 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.

12. Borrower shall pay to Lender all costs of enforcement of all or any portion of this Note and the Trust Deed, including attorney's fees, witness fees, investigator fees and court costs, incurred by Lender, whether or not litigation is commenced.

**IN WITNESS WHEREOF**, Borrower has executed this Note as of the Effective Date.

**Borrower:**

**RAD Pilot LP, a California limited partnership**

By: RAD Pilot LLC, a California limited liability company,  
its managing general partner

By: Sacramento Housing Authority Repositioning Program, Inc.,  
a California nonprofit public benefit corporation, its sole member and manager

\_\_\_\_\_  
James Shields, President

NO FEE DOCUMENT:  
 Entitled to free recording  
 per Government Code 27383.

When recorded, return to: HOUSING AUTHORITY OF THE CITY OF SACRAMENTO  
 801 12<sup>th</sup> Street  
 Sacramento, CA 95814  
 Attention: Portfolio Management

**DEED OF TRUST AND ASSIGNMENT OF RENTS  
 FOR THE GROUND LEASE  
 RAD 1**

CITY OF SACRAMENTO

4921 Folsom Boulevard, Sacramento, CA 95819 (APN 008-0341-044-0000)

1043 43rd Avenue, Sacramento, CA 95822 (APN 029-0184-017-0000, 029-0184-001-0000 and 029-0184-002-0000)

For purposes of this Deed of Trust the following capitalized terms shall have the meanings ascribed in the space adjacent to them:

“Effective Date”	_____, 2020	
“Trustor” and “Borrower”	RAD Pilot LP, a California limited partnership	
“Borrower Address”	c/o SHARP, 801 12 Street, Sacramento, California 95814	
“Trustee”	Placer Title Company, 301 University Avenue, Suite 120, Sacramento, CA 95825	
“Beneficiary” and “Lender” and “Landlord”	Housing Authority of the City of Sacramento, a public body, corporate and politic	
“Lender Address”	801 12th Street, Sacramento, California 95814	
“Property”	Which consists of the Improvements and leasehold estate in real property located in the County of Sacramento and the State of California as more particularly described in the Legal Description.	
	Address and Assessor’s Parcel Number (APN)	4921 Folsom Boulevard, Sacramento, California (APN 008-0341-044-0000)  1043 43rd Avenue, Sacramento, California (APN 029-0184-017-0000, 029-0184-001-0000 and 029-0184-002-0000)
“Legal Description”	The Legal Description of the Property which is more particularly described in the attached <b>Exhibit 1 Legal Description</b> , which is incorporated in and an integral part of this Deed of Trust.	
“Loan”	Which is Lender’s loan to Borrower evidenced by the Note and which is secured by this Deed of Trust.	
“Loan Agreement”	Which is the Ground Lease Agreement between Lender and Borrower stating the term and conditions of the Loan.	
	Which is dated:	_____, 2020
“Additional Notices”	Lender shall give copies of notices required to be delivered to Borrower to the following parties at the following addresses; provided, however that Borrower acknowledges that such notice is an accommodation and the failure of the Lender to properly deliver any such notice shall not give rise to any claims or defenses of Borrower or any third party:	

	<p><b>TAX CREDIT EQUITY INVESTOR</b>  NEF Assignment Corporation  Attention: General Counsel  10 South Riverside Plaza, Suite 1700  Chicago, IL 60606</p> <p><b>CONSTRUCTION LENDER</b>  Wells Fargo Bank, National Association  Community Lending and Investment  333 Market Street, 17<sup>th</sup> Floor  MAC# A0119-177  San Francisco, California 94105  Attention: Loan Administration Officer  Loan No. 1019305</p> <p><b>PERMANENT LENDER</b>  Prudential Affordable Mortgage Company, LLC, or affiliated  C/O PRUDENTIAL ASSET RESOURCES  2100 ROSS AVENUE, SUITE 2500  DALLAS, TEXAS 75201  ATTN: ASSET MANAGEMENT DEPARTMENT  Agency-Notice@prudential.com</p> <p>With a copy to:</p> <p>Federal Home Loan Mortgage Corporation  8100 Jones Branch Drive, MS B4P  McLean, Virginia 22102  Attention: Multifamily Operations - Loan Accounting  Email: mfla@freddiemac.com  Telephone: (703) 714-4177</p> <p>with a copy to: Federal Home Loan Mortgage Corporation  8200 Jones Branch Drive, MS 210  McLean, Virginia 22102  Attention: Managing Associate General Counsel –  Multifamily Legal Division  Email: joshua_schonfeld@freddiemac.com  Telephone: (703) 903 2000</p> <p><b>FISCAL AGENT</b>  U.S. Bank Global Corporate Trust  Attention: RAD 1  1 California Street, Suite 1000  San Francisco, CA 94111</p>			
"Note"	<p>Which is Borrower's note made in accordance with the Loan Agreement evidencing the following principal sum or such lesser amount as shall equal the aggregate amount disbursed to Borrower by Lender, with interest.</p> <table border="1" data-bbox="402 1566 1474 1652"> <tr> <td data-bbox="402 1566 581 1652">Which has a principal sum of</td> <td data-bbox="581 1566 1474 1652">One Million Three Hundred Forty Thousand Dollars and No Cents (\$1,340,000.00)</td> </tr> </table>		Which has a principal sum of	One Million Three Hundred Forty Thousand Dollars and No Cents (\$1,340,000.00)
Which has a principal sum of	One Million Three Hundred Forty Thousand Dollars and No Cents (\$1,340,000.00)			



THIS DEED OF TRUST is made as of the Effective Date between the Trustor also referenced as the Borrower, the Trustee, and the Beneficiary also referenced as Lender.

Borrower, in consideration of the indebtedness described below and the trust created by this Deed of Trust, irrevocably grants and conveys the Property to Trustee, in trust with power of sale.

Together with all the improvements now or subsequently erected on the property, and all easements, rights, appurtenances, rents (subject, however, to the rights and authorities given to Lender to collect and apply such rents), royalties, mineral, oil and gas rights and profits, water, water rights, and water stock, and all fixtures, including but not limited to all gas and electric fixtures, engines and machinery, radiators, heaters, furnaces, heating equipment, steam and hot water boilers, stoves, ranges, elevators and motors, bathtubs, sinks, water closets, basins, pipes, faucets and other plumbing and heating equipment, cabinets, mantels, refrigerating plant and refrigerators, whether mechanical or otherwise, cooking apparatus and appurtenances, furniture, shades, awnings, screens, venetian blinds and other furnishings, now or hereafter attached to the property, all of which, including replacements and additions thereto, shall be deemed to be and remain a part of the property covered by this Deed of Trust; and all of the foregoing, together with said property (or the leasehold estate if this Deed of Trust is on a leasehold) are referred to as the "Property";

To secure to Lender: (a) the repayment of the Loan; and (b) the performance of the covenants and agreements of Borrower contained in this Deed of Trust, the Note, or the Loan Agreement.

Borrower covenants that Borrower is lawfully seized of the estate conveyed by this Deed of Trust and has the right to grant and convey the Property, and that Borrower will warrant and defend generally the title of the Property against all claims and demands, subject to any declarations, easements or restrictions listed in a schedule of exceptions to coverage in any title insurance policy insuring Lender's interest in the Property.

Borrower and Lender covenant and agree as follows:

1. Payment of Principal and Interest. Borrower shall promptly pay when due the principal and interest, if any, on the indebtedness evidenced by the Note. All payments received by Lender under the Note shall be applied by Lender first to interest payable on the Note and thereafter to the unpaid principal of the Note.
2. Charges; Liens. Borrower shall pay all taxes, assessments and other charges, fines and impositions attributable to the Property and leasehold payments or ground rents, if any by Borrower making payment, when due, directly to the appropriate payee. Borrower shall promptly furnish to Lender all notices of amounts due under this paragraph, and in the event that Borrower makes payment directly, Borrower shall promptly furnish to Lender receipts evidencing such payments. Borrower shall pay when due any encumbrance, charge and lien, with interest in accordance with its terms, on the Property or any portion which is inferior or superior to this Deed of Trust. Provided, however, Borrower shall have the right to contest such amount in good faith provided that Borrower causes any such lien to be released from the Property by the posting of a bond or by other appropriate means.
3. Hazard Insurance. Borrower shall keep the improvements now existing or later erected on the Property insured against loss of fire or hazards under a policy approved by Lender consistent with the insurance requirements of the Loan Agreement. In addition, Borrower shall insure against loss of all furniture, equipment and other personal property owned by Borrower related to Borrower's operation of the Property. Lender shall have the right to hold the policies and policy renewals, and Borrower shall promptly furnish to Lender all renewal notices and all receipts of paid premiums. In the event of loss, Borrower shall give prompt notice to the insurance carrier and Lender. Lender may make proof of loss if not made promptly by Borrower.

Unless Lender and Borrower otherwise agree in writing, insurance proceeds shall be applied to restoration or repair of the Property damaged, as and to the extent provided in the Loan Agreement.

Unless Lender and Borrower otherwise agree in writing, any such application of insurance proceeds to principal shall not extend or postpone the due date of any Loan payment or change the amount of such payment. If the Property is acquired by Lender pursuant to this Deed of Trust, all right, title and interest of Borrower in and to any insurance policies and proceeds of such policies resulting from damage to the Property prior to the sale of acquisition shall pass to Lender to the extent of the sums secured by this Deed of Trust immediately prior to such sale or acquisition.

4. Liability Insurance. In addition to the casualty insurance required under the Loan Agreement during the course of construction, Borrower shall keep comprehensive general liability insurance for the Property in a form and coverage consistent with the provisions of the Loan Agreement and reasonably approved by Lender.

5. Preservation and Maintenance of Property. Borrower shall keep the Property in good repair and shall not commit waste or permit impairment, demolition, or deterioration of the Property.

6. Protection of Lender's Security. Borrower shall appear and defend any action or proceeding purporting to affect the security under this Deed of Trust or the rights of the Lender. If Borrower fails to perform the covenants and agreements contained in this Deed of Trust, or if any action or proceeding is commenced which materially affects Lender's interest in the Property, including, but not limited to, foreclosure, involuntary sale, eminent domain, insolvency, code enforcement, or arrangements or proceedings involving a bankrupt or decedant, then Lender may, upon notice to Borrower, make such appearances, disburse such sums and take such actions as are necessary to protect Lender's interest, including, but not limited to, disbursement of judgments, costs or reasonable attorney's fees and entry upon the Property to make repairs.

Any amounts disbursed by Lender pursuant to this Section 6, with interest, shall become additional indebtedness of Borrower secured by this Deed of Trust. Unless Borrower and Lender agree to other terms of payment, such amounts shall be payable upon notice from Lender to Borrower requesting payment, and shall bear interest from the date of disbursement at the highest rate permissible under applicable law. In any event, this Section shall be construed as a right and an option of Lender and shall not be construed to require Lender to incur any expense or take any action.

7. Inspection. Lender, by its designated representative, may make reasonable entries upon and inspections of the Property, provided that Lender shall give Borrower and any occupant of the Property reasonable prior notice of any such inspection.

8. Condemnation. The proceeds of any award or claim for damages, direct or consequential, in connection with any condemnation or other taking of all or any part of the Property, or for conveyance in lieu of condemnation, shall be applied as provided in the Loan Agreement.

If the Property is abandoned by Borrower, or if, after notice by Lender to Borrower that the condemnor offers to make an award or settle a claim for damages, Borrower fails to respond to Lender within 30 days after the date such notice is mailed, Lender is authorized to collect and apply the proceeds, at Lender's option, either to restoration or repair of the Property or to the sums secured by this Deed of Trust.

Unless Lender and Borrower otherwise agree in writing, any such application of proceeds to principal shall not extend or postpone the due date of any payment or change the amount of such payment.

9. Borrower Not Released. Extension of the time for payment of the sums secured by this Deed of Trust granted by Lender to Borrower or any successor in interest of Borrower shall not operate to release, in any manner, the liability of the original Borrower and Borrower's successors in interest. Lender shall not be required to commence proceedings against such successor or refuse to extend time payment by reason of any demand made by the original Borrower or Borrower's successors in interest.

10. Forbearance by Lender Not a Waiver. Any forbearance by Lender in exercising any right or remedy under this Deed of Trust, or otherwise afforded by applicable law, shall not be a waiver or preclude the exercise of any such right or remedy. The procurement of insurance or the payment of taxes or other liens or charges by Lender shall not be a waiver of Lender's right to accelerate the maturity of the indebtedness secured by this Deed of Trust.

11. Remedies Cumulative. All remedies provided in this Deed of Trust are distinct and cumulative to any other right or remedy under this Deed of Trust, the Note, the Loan Agreement or afforded by law or equity, and may be exercised concurrently, independently or successively.

12. Successors and Assigns Bound; Joint and Several Liability Captions. The covenants and agreements contained in this Deed of Trust shall bind, and the rights under this Deed of Trust shall inure to, the respective successors and assigns of Lender and Borrower, subject to the provisions of Section 15. All covenants and agreements of Borrower shall be joint and several. The captions and headings of the paragraphs of this Deed of Trust are for convenience only and are not to be used to interpret or to define its provisions.

13. Notice. Except for any notice required under applicable law to be given in another manner, any notice to be given under this Deed of Trust shall be given as provided for in the Loan Agreement. Any notice provided for in this Deed of Trust shall be deemed to have been given to Borrower or Lender when given in the manner designated.

14. Governing Law; Severability. This Deed of Trust shall be governed by the law of the State of California. If any term or provision of this Deed of Trust shall, to any extent, be held invalid or unenforceable, the remainder of this Deed of Trust shall remain in full force and effect and the invalid or unenforceable provision shall be valid and enforceable as to any other person or circumstance.

15. Acceleration on Transfer or Refinancing of the Property: Assumption. Except as otherwise provided in the Loan Agreement, if all or any part of the Property or an interest in the Property is sold or transferred or refinanced by Borrower without Lender's prior written consent, Lender may, at Lender's option, declare all the sums secured by this Deed of Trust to be immediately due and payable. Lender shall have waived such option to accelerate if, prior to the refinancing, sale or transfer, Lender and the person to whom the Property is to be sold or transferred reach agreement in writing that the loan may be assumed. If Lender has waived the option to accelerate provided in this Section and if Borrower's successor in interest has executed a written assumption agreement accepted in writing by Lender, Lender shall release Borrower from all obligations under this Deed of Trust and the Note. Lender's prior approval is not required for (1) the sale or transfer of the limited partner's interest to one or more of the other partners that currently comprise the Borrower's entity, (2) the admission of the limited partner or its affiliate to the Borrower and the transfer of its interest to an affiliate thereof so long as the general partner, or managing member, of the transferor, or an affiliate thereof, is the general partner, or managing member of the transferee, or partner; however, Borrower is obligated to notify Lender within 30 days from the date of such sale or transfer, (3) the removal of the general partner of the Borrower by the limited partner for a default under Borrower's partnership agreement, provided that any replacement general partner is approved by Lender, which approval shall not be unreasonably withheld, conditioned or delayed.

If Lender exercises such option to accelerate, Lender shall mail Borrower notice of acceleration. Such notice shall provide a period of not less than 30 days from the date the notice is mailed within which Borrower, or any of its principals or anyone with a substantial legal interest in Borrower, may pay the sums declared due. If Borrower fails to pay such sums prior to the expiration of such period, Lender may, without further notice or demand on Borrower, invoke any remedies permitted by this Deed of Trust.

16. Acceleration on Breach: Remedies. Except as provided in Section 15, upon Borrower's breach of any covenant or agreement of Borrower in this Deed of Trust, the Note, (including the covenants to pay when due any sums secured by this Deed of Trust and restricting transfer of the Property) or Loan Agreement, Lender shall mail notice to Borrower and the limited partner specifying: (1) the breach; (2) the action required to cure such breach; (3) a date, no less than 30 days from the date the notice is mailed to Borrower, and the limited partner by which breach must be cured; and (4) that failure to cure such breach on or before the date specified in the notice may result in acceleration of the sums secured by this Deed of Trust and sale of the Property. If the breach is not cured on or before the date specified in the notice, Lender at Lender's option may declare all of the sums secured by this Deed of Trust to be immediately due and payable without further demand and may invoke the power of sale and any other remedies permitted by applicable law, provided, however, that if such cure cannot reasonably be effected within such 30 day period, such failure shall not be a default so long as Borrower promptly (and in any event, within ten (10) days after receipt of such notice) commences such cure and thereafter diligently (and in any event, within ninety (90) days after receipt of such notice) prosecutes such cure to completion. The limited partner is entitled to cure any defaults on behalf of the Borrower within the same specified time periods; said cure periods shall not extend statutory periods and times for notice and commencement of foreclosure; provided, however, that if, in order to cure any such default the limited partner must first remove a general partner of Borrower, then, provided that the limited partner notifies Lender of such removal and removes such general partner within a reasonable period, then the limited partner shall have until the date 30 days after the effective date of such removal to effect such cure. In any event, such cure process shall not exceed 120 days. Lender shall be entitled to collect from the Borrower, or sale proceeds, if any, all reasonable costs and expenses incurred in pursuing the remedies provided in this Section, including, but not limited to reasonable attorney's fees.

If Lender invokes the power of sale, Lender shall execute or cause Trustee to execute a written notice of the occurrence of an event of default and of Lender's election to cause the Property to be sold and shall cause such notice to be recorded in each county in which any portion of the Property is located. Lender or Trustee shall mail copies of such notice in the manner prescribed by applicable law to Borrower and to the other persons prescribed by applicable law. Trustee shall give public notice of sale to the persons and in the manner prescribed by applicable law. After the lapse of such time as may be required by applicable law, Trustee, without demand on Borrower, shall sell the Property at public auction to the highest bidder at the time and place and under the terms designated in the notice of sale, in one or more parcels and in such order as Trustee may determine. Trustee may postpone sale of all or any parcel of the Property by public announcement at the time and place of any previously scheduled sale. Lender or Lender's designee may purchase the Property at any sale.

Trustee shall deliver to the purchaser a Trustee's deed conveying the Property so sold without any covenant or warranty, expressed or implied. The recitals in the Trustee's deed shall be prima facie evidence of the truth of the statements it contains. Trustee shall apply the proceeds of the sale in the following order: (a) to all reasonable costs and expenses of the sale, including, but not limited to, reasonable Trustee's and attorney's fees and costs of title evidence; (b) to all sums secured by this Deed of Trust; and (c) the excess, if any, to the person or persons legally entitled thereto as determined by Lender. In the event of a dispute regarding the excess funds, either Lender or Trustee may file an action in interpleader to determine who shall receive the funds and may then deposit the excess funds with the court.

17. Assignment of Rents; Appointment of Receiver; Lender in Possession. As additional security, Borrower assigns to Lender the rents of the Property, provided that Borrower shall, prior to an acceleration for breach as provided above or abandonment of the Property, have the right to collect such rents as they become due.

Upon acceleration for breach or abandonment of the Property, Lender, in person, by agent or by judicially appointed receiver shall be entitled to enter upon, take possession of and manage the Property and to collect the rents of the Property including those past due. All rents collected by Lender, its agent, or the receiver shall be applied first to payment of the costs of management of the Property and collection of rents, including, but not limited to receiver's fees, premiums on receiver's bonds and reasonable attorney's fees, and then to the sums secured by this Deed of Trust. Lender, its agent and the receiver shall be liable to account only for those rents actually received.

18. Prior Lienholder. The provisions of this Deed of Trust shall operate subject to the claims of prior lienholders to the extent of such claims.

19. Nonrecourse. Notwithstanding any provision of this Deed of Trust or any document evidencing or securing this Loan, Borrower, and Borrower's principals, partners, agents, officers, and successors in interest shall not be personally liable for the payment of the Loan or any obligation of the Loan and Lender's sole recourse is to the collateral secured by this Deed of Trust.

20. Reconveyance. Upon payment of all sums secured by this Deed of Trust, Lender shall request Trustee to reconvey the Property and shall surrender this Deed of Trust and all notes evidencing indebtedness secured by this Deed of Trust to Trustee. Trustee shall reconvey the Property without warranty and without charge to the person or persons legally entitled to such reconveyance. Such person or persons shall pay all costs of recordation, if any. The recitals in the reconveyance of any matters or facts shall be conclusive proof of their truthfulness.

21. Substitute Trustee. Lender, at Lender's option, may from time to time remove Trustee and appoint a successor trustee to any Trustee appointed under this Deed of Trust. Without conveyance of the Property, the successor trustee shall succeed to all the title, power and duties conferred upon the Trustee by this Deed of Trust and applicable law.

22. Request for Notice. Borrower and each party listed to receive Additional Notices request that copies of the notice of default and notice of sale be sent to their respective addresses.

23. Statement of Obligation. Lender may collect a reasonable fee for furnishing the statement of obligation as provided by Section 2943 of the Civil Code of California, as it may be amended from time to time.

24. Use of Property. Borrower shall not permit or suffer the use of any of the Property for any purpose other than the use for which the same was intended at the time this Deed of Trust was executed.

25. Extended Use Agreement. In order to receive an allocation of federal low income housing tax credits, Borrower will be required to record in the real property records of the County in which the property is located, an "extended low-income housing commitment" (as defined in Section 42(h)(6)(B) of the Internal Revenue Code of 1986, as amended ("Code")) ("Extended Use Agreement"). Lender acknowledges and agrees that, in the event of a foreclosure of its interest under this Deed of Trust or delivery by the Borrower of a deed in lieu thereof (collectively, a "Foreclosure"), Lender agrees to comply with all the following rule contained in Section 42(h)(6)(E)(ii) of the Code shall apply: For a period of three (3) years from the date of Foreclosure, with respect to any unit that had been regulated by the Extended Use Agreement, (i) none of the eligible tenants occupying those units at the time of Foreclosure may be evicted or their tenancy terminated (other than for good cause, including but not limited to, the tenants' ineligibility pursuant to regulations of Section 42 of the Code), (ii) nor may any rent be increased except as otherwise permitted under Section 42 of the Code.

IN WITNESS WHEREOF, Borrower has executed this Deed of Trust.

BORROWER (Trustor):

**RAD Pilot LP, a California limited partnership**

By: RAD Pilot LLC, a California limited liability company,  
its managing general partner

By: Sacramento Housing Authority Repositioning Program, Inc.,  
a California nonprofit public benefit corporation, its sole member and manager

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James Shields, President



February 1, 2020

Sacramento Housing and  
Redevelopment Commission  
Sacramento, CA

Honorable Members in Session:

SUBJECT:

Approval of the Single Room Occupancy (SRO) Residential Hotel Withdrawal,  
Conversion Certificate and Replacement Housing Plan, Predevelopment and  
Permanent Loan Documents, and Loan Commitment for the Capitol Park Hotel Project

RECOMMENDATION

Staff recommends approval of the recommendations outlined in this report prior to final  
approval by the City of Sacramento.

Respectfully submitted,

  
LA SHELLE DOZIER  
Executive Director

Attachment



**REPORT TO COUNCIL AND  
HOUSING AUTHORITY**  
City of Sacramento  
915 I Street, Sacramento, CA 95814-2671  
[www.CityofSacramento.org](http://www.CityofSacramento.org)

**Public Hearing**  
**February 11, 2020**

**Honorable Mayor and Members of the City Council  
Chair and Members of the Housing Authority Board**

**Title: Approval of the Single Room Occupancy (SRO) Residential Hotel  
Withdrawal, Conversion Certificate and Replacement Housing Plan,  
Predevelopment and Permanent Loan Documents, and Loan Commitment for the  
Capitol Park Hotel Project**

**Location/Council District: 1117, 1121, 1125, 1127, 1129 and 1131 9<sup>th</sup> Street; District 4**

**Recommendation:** Adopt 1) a Council Resolution approving the SRO Withdrawal, Conversion Certificate and Replacement Housing Plan for Capitol Park Hotel; 2) a Housing Authority Resolution: a) amending the Housing Authority budget and the allocation of up to \$3,200,000 in Housing Authority Successor Agency (HASA) Funds; b) authorizing the Executive Director, or her designee, to execute the following related documents to the Capitol Park Hotel Project (Project): i) Predevelopment Loan Documents comprised of \$1,500,000 in HASA Funds; ii) a Loan Commitment comprised of \$1,700,000 in HASA Funds with Mercy Housing California or related entity and iii) all necessary documents associated with this action, and c) making the related findings; and 3) a Council Resolution which authorizes: a) amending the Agency budget and allocate up to \$1,700,000 in Community Development Block Grant (CDBG), \$800,000 in Housing Trust Funds (HTF), \$1,100,000 Housing Opportunities for Persons with AIDS (HOPWA) and \$2,300,000 in Mixed Income Housing Ordinance Funds (MIHO) for the Project; b) executing the Loan Commitment with Mercy Housing California, or related entity for \$5,900,000 comprised of CDBG, HTF, HOPWA and MIHO program funds; c) executing all necessary documents associated with this action; and d) making related findings.

**Contact:** Christine Weichert, Assistant Director, (916) 440-1353, Tyrone Roderick Williams, Director of Development, (916) 440-1316, Sacramento Housing and Redevelopment Agency

**Presenter:** Anne Nicholls, Housing Finance Analyst II, (916) 440-1353, Sacramento Housing and Redevelopment Agency

**Department:** Sacramento Housing and Redevelopment Agency

## **Description/Analysis**

**Issue Detail:** Capitol Park Hotel was built in 1912 and is currently operating as a 180-unit single room occupancy (SRO) residential hotel and temporary shelter in downtown Sacramento at 1125 9th Street, corner of 9th and L Streets, (Property). The current owner of the Property is 1121 9th Street, LLC, a related entity to Mercy Housing California (Mercy Housing).

### Prior Approvals

On April 23, 2019, Council approved the Homeless Services Funding Plan, which included \$10,160,000 in Measure U funds to operate a temporary homeless shelter at the Property. Council also approved the funding of \$112,500 for a lease between the City and Mercy Housing, and \$13,370,000 in Innovation and Growth Program funds for the acquisition of the Property and relocation costs associated with the existing residents of Capitol Park Hotel.

On April 30, 2019, Council approved the two loan agreements and associated documents related to the Property. One agreement is between the City and Sacramento Housing and Redevelopment Agency (Agency), and the second agreement is between the Agency and Mercy Housing which provided \$13,370,000 in Innovation and Growth Program funds to finance the acquisition of the Property and costs associated with relocating the existing residents of Capitol Park Hotel. It is anticipated that in November of 2020 these funds will be returned to the City.

### Project Description

The Capitol Park Hotel Project is the proposed rehabilitation of a historic 180-unit single room occupancy building into 134 studios, affordable, permanent supportive and workforce housing units that include kitchenettes and full bathrooms. Amenities will include a 24/7 desk clerk, community room, and meeting areas for individual and group settings. Bicycle parking will be available onsite. Vicinity map and a project photograph are included as Attachments 2 and 3. Further details of the Project are attached to the Council and Housing Authority resolutions for the loan commitment and scope of development as Exhibit A.

### Project Based Vouchers and No Place Like Home

In 2018, the Agency awarded 134 Project Based Vouchers (PBV) to house homeless households at Capitol Park Hotel. In 2019, the State Department of Housing and Community Development (HCD) awarded the Project \$9,690,825 in No Place Like Home Program (NPLH) funds. The NPLH Program provides funding to households that have been designated homeless and that include at least one household member living with mental illness.

Inclusive of the 134 PBV units, 65 of the units will also be designated as NPLH units. Of the 65 NPLH units, 40 percent will be allocated to the category of chronically homeless, and 30 percent each to categories of homeless and at risk of chronic homelessness.

Developer: Mercy Housing California, or related entity, will serve as the Developer. Mercy Housing is a nonprofit public benefit corporation dedicated to providing quality affordable housing with supportive programs to low-income individuals in California. The



Developer has developed more than 11,000 affordable homes, including over 8,000 rental and 3,000 homeownership units. Their portfolio includes 20 properties with over 1,400 units in Sacramento County. The Developer is qualified to repurpose the Capitol Park Hotel given its experience in the rehabilitation of the Budget Inn on Stockton Boulevard into the 74-unit Boulevard Court Apartments, and the 92-unit Courtyard Inn Apartments, both permanent supportive housing developments.

Property Management Agent: The Project will be managed by Mercy Housing Management Group, an affiliate of the Developer. The Property Management Agent manages more than 220 properties nationally (more than 11,000 affordable housing units), including over 100 properties in California. The management plan has been reviewed and approved by Agency staff.

Supportive Services: The Sacramento County Department of Health Services (DHS) will be responsible for the mental health supportive services and the coordination of other supportive services needed by the 65 NPLH residents for a minimum of 20 years as required by the State NPLH program and the Agency.

In addition to DHS on-site supportive services, a case management team will dedicate 2.8 Full-Time Equivalent (FTE) case managers to provide services needed by the remaining 69 PBV homeless residents not served by NPLH. Mercy Housing California will provide the Agency and DHS with the case management team qualifications and supportive services plan for Agency and DHS staff review and approval prior to returning for final approval of the loan documents.

Resident Services: Resident services will be provided by Mercy Housing California. A minimum of 20 hours per week of on-site services will be available to all residents. Resident services will include education and enrichment programs and transportation assistance (e.g., light rail/bus passes). An on-site coordinator will be assigned to the property. Agency staff has reviewed Mercy Housing's qualifications and the resident services plan, and has found that the proposed resident services provider and resident services plan meet Agency requirements.

Security Plan: Agency staff has reviewed and approved the security plan which includes a 24/7 desk clerk, installation of web-based security cameras and recording equipment, and installation of new lighting in common areas.

Project Financing: The Developer applied for a \$1,500,000 predevelopment and permanent loan and for a \$7,600,000 construction and permanent gap financing loan from the Agency in the first competitive funding round in January 2020. The financing structure of the proposed Capitol Park Hotel development includes competitive nine percent Low Income Housing Tax Credits (LIHTC), competitive state tax credits, historic tax credits, competitive NPLH loan, non-competitive NPLH loan, and an Agency loan comprised of CDBG, HTF, HOPWA, HASA and MIHO program funds. A summary of the Agency financing is provided in the below chart:

<b>Agency Funding Source</b>	<b>Amount</b>
<b>Capitol Park Hotel Predevelopment and Permanent Loan:</b>	
Housing Authority Successor Agency (HASA) Funds	\$1,500,000
<b>SUB-TOTAL</b>	<b>\$1,500,000</b>
<b>Capitol Park Hotel Construction and Permanent Loan:</b>	
Community Development Block Grant (CDBG) Affordable Housing Rehabilitation Program fund	\$1,700,000
Housing Authority Successor Agency (HASA) Funds	\$1,700,000
Housing Trust Funds (HTF)	\$ 800,000
Housing Opportunities for Persons with AIDS (HOPWA) Multi-Family Housing Acquisition and Construction fund	\$1,100,000
Mixed Income Housing Ordinance Fund (MIHO)	\$2,300,000
<b>SUB-TOTAL</b>	<b>\$7,600,000</b>
<b>TOTAL AGENCY LOAN</b>	<b>\$9,100,000</b>

In addition, the Agency has committed a total of 134 PBV to this Project. Project Based Vouchers are awarded in accordance with the Agency's administration of the Housing Choice Voucher Program as authorized by section 8(o)(13) of the U.S. Housing Act of 1937 (42 U.S.C. 1437f(o)(13)) and is based on the Public Housing Authority's Annual Plan. The Plan is approved annually by the federal Department of Housing and Urban Development (HUD). Funding sources and uses and cash flow for Capitol Park Hotel are included in Attachments 4 and 5. If Capitol Park Hotel is successfully awarded tax credits in 2020, construction would be complete within two years after all financing is secured.

Low-Income Set-Aside Requirements: As a condition of receiving tax credits, federal law requires that rental units be set aside for targeted-income groups. Income restrictions from LIHTC financing require that no households have income above 60 percent of Area Median Income (AMI). The Agency further requires that 20 percent of the units be restricted to households with incomes no greater than 50 percent AMI. The affordability restrictions will be specified in regulatory agreements with the Developer. A schedule of maximum income and rents are included as Attachment 6. The anticipated funding sources and their affordability requirements are summarized in the tables below for each phase of the development:

<b>Unit Type</b>	<b>Units</b>	<b>% of Units</b>	<b>Affordability Restriction<sup>1</sup></b>
9% LIHTC, State and Historic Tax Credits, NPLH and PBV	65	49%	Extremely Low Income 20% of Area Median Income (AMI)
9% LIHTC, State and Historic Tax Credits, CDBG, HTF, HOPWA, HASA, MIHF and PBV	69	51%	Extremely Low Income 40% of AMI
<b>Total</b>	<b>134</b>	<b>100%</b>	

<sup>1</sup>Pursuant to 24CFR 983.301, contract rents approved by HUD may exceed the tax-credit rent limits; the tenant rent will not exceed 30% of the household adjusted gross income with PBV.

**Policy Considerations:** The recommended actions for both phases of the development are consistent with: a) the Agency's previously approved Multifamily Lending and Mortgage Revenue Bond Policies, Affordable Housing Priority 2(i), Conversion of Non-Residential to Residential Use for Permanent Supportive Housing and Homeless Housing, and Priority 2(iii), Workforce Housing; b) the 2013-2021 Housing Element, Goals H-1.1.1 Sustainable housing practices; H-1.2.9, in part, Workforce Housing, especially in and around downtown; H-1.3.2 Economic integration of multifamily affordable housing projects; H-2.2.4, in part, Pursue and maximize the use of all appropriate state, federal, local and private funding for the development of housing affordable for extremely low-, very low-, and low-income households, while maintaining economic competitiveness in the region; H-3.1.1 Promote extremely low income housing; H-3.2.8 Provide funding and other resources for permanent supportive housing; H-3.2.9, in part, Prioritization of Special Needs Housing, such as chronically homeless individuals or families for available local affordable housing financing as set forth in the City's Multifamily Lending and Mortgage Revenue Bond Policies administered by the Sacramento Housing and Redevelopment Agency; and projects that augment or safeguard the City's inventory of single room occupancy units will also have the same priority; and H-5.1 to 5.4, in part, Promote and create accessible residential development (Resolution No. 2013-415); and c) the Sacramento Promise Zone Plans and Goals, Sustainably Built Community sub-goal to increase housing types and transit growth to promote livability and connectivity within the Promise Zone (Resolution No. 2015-263).

In addition, the recommended actions for the development are located in a) the Downtown Housing Initiative and Initiation of the Downtown Specific Plan, to bring 10,000 places to live to Downtown Sacramento by 2025 (Resolution No. 2015-282), and b) the Opportunity Zone that provides a federal tax incentive for investors, who invest in real estate projects and operating businesses located in designated low-income communities through deferral and partial tax reductions of reinvested capital gains and forgiveness of tax on new capital gains (enacted into federal law through the Tax Cuts and Jobs Act of 2017).

All affordable housing units will be regulated for a period of 55 years by the California Tax Credit Allocation Committee as a LIHTC funding requirement. Regulatory restrictions on the property will be specified in the HASA regulatory agreement between the Developer and Housing Authority for a period of 55 years. Regulatory restrictions on the property will be specified in the HTF and MIHO regulatory agreement between the Developer and Agency for a period of 55 years. Regulatory restrictions on the property will be specified in CDBG and HOPWA regulatory agreements between the Developer and the Agency for a period of 15 years. HOPWA funds are allocated to the City of Sacramento to be used for projects and programs that serve eligible HIV or AIDS individuals within the HOPWA grant service area which includes Sacramento, Yolo, Placer, and El Dorado counties. Compliance with the regulatory agreement will be monitored by the Agency on an annual basis during the 55-year regulatory period.

**Economic Impacts:** The Capitol Park Hotel multifamily residential project is expected to create 357.62 total jobs (202.65 direct jobs and 154.97 jobs through indirect and



induced activities) and create \$29,801,825 in total economic output (\$18,166,069 of direct output and another \$11,635,756 of output through indirect and induced activities). *The indicated economic impacts are estimates calculated using a calculation tool developed by the Center for Strategic Economic Research (CSER). CSER utilized the IMPLAN input-output model (2009 coefficients) to quantify the economic impacts of a hypothetical \$1,000,000 of spending in various construction categories within the City of Sacramento in an average one-year period. Actual impacts could differ significantly from the estimates and neither the City of Sacramento nor CSER shall be held responsible for consequences resulting from such differences.*

**Environmental Considerations: California Environmental Quality Act (CEQA):** This project has been reviewed pursuant to the California Environmental Quality Act (CEQA) and has been found to be categorically exempt under CEQA pursuant to CEQA Guidelines §15301 and 15302. **National Environmental Policy Act (NEPA):** An Environmental Assessment (EA) was prepared for this project pursuant to the National Environmental Policy Act (NEPA), and it was found that with mitigation measures incorporated, the project will not result in a significant impact on the quality of the human environment.

**Sustainability Considerations:** The proposed Project has been reviewed for consistency with the goals, policies and targets of the Sustainability Master Plan and the 2030 General Plan. If approved, this Project will advance the following goal, policy and target of goal number one – Energy Independence, specifically by reducing the use of fossil fuels and providing long-term affordable and reliable energy.

**Commission Action:** On February 5, 2020, it is anticipated that the Sacramento Housing and Redevelopment Commission will approve the staff recommendation for this item. Staff will notify Council in the event this does not occur.

**Rationale for Recommendation:** The actions recommended in this report enable the Agency to continue to fulfill its mission of providing a range of affordable housing opportunities in the City and are consistent with the Agency's previously approved Multifamily Lending and Mortgage Revenue Bond Policies, the City of Sacramento's 2013-2021 Housing Element as part of Sacramento's 2035 General Plan, Promise Zone Plans and Goals, Downtown Housing Initiative and Initiation of the Downtown Specific Plan and the Opportunity Zone Program.

**Financial Considerations:** In the 2020 Action Plan, CDBG funds were allocated to the Affordable Housing Rehabilitation Program fund (Resolution 2019-0408); \$1,700,000 is recommended to be allocated to the Project which includes 2019 CDBG program income and 2020 CDBG entitlement. In the 2018, 2019 and 2020 Action Plans HOPWA funds were allocated to the Multi-Family Housing Acquisition and Construction fund in the (City Resolutions 2017-0410, 2018-0429 and 2019-0480); \$1,100,000 is recommended to be allocated to the Project which includes 2018, 2019 and 2020 HOPWA entitlement. Additional funds include \$3.2 million in Housing Authority Successor Agency Funds, \$800,000 in Housing Trust Funds, and \$2.3 million in Mixed Income Housing Funds.

The Agency will receive an annual administration fee (Fee) equal to 12.5 basis points (0.125%) of the original loan amount as compensation for monitoring compliance with regulatory restrictions and the administration of each loan. The Agency will receive, in advance, a prorated semi-annual installment at loan closing and equal semi-annual installments following the effective date of the regulatory agreement during the term of the regulatory period for each loan. The Agency will also receive a fee equal to \$100 per each Agency-funded unit per year (65 assisted units). The Fee for the predevelopment and permanent loan will be \$2,975. The Fee for the construction and permanent loan will be \$14,900.

**LBE - M/WBE and Section 3 requirements:** Minority and Women's Business Enterprise requirements and Section 3 will be applied to all activities to the greatest extent possible and as required by federal funding and in accordance with the Agency's Section 3 Economic Opportunity Plan. The Developer and general contractor will work with the Agency's Section 3 Coordinator, Sacramento Employment and Training Agency, the Greater Sacramento Urban League or similar programs, to promote employment opportunities. Local Business Enterprise requirements do not apply to this report.

Respectfully Submitted by:

  
LA SHELLE DOZIER  
Executive Director

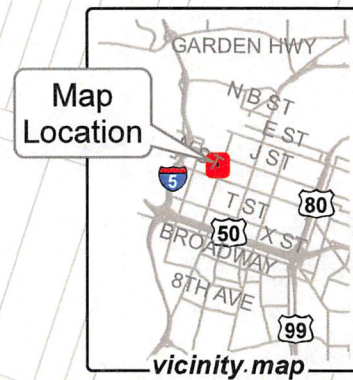
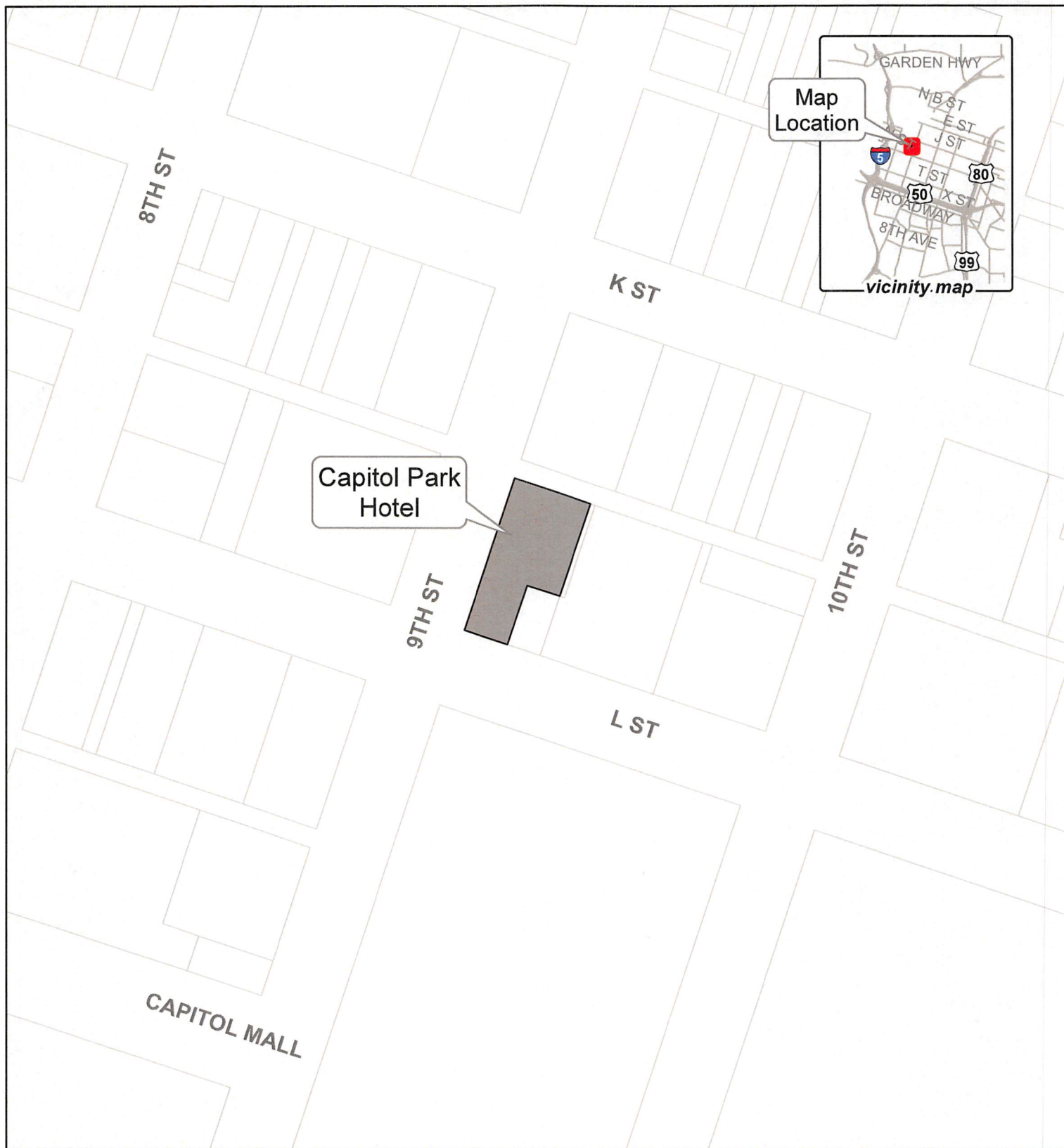
**Attachments**

- 01-Description/Analysis
- 02-Vicinity Map
- 03-Photograph of Project
- 04-Project Summary
- 05-Cashflow Proforma
- 06-Maximum Income and Rent Limits
- 07-Council Resolution - Conversion and Replacement Housing Plan
- 08-Exhibit A to Council Resolution - Conversion Certificate
- 09-Exhibit B to Council Resolution - Replacement Housing Plan for SRO Dwelling Units
- 10-Housing Authority Resolution - Predevelopment and Permanent Loan and Loan Commitment (HASA)
- 11-Exhibit A to Housing Authority Resolution - Predevelopment and Permanent Loan
- 12-Exhibit B to Housing Authority Resolution - Loan Commitment Letter (HASA)
- 13-Council Resolution - Loan Commitment (HTF, CDBG, HOPWA and MIHF)
- 14-Exhibit A to Council Resolution - Loan Commitment Letter (HTF, CDBG, HOPWA and MIHO)

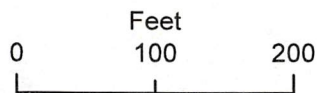




# Capitol Park Hotel



Capitol Park Hotel



SHRA GIS  
January 3, 2020

Capitol Park Hotel





**Capitol Park Hotel  
Residential Project Summary**

<b>Address</b>	1117, 1121, 1125, 1127, 1129 & 1131 9th Street		
<b>Number of Units</b>	134		
<b>Year Built</b>	1912 and 1932		
<b>Acreage</b>	0.26 (11,326 sq. ft.)		
<b>No Place Like Home (NPLH) Units</b>	65 of the 134 units will be designated as NPLH.		
<b>Unit Mix and Rents<sup>1</sup></b>	<u>ELI (20% AMI) NPLH &amp; PBV</u>	<u>VLI (40% AMI) PBV</u>	
	Studio/1 Bath	65	69
<b>Square Footage</b>	<u>Unit Size (sq.ft.)</u>	<u>Total</u>	
	Studio/1 Bath	228	30,552 sq. ft.
	Community Area and Other		29,330 sq. ft.
	<b>Total Gross</b>		<b>59,882 sq. ft.</b>
<b>Resident Facilities</b>	The development will be a conversion of a historic 180-unit Single Room Occupancy (SRO) building into 134 Permanent Supportive Housing studio units with kitchenettes and full bathrooms. This conversion includes 14 units that meet Americans with Disabilities Act requirements. Amenities include a management office, 24/7 desk clerk, community room, and meeting areas for individual and group settings. Bicycle parking is also available on site.		
<b>Permanent Sources</b>	<u>Total</u>	<u>Per Unit</u>	<u>Per Square Foot</u>
Federal Tax Credit Equity	25,000,000	186,567	417.49
State Tax Credit Equity	7,777,025	58,038	129.87
Historic Tax Credit Equity	5,986,146	44,673	99.97
NPLH Competitive Loan	6,890,825	51,424	115.07
NPLH Non-Competitive Loan	2,800,000	20,896	46.76
Affordable Housing Program (AHP) Loan	1,340,000	10,000	22.38
HACS Predevelopment Loan	1,500,000	11,194	25.05
SHRA and HACS Loan	7,600,000	56,716	126.92
<b>TOTAL SOURCES</b>	<b>\$ 58,893,996</b>	<b>\$ 439,507</b>	<b>\$ 983.50</b>
<b>Permanent Uses</b>			
Acquisition	10,035,000	74,888	167.58
Construction Costs	29,801,825	222,402	497.68
Architecture & Engineering	2,210,291	16,495	36.91
Permits and Fees	335,000	2,500	5.59
Hard Cost Contingency	4,448,524	33,198	74.29
Soft Cost Contingency	525,259	3,920	8.77
Financing Cost	3,236,389	24,152	54.05
Relocation	3,986,000	29,746	66.56
Operating Reserve	613,472	4,578	10.24
Rent Reserve	798,802	5,961	13.34
Capitalized Replacement Reserve	134,000	1,000	2.24
Capitalized Services Reserves	41,934	313	0.70
Legal Fees	110,000	821	1.84
Developer Fee	2,000,000	14,925	33.40
Third Party Fees, Marketing, Other	617,500	4,608	10.31
<b>TOTAL USES</b>	<b>\$ 58,893,996</b>	<b>\$ 439,507</b>	<b>\$ 983.50</b>
<b>Leverage</b>	<u>SHRA \$ per Unit</u>	<u>Per Unit Cost</u>	<u>Leverage</u>
	\$ 67,910	\$ 439,507	SHRA : Other \$1.00 : \$6.47
<b>Management / Operations</b>			
Proposed Developer	Mercy Housing California		
Property Management Company	Mercy Housing Management Group		
Operations Budget	706,477	5,272	
Property Management	94,739	707	
Resident Services	329,937	2,462	
Replacement Reserves	67,000	500	
Taxes and Insurance	67,626	505	

<sup>1</sup>Pursuant to 24CFR 983.301, contract rents approved by HUD may exceed the tax-credit rent limits; the tenant rent will not exceed 30% of the household adjusted gross income with PBV.

Capitol Park Hotel	Unit Type	Number	Square Feet	Total Sq Feet	Gross Rent <sup>1</sup>	Rent per Sq Foot	Total Mo. Rent	Annual Rent
Studio /1 Bath @ 20% AMI		65	228	14,820	\$ 293	\$ 1.29	\$ 19,045	\$ 228,540
Studio /1 Bath @ 40% AMI		69	228	15,732	\$ 586	\$ 2.57	\$ 40,434	\$ 485,208
<b>Totals</b>		<b>134</b>	<b>456</b>	<b>30,552</b>			<b>\$ 59,479</b>	<b>\$ 713,748</b>

<sup>1</sup>Pursuant to 24CFR 983.301, contract rents approved by HUD may exceed the tax-credit rent limits; the tenant rent will not exceed 30% of the household adjusted gross income with PBV.

<i>Income</i>	Annual Increase	Per Unit	Year 1 2023	Year 2 2024	Year 3 2025	Year 4 2026	Year 5 2027	Year 10 2032	Year 15 2037	Year 20 2042	Year 25 2047	Year 30 2052
Potential Gross Income	2.50%		749,881	768,629	787,844	807,540	827,729	936,499	1,059,563	1,198,798	1,356,330	1,534,563
Rental Subsidy	2.50%		1,019,263	1,044,745	1,070,864	1,097,635	1,125,076	1,272,920	1,440,193	1,629,446	1,843,568	2,085,828
Other Income	2.50%		7,386	7,571	7,760	7,954	8,153	9,224	10,436	11,807	13,359	15,115
Less Vacancy	5.00%		(88,827)	(91,047)	(93,323)	(95,656)	(98,048)	(110,932)	(125,510)	(142,003)	(160,663)	(181,775)
Effective Gross Income			\$1,687,704	\$1,729,897	\$1,773,144	\$1,817,473	\$1,862,910	\$2,107,711	\$2,384,682	\$2,698,049	\$3,052,595	\$3,453,730
<b><i>Operating Expenses</i></b>												
Operating Expenses	3.50%	5,272	706,477	731,204	756,796	783,284	810,699	962,856	1,143,571	1,358,203	1,613,119	1,915,880
Property Management	3.50%	707	94,739	98,055	101,487	105,039	108,715	129,120	153,354	182,136	216,321	256,921
Resident Services	3.50%	2,462	329,937	341,485	353,437	365,807	378,611	449,671	534,068	634,305	753,355	894,750
Replacement Reserves	0.00%	500	67,000	67,000	67,000	67,000	67,000	67,000	67,000	67,000	67,000	67,000
Taxes and Insurance	2.00%	505	67,626	68,979	70,358	71,765	73,201	80,819	89,231	98,518	108,772	120,093
Total Expenses		\$9,446	\$1,265,780	\$1,306,723	\$1,349,078	\$1,392,895	\$1,438,225	\$1,689,466	\$1,987,223	\$2,340,163	\$2,758,567	\$3,254,644
<b>Net Operating Income</b>			<b>\$421,925</b>	<b>\$423,174</b>	<b>\$424,066</b>	<b>\$424,577</b>	<b>\$424,684</b>	<b>\$418,246</b>	<b>\$397,459</b>	<b>\$357,886</b>	<b>\$294,027</b>	<b>\$199,087</b>
<b><i>Debt Service</i></b>												
HCD Monitoring Fee		\$9,690,825	0.42%	40,701	40,701	40,701	40,701	40,701	40,701	40,701	40,701	40,701
SHRA Monitoring Fee (Predevelopment -Permanent Loan)		\$1,500,000	0.125%	2,975	2,975	2,975	2,975	2,975	2,975	2,975	2,975	2,975
SHRA Monitoring Fee (Construction-Permanent Loan)		\$7,600,000	0.125%	14,900	14,900	14,900	14,900	14,900	14,900	14,900	14,900	14,900
Debt Service Subtotal				\$58,576	\$58,576	\$58,576	\$58,576	\$58,576	\$58,576	\$58,576	\$58,576	\$58,576
<b><i>Priority Distributions</i></b>												
Partnership Management Fee (LP)		\$20,000	3.00%	20,000	20,600	21,218	21,855	22,510	26,095	30,252	35,070	40,656
Asset Management Fee (GP)		\$5,000	3.00%	5,000	5,150	5,305	5,464	5,628	6,524	7,563	8,768	10,164
Priority Distributions Subtotal				\$25,000	\$25,750	\$26,523	\$27,318	\$28,138	\$32,619	\$37,815	\$43,838	\$50,820
Net Cash after Priority Distributions				\$338,348	\$338,848	\$338,967	\$338,683	\$337,970	\$327,050	\$301,068	\$255,472	\$184,631
<b><i>Distribution of Capitalized Services Reserves (Net Cash)</i></b>												
Beginning Balance		\$41,934	1.00%	41,934	384,085	730,162	1,079,821	1,432,689	3,230,082	5,033,838	6,757,797	8,285,837
Deposit (or Withdrawal)				338,348	338,848	338,967	338,683	337,970	327,050	301,068	255,472	184,631
Interest Earned				3,803	7,229	10,691	14,185	17,707	35,571	53,349	70,133	84,705
Ending Balance				\$384,085	\$730,162	\$1,079,821	\$1,432,689	\$1,788,365	\$3,592,703	\$5,388,254	\$7,083,401	\$8,555,172
<b><i>HCD No Place Like Home (NPLH) Loan</i></b>												
Principal Balance		\$9,690,825	3.00%	9,690,825	9,690,825	9,690,825	9,690,825	9,690,825	9,690,825	9,690,825	9,690,825	9,690,825
Interest for Period				290,725	290,725	290,725	290,725	290,725	290,725	290,725	290,725	290,725
Payment				0	0	0	0	0	0	0	0	0
Balance				\$9,981,550	\$9,981,550	\$9,981,550	\$9,981,550	\$9,981,550	\$9,981,550	\$9,981,550	\$9,981,550	\$9,981,550
<b><i>SHRA &amp; HACCS Construction &amp; Permanent Loan</i></b>												
Principal Balance		\$7,600,000	0.00%	7,600,000	7,600,000	7,600,000	7,600,000	7,600,000	7,600,000	7,600,000	7,600,000	7,600,000
Payment				0	0	0	0	0	0	0	0	0
Balance				\$7,600,000	\$7,600,000	\$7,600,000	\$7,600,000	\$7,600,000	\$7,600,000	\$7,600,000	\$7,600,000	\$7,600,000
<b><i>HACCS Predevelopment &amp; Permanent Loan</i></b>												
Principal Balance		\$1,500,000	0.00%	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Payment				0	0	0	0	0	0	0	0	0
Balance				\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000
<b><i>Affordable Housing Program (AHP) Loan</i></b>												
Principal Balance		\$1,340,000	0.00%	1,340,000	1,340,000	1,340,000	1,340,000	1,340,000	1,340,000	1,340,000	0	0
Payment				0	0	0	0	0	0	0	0	0
Balance				\$1,340,000	\$1,340,000	\$1,340,000	\$1,340,000	\$1,340,000	\$1,340,000	\$0	\$0	\$0

**MAXIMUM GROSS INCOME AND RENT LIMITS 2020**

Low Income Housing Tax Credits, No Place Like Home Home,  
Community Development Block Grant (CDBG), HOME Investment Partnerships Program  
(HOME), Housing Opportunities for Persons with AIDS (HOPWA), Mixed Income Housing  
Funds (MIHF) and Housing Authority Successor Agency (HASA) Funds

**Capitol Park Hotel****Maximum Gross Income Limits**

<b><u>Household Size</u></b>	<b><u>20% AMI</u></b>	<b><u>40% AMI</u></b>
1 person	\$11,720	\$23,440
2 person	\$13,380	\$26,760

**Maximum Gross Rent Limits<sup>1</sup>**

<b><u>Unit Size</u></b>	<b><u>20% AMI</u></b>	<b><u>40% AMI</u></b>
Studio	\$293	\$586

<sup>1</sup>Pursuant to 24CFR 983.301, contract rents approved by HUD may exceed the tax-credit rent limits; the tenant rent will not exceed 30% of the household adjusted gross income with PBV.

# **RESOLUTION NO. 2020 -**

**Adopted by the Sacramento City Council**

on date of

## **APPROVAL OF CAPITOL PARK HOTEL SINGLE ROOM OCCUPANCY (SRO) CONVERSION CERTIFICATE**

### **BACKGROUND**

- A. The Capitol Park Hotel is a 180-unit single room occupancy (SRO) residential hotel located downtown at 1125 9th Street, including the tenant addresses of 1117, 1121, 1127 and 1131 9th Street, (Capitol Park Hotel). Since 2006, the Capitol Park Hotel has been subject to the City of Sacramento's ordinance, Relocation Benefits Pertaining to Residential Hotel Unit Conversion or Demolition, City Code Chapter 18.20 (Ordinance). The Ordinance requires 712 SRO units. There are 762 units that are subject to the Ordinance and Regulated/Replacement SRO units, which provides 50 surplus/banked units.
- B. In July 2019, the Sacramento Housing and Redevelopment Agency (Agency) entered into an Acquisition and Relocation Loan Agreement with 1121 9th Street, LLC (Owner), a related entity of Mercy Housing California (Developer). The permanent relocation of the 90 residents is expected to be complete by October 2020. The Developer submitted an application to the Agency for withdrawal of 46 of the 180 SRO units, and conversion of the remaining 134 SRO units to regulated permanent supportive housing studio units with kitchenettes and full bathrooms. This will reduce the surplus/banked inventory to four units.
- C. The proposed Capitol Park Hotel project requires an award of nine percent Low Income Housing Tax Credits in order to proceed with the proposed renovation and reconfiguration of the hotel from 180 SRO units to 134 permanent supportive housing studio units.
- D. This project has been reviewed pursuant to the California Environmental Quality Act (CEQA) and has been found to be categorically exempt under CEQA pursuant to CEQA Guidelines §15301 and 15302.
- E. An Environmental Assessment (EA) was prepared for this project pursuant to the National Environmental Policy Act (NEPA), and it was found that with mitigation measures incorporated, the project will not result in a significant impact on the quality of the human environment.

**BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:**

Section 1. All evidence presented having been duly considered, the findings, including environmental findings regarding this action, as stated above, are found to be true and accurate and are hereby approved adopted.

Section 2. The City Council approves of the SRO Conversion Certificate for the Capitol Park Hotel, located downtown at 1125 9th Street, including the tenant addresses of 1117, 1121, 1127 and 1131 9th Street.

Section 3. The Conversion Certificate is conditioned upon the Project receiving an award of nine percent Low Income Housing Tax Credits.

Section 4. The City Council approves the Replacement Housing Plan for the Single Room Occupancy Dwelling Units.

**Table of Contents:**

Exhibit A – SRO Conversion Certificate

Exhibit B – Replacement Housing Plan for SRO Dwelling Units

*Date – DRAFT – SUBJECT TO REVIEW AND APPROVAL*

Stephan Daves, Vice President  
1121 9th Street, LLC  
c/o Mercy Housing California  
2512 River Plaza Drive, Suite 200  
Sacramento, CA 95833

RE: Capitol Park Hotel Single Room Occupancy (SRO) Conversion Certificate

Dear Mr. Daves,

On \_\_\_\_\_, 2020, the City Council approved a Conversion Certificate for the withdrawal and conversion described below and consistent with the City of Sacramento's ordinance, Relocation Benefits Pertaining to Residential Hotel Unit Conversion or Demolition, Municipal Code Chapter 18.20:

Capitol Park residential hotel - withdrawal of 46 of the 180 single room occupancy (SRO) units, and conversion of the remaining 134 SRO units to regulated permanent supportive housing studio units with kitchenettes and full bathrooms.

You may withdraw these units on \_\_\_\_\_, 2020. All current tenants have a right to occupancy until that date.

Sincerely,

La Shelle Dozier  
Executive Director

**REPLACEMENT HOUSING PLAN FOR  
SRO DWELLING UNITS**

**CAPITOL PARK HOTEL  
1117, 1121, 1125, 1127 and 1131 9th STREET, SACRAMENTO**

**Description of Property**

Capitol Park Hotel is located downtown at 1125 9th Street, including the commercial tenant addresses of 1117, 1121, 1127 and 1131 9<sup>th</sup> Street, in City Council District 4, on the east side of 9<sup>th</sup> Street between K and L Streets. Capitol Park Hotel is subject to the City of Sacramento's ordinance, Relocation Benefits Pertaining to Residential Hotel Unit Conversion or Demolition, City Code Chapter 18.20 (Ordinance).

This property consists of residential hotel single room occupancy (SRO) units located above ground floor retail space. The owner of the Capitol Park Hotel proposes to rehabilitate this historic 180-unit single room occupancy building into 134 affordable, permanent supportive and workforce housing units which are studios that include kitchenettes and full bathrooms. Amenities will include a 24/7 desk clerk, community room, and meeting areas for individual and group settings. Bicycle parking will be available onsite.

Based on an analysis of the replacement housing requirements as outlined in the Sacramento City Code 18.20.160, discussed more fully below, the Sacramento Housing and Redevelopment Agency (Agency) is required to replace SRO housing units subject to the Code.

**Project Status**

The Capitol Park Hotel (Project) has 180 units, 80 of which were occupied as of July 12, 2019, the date the ownership changed from RAH Partnership, L.P. (Seller) to 1121 9<sup>th</sup> Street LLC, an affiliate related to Mercy Housing California (Buyer and Owner). Prior to the change in ownership, the Seller, Buyer and Overland, Pacific and Cutler, LLC (OPC) relocation consultant held resident community meetings at the Project. The Buyer issued General Information Notices in June and July 2019 to the residents. From August through October 2019, on behalf of the Owner, OPC issued residents 90-day notices to vacate the Project. In September 2019, the Project began accepting the homeless population in the temporary shelter while occupants continued to reside at the Project. The Agency oversees the day-to-day operations of the temporary shelter and SRO residence. The John Stewart Company is managing the SRO residents. Volunteers of America is managing the temporary shelter. As of January 14, 2020, there were 34 units occupied by residents. The temporary shelter is scheduled to close for business in October 2020. The remaining units are vacant. The owner has requested a conversion certificate for the withdrawal

of 46 units which will allow the reconfiguration from 180 SRO rooms to the conversion of 134 affordable, permanent supportive and workforce housing units with a full kitchen and bathroom. The 134 units will remain subject to the Ordinance.

### **Replacement Housing Needs**

The Capitol Park Hotel is subject to Municipal Code 18.20 governing downtown residential hotels, which requires a replacement housing plan under section 18.20.160. According to the code, residential hotel SRO units may be replaced within seven years of the date of the approval of the conversion certificate by the construction of new housing, rehabilitation of non-regulated property, or acquisition or purchase of covenants of existing non-regulated housing. Replacement units must have rents not to exceed an average of forty percent (40%) of the Sacramento metropolitan area median income (AMI). Furthermore, the replacement units must be located in close proximity to transportation and services and have an affordability covenant of no less than 55 years.

There are 46 units at the Capitol Park Hotel that must be replaced within the required seven-year time period and must be restricted at or below 40% AMI on average.

### **Replacement Dwelling Units**

The Ordinance requires 712 SRO units. There are currently 762 units that are subject to the Ordinance and Regulated/Replacement SRO units, which provide 50 surplus/banked SRO units.

If the Capitol Park Hotel conversion is approved, there will be four remaining surplus/banked SRO units that can serve as replacement housing should other SRO properties subject to the Ordinance apply for Withdrawal.

The Agency anticipates increasing the surplus/banked SRO units after the tax credit and other financing has been secured by Mutual Housing for the new development, Lavender Courtyard Apartments, located on the southeast corner of 16<sup>th</sup> and F Streets in the historic Mansion Flats neighborhood of downtown Sacramento. There will be 48 one-bedroom units restricted at or below 40% AMI for 55-year regulatory period. This would increase the inventory to 52 surplus/banked SRO units.

### **Article XXXIV**

The City of Sacramento is currently in compliance with its requirements under the California Constitution, Article XXXIV. The project being used as replacement housing for the units located at 1117, 1121, 1125, 1127 and 1131 9th Street in Sacramento, California is within the current allocation and does not require a vote of the public.



# **RESOLUTION NO. 2020 -**

**Adopted by the Housing Authority of the City of Sacramento**

on date of

**CAPITOL PARK HOTEL: APPROVAL OF \$3,200,000 IN HOUSING AUTHORITY SUCCESSOR AGENCY FUNDS, EXECUTION OF PREDEVELOPMENT AND PERMANENT LOAN DOCUMENT, EXECUTION OF LOAN COMMITMENT AND RELATED DOCUMENTS WITH MERCY HOUSING CALIFORNIA, OR RELATED ENTITY; RELATED BUDGET AMENDMENT; AND ENVIRONMENTAL FINDINGS**

## **BACKGROUND**

- A. Mercy Housing California (Developer) applied to Sacramento Housing and Redevelopment Agency (Agency) for a \$9,100,000 loan, comprised of Community Development Block Grant, HOME Investment Partnerships Program Fund, Housing Opportunities for Persons with AIDS Funds, Mixed Income Housing Ordinance Funds (MIHO) and Housing Authority Successor Agency Funds, to assist in funding the predevelopment, construction and permanent financing of the Capitol Park Hotel development located downtown at 1125 9th Street, including the tenant addresses of 1117, 1121, 1127 and 1131 9th Street (Project). The Project includes 65 units for extremely low income and 69 units for very low income households and meets the Housing Trust Fund funding restrictions to fund housing for very low income households whose members are in the labor force.
- B. The \$5,900,000 loan comprised of Community Development Block Grant, HOME Investment Partnerships Program Fund, Housing Opportunities for Persons with AIDS Funds and Mixed Income Housing Ordinance Funds, is subject to approval by a separate resolution to be adopted by the City Council.
- C. The Project is consistent with: a) the Agency's previously approved Multifamily Lending and Mortgage Revenue Bond Policies, Affordable Housing Priority 2(i), Conversion of Non-Residential to Residential Use for Permanent Supportive Housing and Homeless Housing, and Priority 2(iii), Workforce Housing; b) the 2013-2021 Housing Element, Goals H-1.1.1 Sustainable housing practices; H-1.2.9, in part, Workforce Housing, especially in and around downtown; H-1.3.2 Economic integration of multifamily affordable housing projects; H-2.2.4, in part, Pursue and maximize the use of all appropriate state, federal, local and private funding for the development of housing affordable for extremely low-, very low-, and low-income households, while maintaining economic competitiveness in the region; H-3.1.1 Promote extremely low income housing; H-3.2.8 Provide funding and other resources for permanent supportive housing; H-3.2.9 Prioritization of Special Needs Housing, such as chronically homeless individuals or families for available local affordable housing financing as set forth in the City's Multifamily Lending and Mortgage Revenue Bond Policies. Projects that augment or safeguard the City's inventory of single room occupancy units will also have the same priority; and H-5.1 to 5.4, in part, Promote and create accessible residential

development (Resolution No. 2013-415); and c) the Sacramento Promise Zone Plans and Goals, Sustainably Built Community sub-goal to increase housing types and transit growth to promote livability and connectivity within the Promise Zone (Resolution No. 2015-263).

- D. In addition, the recommended actions for the development are located in a) the Downtown Housing Initiative and Initiation of the Downtown Specific Plan, to bring 10,000 places to live to Downtown Sacramento by 2025 (Resolution No. 2015-282); and b) the Opportunity Zone that provides a federal tax incentive for investors, who invest in real estate projects and operating businesses located in designated low-income communities through deferral and partial tax reductions of reinvested capital gains and forgiveness of tax on new capital gains (enacted into federal law through the Tax Cuts and Jobs Act of 2017).
- E. This project has been reviewed pursuant to the California Environmental Quality Act (CEQA) and has been found to be categorically exempt under CEQA pursuant to CEQA Guidelines §15301 and 15302.
- F. An Environmental Assessment (EA) was prepared for this project pursuant to the National Environmental Policy Act (NEPA), and it was found that with mitigation measures incorporated, the project will not result in a significant impact on the quality of the human environment.

**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 findings, including environmental findings regarding this action, as stated above, are found to be true and accurate and are hereby approved adopted.
- Section 2. The Executive Director is authorized to amend the Housing Authority budget and allocate up to \$3,200,000 (\$1,500,000 predevelopment and permanent loan, and \$1,700,000 construction and permanent loan commitment) in Housing Authority Successor Agency (HASA) Funds to Capitol Park Hotel.
- Section 3. The Predevelopment and Permanent Loan Agreement, attached as Exhibit A, for financing the Capitol Park Hotel with \$1,500,000 in HASA Funds (Loan Agreement) is approved, and the Executive Director is authorized to execute and transmit the Loan Agreement to Mercy Housing California, or related entity.
- Section 4. The Loan Commitment, attached as Exhibit B, for construction and permanent financing of the Capitol Park Hotel with \$1,700,000 in HASA Funds is approved, and Sacramento Housing and Redevelopment Agency (Agency) is delegated authority to execute and transmit the Loan Commitment to Mercy Housing California, or related entity.

Section 5. The Executive Director is authorized to enter into and execute other documents, as approved to form by Agency counsel, and perform other actions necessary to fulfill the intent of the Loan Agreement and Loan Commitment that accompany this resolution, in accordance with their terms, and to ensure proper repayment of the Agency and Housing Authority funds including without limitation, loan restructuring, subordination, and extensions consistent with Agency adopted policy and with this resolution.

**TABLE OF CONTENTS:**

Exhibit A – Capitol Park Hotel Predevelopment and Permanent Loan Agreement  
Exhibit B – Capitol Park Hotel Conditional Loan Commitment

**PREDEVELOPMENT AND PERMANENT LOAN AGREEMENT  
CAPITOL PARK HOTEL**

“EFFECTIVE DATE”	_____, 2020
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**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 City of Sacramento
Legal Status	A public body, corporate and politic
Principal Address	801 12 <sup>th</sup> Street, City of Sacramento, Sacramento County, California 95814
“BORROWER”	The borrower of the Loan funds whose name, legal status and address are:
Name	1121 9th Street LLC
Legal Status	a California Limited Liability 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: _____ Housing Authority Successor Agency Funds (HASAF)
“LOAN AMOUNT”	One Million Five Hundred Thousand Dollars and No Cents (\$1,500,000.00)
“INTEREST RATE”	Zero percent interest rate (0.00%).
“DISBURSEMENT TERMS”	Lender shall make the loan disbursement under this Loan Agreement when the following conditions precedent and the conditions precedent stated in Section 7 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 October 1, 2078 or the first day after the 684 <sup>th</sup> month following the close of a construction and permanent loan to Borrower for the Capital Park Hotel 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.
“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, fees and charges.

"BORROWER EQUITY"	Two Million One Hundred Twenty-One Thousand Five Hundred Dollars and No Cents (\$2,121,500.00).	Which is the minimum amount of cash or cash equivalent (excluding land equity or other non-cash investment in the Project) that Borrower is investing in the Project.
"SPECIAL TERMS"	1. The Loan shall be secured.	
	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. 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.	
"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.  The development will be a conversion of a historic 180-unit Single Room Occupancy (SRO) building into 134 Permanent Supportive Housing studio units with kitchenettes and full bathrooms. This conversion includes 14 units that meet Americans with Disabilities Act requirements. Amenities include a management office, 24/7 desk clerk, community room, and meeting areas for individual and group settings. Bicycle parking is also available on site.

**B. "COLLATERAL"** The Collateral securing repayment of the Loan, which Collateral consists of the following:

"Property"	Property means the following described real property, Borrower's interest in which is security for the Loan, together with all "Personalty", which means all of Borrower's interest in all accounts, contract rights, and general intangibles (specifically including any insurance proceeds and condemnation awards) arising out of the ownership, development, or operation of the Property, and all furniture, furnishings, equipment, machinery, construction materials and supplies, leasehold interests in personal property, together with all present and future replacements, substitutions, and additions, and the cash and noncash proceeds of the Property.	
Address	1117, 1121, 1125, 1127, 1129 and 1131 9 <sup>th</sup> Street, Sacramento, California 95814	
Assessor's Parcel Numbers	006-0102-016-0000, 006-0102-018-0000	
"Legal Description"	The Property is situated in the State of California, County of Sacramento, and is more particularly described in <b>Exhibit 1: Legal Description</b> 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"
<u>Exhibit 3: Trust Deed Form</u>	"Trust Deed"
<u>Exhibit 4: Joint Escrow Instructions Form</u>	"Escrow Instructions"
<u>Exhibit 5: Regulatory Agreement</u>	"Regulatory Agreement"

Exhibit 6: New Hire Form	"New Hire Form"
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**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.

**E. "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.

**F. "SPECIAL PROVISIONS"** The following special provisions shall be in addition to the provisions of this Loan Agreement  
 Annual Administrative Fee: Following the close of the Construction Loan, the Borrower agrees to pay a) an Annual Administrative Fee (Fee) to Lender equal to 12.5 basis points (0.125%) of the original loan amount and b) an annual Fee equal to \$100 for each HASAF assisted unit as compensation for monitoring compliance with regulatory restrictions and the administration of the Loan. Fee payments commence on the Construction Loan closing date for the prorated semiannual period from the Construction Loan closing date to and including the first six months after the Construction Loan closing date, and in equal semiannual installments in advance on each 1<sup>st</sup> of the semi-annual period of each year thereafter throughout the term of the HASAF Regulatory Agreement.

**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. "Close of Escrow" means the fulfillment of the Escrow terms and conclusion of the Escrow, including, without limitation, the execution of unexecuted documents, the recordation of documents specified for recording, the issuance of title insurance policies, the payment of fees and the delivery of funds and documents as directed in the escrow instructions for the Escrow. The Close of Escrow shall occur on the Closing Date.

1.3. "Closing Date" means the date Close of the Escrow is scheduled to occur, as it may be extended.

1.4. "Escrow" is the escrow with Title Company for the closing of the Loan.

1.5. "Escrow Instructions" means the Escrow Instructions for the Escrow signed by each of the parties to this Loan Agreement.

1.6. "Event of Default" is breach of or default in a party's obligations under this Loan Agreement, the Note, the Trust Deed, and any other instrument that is incorporated in this Loan Agreement or that otherwise secures the repayment of the Loan.

1.7. "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.

1.8. "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.

1.9. "Governmental Requirements" means any law, ordinance, order, rule, regulation, plan, ruling, determination or requirement of a Governmental Authority.

1.10. "Loan" is the loan from Lender to Borrower made pursuant to this Loan Agreement.

1.11. "Loan Agreement" means this Predevelopment and Permanent Loan Agreement, all Exhibits attached to this Loan Agreement (which are incorporated in this Loan Agreement by this reference) and the Loan Documents which are not otherwise included in this definition.

1.12. "Loan Documents" means the Note, this Loan Agreement, the Security Documents, the Regulatory Agreement and all other documents evidencing, securing, or relating to the Loan.

1.13. "Loan Maturity Date" means the date on which the entire unpaid balance of the Loan, including principal and interest, is due and payable.

1.14. "Loan Proceeds" means funds disbursed by Lender on account of the Loan and pursuant to this Loan Agreement.

1.15. "Note" means that certain promissory note evidencing the Loan and attached hereto as Exhibit 2.

1.16. "Person" means any natural person, corporation, firm, partnership, association, trust, government, governmental agency, or any other entity, whether acting in an individual, fiduciary, or other capacity.

1.17. "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.

1.18. "Project" means the Property as developed for the use stated in the "General Terms" table above, including, without limitation, all existing buildings, improvements, and appurtenances on the Property, all work of demolition and rehabilitation to be conducted on the Property, and all improvements, additions, and replacements constructed or placed at any time on the Property.

1.19. "Regulatory Agreement" means that certain Regulatory Agreement for Residential Rental Property and Declaration Of Restrictive Covenants Affecting Real Property between Borrower and Lender encumbering the Property and attached hereto as Exhibit 5.

1.20. "Security Documents" means the Trust Deed, together with all other documents entered into between Borrower and Lender or by Borrower in favor of, or for the benefit of, Lender that recite that they are to secure the Loan.

1.21. "Title Policy" means the title insurance policies to be issued in connection with this Loan, as further defined in the Escrow Instructions.

1.22. "Trust Deed" means that certain Deed of Trust and Assignment of Rents between Lender, as trustor, Borrower, as beneficiary, and trustee which secures the Note and is attached hereto as Exhibit 3.

**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 and repeated as of Close of Escrow, 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, the Trust Deed, and all of the other Loan Documents, to undertake and consummate the contemplated transactions, and to pay, perform, and observe all of the conditions, covenants, agreements, and obligations.

**2.3. BINDING OBLIGATION.** This Loan Agreement, the Note, the Trust Deed, and each of the other Loan Documents constitute a legal and binding obligation of, and are valid and enforceable against, each party other than Lender, in accordance with the terms of each.

**2.4. LITIGATION.** There are no actions, suits, or proceedings pending or, to the best knowledge of Borrower, threatened against or affecting Borrower, the Property, or any part of it, or involving the validity or enforceability of the priority of the lien or any of the other Loan Documents, at law or in equity, or before or by any Governmental Authority. Borrower is not in default with respect to any order, writ, injunction, decree, or demand of any court or other Governmental Authority.

**2.5. NO OTHER BREACH.** The consummation of the transactions covered by this Loan Agreement and the payment and performance of all of the obligations in the Loan Documents will not result in any breach of, or constitute a default under, any mortgage, deed of trust, lease, contract, loan or credit agreement, corporate charter, bylaws, partnership agreement, trust agreement, or other instrument to which the Borrower or any of its general partners is a party or by which it or they or the Property may be bound or affected.

**2.6. TITLE TO PROPERTY.** Borrower is the sole legal and beneficial owner of the Property, which is free of all claims, liens, and encumbrances other than those shown in the Title Policy.

**2.7. NO DEFAULT.** There is no Event of Default or Potential Default on the part of Borrower.

**2.8. NO UNAPPROVED LOANS.** Borrower has not received financing for the Project except as has been specifically disclosed to and approved by Lender in writing.

**2.9. TAXES PAID.** Borrower has filed all required Federal, State, County, and City tax returns and has paid all taxes due and owing. Borrower knows of no basis for additional assessments with respect to any taxes, other than the lien of taxes not yet due.

**2.10. 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 predevelopment of the Project and for other 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 this Loan Agreement.

**3.3. LOAN TERMS.** The Loan is made pursuant to the Loan Program and is subject to the laws, rules and regulations of the Loan Program. Lender agrees to disburse the Loan Proceeds in the manner and subject to the limitations stated in this Loan Agreement. Interest, at the Interest Rate, shall accrue on each disbursement of Loan Proceeds commencing on the date on which each such disbursement is made. Repayment of the loan shall be made, in payments of principal and interest, in lawful tender of the United States, in accordance with the Payment Schedule.

**3.4. NOTE AND SECURITY DOCUMENTS.** The Loan is to be evidenced by the Note executed by Borrower in favor of Lender and delivered to Lender upon Close of Escrow. Repayment of the Note is to be secured by the Trust Deed covering the Property and the Project. Borrower shall execute the Trust Deed in favor of the Title Company as Trustor in trust for the benefit of Lender and deliver it to Escrow for recordation. The Loan is also secured by the Additional Collateral, if any, as evidenced by the applicable Security Documents.

**3.5. REGULATORY AGREEMENT.** The Regulatory Agreement imposing covenants, conditions and restrictions running with the land is a material consideration for the making of the Loan. Borrower shall execute the Regulatory Agreement prior to Close of Escrow and deliver it to Escrow for recordation. Violation of the Regulatory Agreement is an Event of Default of this Loan.



3.6. **ESCROW.** The parties shall open the Escrow promptly after the Effective Date. Escrow shall close as provided in the Escrow Instructions on or before the Closing Date.

3.7. **COMMISSIONS.** Lender is not responsible, by this Loan Agreement or otherwise, to pay commissions in relation to this transaction.

4. **TITLE INSURANCE.** Borrower must procure and deliver to Lender an *[ALTA]* Lender's Policy of Title Insurance, together with such endorsements as Lender may require, including but not limited to CLTA endorsement nos. 100, 116, and 102.5/102.7 insuring Agency in an amount equal to the principal amount of the Loan, that Lender's Trust Deed constitutes a third lien or charge upon the Property and improvements subject only to such items as shall have been approved by Lender. There must be no exceptions permitted for mechanics liens. Title insurance for the Loan must be issued by a title insurer approved by Lender.

5. **PERFORMANCE CONDITIONS.** The following are conditions precedent to performance under this Loan Agreement:

5.1. **CONDITION OF TITLE.** Lender shall cause Escrow Agent to issue to Borrower (with a copy to Lender) the Preliminary Report, together with copies of all documents relating to title exceptions referred to in the Preliminary Report. At Close of Escrow, Lender's Trust Deed shall be a valid lien against the Property securing the Loan and subject to no exceptions to title (of record or off record) other than the exceptions listed in the "Conditions of Title" in the Escrow Instructions.

5.2. **CONDITIONS TO LENDER'S PERFORMANCE.** Lender's obligation to perform under this Loan Agreement is subject to all of the following conditions: (a) Borrower has performed all of its obligations then to be performed pursuant to this Loan Agreement; (b) the closing conditions as defined in the Escrow Instructions have been fulfilled as of Close of Escrow; (c) Borrower's representations and warranties in this Loan Agreement are true and correct as of the date of this Loan Agreement and as of Close of Escrow; and (d) no event has occurred that, with the giving of notice or the passage of time, will constitute a default by Borrower under the Loan Agreement; and (e) Lender has approved the Approval Documents.

5.3. **CONDITIONS TO BORROWER'S PERFORMANCE.** Borrower's obligation to perform under this Loan Agreement is subject to satisfaction of all of the following conditions: (a) the closing conditions as defined in the Escrow Instructions have been fulfilled as of Close of Escrow; (b) Borrower has met the Conditions to Close of Escrow; (c) Lender's representations and warranties in this Loan Agreement are true and correct as of the date of this Loan Agreement and as of the Close of Escrow; and (d) 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.

6. **RELOCATION.** Lender is required by law to provide relocation services and make relocation payments to eligible tenants displaced as a result of the Project. Borrower shall comply fully with all relocation laws that are the obligation of Lender or are otherwise applicable to the Project. Borrower's compliance with the relocation requirements as stated in this Section 6 or the relocation plan for this project, if any, is a material element of this Loan. Borrower's failure to comply with the relocation requirements as stated in this Section 6 or a relocation plan prepared for this Project, is an Event of Default, subject to Borrower's opportunity to cure in accordance with applicable law.

6.1. **RELOCATION COSTS.** Unless otherwise stated in this Agreement, any amounts paid by Lender for relocation costs and services shall be considered advances under the Loan.

6.2. **COOPERATION AND ACCESS.** Borrower shall cooperate fully with Lender in complying with such relocation laws, including without limitation, providing Lender access to all tenants of the Property, to all books and records related to the tenants of the Property and to all properties offered for temporary or permanent relocation. Prior to taking any action with respect to relocation of tenants, Borrower shall meet with Lender to establish reasonable protections for tenants and related reporting requirements for Borrower.

6.3. **BORROWER AS RELOCATION AGENT.** With the approval of Lender, Borrower may act as Lender's agent in accomplishing such relocation. Lender and Borrower by memorandum in writing shall establish their respective duties related to such relocation. If Lender and Borrower agree that Borrower will act as Lender's agent for purposes of this Loan, Borrower may enter into agreements for the provision of relocation services, or Borrower may perform such services directly. Borrower

shall, by provisions in its agreements or by direction to its staff, assure that the entity performing the relocation services: (a) shall comply with all applicable law; (b) shall fully inform Lender of all relocation activities; (c) shall make all requests for direction or clarification to Lender; and (d) shall respond to and follow the Lender's instruction and direction.

**7. CONDITIONS PRECEDENT TO LOAN DISBURSEMENT.** The obligation of Lender to make any disbursements of Loan Proceeds shall be subject to the following conditions precedent:

7.1. No Event of Default or Potential Default of Borrower has occurred and is continuing.

7.2. The representations and warranties in the Loan Documents are correct as of the date of the requested disbursement.

7.3. 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.

7.4. 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.

7.5. There is no legal action threatened or pending against Borrower or affecting the Property or any Additional Collateral.

7.6. 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. The loan commitment 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.

7.7. Borrower has provided proof of all insurance required by this Loan Agreement.

**8. MAKING DISBURSEMENT.** Lender shall make disbursement as provided in the Disbursement Terms.

**9. DEFAULTS.** At the option of Lender, each of the following events will constitute an Event of Default:

9.1. Failure to comply with the terms of the Loan Documents, including without limitation, the failure to make any payment under the Loan when due.

9.2. Borrower's failure to comply with any Governmental Requirements; provided, however that Borrower's right to challenge the Governmental Requirements is not abridged.

9.3. 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.

9.4. The attachment, levy, execution, or other judicial seizure of any portion of the Property or Project, or any substantial portion of the other assets of Borrower, that is not released, expunged, bonded, discharged, or dismissed within thirty (30) days after the attachment, levy, execution, or seizure.

9.5. Making of any unauthorized payment from Loan Proceeds or other funds of Lender.

**10. REMEDIES**

**10.1. 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:

10.1.1. Terminate its obligation to make disbursements.

10.1.2. Declare the Note and all other sums owing to Lender with respect to the other Loan Documents immediately due.

10.1.3. 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.

10.1.4. 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.

10.1.5. 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.

10.1.6. 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.

**11. RIGHTS CUMULATIVE, NO WAIVER.** All of Lender's rights and remedies provided in this Loan Agreement or in any of the other Loan Documents are cumulative and may be exercised by Lender at any time. Lender's exercise of any right or remedy will not constitute a cure of any Event of Default unless all sums then due to Lender under the Loan Documents are repaid and Borrower has cured all other Events of Default. No waiver will be implied from Lender's failure to take, or delay in taking, any action concerning any Event of Default or from any previous waiver of any similar or unrelated Event of Default. Any waiver under any of the Loan Documents must be in writing and will be limited to its specific terms.

**11.1. 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 Project; or the performance or nonperformance of any other obligation of Borrower.

**12. GRANT OF POWER.** Subject to the prior rights of lenders whose loans are secured by the Property and senior to the rights of Lender, Borrower irrevocably appoints Lender as its attorney-in-fact, with full power and authority, including the power of substitution, exercisable on the occurrence of an Event of Default, to act for Borrower in its name, place, and stead as provided in this Loan Agreement, to take possession of the Property and Project, remove all employees, contractors, and agents of Borrower, and to market, sell, or lease the Property and Project; to make any additions, changes, and corrections in the Plans as may be necessary or desirable, in Lender's sole discretion, or as it deems proper to complete the Project; to employ any contractors, subcontractors, suppliers, architects, inspectors, consultants, property managers, and other agents that Lender, in its sole discretion, deems proper for the completion of the Project, for the protection or clearance of title to the Property, or for the protection of Lender's interests, to employ security guards to protect the Property and Project from injury or damage; to pay, settle, or compromise all bills and claims then existing or later arising against Borrower that Lender, in its sole discretion, deems proper for the completion of the Project, for the protection or clearance of title to the Property, or for the protection of Lender's interests; to prosecute and defend all actions and proceedings in connection with the Property or Project; and to execute, acknowledge, and deliver all other instruments and documents in the name of Borrower that are necessary or desirable, to exercise Borrower's rights under all contracts concerning the Property or Project, and to do all other acts with respect to the Property or Project that Borrower might do on its own behalf, in each case as Lender in its reasonable discretion deems proper.

**13. LIABILITY INSURANCE.** With regard to this Loan Agreement, the Borrower shall obtain and maintain for the term of the Regulatory Agreement, 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.

**13.1. LIABILITY INSURANCE POLICY LIMITS.** Borrower shall obtain and maintain all insurance required by this Section 13 written with a deductible of not more than \$10,000, and for limits of liability which shall not be less than the following:

**13.2. WORKER'S COMPENSATION.** Worker's compensation coverage shall be written for the statutory limits as required by the California Labor Code (commencing with Section 3700, as it may, from time to time, be amended) and having an employer's liability of not less than \$1,000,000;

**13.3. COMMERCIAL 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 approved by Lender's 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.

**13.4. COMPREHENSIVE AUTOMOBILE LIABILITY.** Comprehensive automobile liability coverage for any vehicle used for, or in connection with, the Project (owned, nonowned, hired, leased) having a combined singled limit of not less than \$1,000,000.

**13.5. FIRE, HAZARD AND EXTENDED COVERAGE INSURANCE.** 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 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.

**13.6. INSURANCE PROVISIONS.** Each policy of insurance required under this Loan Agreement shall be obtained from a provider licensed to do business in California and having a current Best's Insurance Guide rating of A VII or better, which rating has been substantially the same or increasing for the last five (5) years, or such other equivalent rating, as may reasonably be approved by Lender's counsel. Each policy shall contain the following provisions as applicable, unless otherwise approved by Lender's legal counsel in writing in advance:

**13.6.1. ADDITIONAL INSURED.** Borrower shall obtain a policy in ISO form CG 20 33, or equivalent, naming Lender as additional insured under the Commercial General Liability Policy at the same limits as required in section 13.3, above.

**13.6.2. CERTIFIED POLICY COPY.** Borrower shall provide Lender with a certified copy of each required policy of insurance, upon request by Lender. Borrower shall provide Lender with a Certificate of Insurance for each policy on the applicable ACORD form. And, specific sections of the policy may be requested by Lender for review. The ACORD form shall not substitute for the policy, if the policy is requested. The most current ACORD 25-S "Certificate of Liability Insurance shall be used for liability insurance.

**13.7. CANCELLATION.** Borrower will provide the Lender with the cancellation clause and/or any amendatory endorsements that modify or change the policy cancellation clause of the insurance policies in force. It is Borrower's responsibility to notify Lender of any notice of cancellation, non-renewal or non-payment of premium in accordance with your policy provisions. In the event insurance is cancelled or not renewed, Borrower shall notify Lender within forty-eight (48) hours of such cancellation or non-renewal.

\_\_\_\_\_ **Borrower's Initials**

**13.8. FAILURE TO MAINTAIN.** If Borrower fails to obtain or maintain, or cause to be obtained and maintained, any insurance required by this Loan Agreement, 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 Lender. If Borrower fails to reimburse the Lender for insurance, the amount of unpaid reimbursement shall bear interest, at the maximum rate permissible under the law, until paid.

#### **14. MISCELLANEOUS**

**14.1. 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.

**14.2. CURE BY PARTY OTHER THAN BORROWER.** Any lender whose loan is secured by the property and any principal of Borrower may cure a default of the Loan, provided that such cure rights shall be the same as Borrower's cure rights. Such other curing party must cure by the date on which Borrower was obligated to cure, except if Lender is obligated by this Loan Agreement to give separate notice to such other curing party, in which instance, the cure period shall begin when Lender makes such notice to such other curing party.

**14.3. SUBORDINATION.** Lender may subordinate this Loan to a senior loan, provided that any senior loan for the Project indicated in the budget meets all requirements of this Loan Agreement, and that such senior loan does not require modification of this Loan Agreement.

**14.4. 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 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.

**14.5. NATURE OF REPRESENTATIONS AND WARRANTIES.** Borrower certifies to Lender that all representations and warranties made in this Loan Agreement and all other Loan Documents are true and correct in all material respects and do not contain any untrue statement of a material fact or omit any material fact necessary to make the representations and warranties not misleading. All representations and warranties will remain true and correct in all material respects and will survive so long as any of Borrower's obligations have not been satisfied or the Loan or any part of it remains outstanding, and for any applicable statute of limitations period. Each request by Borrower for a disbursement will constitute an affirmation that all representations and warranties remain true and correct as of the date of that request. Each representation and warranty made in this Loan Agreement, in any other Loan Documents, and in any other document delivered to Lender by Borrower, will be deemed to have been relied on by Lender, regardless of any investigation, inspection, or inquiry made by Lender or any related disbursement made by Lender. The representations and warranties that are made to the best knowledge of Borrower have been made after diligent inquiry calculated to ascertain the truth and accuracy of the subject matter of each representation and warranty.

**14.6. FINANCIAL STATEMENTS.** Borrower shall provide Financial Statements when requested by Lender, but in any event not more often than annually. Borrower shall assure that Financial Statements are prepared in accordance with generally accepted accounting principles. If requested by Lender as reasonably necessary to assure the security of its Loan, Borrower shall provide Financial Statements prepared or reviewed by a licensed Certified Public Accountant or Public Accountant and fully reflecting the assets and liabilities of the party concerning whom they were prepared.

**14.7. NO WAIVER.** No failure or delay on the part of Lender in exercising any right or remedy under the Loan Documents will operate as a waiver nor will Lender be estopped to exercise any right or remedy at any future time because of any such failure or delay. No express waiver will affect any matter other than the matter expressly waived and that waiver will be operative only for the time and to the extent stated. Waivers of any covenant, term, or condition in this Loan Agreement will not be construed to waive any subsequent breach of the same covenant, term, or condition.

**14.8. NO THIRD PARTIES BENEFITED.** This Loan Agreement is made and entered into for the sole protection and benefit of the parties and their permitted successors and assigns, and no other Person will have any right of action or any rights to funds of the Lender or held by the Lender on account of this Loan.

**14.9. NO JOINT VENTURE, PARTNERSHIP, OR OTHER RELATIONSHIP.** Nothing contained in this Loan Agreement or in any other document executed in connection with this Loan Agreement shall be construed as creating a joint venture or partnership between Lender and Borrower. Each Party is acting as an independent entity and not as an agent of the other in any respect. No relationship exists as between Lender and Borrower other than that of a lender and a borrower.

**14.10. 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.

**14.11. ACTIONS.** Lender will have the right to commence, appear in, or defend any action or proceeding purporting to affect the rights, duties, or liabilities of the parties, or the disbursement of any funds under this Loan Agreement. In connection with that, Lender may incur and pay costs and expenses, including, without limitation, reasonable attorneys' fees. Borrower agrees to pay to Lender on demand all these expenses, and Lender is authorized to disburse funds from the Loan for that purpose. This Section does not apply to actions or proceedings between the parties.

**14.12. ASSIGNMENT.** The terms of this Loan Agreement will be binding on and inure to the benefit of successors and assigns of the parties. However, Borrower shall not assign this Loan Agreement or any interest it may have in the monies due or, except as otherwise provided, convey or encumber the Property, without the prior written consent of Lender, 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 and will be secured by the Trust Deed. Lender may at any time assign the Loan Documents 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. In addition, Lender may at any time assign a participation in the Loan to any other party, provided that Lender continues to be primarily obligated under this Loan Agreement.

**14.13. ACCELERATION ON TRANSFER OR REFINANCING OF THE PROPERTY; ASSUMPTION.** Except as otherwise provided in the Loan Agreement, if all or any part of the Property or an interest in the Property is sold, transferred or conveyed to any person, or refinanced by Borrower such that additional debt is added to the Property or the cash flows change without Lender's prior written consent, Lender may, at Lender's option, declare all the sums secured by this Trust Deed to be immediately due and payable. Lender shall have waived such option to accelerate if, prior to the refinancing, sale or transfer, Lender and the Person to whom the Property is to be sold or transferred reach agreement in writing that the loan may be assumed. If Lender has waived the option to accelerate provided in this Section and if Borrower's successor in interest has executed a written assumption agreement accepted in writing by Lender, Lender shall release Borrower from all obligations under this Deed of Trust and the Note.

**14.14. 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.

**14.15. NONLIABILITY FOR NEGLIGENCE, LOSS, OR DAMAGE.** Borrower acknowledges, understands, and agrees as follows:

14.15.1. 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.

14.15.2. 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.

14.16. **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.

14.17. **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.

14.18. **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.

14.19. **RECORDING AND FILING.** Borrower, at its expense, will cause the Security Documents and all supplements to be recorded and filed and re-recorded and re-filed in any manner and in any places as Lender will reasonably request, and will pay all recording, filing, re-recording, and re-filing taxes, fees, and other charges.

14.20. **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, all amendments to the Loan Documents requested by any party to the Loan Documents, and all title insurance policies and endorsements required by Lender, and (ii) the enforcement of any rights or remedies under the Loan Documents, whether any action or proceeding is commenced, or the protection of the security, or interests of Lender under the Loan Documents. All costs and expenses, together with interest at Interest Rate, will form a part of the indebtedness and will be secured by the Security Documents.

14.21. **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.

14.22. **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.

14.23. **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.

14.24. **COUNTERPARTS.** The Loan Documents may be executed in any number of counterparts and by different parties in separate counterparts, each of which when executed and delivered will be deemed an original and all of which counterparts taken together will constitute one and the same instrument.

14.25. **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.

14.26. **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.

14.27. **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 maximum rate permitted by law from the date Lender makes a payment or incurs a loss. Borrower's duty to indemnify Lender will survive the release and cancellation of the Note and the reconveyance or partial reconveyance of the Trust Deed.

14.28. **FURTHER ASSURANCES.** At Lender's request and at Borrower's expense, Borrower will execute, acknowledge, and deliver all other instruments and perform all other acts necessary, desirable, or proper to carry out the purposes of the Loan Documents or to perfect and preserve any liens created by the Loan Documents.

14.29. **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.

14.30. **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.

14.31. **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.

14.32. **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 : 1121 9TH STREET LLC**, a California  
Limited Liability Corporation

By: \_\_\_\_\_  
Stephan Daues, Vice- President  
Real Estate Development

Approved as to form:

\_\_\_\_\_  
Borrower Counsel

**LENDER: THE HOUSING AUTHORITY OF THE  
COUNTY OF SACRAMENTO**, a public body corporate  
and politic

By: \_\_\_\_\_  
LaShelle Dozier, Executive Director

Approved as to form:

\_\_\_\_\_  
Lender Counsel

## **Exhibit 1: Legal Description**

**For APN/Parcel ID(s): 006-0102-016 and 06-0102-018**

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF SACRAMENTO, COUNTY OF SACRAMENTO, STATE OF CALIFORNIA AND IS DESCRIBED AS FOLLOWS:

### **PARCEL ONE**

All that portion of Lots 7 and 8, in the Block Bounded by 9th and 10th, "K" and "L" Streets, of the City of Sacramento, according to the official Plat thereof, described as follows:

Beginning at a point marking the Northwest corner of said Lot 8; thence from said point of beginning South 71°11'56" East 80.37 feet to the Northeast corner of said Lot 8; thence South 71°11'56" East 5.00 feet; thence South 18°48'25" West 100.00 feet; thence North 71°11'56" West 5.00 feet to a point on the Easterly Line of said Lot 8; thence North 72°02'56" West 35.00 feet; thence South 18°48'25" West 60.00 feet to a point on the Southerly line of said Lot 8; thence North 71°12'09" West 45.47 feet to the Southwest corner of said Lot 8; thence Northeasterly along the Westerly line of said Lot 8 to the point of beginning.

### **PARCEL TWO**

An easement for light, air and building separation and access for maintenance and repair over, across, and upon the following described portion of Lots 7 and 8 in the Block Bounded by 9th and 10th, "K" and "L" Streets of the City of Sacramento, according to the official plat thereof.

Beginning at a point on the South line of said Lot 8 located South 71°12'09" East 45.47 feet from the Southwest corner of said Lot 8; thence from said point of beginning North 18°48'25" East 60.00 feet; thence South 72°02'56" East 40.00 feet; thence North 18°48'25" East 100.00 feet to a point on the North line of said Lot 7 located South 71°11'56" East 85.37 feet from the Northwest corner of said Lot 8; thence along the North line of said Lot 7 South 71°11'56" East 5.00 feet; thence South 18°48'25" West 105.00 feet; thence North 72°02'56" West 40.00 feet; thence South 18°48'25" West 55.00 feet on the South line of said Lot 8; thence along said South line North 71°12'09" West 5.00 feet to the point of beginning.

**APN: 006-0102-016-0000, 006-0102-018-0000**

**Exhibit 2: Note Form**

**PROMISSORY NOTE  
FOR CAPITOL PARK HOTEL  
PREDEVELOPMENT AND PERMANENT LOAN AGREEMENT**

**BORROWER HAS MADE THIS PROMISSORY NOTE (“NOTE”) AS OF THE EFFECTIVE DATE.** The Lender is making the Loan pursuant to the terms and conditions of the Loan Agreement and this Note. This Note includes all attachments and Exhibits listed below, which are attached to and incorporated in this Note by this reference. The capitalized terms in this Note shall have the meanings assigned in the following table of definitions and as defined in the body of the Note. (Terms being defined are indicated by quotation marks. If an item in the table is marked “None, Not Applicable, N/A or equivalent or is left blank, that defined term is not applicable to this Note or the referenced item is not required or is not included in this Note as the context may indicate.) The Lender is making the Loan to Borrower in consideration of Borrower making this Note and delivering it to Lender.

For purposes of this Note, the following terms shall have the following meanings:

DEFINED TERM:	DEFINITION:
“Effective Date”	***Effective Date***
“Lender”	Housing Authority of the City of Sacramento, a public body, corporate and politic
“Borrower”	1121 9th Street LLC
“Borrower Legal Status”	a California limited liability company
“Loan Agreement”	The Predevelopment and Permanent Loan Agreement between the Borrower and Lender as of the Effective Date for making of the loan (“Loan”) evidenced by this Note.
“Principal Amount”	One Million Five Hundred Thousand Dollars and No Cents (\$1,500,000.00)
“Interest Rate”	The interest rate is 0% per year.
“Special Terms”	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.
<b>PAYMENT SCHEDULE. Repayment of this Note shall be made as follows:</b>	
“Maturity Date”	The maturity date shall be October 1, 2078 or the first day after the 684th month following the close of a construction and permanent loan to Borrower for the Capital Park Hotel 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.
“Payment Amount(s)”	The unpaid balance of the Loan, including without limitation principal and interest, shall be all due and payable on the Maturity Date, including without limitation all unpaid principal, interest, fees and charges.

**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.

1. This Note evidences the obligation of Borrower to Lender for repayment of funds loaned to Borrower under a loan agreement between Borrower and Lender dated as of the Loan Date (“Loan Agreement”). The terms and covenants of the Loan Agreement

are incorporated in this Note by reference. The Loan Agreement provides for and incorporates the Regulatory Agreement ("Regulatory Agreement"), the making of which is further consideration for this Note.

2. All payments on this Note shall be applied first to fees and charges due under the Loan Agreement, if any, then interest and then to the principal due on this Note. Borrower shall make the payments to the Lender at 801 12<sup>th</sup> Street, Sacramento, CA 95814, or to such other person or organization as may be designated by Lender to Borrower and noticed as provided in the Loan Agreement.

3. This Note is secured by a Deed of Trust and Assignment of Rents against the real property described in the Loan Agreement ("Property"), recorded in the office of the County Recorder of Sacramento County ("Trust Deed"). The Trust Deed securing this Note provides that Lender may at its option, declare all funds secured by the Trust Deed immediately due and payable, if any interest in the real property is sold, transferred or conveyed to any person, whether voluntarily or involuntarily. The Trust Deed further provides that if Borrower does not comply with the requirements of the Regulatory Agreement and fails to come into compliance with the Regulatory Agreement within thirty (30) days after Lender's written notice to Borrower of such failure, Lender may at its option, declare all funds secured by the Trust Deed immediately due and payable.

4. Lender and Borrower shall comply with and fulfill the Special Terms.

5. Upon occurrence of any one or more of the following, Lender may, at its sole discretion, declare all unpaid principal immediately due and payable, together with all unpaid interest at the stated rate from the date of the advancement of the Loan's proceeds, subject to applicable cure periods, if any:

a. Borrower defaults in the payment of any principal or interest when due.

b. Lender discovers that Borrower, in any application to Lender in connection with the Loan, had failed to disclose or misrepresented any fact that would have prevented Borrower from being eligible for the Loan.

c. Lender discovers that Borrower has made any misrepresentations or has intentionally withheld any fact in the making of this Loan, the knowledge of which could have affected the decision of Lender to make the Loan.

d. Borrower defaults or breaches any of the terms of Loan Agreement, the Trust Deed, the Regulatory Agreement or this Note.

e. Borrower fails to perform any covenant, term or condition in any instrument creating a lien upon the Property which is the security under the Trust Deed, or any part thereof, which lien shall have priority over the lien of the Trust Deed securing this Note.

f. The sale, transfer of title, conveyance or further encumbrance of the Property, whether by sale, exchange, gift, inheritance or other means, without prior written consent of Lender.

g. The occurrence of any of the following:

1) Borrower becoming insolvent or bankrupt or being unable or admitting, in writing, Borrower's inability to pay debts as they mature or making a general assignment of or entering into any restructure payment arrangement with creditors.

2) Proceedings for the appointment of a receiver, trustee or liquidator of the assets of Borrower or a substantial part of such assets, being authorized or instituted by or against the Borrower.

3) Proceedings under any bankruptcy, reorganization, readjustment of debt, insolvency, dissolution, liquidation or other similar law of any jurisdiction being authorized or instituted against Borrower.

6. No waiver of any default or breach by Borrower under this Note shall be implied from any omission by Lender to take action on account of such default, and no express waiver shall affect any default, other than the default specified in the waiver. Such waiver shall be in writing and shall be operative only for the time and to the extent therein stated.

7. Borrower may prepay this Note in full or in part at any time, without any prepayment penalty being charged by Lender.

8. During the existence of default or delinquency under the terms of this Note or the Trust Deed, the Lender is expressly authorized to apply all payments made on this Note to the payment of all or part of the delinquency, as it may elect.

9. 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.

10. Borrower shall pay to Lender all costs of enforcement of all or any portion of this Note and the Trust Deed, including attorney's fees, witness fees, investigator fees and court costs, incurred by Lender, whether or not litigation is commenced.

**IN WITNESS WHEREOF**, Borrower has executed this Note as of the Effective Date.

**Borrower:**

1121 9th Street LLC

By:

\_\_\_\_\_  
Stephan Daves, Vice President  
Real Estate Development

**Exhibit 3: Trust Deed Form**

**NO FEE DOCUMENT:**

Entitled to free recording

per Government Code §§6103 and 27383.

When recorded, return to:

SACRAMENTO HOUSING AND

REDEVELOPMENT AGENCY

801 12<sup>th</sup> Street

Sacramento, CA 95814

Attention: Portfolio Management

**DEED OF TRUST AND ASSIGNMENT OF RENTS**

Capitol Park Hotel

For purposes of this Deed of Trust the following capitalized terms shall have the meanings ascribed in the space adjacent to them:

TERM	DEFINITION	
“Effective Date”		
“Trustor” and “Borrower”	1121 9th Street LLC, a California limited liability company	
“Borrower Address”	3120 Freeboard Drive, Suite 202, West Sacramento, CA 95691	
“Trustee”	***Title Company Name***	
“Beneficiary” and “Lender”	Housing Authority of the City of Sacramento, a public body, corporate and politic	
“Lender Address”	801 12th Street, Sacramento, California 95814	
“Property”	Which is real property located in the County of Sacramento and the State of California as more particularly described in the Legal Description.	
	Address	1117, 1121, 1125, 1127, 1129 and 1131 9th Street, Sacramento, California 95814
	Assessor’s Parcel Number	006-0102-016-0000, 006-0102-018-0000
“Legal Description”	The Legal Description of the Property which is more particularly described in the attached <b><u>Attachment 1 Legal Description</u></b> , which is incorporated in and an integral part of this Deed of Trust	
“Loan”	Which is Lender’s loan to Borrower evidenced by the Note and which is secured by this Deed of Trust.	
“Loan Agreement”	Which is the agreement between Lender and Borrower stating the term and conditions of the Loan.	
	Which is dated:	
“Additional Notices”	Lender shall give copies of notices required to be delivered to Borrower to the following parties at the following addresses; provided, however that Borrower acknowledges that such notice is an accommodation and the failure of the Lender to properly deliver any such notice shall not give rise to any claims or defenses of Borrower or any third party:	
	***Additional Notices***	
“Note”	Which is Borrower’s note made in accordance with the Loan Agreement securing the following principal sum or such lesser amount as shall equal the aggregate amount disbursed to Borrower by Lender, with interest.	

	Which has a principal sum of	One Million Five Hundred Thousand Dollars and No Cents (\$1,500,000.00)
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THIS DEED OF TRUST is made as of the Effective Date between the Trustor also referenced as the Borrower, the Trustee, and the Beneficiary also referenced as Lender.

Borrower, in consideration of the indebtedness described below and the trust created by this Deed of Trust, irrevocably grants and conveys the Property to Trustee, in trust with power of sale.

Together with all the improvements now or subsequently erected on the property, and all easements, rights, appurtenances, rents (subject, however, to the rights and authorities given to Lender to collect and apply such rents), royalties, mineral, oil and gas rights and profits, water, water rights, and water stock, and all fixtures, including but not limited to all gas and electric fixtures, engines and machinery, radiators, heaters, furnaces, heating equipment, steam and hot water boilers, stoves, ranges, elevators and motors, bathtubs, sinks, water closets, basins, pipes, faucets and other plumbing and heating equipment, cabinets, mantels, refrigerating plant and refrigerators, whether mechanical or otherwise, cooking apparatus and appurtenances, furniture, shades, awnings, screens, venetian blinds and other furnishings, now or hereafter attached to the property, all of which, including replacements and additions thereto, shall be deemed to be and remain a part of the property covered by this Deed of Trust; and all of the foregoing, together with said property (or the leasehold estate if this Deed of Trust is on a leasehold) are referred to as the "Property";

To secure to Lender: (a) the repayment of the Loan; and (b) the performance of the covenants and agreements of Borrower contained in this Deed of Trust, the Note, or the Loan Agreement.

Borrower covenants that Borrower is lawfully seised of the estate conveyed by this Deed of Trust and has the right to grant and convey the Property, and that Borrower will warrant and defend generally the title of the Property against all claims and demands, subject to any declarations, easements or restrictions listed in a schedule of exceptions to coverage in any title insurance policy insuring Lender's interest in the Property.

Borrower and Lender covenant and agree as follows:

1. Payment of Principal and Interest. Borrower shall promptly pay when due the principal and interest, if any, on the indebtedness evidenced by the Note. All payments received by Lender under the Note shall be applied by Lender first to interest payable on the Note and thereafter to the unpaid principal of the Note.
2. Charges; Liens. Borrower shall pay all taxes, assessments and other charges, fines and impositions attributable to the Property and leasehold payments or ground rents, if any by Borrower making payment, when due, directly to the appropriate payee. Borrower shall promptly furnish to Lender all notices of amounts due under this paragraph, and in the event that Borrower makes payment directly, Borrower shall promptly furnish to Lender receipts evidencing such payments. Borrower shall pay when due any encumbrance, charge and lien, with interest in accordance with its terms, on the Property or any portion which is inferior or superior to this Deed of Trust.
3. Hazard Insurance. Borrower shall keep the improvements now existing or later erected on the Property insured against loss of fire or hazards under a policy approved by Lender consistent with the insurance requirements of the Loan Agreement. In addition, Borrower shall insure against loss of all furniture, equipment and other personal property owned by Borrower related to Borrower's operation of the Property. Lender shall have the right to hold the policies and policy renewals, and Borrower shall promptly furnish to Lender all renewal notices and all receipts of paid premiums. In the event of loss, Borrower shall give prompt notice to the insurance carrier and Lender. Lender may make proof of loss if not made promptly by Borrower.

Unless Lender and Borrower otherwise agree in writing, insurance proceeds shall be applied to restoration or repair of the Property damaged, as and to the extent provided in the Loan Agreement.

Unless Lender and Borrower otherwise agree in writing, any such application of insurance proceeds to principal shall not extend or postpone the due date of any Loan payment or change the amount of such payment. If the Property is acquired by Lender pursuant to this Deed of Trust, all right, title and interest of Borrower in and to any insurance policies and proceeds of such policies resulting from damage to the Property prior to the sale of acquisition shall pass to Lender to the extent of the sums secured by this Deed of Trust immediately prior to such sale or acquisition.

4. Liability Insurance. In addition to the casualty insurance required under the Loan Agreement during the course of construction, Borrower shall keep comprehensive general liability insurance for the Property in a form and coverage consistent with the provisions of the Loan Agreement and reasonably approved by Lender.

5. Preservation and Maintenance of Property. Borrower shall keep the Property in good repair and shall not commit waste or permit impairment, demolition, or deterioration of the Property.

6. Protection of Lender's Security. Borrower shall appear and defend any action or proceeding purporting to affect the security under this Deed of Trust or the rights of the Lender. If Borrower fails to perform the covenants and agreements contained in this Deed of Trust, or if any action or proceeding is commenced which materially affects Lender's interest in the Property, including, but not limited to, foreclosure, involuntary sale, eminent domain, insolvency, code enforcement, or arrangements or proceedings involving a bankrupt or decedant, then Lender may, upon notice to Borrower, make such appearances, disburse such sums and take such actions as are necessary to protect Lender's interest, including, but not limited to, disbursement of judgments, costs or reasonable attorney's fees and entry upon the Property to make repairs.

Any amounts disbursed by Lender pursuant to this Section 6, with interest, shall become additional indebtedness of Borrower secured by this Deed of Trust. Unless Borrower and Lender agree to other terms of payment, such amounts shall be payable upon notice from Lender to Borrower requesting payment, and shall bear interest from the date of disbursement at the highest rate permissible under applicable law. In any event, this Section shall be construed as a right and an option of Lender and shall not be construed to require Lender to incur any expense or take any action.

7. Inspection. Lender, by its designated representative, may make reasonable entries upon and inspections of the Property, provided that Lender shall give Borrower and any occupant of the Property reasonable prior notice of any such inspection.

8. Condemnation. The proceeds of any award or claim for damages, direct or consequential, in connection with any condemnation or other taking of all or any part of the Property, or for conveyance in lieu of condemnation, shall be applied as provided in the Loan Agreement.

If the Property is abandoned by Borrower, or if, after notice by Lender to Borrower that the condemnor offers to make an award or settle a claim for damages, Borrower fails to respond to Lender within 30 days after the date such notice is mailed, Lender is authorized to collect and apply the proceeds, at Lender's option, either to restoration or repair of the Property or to the sums secured by this Deed of Trust.

Unless Lender and Borrower otherwise agree in writing, any such application of proceeds to principal shall not extend or postpone the due date of any payment or change the amount of such payment.

9. Borrower Not Released. Extension of the time for payment of the sums secured by this Deed of Trust granted by Lender to Borrower or any successor in interest of Borrower shall not operate to release, in any manner, the liability of the original Borrower and Borrower's successors in interest. Lender shall not be required to commence proceedings against such successor or refuse to extend time payment by reason of any demand made by the original Borrower or Borrower's successors in interest.

10. Forbearance by Lender Not a Waiver. Any forbearance by Lender in exercising any right or remedy under this Deed of Trust, or otherwise afforded by applicable law, shall not be a waiver or preclude the exercise of any such right or remedy. The procurement of insurance or the payment of taxes or other liens or charges by Lender shall not be a waiver of Lender's right to accelerate the maturity of the indebtedness secured by this Deed of Trust.

11. Remedies Cumulative. All remedies provided in this Deed of Trust are distinct and cumulative to any other right or remedy under this Deed of Trust, the Note, the Loan Agreement or afforded by law or equity, and may be exercised concurrently, independently or successively.

12. Successors and Assigns Bound; Joint and Several Liability Captions. The covenants and agreements contained in this Deed of Trust shall bind, and the rights under this Deed of Trust shall inure to, the respective successors and assigns of Lender and Borrower, subject to the provisions of Section 15. All covenants and agreements of Borrower shall be joint and several. The captions and headings of the paragraphs of this Deed of Trust are for convenience only and are not to be used to interpret or to define its provisions.



13. Notice. Except for any notice required under applicable law to be given in another manner, any notice to be given under this Deed of Trust shall be given as provided for in the Loan Agreement. Any notice provided for in this Deed of Trust shall be deemed to have been given to Borrower or Lender when given in the manner designated.

14. Governing Law; Severability. This Deed of Trust shall be governed by the law of the State of California. If any term or provision of this Deed of Trust shall, to any extent, be held invalid or unenforceable, the remainder of this Deed of Trust shall remain in full force and effect and the invalid or unenforceable provision shall be valid and enforceable as to any other person or circumstance.

15. Acceleration on Transfer or Refinancing of the Property; Assumption. Except as otherwise provided in the Loan Agreement, if all or any part of the Property or an interest in the Property is sold or transferred or refinanced by Borrower without Lender's prior written consent, Lender may, at Lender's option, declare all the sums secured by this Deed of Trust to be immediately due and payable. Lender shall have waived such option to accelerate if, prior to the refinancing, sale or transfer, Lender and the person to whom the Property is to be sold or transferred reach agreement in writing that the loan may be assumed. If Lender has waived the option to accelerate provided in this Section and if Borrower's successor in interest has executed a written assumption agreement accepted in writing by Lender, Lender shall release Borrower from all obligations under this Deed of Trust and the Note.

If Lender exercises such option to accelerate, Lender shall mail Borrower notice of acceleration. Such notice shall provide a period of not less than 30 days from the date the notice is mailed within which Borrower, or any of its principals or anyone with a substantial legal interest in Borrower, may pay the sums declared due. If Borrower fails to pay such sums prior to the expiration of such period, Lender may, without further notice or demand on Borrower, invoke any remedies permitted by this Deed of Trust.

16. Acceleration on Breach; Remedies. Except as provided in Section 15, upon Borrower's breach of any covenant or agreement of Borrower in this Deed of Trust, the Note, (including the covenants to pay when due any sums secured by this Deed of Trust and restricting transfer of the Property) the Regulatory Agreement, or Loan Agreement, Lender shall mail notice to Borrower specifying: (1) the breach; (2) the action required to cure such breach; (3) a date, no less than 30 days from the date the notice is mailed to Borrower, by which breach must be cured; and (4) that failure to cure such breach on or before the date specified in the notice may result in acceleration of the sums secured by this Deed of Trust and sale of the Property. If the breach is not cured on or before the date specified in the notice, Lender at Lender's option may declare all of the sums secured by this Deed of Trust to be immediately due and payable without further demand and may invoke the power of sale and any other remedies permitted by applicable law. Lender shall be entitled to collect from the Borrower, or sale proceeds, if any, all reasonable costs and expenses incurred in pursuing the remedies provided in this Section, including, but not limited to reasonable attorney's fees.

If Lender invokes the power of sale, Lender shall execute or cause Trustee to execute a written notice of the occurrence of an event of default and of Lender's election to cause the Property to be sold and shall cause such notice to be recorded in each county in which any portion of the Property is located. Lender or Trustee shall mail copies of such notice in the manner prescribed by applicable law to Borrower and to the other persons prescribed by applicable law. Trustee shall give public notice of sale to the persons and in the manner prescribed by applicable law. After the lapse of such time as may be required by applicable law, Trustee, without demand on Borrower, shall sell the Property at public auction to the highest bidder at the time and place and under the terms designated in the notice of sale, in one or more parcels and in such order as Trustee may determine. Trustee may postpone sale of all or any parcel of the Property by public announcement at the time and place of any previously scheduled sale. Lender or Lender's designee may purchase the Property at any sale.

Trustee shall deliver to the purchaser a Trustee's deed conveying the Property so sold without any covenant or warranty, expressed or implied. The recitals in the Trustee's deed shall be prima facie evidence of the truth of the statements it contains. Trustee shall apply the proceeds of the sale in the following order: (a) to all reasonable costs and expenses of the sale, including, but not limited to, reasonable Trustee's and attorney's fees and costs of title evidence; (b) to all sums secured by this Deed of Trust; and (c) the excess, if any, to the person or persons legally entitled thereto as determined by Lender. In the event of a dispute regarding the excess funds, either Lender or Trustee may file an action in interpleader to determine who shall receive the funds and may then deposit the excess funds with the court.

17. Assignment of Rents; Appointment of Receiver; Lender in Possession. As additional security, Borrower assigns to Lender the rents of the Property, provided that Borrower shall, prior to an acceleration for breach as provided above or abandonment of the Property, have the right to collect such rents as they become due.

Upon acceleration for breach or abandonment of the Property, Lender, in person, by agent or by judicially appointed receiver shall be entitled to enter upon, take possession of and manage the Property and to collect the rents of the Property including those past due. All rents collected by Lender, its agent, or the receiver shall be applied first to payment of the costs of management of the Property and collection of rents, including, but not limited to receiver's fees, premiums on receiver's bonds and reasonable attorney's fees, and then to the sums secured by this Deed of Trust. Lender, its agent and the receiver shall be liable to account only for those rents actually received.

18. Prior Lienholder. The provisions of this Deed of Trust shall operate subject to the claims of prior lienholders to the extent of such claims.

19. Nonrecourse. Notwithstanding any provision of this Deed of Trust or any document evidencing or securing this Loan, Borrower, and Borrower's principals, agents, officers, and successors in interest shall not be personally liable for the payment of the Loan or any obligation of the Loan.

20. Reconveyance. Upon payment of all sums secured by this Deed of Trust, Lender shall request Trustee to reconvey the Property and shall surrender this Deed of Trust and all notes evidencing indebtedness secured by this Deed of Trust to Trustee. Trustee shall reconvey the Property without warranty and without charge to the person or persons legally entitled to such reconveyance. Such person or persons shall pay all costs of recordation, if any. The recitals in the reconveyance of any matters or facts shall be conclusive proof of their truthfulness.

21. Substitute Trustee. Lender, at Lender's option, may from time to time remove Trustee and appoint a successor trustee to any Trustee appointed under this Deed of Trust. Without conveyance of the Property, the successor trustee shall succeed to all the title, power and duties conferred upon the Trustee by this Deed of Trust and applicable law.

22. Request for Notice. Borrower and each party listed to receive Additional Notices request that copies of the notice of default and notice of sale be sent to their respective addresses.

23. Statement of Obligation. Lender may collect a reasonable fee for furnishing the statement of obligation as provided by Section 2943 of the Civil Code of California, as it may be amended from time to time.

24. Use of Property. Borrower shall not permit or suffer the use of any of the Property for any purpose other than the use for which the same was intended at the time this Deed of Trust was executed.

25. Extended Use Agreement. In order to receive an allocation of federal low income housing tax credits, Borrower will be required to record in the real property records of the County in which the property is located, an "extended low-income housing commitment" (as defined in Section 42(h)(6)(B) of the Internal Revenue Code of 1986, as amended ("Code")) ("Extended Use Agreement"). Lender acknowledges and agrees that, in the event of a foreclosure of its interest under this Deed of Trust or delivery by the Borrower of a deed in lieu thereof (collectively, a "Foreclosure"), Lender agrees to comply with all the following rule contained in Section 42(h)(6)(E)(ii) of the Code shall apply: For a period of three (3) years from the date of Foreclosure, with respect to any unit that had been regulated by the Extended Use Agreement, (i) none of the eligible tenants occupying those units at the time of Foreclosure may be evicted or their tenancy terminated (other than for good cause, including but not limited to, the tenants' ineligibility pursuant to regulations of Section 42 of the Code), (ii) nor may any rent be increased except as otherwise permitted under Section 42 of the Code.

IN WITNESS WHEREOF, Borrower has executed this **Deed of Trust**.

**BORROWER (Trustor):**

**1121 9TH STREET LLC, a California limited liability company**

By: \_\_\_\_\_  
Stephan Daues, Vice President  
Real Estate Development

**Exhibit 4: Escrow Instructions Form**

**JOINT ESCROW INSTRUCTIONS  
FOR CAPITOL PARK HOTEL  
PREDEVELOPMENT AND PERMANENT LOAN AGREEMENT**

“Effective Date”	_____ ____, 2020
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Agency and Borrower execute these Escrow Instructions as of the Effective Date. This document, including attachments and any amendments and additions, shall constitute the joint escrow instructions of Agency and Borrower for the Agency loan secured by the Property.

**ARTICLE I. GENERAL TERMS.**

1. **GENERAL.** These Escrow Instructions, in addition to items listed below, include Article II Instructions, which is attached to and incorporated in these Escrow Instructions by this reference.
  
2. **DEFINITIONS.** The capitalized terms in these Escrow Instructions shall have the meanings assigned in Article I General Terms and as defined in Article II Instructions. (Terms being defined are indicated by quotation marks.)

<b>“Title Company”</b>	Fidelity National Title Company			
	<b>Address:</b>	1375 Exposition Blvd., Suite 240, Sacramento, 95815		
<b>“Escrow with Title Company”</b>	<b>Escrow Number:</b>	FSSE-0101800295 - SR	<b>Attention:</b>	Sara Rewinkle
	<b>“Agency”</b>	Housing Authority of the City of Sacramento		
	<b>Address:</b>	801 12 <sup>th</sup> Street, Sacramento, CA 95814		
	<b>Attention:</b>	Portfolio Management		
<b>“Borrower”</b>	1121 9 <sup>th</sup> Street, LLC			
	<b>Address:</b>	2512 River Plaza, Suite 200, Sacramento, California 95833		
	<b>Attention:</b>	Stephan Daues		
<b>“Closing Date”</b>	_____, 2020, or as may be extended by mutual agreement.			
<b>“Property”</b>	<b>Address:</b>	1121 9th Street Sacramento, CA 95814	<b>APN:</b>	006-0102-016 and 006-0102-018
	<b>Description of the transaction</b>	This transaction involves a loan. The proceeds are to be used by the Borrower towards the predevelopment activities of the subject property. There is a promissory note for the loan and the promissory note is secured by a deed of trust to be recorded against the property. There is also a regulatory agreement and notice of affordability restrictions to be recorded against the Property.		

<b>“Recorded Documents”-</b> <b>The following documents are to be recorded in the order listed (top being first in priority). Copies of the Recorded documents are attached.</b>	<b>Documents:</b>	<b>Marked for return to:</b>
	Regulatory Agreement Deed of Trust	Sacramento Housing and Redevelopment Agency Attention: Portfolio Management
<b>“Agency Items”</b>	Promissory Note for subject loan	
	Loan Agreement for the subject loan	
	Authorizing resolutions for all Borrower signatories	
<b>“Borrower Items”</b>	One Million Five Hundred Thousand Dollars and No Cents (\$1,500,000.00)	
	conformed copies of the recorded documents	

<b>“Special Provisions”:</b>	Coverage for the Regulatory Agreement - CLTA 124.1
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<b>“Agency Title Policy” in the form of an ALTA Agency’s Policy insuring that the following are valid liens against the property:</b>	<b>Documents:</b>	<b>Coverage amount:</b>	
	Regulatory Agreements and Trust Deeds	One Million Five Hundred Thousand Dollars and No Cents (\$1,500,000.00)	
<b>The title policies shall be subject only to the following “Conditions of Title”:</b>	To follow	<b>Dated:</b>	<b>May 24, 2019</b>
		<b>Number:</b>	FSSE-0101800295 - SR

**THE PARTIES HAVE EXECUTED THESE ESCROW INSTRUCTIONS** in Sacramento, California as of the date first written above.

**BORROWER : 1121 9TH STREET LLC**, a California Limited Liability Corporation

**AGENCY: 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

Approved as to form:

Approved as to form:

\_\_\_\_\_  
Borrower Counsel

\_\_\_\_\_  
Lender Counsel

**Exhibit 5: Regulatory Agreement**

**NO FEE DOCUMENT:**

Entitled to free recording  
per Government Code §§6103 & 27383.

When recorded, return to:  
SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY  
801 12<sup>th</sup> Street  
Sacramento, CA 95814

**REGULATORY AGREEMENT FOR RESIDENTIAL RENTAL PROPERTY  
AND DECLARATION OF RESTRICTIVE COVENANTS AFFECTING REAL PROPERTY**

<b>PROJECT NAME:</b>	Capitol Park Hotel
<b>PROJECT ADDRESS:</b>	1117, 1121, 1125, 1127, 1129 and 1131 9th Street, Sacramento, California 95814
<b>APN:</b>	006-0102-016-0000, 006-0102-018-0000

**FOR GOOD AND VALUABLE CONSIDERATION, THE RECEIPT OF WHICH IS ACKNOWLEDGED, AGENCY AND OWNER HAVE ENTERED THIS REGULATORY AGREEMENT AND DECLARATION OF RESTRICTIVE COVENANTS AFFECTING REAL PROPERTY (REGULATORY AGREEMENT) AS OF THE EFFECTIVE DATE.**

3. **GENERAL.** This Regulatory Agreement, includes the Exhibits listed below which are attached to and incorporated in this Regulatory Agreement by this reference.

4. **DEFINITIONS.** The capitalized terms in this Regulatory Agreement shall have the meanings assigned in the following table and in the body of the Regulatory Agreement as the context indicates. (Terms being defined are indicated by quotation marks.)

<b>TERM</b>	<b>DEFINITION</b>	
“Effective Date”	This Regulatory Agreement shall be effective as of the following date:	
“Agency”	The Housing Authority of the City of Sacramento a public body, corporate and politic	
“Owner”	1121 9th Street LLC	
“Agency Address”	Agency’s business address is 801 12th Street, Sacramento, California 95814	
“Owner Address”	Owner’s business address is as follows:	3120 Freeboard Drive, Suite 202, West Sacramento, CA 95691
“Jurisdiction”	City of Sacramento	
“Property”	That certain real property which is subject to this Regulatory Agreement as further described in the legal description, attached as <b>Attachment 1 – Legal Description of the Property</b> and incorporated in this Regulatory Agreement by this reference. For purposes of this Regulatory Agreement, “Property” shall mean Property or Restricted Unit as the context may indicate.	
“Funding Agreement”	The Funding Agreement between Agency and Owner as follows:	Titled: Predevelopment and Permanent Loan Agreement Dated:
“Agency Funding”	The Agency Funding made by Agency to Owner under the Funding Agreement for development of the Property	
“Agency Funding Amount”	The amount of the Agency Funding, as follows:	\$1,500,000.00 Housing Authority Successor Agency Funds (HASAF)

“Funding Requirements”	The legal restrictions on the use of the funds that Agency has used to make the Agency Funding, as applicable to and restricting the Property. The Funding Requirements are set out in <b>Exhibit 2 – Funding Requirements.</b>	
“Approved Use”	The only permitted use of the Property, which is as a residential property available for rent by the general public and containing not less than the following number of units:	134 Studio Units

**RESTRICTED PARCELS; APPROVAL OF LEASES.** In order to assure that the proper number and types of units have been rented in accordance with this Regulatory Agreement, Owner is prohibited from leasing any Unit within the Project until either the parties have recorded against the Property a list of the Restricted Units or the Agency has approved the individual lease or lease form for the Restricted Units. The following numbers of Units are restricted for each respective funding source. The initial rents for the respective units shall be the following; provided, however, that upon the request of Owner, Owner and Agency may agree to a schedule for the Restricted Units that complies with the following affordability requirements as of the date when the Project is available for occupancy. In any event the rents for the respective units may be adjusted not more often than annually. The rents shall include allowance for utilities and costs reasonably related to the rental of the units, as may be required in determining the rents for the applicable funding sources. Only units indicated under Agency Funding Source are assisted by the Agency. Nevertheless, Owner shall assure the affordability of all of the following units at the named affordability levels.

Agency Funding Source:	Other Funding Source:	Affordability Level:	Number of Units:	Restricted Units:	Initial Rent per Unit per Month:
City HASAF	9% Low Income Housing Tax Credits (LIHTC), State Tax Credits, Historic Tax Credits, No Place Like Home (NPLH) Program Funds	Extremely Low Income (20% AMI)	11	Studio	\$293

5. **MANAGEMENT AGREEMENT.** . The Owner agrees that at all times the Project shall be managed by a property manager (i) approved by the Agency in its reasonable discretion and (ii) who has successfully managed at least five projects over forty units in size and subject to a recorded regulatory agreement for at least three years’ prior to the application, without any record of material violations of discrimination restrictions or other state or federal laws or regulations or local governmental requirements applicable to such projects (the “Manager”). The Owner shall submit to the Agency from time to time such information about the background, experience and financial condition of any existing or proposed Manager as the Agency may reasonably require to determine whether such Manager meets the requirements for a Manager set forth herein. The Agency reserves the right to conduct periodic reviews of the management practices and of the Manager to determine if the Project is being operated and managed in accordance with the requirements and standards of this Loan. The Owner agrees to cooperate with the Agency in such reviews.

If the Agency determines in its reasonable judgment that the Project is not being operated and managed in accordance with one or more of the material requirements or standards of the Funding Agreement, the Agency may deliver notice to the Owner requesting replacement of the Manager, which notice shall state clearly the reasons for such request. The Owner agrees that, upon receipt of such notice, the Owner shall within 60 days submit to the Agency, a proposal to engage a new Manager meeting the requirements of this provision. The Agency shall respond within 30 days to such proposal or such approval shall be deemed given. Upon receipt of such consent or deemed consent, the Owner shall promptly terminate the existing Manager’s engagement and engage the new Manager.



The Owner shall not enter into any management agreement or arrangement with any party with respect to the management of the Project without the Agency's prior written consent, such consent not to be unreasonably withheld or delayed. The Owner shall not materially modify, amend or terminate any approved management agreement (other than as required to comply with the terms of the Funding Agreement and/or applicable law or without the Agency's prior written consent, which consent will not be unreasonably withheld or delayed; provided, however, that such consent shall not be required to extend the term of an existing management agreement.

Approved Management Company
Mercy Housing Management Group

**6. SPECIAL PROVISIONS.** Owner shall also comply with the following special provisions.

Provision	Term
Annual Administrative Fee: Following the close of the Construction Loan, the Borrower agrees to pay a) an Annual Administrative Fee (Fee) to Agency equal to 12.5 basis points (0.125%) of the original loan amount and b) an annual Fee equal to \$100 for each HASAF assisted unit as compensation for monitoring compliance with regulatory restrictions and the administration of the Loan. Fee payments commence on the Construction Loan closing date for the prorated semiannual period from the Construction Loan closing date to and including the first six months after the Construction Loan closing date, and in equal semiannual installments in advance on each 1 <sup>st</sup> of the semi-annual period of each year thereafter throughout the term of the HASAF Regulatory Agreement.	FIFTY-FIVE YEARS

**7. REPRESENTATIONS.** Agency has provided Agency Funding to Owner to develop the Property, subject to the terms of the Funding Agreement. This Regulatory Agreement is a substantial part of the consideration to Agency for making the Agency Funding. The funds used by Agency under the Funding Agreement are funds from public funding sources administered by Agency and their use is subject to certain requirements some of which are embodied in this Regulatory Agreement. Further, Agency has made the Agency Funding in accordance with the laws, rules and regulations to which Agency is subject. Therefore, Agency has made the Agency Funding conditioned upon Owner's agreement, for itself and its successors and assigns, to comply with all provisions of this Regulatory Agreement, including without limitation, the Funding Agreement. Owner has had full opportunity to make itself independently familiar with such limitations and restrictions, and Owner accepts them and agrees to comply fully with them.

**8. COVENANTS.** Owner makes the following covenants. Unless Owner has received the prior written consent or Agency approval otherwise, Owner shall fully comply with each and every covenant. Except as otherwise stated in this Regulatory Agreement, the following covenants shall have a term that is the same as the longest term specified in the Funding Requirements.

- a. Owner shall use and permit others to use the Property only for the Approved Use.
- b. Owner shall assure full compliance with the Funding Requirements.
- c. Owner shall not transfer or encumber any of the Property or permit the conveyance, transfer, or encumbrance of the Property unless such assignee, transferee or encumbrancer has agreed, in writing and in a form suitable for recordation, to be bound by the terms of this Regulatory Agreement.
- d. Owner shall not cause and shall not permit expansion, reconstruction, or demolition of any part of improvements on the Property, except as provided by the Funding Agreement.
- e. Owner shall maintain the Property and the building improvements, grounds and equipment of the Property in good repair and condition and in compliance with all applicable housing quality standards and local code requirements. Owner shall maintain the Property in good condition and shall keep the Property reasonably free from graffiti and unrepaired vandalism and from accumulation of abandoned property, inoperable vehicles, unenclosed storage, debris, and waste materials. In the event of a

casualty loss, Owner shall cause the restoration or replacement of the Property, in a timely manner and provided that such restoration or replacement is then economically feasible.

f. Owner shall not cause and shall not permit discrimination based on race, color, national origin, religion, sexual orientation, gender, familial status, age or disability in the sale, lease, or rental or in the use or occupancy of the Property. Owner covenants by and for him/her/itself, his/her/its heirs, executors, administrators, and assigns, and all persons claiming under or through them that there shall be no discrimination against or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the Property. This covenant against discrimination shall continue in perpetuity.

g. Owner shall not refuse to rent, evict, or otherwise treat someone differently because of that person's status as a victim of domestic violence, dating violence, sexual assault, or stalking, in compliance with the Violence Against Women Act. This protection is available regardless of sex, gender identity, or sexual orientation.

h. Owner shall assure compliance with the obligations imposed by the federal Personal Responsibility and Work Opportunity Act (Public Law 104-193, commonly known as the Welfare Reform Act) as amended by California Welfare and Institutions Code Section 17851, which restrict the Agency funding of federal, state or local benefits to persons who are not citizens or qualified aliens as defined in such act.

i. Owner shall provide approved resident services at the development according to the following minimum schedule:

Coordinator on site: 6 hours/week

Resident services of 14 hours/week are to be provided and to include:

Education classes such as nutrition, exercise, health resources, health insurance application assistance, Annual onsite health fair, ESL classes;

Enrichment programs such as counseling assistance and employee readiness and job search assistance;

Other services to be provided include transportation assistance.

j. The Owner or its managing general partner shall provide written reports to the Agency on each January 1, April 1, July 1 and October 1, commencing on the first day of the quarterly period beginning no more than six months after the first day after the date of the completion of the rehabilitation of the Property, as evidenced by a Certificate of Occupancy or building permit sign offs by the Building Department of the City of Sacramento. The written reports shall be due no later than the tenth (10<sup>th</sup>) day after the beginning of each quarterly period, and the Owner or its managing general partner shall verify therein that the resident services being provided are accurate by completing and submitting to the Agency the following documents: (i) resident services plan, (ii) quarterly resident services certification, and (iii) resident services certificate of compliance.

k. Owner shall not pass utility charges paid by Owner, including water, sewer, and garbage collection charges, through to tenants as an add-on to their contracted rent subject to adjustments permitted by applicable utility allowances.

l. Owner shall not make payment of rental insurance premiums a condition of occupancy. If owners require renters' insurance, the policy premium must be deducted from the tenant's rent. The owner shall not add the insurance premium to the tenant's rent in either the initial or subsequent years.

**9. NATURE OF COVENANTS.** The provisions contained in this Regulatory Agreement are covenants which subject and burden the Property, as covenants running with the land. It is intended and agreed that the agreements and covenants provided in the Agreement shall be covenants running with the land and equitable servitudes on the land and that they shall, in any event, and without regard to technical classifications or designation, be binding, to the fullest extent permitted by law and equity, for the benefit and in favor of, and enforceable by, the Agency, the Agency's successors and assigns, any other governmental entity acting within its authority and any successor in interest to Agency's interest under this Regulatory Agreement against the Owner, its successors and assigns and every successor in interest to all or any part of the Property.

**10. TERM.** The term of this Regulatory Agreement shall commence on the Effective Date and continue until the terms of all of the covenants, including without limitation, the terms stated in the Funding Requirements, have expired or otherwise been terminated. Notwithstanding the term in the Funding Requirements, the term of this Regulatory Agreement shall be fifty-five

(55) years after the date of the completion of the rehabilitation of the Property, as evidenced by a Certificate of Occupancy or building permit sign offs by the Building Department of the City of Sacramento.

**11. EXPIRATION OF AFFORDABILITY PERIOD.** Owner agrees the rent of "in-place" tenants at the conclusion of Term, the required affordability will continue to be governed by the applicable affordability restrictions, so long as those tenants continue to live in the development.

**12. REVIVAL OF COVENANTS AFTER FORECLOSURE.** The affordability restrictions shall be revived after foreclosure, or deed in lieu of foreclosure according to the original terms if, during the original term of this Regulatory Agreement, if the Owner, who was owner of record before the termination event, or a party related to the Owner obtains an ownership interest in the Property or Restricted Unit, as the case may be. For purposes of this provision, a related party is anyone with whom the Owner has or had family or business ties; provided that such interest would not be considered a "remote interest" in the usual and customary use of the term.

**13. MULTIPLE FUNDING REQUIREMENTS.** If more than one form of Funding Requirements is attached, each Restricted Unit shall be subject to the Funding Requirements for every Funding Source applied to the respective Restricted Unit. If the terms of the Funding Requirements shall conflict as to any Restricted Unit, the Funding Requirements shall be construed so as to meet all applicable requirements for the respective Restricted Unit, including without limitation the use of the most restrictive requirements and the use of the "Recapture" formula that results in the greatest repayment to the Agency.

**14. RECORDKEEPING AND REPORTING.** Upon request of Agency, Owner shall promptly provide any additional information or documentation requested in writing by the Agency to verify Owner's compliance with the provisions of this Regulatory Agreement. At the written request of the Agency, Owner shall, within a reasonable time following receipt of such request, furnish reports and shall give specific answers to questions upon which information is desired from time to time relative to the income, assets, liabilities, contracts, operations, and condition of the property and the status of the Deeds of Trust.

**15. AUDIT AND INSPECTION.** The Property and all related equipment, buildings, plans, offices, books, contracts, records, documents and other related papers shall at all times be maintained in reasonable condition for audit and shall be subject to examination by the Agency or its agents. The books and accounts of the operations of the Property and of the Property shall be kept in accordance with generally accepted accounting principles. Owner shall provide Agency access to the Property and its tenants during reasonable hours for the purpose of reviewing Owner's compliance with this Regulatory Agreement.

**16. INDEMNITY FOR OWNER'S FAILURE TO MEET LEGAL REQUIREMENTS.** Owner shall indemnify and hold Agency, its officers, directors, and employees harmless from any and all liability arising from Owner's failure to comply with the covenants, conditions and restrictions contained in this Regulatory Agreement or to comply with all other laws, rules, regulations and restrictions related to the use of Agency Funding. Without limitation, such indemnity shall include repayment to the appropriate parties of rents or sales proceeds in excess of amounts authorized to be charged and repayment to the Agency of the costs of funds and the value of lost opportunities resulting from the required repayment by Agency to the funding source of funds improperly used.

**17. CHANGES WITHOUT CONSENT OF TENANTS, LESSEES, OR OTHERS.** Only Agency and its successors and assigns, and Owner (subject to the reasonable approval of Owner's lender in accordance with its rights under its loan terms) shall have the right to consent and agree to changes in, or to eliminate in whole or in part, any of the covenants or restrictions contained in this Agreement without the consent of any easement holder, licensee, other mortgagee, trustee, beneficiary under a deed of trust or any other person or entity having any interest less than a fee in the Site.

**18. DEFAULT.** Upon a breach of any of the provisions of this Regulatory Agreement by Owner, the Agency may give written notice of such breach to Owner by registered or certified mail. If such violation is not corrected to the satisfaction of Agency within sixty (60) days after the date such notice is mailed or within such further time as the Agency may reasonably determine is necessary to correct the breach, and without further notice to Owner, the Agency may declare a default under the Agreement, effective on the date of such declaration of default, and upon such default the Agency may: (a) take any action then available under the Funding Agreement for a default under the Funding Agreement and (b) apply to any court for specific performance of this Regulatory Agreement, for an injunction against any violation of the Agreement, for the appointment of a receiver to take over and operate the Property in accordance with the terms of this Regulatory Agreement, for money damages or for such

other relief as may be appropriate, since the injury to the Agency arising from a default under any of the terms in this Regulatory Agreement would be irreparable, and the amount of damage would be difficult to ascertain.

**19. REGULATORY AGREEMENT VIOLATIONS.** Owner shall pay the program compliance fees and expenses to Agency set forth in Compliance Violations and Actions (Exhibit 3 - Compliance Violations and Actions) in reimbursement of the amounts and time expended by Agency to insure Owner's compliance with State statutes and federal regulations and Owner's obligations under the Regulatory Agreement as a result of the Owner not meeting its obligations and reporting requirements. No compliance fee will be assessed for one incident of each type of compliance violation per annual inspection provided the violation is corrected within the specified corrective time period. The second and subsequent violations will be assessed compliance fees as detailed in the Compliance Violations and Actions tables.

**20. BINDING SUCCESSORS IN INTEREST.** This Regulatory Agreement shall bind and the benefits shall inure to the Owner, its successors in interest and assigns, and to the Agency and its successors for the term of this Regulatory Agreement.

**21. CONTRADICTORY AGREEMENTS.** Owner warrants that it has not, and will not, execute any other agreement with provisions contradictory of or in opposition to, the provisions of this Regulatory Agreement, and that, in any event, the requirements of this Regulatory Agreement are paramount and controlling as to the rights and obligations set forth and supersede any other requirements in conflict with this Regulatory Agreement.

**22. ATTORNEYS' FEES.** If the services of any attorney are required by any party to secure the performance of this Regulatory Agreement or otherwise upon the breach of default of another party, or if any judicial remedy or mediation is necessary to enforce or interpret any provision of this Regulatory Agreement or the rights and duties of any person in relation to this Regulatory Agreement, the prevailing party shall be entitled to reasonable attorneys' fees, costs and other expenses, in addition to any other relief to which such party may be entitled. Any award of damages following judicial remedy or arbitration as a result of this Regulatory Agreement or any of its provisions shall include an award of prejudgment interest from the date of the breach at the maximum amount of interest allowed by law. The prevailing party shall mean the party receiving an award in arbitration or a judgment in its favor, unless the award or judgment is less favorable than the best settlement offered in writing in a reasonable manner by the other party, in which case the prevailing party is the other party.

**23. SEVERABILITY.** The invalidity of any clause, part or provision of this Regulatory Agreement shall not affect the validity of the remaining portions.

**24. ELECTION OF REMEDIES.** To the extent applicable, in the event of any breach of the covenants, conditions and restrictions contained in this Regulatory Agreement, the Agency shall reasonably endeavor to remedy such breach by conference and conciliation. If, in the opinion of Agency, the Agency and Owner are unable mutually to agree upon a suitable remedy or the circumstances so warrant, such breach may be enjoined or abated by appropriate proceedings brought by the Agency.

Agency may institute or prosecute in its own name, any suit Agency may consider advisable in order to compel performance of any obligation of any owner to develop and maintain the subject property in conformity with this Regulatory Agreement and to remedy any default of this Regulatory Agreement. Agency may also seek a decree requiring removal of any improvements constructed on the Property which improvements are designed for uses not permitted under this Regulatory Agreement and which improvements are unsuitable only for uses not permitted under this Regulatory Agreement.

The remedies of the Agency under this Regulatory Agreement are cumulative, and the exercise of one or more of such remedies, including, without limitation, remedies under the Funding Agreement shall not be deemed an election of remedies and shall not preclude the exercise by the Agency of any one or more of its other remedies.

**25. NO WAIVER.** No waiver by the Agency of any breach of or default under this Regulatory Agreement shall be deemed to be a waiver of any other or subsequent breach or default.

**26. NOTICES.** Written notices and other written communications by and between the parties shall be addressed to the Owner at the Owner Address and to the Agency at the Agency Address or such other address as each respective party has designated by written notice to the other party.

**THE PARTIES HAVE EXECUTED THIS REGULATORY AGREEMENT** in Sacramento, California as of the Effective Date

**OWNER : 1121 9TH STREET LLC**, a California  
Limited Liability Corporation

**AGENCY: 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

Date: \_\_\_\_\_

Date: \_\_\_\_\_

Approved as to form: \_\_\_\_\_  
Developer Counsel

Approved as to form: \_\_\_\_\_  
Agency Counsel

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**[NOTARIZED ACKNOWLEDGEMENTS]**

**TI FUNDING REQUIREMENTS FOR RENTAL HOUSING**  
**LOW AND MODERATE INCOME HOUSING FUND**

These “TI Funding Requirements” are attached to a Regulatory Agreement, and are incorporated in that Regulatory Agreement. In turn, the Regulatory Agreement is incorporated in the financing document that is described in the Regulatory Agreement. [The capitalized terms used shall have the meanings below. Terms being defined are indicated by quotation marks. Capitalized terms in these TI Funding Requirements that are not defined below are defined in the Regulatory Agreement and in such financing document.]

1. **RECITALS.** Agency is a redevelopment agency organized and operating under the California Redevelopment Law (commencing at Health & Safety Code Section 33000). The Agency Funding is funded by the Agency with proceeds of the Low and Moderate Income Housing Fund (as defined in Health & Safety Code Section 33334.3) and made in accordance with the Aggregation of Agency Funding that occurred pursuant to Resolution 2009-57 adopted by the Redevelopment of the City of Sacramento or Resolution 0896 adopted by the County of Sacramento Redevelopment Area in accordance with Health and Safety Code Sections 33334.2(g) and 33413, the provisions of the redevelopment plans for the Agency’s Project Areas (“Redevelopment Plans”), and the California Redevelopment Law. The Agency has approved the Agency Funding on condition that the property securing the Agency Funding (“Property”) is rehabilitated or developed as residential rental property (“Project”) with certain units regulated in accordance with Health & Safety Code Section 33487 (“TI Restricted Units”) by recordation of these TI Funding Restrictions as covenants running with the land, in accordance with Health & Safety Code Section 33334.3(f). TI-Restricted Units are made affordable by such regulation to persons and households that qualify as moderate-income, low-income or very low-income as indicated in Article I of the Regulatory Agreement. The development of the Project will benefit the Project Areas because the Project will provide housing for persons who work within the Project Areas.
  
2. **AFFORDABILITY REQUIREMENTS.** Owner shall assure that the TI-Restricted Units shall be rented or sold at or below the following rates to households whose incomes are at or below the respective income limits for the rental rate:
  - a. Moderate-Income TI-Restricted Units shall be rented for amounts that do not exceed payments of thirty percent (30%) of one hundred and ten percent (110%) of the Sacramento Metropolitan Statistical Area median income (“Median Income”), as determined annually by the federal Department of Housing and Urban Development, as adjusted for family size appropriate to the size and number of bedrooms in the respective TI-Restricted Unit.
  - b. Low-Income TI-Restricted Units shall be rented for amounts that do not exceed payments of thirty percent (30%) of sixty percent (60%) of the Median Income as adjusted for family size appropriate to the size and number of bedrooms in the respective TI-Restricted Unit.
  - c. Very Low-Income TI-Restricted Units shall be rented for amounts that do not exceed payments of thirty percent (30%) of fifty percent (50%) of the Median Income as adjusted for family size appropriate to the size and number of bedrooms in the respective TI-Restricted Unit.
  - d. Owner shall be responsible to determine the affordable amounts for the TI-Restricted Units. Within ten (10) days of Owner request, Agency shall provide all information necessary for Owner to compute such affordable rents and will assist Owner in determining such amounts.

**ATTACHMENT 3: Compliance Violations and Actions**

**COMPLIANCE VIOLATIONS AND ACTIONS  
(All payments due and payable within 30-days of assessment)**

<b>Tenant Eligibility and Affordability Violations</b>		
<b>Compliance Violation</b>	<b>Fees and Actions*</b>	<b>Corrective Time Period</b>
Tenants over income at initial move-in	Initial \$500 per unit, again every 90 days until another income qualified tenant is housed. Correction: Evict tenant if tenant fraud. Otherwise, next available unit <b>must</b> be Affordable and rented to an Income-Qualified tenant.	90 days from discovery date to avoid additional \$500 charge every 90-days the problem is not corrected.
Incorrect eligibility documentation	Initial \$50 per file for incorrect calculations, verifications, or required documents. Additional \$50 per month if not corrected. Correction: Submit copies of corrections to compliance staff as applicable.	30 days from discovery date to submit copies of corrections to compliance staff to avoid additional \$50 per month if not corrected
Failure to complete annual recertifications	Initial \$250 for each incomplete file. Additional \$50 per month if not corrected. Correction: Submit copies of recertifications to compliance staff.	30 days from discovery date to submit corrections to avoid additional \$50 per month if not corrected.
Failure to maintain tenant eligibility records	Initial \$500 per unit, again every 90-days thereafter until new records in place. Additional \$100 per unit per month the project remains out of compliance. Correction: Immediately establish new files/records.	30 days from discovery date to submit copies of new records to avoid additional \$100 per unit per month the project remains out of compliance.
Incorrect Rents	Reimbursement to tenant of the entire amount overcharged. \$100 payment to Agency for each over-charged unit. Correction: Refund tenant with letter of correction.	30 days from discovery date to avoid additional \$100 per overcharged unit per month fee to Agency.
Failure to submit complete and accurate monthly	Initial \$100 per report. Additional \$100 per day until complete and accurate report submitted.	7 days from discovery date to submit complete and accurate report to avoid additional \$100 per day charge.

Bond Report by due date	Correction: Submit copies of corrections to compliance staff as applicable.	
Failure to comply with approved Management Plan	Initial \$100 per report. Additional \$100 per day until complete and accurate report submitted. Correction: Submit copies of corrections to compliance staff as applicable.	30 days from discovery date to submit corrections to avoid additional \$100 per day charge.
Failure to submit complete and accurate quarterly Resident Services report by due date	Initial \$100 per report. Additional \$100 per day until complete and accurate report submitted. Correction: Submit copies of corrections to compliance staff as applicable.	7 days from discovery date to submit corrections to avoid additional \$100 per day charge.
Failure to provide a resident service required by Resident Services Plan	Initial \$250 per service. Additional \$100 per day until service is provided. Correction: Implement required service or new resident services plan submitted and approved; approved plan implemented.	7 days from discovery date to implement required service or provide new resident services plan to avoid additional \$100 per day charge; 30 days from discovery date to implement new plan to avoid additional \$100 per day charge.
Noncompliant lease	\$100 per noncompliant lease. Correction: Prepare and execute approved lease or addendum to address the deficiency.	30 days from discovery date to avoid additional \$100 per noncompliant lease per month charge to Agency.

<b>Housing Quality Standards Violations</b>		
<b>Compliance Violation</b>	<b>Fees and Actions*</b>	<b>Corrective Time Period</b>
Verifiable existence of Toxic Mold	\$200 per unit. Additional \$75 per day charge each time efforts fall outside of corrective timeframes. Correction: Prepare and submit action plan that addresses scope of work and timetable to complete. Relocate tenant if necessary. Obtain certified clearance that mold has been abated and unit is safe to occupy once again.	3-days from discovery date to submit action plan to address. 10-days to relocate tenant if necessary. 30-days to obtain certification that unit is mold free. \$75 per day additional charge each time efforts fall outside of these timeframes.
Broken pipes and plumbing facilities	\$200 per unit. Additional \$75 charge per day if not corrected. Correction: Repair/replace as necessary	7-days from discovery date to avoid additional \$75 per day each day thereafter corrective action not taken.



Smoke detectors not working in the units	\$200 per unit with non-functional smoke detector. Additional \$75 charge per day if not corrected. Correction: Replace batteries or non-working unit within 24 hours.	Within 24 hours of discovery date to avoid \$75 per day additional charge each day thereafter corrective action not taken.
Windows with large cracks or missing glass	\$200 per unit. Additional \$75 charge per day if not corrected. Correction: Repair/replace as necessary.	7-days from date of discovery to avoid \$75 per day additional charge each day thereafter corrective action not taken.
Infestation of roaches or vermin	\$200 per infested unit. Additional \$75 charge per day if not corrected. Correction: Letter from pest control company verifying removal of pests with paid invoice to compliance staff.	7-days from date of discovery to avoid \$75 per day additional charge each day thereafter corrective action not taken.
Non-working heating unit (Winter) or air conditioning unit (Summer)	\$500 per nonworking unit. Additional \$75 charge per day if not corrected. \$75 re-inspection fee if necessary to verify problem corrected. Correction: Repair/replace as necessary.	Within 24 hours of discovery date to avoid \$75 per day additional charge each day thereafter corrective action not taken.
Excessive amount of urine/ feces	\$200 per unit. Additional \$75 charge per day if not corrected. Correction: Clean unit as necessary and address problem as the lease allows. Submit correction letter with documentation to compliance staff.	7-days from date of discovery to avoid \$75 per day additional charge each day thereafter corrective action not taken.
Excessive amount of trash/garbage in the unit	\$75 per unit. Additional \$75 charge per day if not corrected. Correction: Clean unit and send letter of correction to compliance staff.	14-days from date of discovery to avoid an additional \$75 per day thereafter each day corrective action not taken.
Hazardous exterior conditions	\$500 for hazardous conditions. Additional \$75 charge per day if not corrected. \$75 re-inspection fee. Correction: Clean and/or repair as necessary. Re-inspection to verify problem addressed.	7-days from date of discovery to avoid \$75 per day additional charge each day corrective action not taken.
Large holes walls/ceiling	\$100 per unit. Additional \$75 charge per day if not corrected. Correction: Submit correction	30-days from date of discovery to avoid \$75 per day additional charge each day corrective action not taken.

	letter with documentation to compliance staff.	
Non-Operable Security Gate	\$500 per non-working gate. Additional \$75 charge per day if not corrected. \$75 re-inspection fee if necessary to verify problem corrected. Correction: Repair/replace as necessary.	7-days from date of discovery to avoid \$75 per day additional charge each day corrective action not taken.
No Security Cameras (if cameras required)	\$250 per discovery. Additional \$75 charge per day if not corrected. \$75 re-inspection charge to verify problem corrected. Correction: Replace cameras.	30-days from the date of discovery to avoid \$75 per day additional charge each day thereafter corrective action not taken.
Non-working Security Cameras	\$100 per camera per discovery. Additional \$75 charge per day if not corrected. \$75 re-inspection charge to verify problem corrected. Correction: Repair/replace as necessary.	7-days from date of discovery to avoid \$75 per day additional charge each day corrective action not taken.
Non-working or non-accessible amenities/services	\$100 per item per discovery. Additional \$75 charge per day if not corrected. \$75 re-inspection charge to verify problem corrected. Correction: Repair/replace as necessary.	7-days from date of discovery to avoid \$75 per day additional charge each day corrective action not taken.

\* No compliance fee will be assessed for one incident of each type of compliance violation per annual inspection provided the violation is corrected within the specified corrective time period. The second and subsequent violations will be assessed compliance fees as detailed in the Tenant Eligibility and Affordability Violations and Housing Quality Standards Violations tables.

Recording Requested by  
and When Recorded Return to:

Sacramento Housing & Redevelopment Agency  
Attn: Portfolio Management  
801 12th Street  
Sacramento, CA 95814

NOTICE OF AFFORDABILITY RESTRICTIONS  
ON TRANSFER OF PROPERTY  
[California Health & Safety Code Section 33334.3(f)]

*The following Notice of Affordability Restrictions (“Notice”) has been prepared pursuant to Section 33334.3(f) of the California Health and Safety Code, which became effective January 1, 2008. This Notice shall be recorded concurrently with the Regulatory Agreement described below.*

1. The property (“Property”) that is the subject of this Notice is located in the County of Sacramento, State of California, and is further described in the legal description, attached as **Attachment 1: Legal Description**, and incorporated into this Notice by this reference.
2. The “Regulatory Agreement” is the agreement, containing conditions, covenants and restrictions running with the land and restricting the affordability of the restricted unit(s) on the Property as described in the following Section 3. The Regulatory Agreement is between the following parties and dated as of the following Effective Date.

Agency	The Housing Authority of the City of Sacramento
Owner	1121 9th Street LLC
Effective Date	

3. The address(es) of the Property subject to the Notice, including the unit number(s) if applicable, and the assessor’s parcel number(s) (“APN”) of such Property are set out in the following table. The affordability covenants applicable to each unit and the expiration date of each affordability covenant are stated in the table. Also, the respective unit is designated in the table as a unit to be sold or to be rented. The following affordability covenants are set forth in the Regulatory Agreement.

Property Address	APN	Unit # or Type	Affordability Level	Expiration Date	Sale or Rental
1117, 1121, 1125, 1127, 1129 and 1131 9th Street, Sacramento, California 95814	006-0102-016-0000,	Studio	Extremely Low Income	55 years after the date of the completion of the rehabilitation of the Property, as evidenced by a Certificate of Occupancy or building permit sign offs by the Building Department of	Rental
	006-0102-018-0000				

				the City of Sacramento.	
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4. Units listed for sale shall be sold for a price at or below the following “Affordable Price” to a household whose income does not exceed the maximum income in the respective affordability category:

a. Moderate-income restricted units shall be sold for amounts, the payments for which do not exceed thirty-five percent (35%) of one hundred and ten percent (110%) the Sacramento Metropolitan Statistical Area median income (“Median Income”), as determined annually by the federal Department of Housing and Urban Development, as adjusted for family size appropriate to the size and number of bedrooms in the respective Restricted Unit.

b. Low-income restricted units shall be sold for amounts, the payments for which do not exceed thirty percent (30%) of seventy percent (70%) the Median Income as adjusted for family size appropriate to the size and number of bedrooms in the respective Restricted Unit.

c. Very low-income restricted units shall be sold for amounts, the payments for which do not exceed thirty percent (30%) of fifty percent (50%) the Median Income as adjusted for family size appropriate to the size and number of bedrooms in the respective Restricted Unit.

d. If an owner sells the restricted unit for an amount in excess of that permitted or to a purchaser whose household income exceeds the allowable amounts, the owner must pay the Agency an amount that is the same proportionate share of the net sales proceeds as the Recapture Percentage (shown in the Regulatory Agreement recorded against the subject property and representing the Agency contribution to financing the unit), as further reduced by a percentage that is one forty-fifth (1/45) for each full year that the Regulatory Agreement has been in place.

5. Units listed for rental shall be rented at or below the following rates to households whose incomes are at or below the respective income limits for the rental rate:

a. Moderate-income restricted units shall be rented for amounts that do not exceed payments of thirty percent (30%) of one hundred and ten percent (110%) the Median Income, as adjusted for family size appropriate to the size and number of bedrooms in the respective unit.

b. Low-income restricted units shall be rented for amounts that do not exceed payments of thirty percent (30%) of sixty percent (60%) the Median Income as adjusted for family size appropriate to the size and number of bedrooms in the unit.

c. Very low-income restricted units shall be rented for amounts that do not exceed payments of thirty percent (30%) of fifty percent (50%) the Median Income as adjusted for family size appropriate to the size and number of bedrooms in the respective unit.

6. This Notice is descriptive of the terms of the Regulatory Agreement and is not intended to, and does not, affect any rights or obligations of the parties under the Regulatory Agreement. For more detailed information regarding the implementation and interpretation of the described affordability covenants, refer to the Regulatory Agreement. This document shall not be used to interpret or modify the terms of the Regulatory Agreement or any other document affecting the Property.

**OWNER:**  
**1121 9TH STREET LLC**, a California Limited Liability Corporation

By: \_\_\_\_\_  
Stephan Daves, Vice President  
Real Estate Development

Date: \_\_\_\_\_

**AGENCY:**  
By: **THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO**, a public body, corporate and politic

By: \_\_\_\_\_  
La Shelle Dozier

Date: \_\_\_\_\_

Approved as to form: \_\_\_\_\_  
Agency Counsel

**Exhibit 6: New Hire Form**



**NEW HIRE TRACKING SUMMARY**

**Contractor/Subcontractor:** \_\_\_\_\_

**Project Name:** \_\_\_\_\_ **Project Number:** \_\_\_\_\_

**Total number of employees who performed work on this project:** \_\_\_\_\_

You are required to furnish the following information to comply with the terms of the contract for this project. It is the responsibility of the prime contractor to collect the completed form from all subcontractors working on this project and compile the information on one form to submit for the entire project.

During the course of the project you and/or your subcontractor(s) may find the need to hire new workers. "New Hires" are defined as persons hired specifically to perform work on this project. Should "New Hires" be necessary, you are encouraged to hire Section 3 residents<sup>1</sup>. Each new hire applicant is to complete a New Hire Questionnaire at the time of applying for a position.

Collect, tally and record the following information during the course of the project (use additional sheets if necessary). This requirement applies to **all** contractors and subcontractors working on this project.

Number of new hires: \_\_\_\_\_ Number of Section 3 new hires: \_\_\_\_\_

Number of job inquiries: \_\_\_\_\_

Number of job applicants: \_\_\_\_\_ Number of Section 3 job applicants: \_\_\_\_\_

Number of Section 3 resident job offers: \_\_\_\_\_

Number of Section 3 resident hires: \_\_\_\_\_

**In the table below, please list:**

1. What trades/classifications/professions (e.g. carpenter, plumber, laborer, architect, engineer, etc.) were hired specifically for this project.
2. Total number of New Hires for each trade/classification/profession.
3. Number of New Hires that were Section 3.

TRADE/CLASSIFICATION/PROFESSION	TOTAL NEW HIRES	SECTION 3 NEW HIRES

I declare that the above is true and correct to the best of my knowledge.

\_\_\_\_\_  
**Signature**

<sup>1</sup>See 24 CFR §135.38 Section 3 Clause

\_\_\_\_\_  
**Print Name and Title**

\_\_\_\_\_  
**Date**

REV 09-17-19

## SECTION 3 CLAUSE

**(1) 24 CFR §135.38 Section 3 clause.** All Section 3 covered contract shall include the following clause (referred to as the Section 3 Clause):

- A. The work to be performed under this contract is subject to the requirements of section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. 1701u (Section 3). The purpose of Section 3 is to ensure that employment and other economic opportunities generated by HUD assistance or HUD-assisted projects covered by Section 3, shall, to the greatest extent feasible, be directed to low- and very low-income persons, particularly persons who are recipients of HUD assistance for housing.
- B. The parties to this contract agree to comply with HUD's regulations in 24 CFR part 135, which implement Section 3. As evidenced by their execution of this contract, the parties to this contract certify that they are under no contractual or other impediment that would prevent them from complying with the part 135 regulations.
- C. The contractor agrees to send to each labor organization or representative or workers with which the contractor has a collective bargaining agreement or other understanding, if any, a notice advising the labor organization or workers' representative of the contractor's commitments under this Section 3 clause, and will post copies of the notice in conspicuous places at the work site where both employees and applicants for training and employment positions can see the notice. The notice shall describe the Section 3 preference, shall set forth minimum number and job titles subject to hire, availability of apprenticeship and training positions, the qualifications for each; and the name and location of the person(s) taking applications for each of the positions; and the anticipated date the work shall begin.
- D. The contractor agrees to include this Section 3 clause in every subcontract subject to compliance with regulations in 24 CFR part 135, and agrees to take appropriate action, as provided in an applicable provision of the subcontract or in this Section 3 clause, upon a finding that the subcontractor is in violation of the regulations in 24 CFR part 135. The contractor will not subcontract with any subcontractor where the contractor has notice or knowledge that the subcontractor has been found in violation of the regulations in 24 CFR part 135.
- E. The contractor will certify that any vacant employment positions, including training positions, that are filled (1) after the contractor is selected but before the contract is executed, and (2) with persons other than those to whom the regulations of 24 CFR part 135 require employment opportunities to be directed, were not filled to circumvent the contractor's obligations under 24 CFR part 135.
- F. Noncompliance with HUD's regulations in 24 CFR part 135 may result in sanctions, termination of this contract for default, and debarment or suspension from future HUD assisted contracts.

With respect to work performed in connection with Section 3 covered Indian housing assistance, section 7(b) of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450e) also applies to the work to be performed under this contract. Section 7(b) requires that to the greatest extent feasible (i) preference and opportunities for training and employment shall be given to Indians, and (ii) preference in the award of contracts and subcontracts shall be given to Indian organizations and Indian-owned Economic Enterprises. Parties to this contract that are subject to the provisions of Section 3 to the maximum extent feasible, but not in derogation of compliance with section 7(b).



Date: February 11, 2020

Stephan Daues, Vice President  
1121 9th Street LLC  
C/O Mercy Housing California  
3120 Freeboard Drive, Suite 202,  
West Sacramento, CA 95691

RE: Conditional Funding Commitment for Capitol Park Hotel

Dear Mr. Daues:

On behalf of the Sacramento Housing and Redevelopment Agency (Agency), we are pleased to advise you of its commitment of \$7,600,000 in construction and permanent loan funds (Loan) comprised of City Community Development Block Grant (CDBG), HOME Investment Partnerships Program (HOME), Housing Authority Successor Agency Funds (HASAF), Housing Opportunities for Persons with AIDS (HOPWA), and Mixed Income Housing Funds (MIHO) for the purpose of financing the acquisition, rehabilitation and development of that certain real property known as Capitol Park Hotel located at 1117, 1121, 1125, 1127, 1129 and 1131 9<sup>th</sup> Street, Sacramento, California (Property). **The Agency's decision is based on your application, and all representations and information supplied by you to it. If these representations and information change in a material manner without written approval of the Agency, this commitment is void.** Agency's obligation to make the Loan is subject to the satisfaction of all the following terms and conditions and Borrower's execution of documentation that is in a form and in substance satisfactory to the Agency.

The Loan shall be made on standard Agency loan documents. Loan terms not in this funding commitment and the attached loan document forms shall not be included in the final loan documents without additional environmental review and governing board approval. In the event of any discrepancies between terms stated in this commitment and the loan documents, the terms stated in the loan commitment letter shall be deemed to be terms of this commitment.

Unless otherwise agreed in writing by the Agency in exercise of its absolute discretion, the following shall be considered conditions to Agency approval of a financing commitment. The Agency may, in exercise of its absolute discretion, modify its requirements upon written notice to Borrower given at least sixty (60) days prior to close of escrow for the Property.

This commitment will expire **August 11, 2021**.





1. **PROJECT DESCRIPTION:** Capitol Park Hotel will be an acquisition and rehabilitation of an historic 180-unit single room occupancy building into 134 affordable, permanent supportive and workforce housing units which are studios that include kitchenettes and full bathrooms (Project). Amenities will include a 24/7 desk clerk, community room, and meeting areas for individual and group settings. Bicycle parking will be available onsite.
2. **BORROWER:** The name of the Borrower for the Loan is 1121 9th Street LLC, a California limited liability company (an affiliate of Mercy Housing California, or related entity).
3. **PURPOSE OF LOAN:** The Loan is to be used by Borrower solely to pay the costs of acquisition, rehabilitation, development and for such other purposes as Agency expressly agrees to in the loan agreement for the Loan, and such other agreements as may be generally required by the Agency for the use of the funding source for the Loan.
4. **PRINCIPAL AMOUNT:** The combined principal amount of the Loan will be the lesser of (a) Seven Million Six Hundred Thousand Dollars (\$7,600,000), or (b) an amount to be determined prior to close of the Loan based on a project budget approved by Agency.
5. **TERM OF LOAN:** The Loan shall mature 57 years (i.e., 684 months) from the date of closing, at which point any and all unpaid principal and interest on the loan will be due and payable.
6. **INTEREST RATE:** Zero percent interest rate (0.00%).
7. **ANNUAL REPAYMENT:** Annual payments will be made on a Residual Receipts basis until the maturity date. Annual payments shall be applied to outstanding principal.

“Residual Receipts” is defined as follows: Based on the annual audited financial statement from the preceding year, payments will be made upon a “Residual Cash Flow” basis meaning Net Operating Income (NOI) less: (a) debt service on the monitoring fees of the State of California Housing Community Development (HCD) loan and the Sacramento Housing and Redevelopment Agency loan; (b) partnership management fee up to \$20,000 annually as of the Loan’s Effective Date escalating at 3% annually; (c) asset management fees up to \$5,000 annually as of the Loan’s Effective Date escalating at 3% annually; (d) after Sections (a) through (c) of this paragraph are paid, one hundred percent (100%) of the available cash flow from NOI to a capitalized services reserves account for the operation deficits of supportive and/or resident services for the residents of the Project; (e) after Sections (a) through (d) of this paragraph are paid, fifty percent (50%) of the available cash flow from NOI to Borrower; (f) after Sections (a) through (e) of this paragraph are paid, the proportional share of HCD’s public assistance of the available cash flow from NOI towards loan repayment to HCD after Sections (a) through (e) of this paragraph are paid; and (g) the remaining proportional share of the Agency’s

public assistance of the available cash flow from NOI towards loan repayment to the Agency loan after Sections (a) through (f) of this paragraph are paid.

The Net Operating Income is defined as periodic "Revenue" less "Operating Expenses." "Revenue" means all revenue from the leasing of the Project, including but not limited to all rents, fees, and charges paid by tenants as well as rental subsidy payments regardless of the source of these subsidies, forfeited tenant deposits, rent increases, proceeds from vending machines and laundry room machines. Revenue shall not include tenants' security deposits (unless forfeited), interest on those deposits, loan proceeds, capital contributions or similar advances, or amounts released from reserves or interest on reserves.

"Operating Expenses" shall mean actual costs, fees and expenses as evidenced by invoices attributable to the operation, recordkeeping, maintenance, taxes and management of the Project, including property management fees; taxes and assessments; payroll, benefits and payroll taxes for Project employees; insurance; security; painting, cleaning, repairs, and alterations; landscaping; sewer charges; utility charges; advertising, promotion and publicity; cable television, satellite, cable; elevator and other similar services; office, janitorial, cleaning and building supplies; recreational amenities and supplies; purchase, repair, servicing and installation of appliances; costs and expenses associated with the provision of social and/or community services to the residents of the Project; equipment, fixtures and furnishing; fire alarm and elevator monitoring; fees and expenses of accountants, attorneys, consultants and other professionals. The definition will include deposits into operating and/or replacement reserves maintained by the Borrower.

8. SOURCE OF LOAN FUNDS:

Agency is making the Loan from the following sources of funds, and the Loan is subject to all requirements related to the use of such, whether Agency requirements or otherwise: \$1,700,000 in CDBG; \$800,000 in HOME; \$1,700,000 in HASAF; \$1,100,000 in HOPWA; and \$2,300,000 in MIHO program funds. This Loan is conditioned upon Borrower's acceptance of Agency's requirements and conditions related to such lending programs and funding sources, including among others, the required forms of agreements for the Loan; the requirements for covenants, conditions and restrictions upon the Property; and insurance and indemnity requirements.

**Borrower acknowledges that, as a condition of the Agency's making of the Loan, the Property will be subject to restrictions on future sales and rentals which may result in less income to Borrower than could otherwise be realized, and that such restrictions run with the land, and during their operational term, will bind all successors in interest.**

\_\_\_\_\_ (Borrower Initial)

9. **ACCELERATION**: Agency shall have the right to accelerate repayment of the Loan in the event of a default under any Loan Document or upon sale, transfer or alienation of the Property except as specifically provided for in the Loan documents.
10. **SECURITY**: The Loan shall be evidenced by promissory note(s) secured by a deed of trust with assignment of rents against the fee and/or leasehold interest in the Property and Improvements, which shall be a lien upon the Property and Improvements subject only to liens senior to the Agency's lien securing loans from a conventional lender and such other items as the Agency may approve in writing. The Loan shall also be secured by security agreements. The Agency may subordinate said deeds of trust in order to accommodate completion of rehabilitation of the Property.
11. **LEASE AND RENTAL SCHEDULE**: All leases of the Property and Improvements shall be subject to Agency's review and approval prior to execution. Borrower shall not deviate from the rental schedule presented in Borrower's application for the Loan without Agency's prior written approval; provided, however, that such approval shall not be required for annual adjustments to rental rates as permitted by the California Tax Credit Allocation Committee.
12. **PROOF OF EQUITY**: Borrower shall provide proof of equity for the Property and Improvements in the amount of no less than \$39,000,000 in Low Income Housing Tax Credit Equity. If LIHTC equity goes below \$39,000,000, the equity must be offset by an increase in deferred developer fee and/or general partnership contribution.
13. **OTHER FINANCING**: Borrower, as a requirement of the Loan, shall procure and deliver to Agency evidence satisfactory to Agency that Borrower has obtained the following described financing which may be secured by a lien upon the Property and Improvements superior or subordinate to Agency's liens, and which shall be otherwise on terms and conditions acceptable to Agency:
  - (a) As a condition precedent to disbursement of the remainder of the Agency loan, construction financing from a private lender(s) in an amount(s) sufficient to complete construction of the Property according to a scope of work as approved by Agency and made for a term not less than that specified in the Schedule of Performances for completion of construction, and in any event not less than the time necessary to fulfill all conditions precedent to funding of the permanent financing.
  - (b) Commitments for permanent financing sufficient to "take out" all liens senior to the Agency's lien.
  - (c) Such commitments for financing shall not require modification of Agency loan documents, or any term of this commitment letter.
  - (d) Such commitments shall not be based upon sources and uses of Project funds that are different from those approved by Agency for the project or be subject to conditions which require amendment of the DDA, OPA or other agreements.

14. **EVIDENCE OF FUNDS:** Prior to the first disbursement of the Loan, Borrower must demonstrate evidence of adequate and assured funding to complete the development of the Project in accordance with the Agency's requirements. Borrower's evidence of available funds must include only one or more of the following: a) Borrower equity; b) firm and binding commitments for the Project from financial institution(s) or from other lender(s) approved by Agency in its absolute discretion; and c) Agency's contribution, provided, however, that Agency is not obligated by this letter to make any contribution not stated in the terms of the letter.
15. **SOILS AND TOXIC REPORTS:** Borrower has submitted to the Agency a hazardous substances report made in accordance with the American Society for Testing and Materials "Standard Practice for Environmental Site Assessments; Phase I Environmental Site Assessment Process" (Designation E1527-13) prepared by a licensed or registered environmental engineer or other qualified party prior to Loan closing. Borrower must, as a condition of disbursement of Loan funds, give assurances satisfactory to the Agency that hazardous materials are not present on the Property or that any hazardous materials on the Property will be remediated and that no further remediation is then required by the environmental agency having responsibility for monitoring such remediation.
16. **LOAN IN BALANCE:** Borrower will be required to maintain the Loan "in balance". The Loan is "in balance" whenever the amount of the undisbursed Loan funds, the remaining sums to be provided by the Borrower and the loan funds from other project lenders or the equity investor are sufficient, in the sole judgement of the Agency, to pay for the remainder of the work to be done on the project as required by written agreement with the Agency. Should the Agency determine that the Loan is not "in balance", the Agency may declare the Loan to be in default.
17. **PLANS AND SPECIFICATION:** Final plans and specifications, if any, for the project must be in accord with the proposal approved as part of the Loan application. Final plans and specifications will be subject to Agency's final approval prior to the disbursal of Agency Loan funds. Borrower must obtain Agency's prior written consent to any change in the approved plans and specifications or any material deviation in construction of the project. The final plans shall incorporate all related mitigation measures, environmental conditions required, if any, for compliance with approvals under CEQA, and/or NEPA, or the U.S. Department of Housing and Urban Development as conditions of approval of the project.
18. **ARCHITECTURAL AGREEMENT:** The architectural agreement (Agreement), if any, for the preparation of the plans and specifications and other services shall be subject to Agency's approval. Agency may require an assignment of Borrower's interest in and to the Agreement as security for the Loan.
19. **CONSTRUCTION CONTRACT:** The construction contract (Contract), if any, and any change orders issued thereunder, and the contractor (Contractor) to be retained by Borrower to construct the Improvements shall be subject to Agency's approval. Agency

may require an assignment of Borrower's interest in and to the Contract as security for the Loan. Agency may require Contractor to provide a performance and payment bond in a form acceptable to Agency for the amount of the Contract.

20. **RETENTION AMOUNT:** The Agency shall retain ten percent (10.0%) of the total amount of the Loan as retention and shall be released when the Agency determines all conditions to final disbursement of the Loan have been satisfied.
21. **COST BREAKDOWN:** Borrower shall deliver to Agency for Agency's approval prior to commencement of work a detailed cost breakdown of the cost of constructing, financing and other costs of developing the Improvements, which breakdown conforms to the project plans and specification and the budget approved with this commitment. Borrower shall also deliver a list of all contractors and subcontractors to be employed in connection with the construction of the Improvements. If required by the Agency, Borrower shall also submit copies of all bids received for each item of work to be performed as well as copies of executed contracts and subcontracts with acceptable bidders.

All contracts, subcontracts, contractors, and subcontractors shall be subject to Agency's approval prior to close of the Loan. Agency also reserves the right to require performance and material payment bonds on any or all contractors, or in lieu of bond a letter of credit acceptable to Agency.

Agency shall make disbursements of the Loan based on a cost breakdown that lists line items in cost categories. Agency shall require that Borrower provide documentation supporting all requests for disbursement of Loan funds, including proof of work done and actual expenditure. Agency shall conduct inspections of the Property to assure that the work was done before making a disbursement.

22. **COST SAVINGS:** At completion of construction, Borrower shall submit to Agency a cost certification prepared by a qualified, independent auditor acceptable to Agency, which cost certification shall indicate the amounts actually spent for each item in the cost breakdown and shall indicate the final sources of funding. If there is an aggregate savings, in the total of all such cost breakdown items from the cost breakdown items in the original budget approved by the Agency, after adjusting for any decrease in any funding source including any loss of any equity investment due to an adjustment in the allowable tax credits, the Agency shall withhold for itself as loan repayment, one-half of such savings from the amount of retention then held by the Agency, and the Loan balance shall be reduced by the amount so withheld. The Agency, in its sole discretion, shall determine any reduction and/or repayment of the Agency loan based upon this cost certification and the original approved budget for the project.
23. **START OF CONSTRUCTION:** Borrower shall commence construction at the earliest possible date subject to the conditions of this Agency and other involved lenders, but no later than sixty (60) days following the close of construction financing.

24. COMPLETION OF CONSTRUCTION: Borrower shall complete the construction of the Improvements no later than 24 months following the close of construction financing.
25. SECURITY CAMERAS AND OUTSIDE LIGHTING: Project shall include installation of a security camera system at vehicular driveways and additional exterior lighting, and security patrols, all as approved by the Agency.
26. INSURANCE PROVIDER: Each policy of insurance required under the Loan shall be obtained from a provider licensed to do business in California and having a current Best's Insurance Guide rating of A VII , which rating has been substantially the same or increasing for the last five (5) years, or such other equivalent rating, as may reasonably be approved by Lender's legal counsel.
27. HAZARD INSURANCE: Borrower shall procure and maintain fire and extended coverage insurance and during construction Builder's Risk completed value insurance in a form and substance approved by Agency. Coverage shall be for protection against loss of, or damage to the Improvements or materials for their construction to their full insurable value. Borrower shall also procure and maintain insurance against specific hazards affecting Agency's security for the Loan as may be required by Agency, governmental regulations, or any permanent lender. All such policies shall contain a standard mortgagee loss payable clause in favor of Agency. The insurance required shall be written with a deductible of not more than TEN THOUSAND DOLLARS (\$10,000.00).
28. PUBLIC LIABILITY AND OTHER INSURANCE: Borrower must procure and maintain public liability and property damage insurance (with Agency named as additional insured) in a form approved by Agency. Coverage must be approved by Agency and must be in at least the following limits of liability: (1) Commercial General Liability insurance in Insurance Services Office (ISO) policy form CG 00 01 Commercial General Liability (Occurrence) or better with limits of liability, which are not less than \$1,000,000, per occurrence limit; \$5,000,000 general aggregate limit, and \$5,000,000 products and completed operations aggregate limit, all per location of the Project; (2) Property damage liability of \$1,000,000 each occurrence, \$1,000,000 single limit and \$1,000,000 aggregate; (3) Contractual liability for Bodily Injury of \$1,000,000 each occurrence, for Property Damage of \$1,000,000 each occurrence and \$1,000,000 aggregate, and Personal Injury with Employment Exclusion Deleted of \$1,000,000 aggregate; and (4) Comprehensive Automobile Liability for any vehicle used for or in connection with the Work of \$1,000,000. The insurance required shall be written with a deductible of not more than TEN THOUSAND DOLLARS (\$10,000). Borrower must also procure and maintain workers' compensation and all other insurance required under applicable law, as required by law and as approved by Agency.
29. TITLE INSURANCE: Borrower must procure and deliver to Agency an ALTA Lender's Policy of Title Insurance, together with such endorsements as Agency may require, including but not limited to CLTA endorsement nos. 100, 116, and 102.5/102.7 insuring Agency in an amount equal to the principal amount of the Loan, that Agency's Deed of Trust constitutes a third lien or charge upon the Property and Improvements subject only

to such items as shall have been approved by Agency. There must be no exceptions permitted for mechanics liens. Title insurance for the Loan must be issued by a title insurer approved by Agency.

30. **ORGANIZATIONAL AGREEMENTS**: Borrower must submit to Agency certified copies of all of Borrower's organizational documents, including all amendments, modifications or terminations: if a corporation, Borrower's Articles of Incorporation and By-Laws; if a partnership, its Partnership Agreement and, as applicable, Certificate of Limited Partnership or Statement of Partnership; if a Limited Liability Company, its Articles of Organization and its Operating Agreement; and in all cases with all exhibits and amendments to such documents, fictitious business name statements, other related filings or recorded documents and such related documents as Agency may request. If it is a corporation, Borrower must submit a corporate borrowing resolution referencing this Loan. If Borrower is other than a corporation, Borrower must submit such proof of authority to enter this Loan as may be required under the organizational documents.
31. **PURCHASE OF PROPERTY**: Borrower shall provide Agency with copies of all documents relating to Borrower's purchase of the Property.
32. **FINANCIAL INFORMATION**: During the term of the Loan, Borrower shall deliver to Agency within 120 days of the end of each fiscal year an audited income and expense statement, a balance sheet, and a statement of all changes in financial position signed by authorized officers of Borrower. Prior to close of the Loan and during its term, Borrower must deliver to Agency such additional financial information as may be requested by Agency. Agency reserves the right to review and approve financial statements and other credit information and references prior to closing. During the term of the Loan, Borrower must deliver to Agency a monthly rent-roll including household composition information and operating statements with respect to the Property and Improvements, as Agency may request.
33. **MANAGEMENT AGREEMENT**: Prior to execution, Borrower must submit to Agency any agreement providing for the management or operation of the Property or Improvements by a third party which agreement is subject to Agency Approval.
34. **AFFIRMATIVE FAIR MARKETING**: Borrower agrees to submit an Affirmative Marketing Plan to Agency and to follow all Agency affirmative marketing requirements.
35. **RESIDENT SERVICES AGREEMENT**: Prior to execution, Borrower must submit to Agency any agreement providing for the resident services by a third party which agreement is subject to Agency Approval. The agreement must include a minimum of twenty (20) hours per week of on-site resident services, including an on-site service coordinator for six (6) hours, and the remaining fourteen (14) hours for educational, enrichment and transportation assistance programs.

36. LOW INCOME HOUSING TAX CREDITS (LIHTC): Borrower represents that as a condition of closing this Loan it is applying for an allocation of LIHTC's and agrees to perform all actions and to meet all requirements to maintain the LIHTC allocation if granted.
37. DOCUMENTATION: This letter is not intended to describe all of the requirements, terms, conditions and documents for the Loan, which shall also include customary provisions and documents for an Agency transaction of this type. All documents to be delivered to or approved by Agency must be satisfactory to Agency in all respects. Borrower must promptly deliver to Agency any further documentation that may be required by Agency.
38. CONSISTENCY OF DOCUMENTS: As a material obligation under this commitment letter, Borrower shall assure that the loan documents for the Project are consistent with lender's commitment approved by the Agency and comply, in all respects, with this commitment letter.
39. CHANGES OR AMENDMENTS: No documents or contracts which are to be delivered to Agency or are subject to Agency's review or approval shall be modified or terminated without the prior written approval of Agency.
40. ACCEPTANCE OF THIS COMMITMENT: Borrower's acceptance of this Commitment shall be evidenced by signing and delivering to Agency the enclosed copy of this letter. Until receipt of such acceptance by Agency, Agency shall have no obligation under this letter. Agency may withdraw this commitment at any time prior to Borrower's acceptance.

Sincerely,

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La Shelle Dozier  
Executive Director

The undersigned acknowledges and accepts the foregoing Commitment and its terms and conditions.

Dated: February 11, 2020



**BORROWER:**

1121 9th Street LLC, a California limited liability company (an affiliate of Mercy Housing California, or related entity).

By: \_\_\_\_\_  
Stephan Daues, Vice President

**The Exhibit listed below is incorporated in this Loan Commitment by this reference for the financing of the Capitol Park Hotel Project:**  
Exhibit 1 - Scope of Development

## **Exhibit 1 - Scope of Development**

Capitol Park Hotel is an existing 180-room SRO on approximately 0.26 acres located in the Central City/Downtown area of the City of Sacramento. The proposed preservation and development plan consists of 134 studio units located within 7 and 8 story brick, wood and concrete building. There is approximately 8,000 sf of retail space on the ground floor that will be reduced to approximately 4,500 sf. There are minimal existing common areas. Approximately 3,000 sf of office and community space amenities will be created on the ground floor with the retail space adjoining the current lobby. Additional community will be created by converting 46 SRO rooms into lounges and other uses on the upper residential floors. There is no on-site parking or landscaping. Approximately 200 square feet of outside property is located out the back door and is available for bicycle parking. This area is shared space with the adjacent state office building.

### **I. Building Exteriors:**

1. **Asphalt Pavements:** N/A
2. **Balconies:** N/A
3. **Electrical:** All exterior lights will be replaced and updated.
4. **Entryway Doors:** The custom front entry double doors and threshold will be replaced with ADA compliant entryway doors with auto-openers.
5. **Landscaping Improvements:** N/A
6. **Roof:** Roofing will be replaced. Additionally, roof safety anchors will be installed for safer construction and future maintenance. All unnecessary existing structures on the roof will be removed.
7. **Siding:** The existing concrete facades will be repainted.
8. **Commercial Storefronts:** Storefronts will be restored to original condition.

### **II. Building Interiors**

1. **Americans with Disabilities Act (ADA) Units:** There will be a total of 14 Americans with Disabilities Act (ADA) compliant units; these units will also have mobility features. Five of these units will have communications features.
2. **Appliances:** All units will have new kitchenette type appliances, including cooktop and refrigerators.
3. **Blinds, Shades and Curtains:** All units will have new blinds installed.
4. **Bathtubs and Toilets:** All units will have new bathtub enclosures. Restrooms shall have new toilet accessories.
5. **Cabinets, Counters and Sinks:** All units will have new cabinets, countertops and sinks in the kitchen and bathroom. Countertops and vanities will be replaced in the bathrooms. Install additional shelving.
6. **Ceilings and Walls:** Damaged ceilings and walls will be repaired consistent with the existing surface texture. New paint will be applied on the ceilings, walls, doors, door frames, and trim in the kitchen and bathroom of all units.

7. **Electrical and Lighting:** All units will have all lighting replaced with LED light fixtures. All units must have one hard-wired smoke detector per bedroom corridor and a minimum of one smoke detector per unit/room.
8. **Flooring:** The units will have new vinyl plank (20 mil minimum wear layer) flooring. The restrooms will have sheet vinyl.
9. **Furnishings:** All units will be furnished with twin beds and mattresses, nightstands and dressers.
10. **Plumbing Fixtures:** All units will have new water efficient plumbing fixtures.

### **III. Community Amenities**

1. **Ceilings and Walls:** Damaged ceilings and walls will be repaired consistent with the existing surface texture. New paint will be applied on the ceilings, walls, doors, door frames, and trim throughout the hallways, lobby, laundry room, community restrooms, resident lounge, community kitchen and stairwells.
2. **Community Restrooms:** The two community restrooms on the first floor will have low-flow bathroom faucets, and low-flow toilets installed. Restrooms shall have new toilet accessories. Concrete flooring will be resealed.
3. **Community Room – 1<sup>st</sup> Floor:** A community room will be created on the first floor and will be a combination of repaired, remodel and new walls and ceilings. All new flooring, electrical and fixtures, and furniture will be provided.
4. **Community rooms/lounges – upper floors:** The 4 existing rooms on each of the upper floors facing L street will be opened up and converted to resident lounges. 2 rooms on the alley side and interior of the building will be opened up for light wells and seating areas open into the corridors.
5. **Community Room Kitchen:** The community room will have a kitchen area with all new appliances, fixtures and cabinets.
6. **Elevator:** The 2 elevators will be completely rebuilt to modern code.
7. **Hallways and Stairs:** Hallways will have new LVP flooring, new lighting, and new paint. The 2 interior stairs will be rebuilt to meet code.
8. **HVAC & Plumbing Systems:** The chiller, boiler and air conveying system are budget for replacement. However, the existing system is worth considering further investigation for retaining.
9. **Laundry Facility:** The laundry rooms on multiple floor swill be remodeled and upgraded.
10. **Lobby:** The lobby will be relocated to the original location at the adjacent restaurant space (salad bar).
11. **Signage:** All unit numbers will be remounted after hallways are painted and completed.
12. **Trash Room:** The trash room will have concrete flooring restored and cleaned. The metal trash chute will be repaired.

**Attachment 1: Lender’s Minimum Construction Standards exhibit is on the following page.**

### **Attachment 1: Lender's Minimum Construction Standards**

This attachment is from Exhibit 2 from the Lender's Multifamily Lending and Mortgage Revenue Bond Policies.

## **SHRA RENTAL PROPERTY MINIMUM CONSTRUCTION STANDARDS**

The following is a list of the required minimum construction standards that must be incorporated into projects participating in SHRA's Multifamily Financing and/or Mortgage Revenue Bond programs. All rental units and sites associated with these projects must meet or exceed these standards.

**Note:** For rehabilitation projects, all of the following standards shall apply. The non-rehabilitation sections below shall apply to new construction projects.

### **Useful Life Expectancy – Rehabilitation only**

SHRA shall reference the current edition of Fannie Mae's "Instructions for Performing a Multifamily Property Condition Assessment, Appendix F. Estimated Useful Life Tables" in determining the useful life for all building components and systems located within the project. A remaining useful life of 15 years or more is required for all building components and systems located within the approved complex. All items on the Fannie Mae tables with useful lives indicated to be less than 15 years shall be replaced.

### **General Requirements**

- A. All materials funded under this loan must be new unless previously approved. Recycled items must be approved in writing by SHRA prior to their use.
- B. All work shall comply with Federal and State ADA accessibility requirements, as well as any other requirements stipulated by the funding source(s). When there are differences the stricter of the two shall apply. The developer is responsible for notifying their architect and/or engineer of all funding sources used on the project. The architect and/or engineer must indicate these funding requirements in the project's plans/scope.
- C. All units shall be approved for occupancy by the local Building Department or any other Agency Having Jurisdiction (AHJ) at the conclusion of the work and prior to occupancy.
- D. Web-based security cameras and the equipment to record events are required for primary ingress/egress points to and from the site and for the principal parking and indoor and outdoor common areas where people will be congregating.
- E. Site lighting is required for all parking and outside public spaces, and shall be of LED or similarly energy efficient type. The lenses on the exterior lights shall be cleaned with all oxidation removed or replaced. Light poles shall be new or painted, and shall be structurally sound and stable.
- F. The developer's architect is responsible for providing an Operating Procedure Outline Sheet (OPOS) for window washing systems where applicable, per Cal-OSHA requirements.
- G. SHRA encourages the use of energy and water-efficient systems wherever they may be incorporated into the project.

### **General Requirements – Rehabilitation only**

- A. Any component of the project which does or may present a health or safety hazard to the public or tenants shall be corrected to the satisfaction of the local Building Department or AHJ.
- B. A clear pest inspection report will be required at the conclusion of the construction work for rehabilitation projects.
- C. For all structures where disturbance of any hazardous materials (e.g. lead, asbestos, mold, etc.) will occur, a clearance report from an environmental consultant is required.
- D. Projects deemed historically significant landmark by either the City of Sacramento or the National Register of Historic Places shall consult with the State Historic Preservation Officer (SHPO), and shall conform to the Secretary of the Interior Standards for the Treatment of Historic Properties.

### **Site Work**

- A. Trees and large shrubs must be trimmed, grass areas must be mowed, and all planter areas must be weed-free. The landscape design shall incorporate a sustainable design appropriate for the Sacramento Valley. Vegetation that assists in minimizing crime and enhances public safety is preferred. Trees compromising building envelope materials (roofing, siding, windows, etc.) and/or structural integrity (including foundations) must be removed. An arborist shall be consulted for an opinion on trees prior to major branch trimming, root cutting or tree removal. All trees, bushes and other plants that are to be removed shall have the root ball removed by grinding or by mechanical means. A landscape plan describing the above must be provided to SHRA for approval.
- B. All landscaped areas must be served by a programmable automated irrigation system. The irrigation controller shall be a "Smart Controller" that senses rain to reduce water use. Irrigation shall be designed to use bubblers and other water saving measures. Irrigation must not spray on building. Sprinklers should minimize overspray that runs to storm drain drop inlets. Areas that show evidence of erosion of soil shall be landscaped to eliminate problems. The landscape plan must be approved by SHRA and applied.
- C. For gated communities containing swinging vehicle gates, driveways shall be striped to show the area under the gate swings for safety purposes.
- D. All projects shall contain trash enclosures with concrete aprons. Trash enclosures shall be made of cinder block or stucco. Trash enclosures shall be accessible to all tenants. Provisions for tenants with disabilities must be addressed in the project Scope of Development or the project plans.
- E. All projects shall meet the parking requirements of the local Agency Having Jurisdiction (AHJ) over the project. "Grandfathered Projects" will need to show that they are in fact "Grandfathered" or otherwise exempted by the local AHJ. Otherwise, all projects shall meet the governing ADA requirements for parking.
- F. A two percent (2%) slope shall be maintained for a distance of five feet from all structures and no standing water shall remain on the site. Provide an on- site drainage system if necessary.

- G. Stairways in common areas must include closed risers and non-slip concrete finish or other slip-resistant material on the treads.
- H. Exterior mounted electrical, mechanical, and plumbing systems must be protected from vandalism.
- I. For family projects of 50 or more units, a minimum of one school age-appropriate play structure is required. For family projects of 100 or more units, a minimum of one school age and one toddler-appropriate play structure is required.

#### **Site Work – Rehabilitation only**

- A. All landscaping and irrigation systems must be in a well-maintained condition.
- B. All fencing must be in good and serviceable condition. Existing fencing that is to remain shall be free of flaking paint, rust, or any other signs of failure. If existing fencing shows any signs of failure, it shall be repaired, painted and restored to look new. All chain link fencing must be removed and replaced with fencing of another approved material. All pedestrian gates hardware must be functional and in new or near-new condition. Access Control systems are required at exterior pedestrian gates.
- C. All driveways and sidewalks must be in good condition. All cracked or uplifted areas (more than ¼") shall be repaired or replaced.
- D. The asphalt shall be in good condition, with no alligator cracking, longitudinal cracking, potholes, or standing water. Repairs to portions of parking lots not suitable for new coatings shall be performed by removing and replacing damaged paving. A new seal-coat or slurry-coat shall then be applied to the entire parking lot surface. Parking spaces shall be restriped, including ADA aisles and other applicable striping/painting.
- E. All site accessories (bollards, benches, tables, play equipment, bike racks, mailboxes, shade structures, BBQs, sheds, etc.) shall be replaced or in good repair (cleaned, painted and/or re-coated).

#### **Building Envelope and Moisture Protection – Rehabilitation only**

- A. All areas exposed to moisture must be sealed and watertight. Buildings showing evidence of water intrusion shall have the areas inspected by a licensed architect/engineer or by a certified water intrusion expert. A water intrusion report shall be submitted to SHRA, and shall include the cause of the issue and a resolution to eradicate the water intrusion. If the inspection cannot be completed until the demolition phase of the project, the report shall describe a procedure to inspect the issue during demolition.
- B. Roofing must have 15 years or more of remaining life with no visible signs of leakage. For roofs containing composition shingles, a maximum of two layers of shingles are allowed (including any proposed new layers). Provide evidence that the roof system has a 15-year life remaining on the manufacturer's warranty.

- C. All siding must have 15 years or more of remaining life. Hairline cracks in stucco must be sealed and painted with elastomeric paint. If requested by SHRA, a statement by a licensed architect and/or engineer that the existing siding contains at least 15 years of useful life remaining shall be provided.
- D. Fireplaces must be clean and meet applicable air quality standards. Chimneys shall be clean and must be inspected by a certified chimney inspector for structural integrity. All recommended structural repairs shall be performed.

### **Doors and Windows**

- A. All dwelling/tenant units must have screens on all windows that are designed to open. Windows designed to open must have functional locks and must operate freely without excessive effort. All windows must be dual-paned (minimum), and shall meet or exceed the State of California's currently applicable efficiency standards, and any other efficiency standards that may be dictated by the funding source or other governing bodies for the project.
- B. All doors must have matching hardware finishes.
- C. All exterior doors must have deadbolt locks, keyed latch assemblies, viewers, and screws in strike plates long enough to penetrate the door jamb framing by at least one inch. The dwelling entry door hardware shall have single action hardware to release deadbolt and latch assembly.
- D. All sliding exterior doors shall have screen doors and shall have functional locks and must operate freely without excessive effort.
- E. All doors and windows must meet current egress standards.

### **Doors and Windows – Rehabilitation only**

- A. Retrofit windows are not acceptable. Any windows showing signs of condensation or leakage of any kind shall be replaced.
- B. All doors and doorjamb must be in good condition. No damaged or worn doorjamb or doors are allowed. Doors and/or jamb beyond their useful life shall be replaced.

### **Casework**

- A. New cabinet boxes shall be made of plywood or solid wood. No particle board boxes will be allowed.
- B. All counter tops shall be of solid surface or granite, and in very good condition with no significant scratches, burns or other imperfections.
- C. Face frames, doors and drawer faces shall be solid hardwood. No plastic laminate finishes will be allowed.

### **Casework – Rehabilitation only**

- A. All cabinets shall be replaced or in very good condition, within their 15 year useful life, both structurally and in appearance.

### **Finishes**

- A. All dwelling unit kitchens shall contain luxury vinyl plank (LVP) flooring. Bathrooms must be floored with LVP, sheet vinyl or ceramic tile to provide a cleanable, impervious surface. Bedrooms, hallways, and living and dining rooms may be floored with carpeting, LVP or hardwood. Wear layer of LVP shall be at least 12 mils inside dwelling units. Tenant unit entries shall be floored with LVP or ceramic tile.

In common areas, corridors may be floored with LVP, glue-down carpeting, or carpet tiles. Community rooms and kitchens shall be floored with LVP. Wear layer of LVP in common/commercial areas shall be a minimum of 20 mils thick.

Carpet shall meet or exceed the minimum standards as set by HUD's UM-44D bulletin.

### **Finishes – Rehabilitation only**

- A. Floor coverings must be in good, useable condition - no holes, tears, rips, or stains.
- B. All exterior and interior surfaces must be painted. No peeling, cracking, chipping, or otherwise failing paint will be allowed. All painted surfaces must be new, or in near new condition and appearance.
- C. Acoustic (popcorn) ceiling texture must be removed and refinished with new texture to match wall texture.

### **Equipment**

- A. Dishwashers, refrigerator/freezer, oven, stoves and garbage disposals are required in all dwelling unit kitchens. All appliances must be new or in very good operating condition. All appliances must be Energy Star rated, as applicable. Appliances slated for ADA units shall be per code requirements.
- B. SRO projects are encouraged to provide the appliances listed above and will be reviewed and approved on a case-by-case basis.
- C. All kitchens must have adequate cabinet and counter space. Installation of shelving for microwaves is required if over-the-range microwaves are not used, with the exception of ADA units.

### **Furnishings**

- A. Dwelling units must have window coverings on all windows.



### **Special Construction**

- A. Non-habitable structures on property must be painted to match primary buildings and must be structurally sound.
- B. Laundry facilities must be provided on the basis of one washer and dryer for every ten dwelling units. Ten percent of the total number of washer/dryers must be ADA-accessible machines (unless the ADA units contain their own laundry facilities). Solid surface countertops will be required within laundry rooms and countertops shall meet all ADA requirements.
- C. Public pool areas shall have self-closing gate(s). Fences and gates at pool areas shall meet applicable current codes and standards. Joints between coping and concrete deck shall be appropriately caulked. Existing pools shall have no cracks in plaster or tile grout joints. The Developer is responsible for ensuring pool and surroundings meet all applicable current codes and standards. If a project contains two or more pools, at least one must remain following rehabilitation.

### **Mechanical/Plumbing**

- A. Water heaters must be installed per current applicable codes.
- B. All common areas and tenant units must have heating and air conditioning. Wall mount (i.e. PTAC units) or central systems are acceptable. Evaporative coolers are not acceptable. HVAC units should be protected from vandalism, pursuant to discretion of SHRA.
- C. Toilets, showerheads, faucets, and mixing valves shall be new and meet current water conservation codes.
- D. Tub surrounds must be one unbroken piece per wall and must be of solid surfaces (such as "Swanstone" or other solid acrylic materials, quartz composites), or other similar materials. Fiberglass/acrylic surrounds are acceptable.

### **Mechanical/Plumbing – Rehabilitation only**

- A. All toilets, sinks, and tubs shall be chip and stain free.

### **Electrical**

- A. All units must have smoke/carbon monoxide detectors installed per current code.
- B. Wiring from telephone/data/cable suppliers shall be installed within walls, attic spaces, and/or crawl spaces. No conduits are allowed to be mounted on the exterior of the buildings in new construction.

### **Electrical – Rehabilitation only**

- A. All electrical panels shall meet current code.
- B. Any rehabilitation projects with un-grounded electrical systems shall be re-wired with grounded systems to meet current code.
- C. For rehabilitation projects, switches, outlets and light fixtures shall be replaced with devices that meet current applicable codes.
- D. Wiring mounted on the exterior of the surface may be allowed if it is concealed in conduit and conduit is painted to match exterior siding. For projects where exterior siding will be removed, this wiring shall be installed within walls, attic spaces, and/or crawl spaces.

### **Resident Services Community Space**

All properties, regardless of project type (i.e. senior, family, or large family), must devote a minimum of 1,200 s.f. to actual resident services/community space. Resident services space includes common kitchens, computer rooms, meeting rooms and general gathering space. It does not include public restrooms, leasing offices, laundry facilities and lobbies. Common kitchens are required, including refrigerator, stove, garbage disposal, and dishwasher.

For existing buildings, these requirements shall apply unless SHRA deems there to be significant physical constraints.

### **End of Scope of Development**

# **RESOLUTION NO. 2020 -**

**Adopted by the Sacramento City Council**

On date of

## **CAPITOL PARK HOTEL: APPROVAL OF \$5,900,000 IN COMMUNITY DEVELOPMENT BLOCK GRANT, HOME INVESTMENT PARTNERSHIPS PROGRAM FUND, HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS FUNDS AND MIXED INCOME HOUSING FUNDS; EXECUTION OF A LOAN COMMITMENT AND RELATED DOCUMENTS WITH MERCY HOUSING CALIFORNIA, OR RELATED ENTITY; RELATED BUDGET AMENDMENT; AND ENVIRONMENTAL FINDINGS**

### **BACKGROUND**

- A. Mercy Housing California (Developer) applied to Sacramento Housing and Redevelopment Agency (Agency) for a \$9,100,000 loan, comprised of Community Development Block Grant, HOME Investment Partnerships Program Fund, Housing Opportunities for Persons with AIDS Funds, Mixed Income Housing Ordinance Funds (MIHO) and Housing Authority Successor Agency Funds, to assist in funding the predevelopment, construction and permanent financing of the Capitol Park Hotel development located downtown at 1125 9th Street, including the tenant addresses of 1117, 1121, 1127 and 1131 9th Street (Project). The Project includes 65 units for extremely low income and 69 units for very low income households.
- B. The \$3,200,000 loan (\$1,500,000 predevelopment loan and \$1,700,000 construction loan) comprised of Housing Authority Successor Agency Funds are subject to approval by a separate resolution to be adopted by the Housing Authority Board.
- C. The Project is consistent with: a) the Agency's previously approved Multifamily Lending and Mortgage Revenue Bond Policies, Affordable Housing Priority 2(i), Conversion of Non-Residential to Residential Use for Permanent Supportive Housing and Homeless Housing, and Priority 2(iii), Workforce Housing; b) the 2013-2021 Housing Element, Goals H-1.1.1 Sustainable housing practices; H-1.2.9, in part, Workforce Housing, especially in and around downtown; H-1.3.2 Economic integration of multifamily affordable housing projects; H-2.2.4, in part, Pursue and maximize the use of all appropriate state, federal, local and private funding for the development of housing affordable for extremely low-, very low-, and low-income households, while maintaining economic competitiveness in the region; H-3.1.1 Promote extremely low income housing; H-3.2.8 Provide funding and other resources for permanent supportive housing; H-3.2.9 Prioritization of Special Needs Housing, such as chronically homeless individuals or families for available local affordable housing financing as set forth in the City's Multifamily Lending and Mortgage Revenue Bond Policies. Projects that augment or

safeguard the City's inventory of single room occupancy units will also have the same priority; and H-5.1 to 5.4, in part, Promote and create accessible residential development (Resolution No. 2013-415); and c) the Sacramento Promise Zone Plans and Goals, Sustainably Built Community sub-goal to increase housing types and transit growth to promote livability and connectivity within the Promise Zone (Resolution No. 2015-263).

- D. In addition, the recommended actions for the development are located in a) the Downtown Housing Initiative and Initiation of the Downtown Specific Plan, to bring 10,000 places to live to Downtown Sacramento by 2025 (Resolution No. 2015-282); and b) the Opportunity Zone that provides a federal tax incentive for investors, who invest in real estate projects and operating businesses located in designated low-income communities through deferral and partial tax reductions of reinvested capital gains and forgiveness of tax on new capital gains (enacted into federal law through the Tax Cuts and Jobs Act of 2017).
- E. CDBG funds totaling \$1,250,725 were allocated to the in the 2020 Action Plan to the Affordable Housing Rehabilitation Program fund (Resolution 2019-0408). HOPWA funds totaling \$1,414,348.53 were allocated to the Multi-Family Housing Acquisition and Construction fund in the 2018, 2019 and 2020 Action Plans (City Resolutions 2017-0410, 2018-0429 and 2019-0480).
- F. This project has been reviewed pursuant to the California Environmental Quality Act (CEQA) and has been found to be categorically exempt under CEQA pursuant to CEQA Guidelines §15301 and 15302.
- G. An Environmental Assessment (EA) was prepared for this project pursuant to the National Environmental Policy Act (NEPA), and it was found that with mitigation measures incorporated, the project will not result in a significant impact on the quality of the human environment.

**BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:**

- Section 1. All of the evidence having been duly considered, the facts as presented and stated above, including the environmental facts and findings, as stated above, are found to be true and correct.
- Section 2. The Sacramento Housing and Redevelopment Agency (Agency) is authorized to amend the Agency budget and allocate up to \$5,900,000 to Capitol Park Hotel utilizing the following funding sources and amounts:
  - a. \$1,700,000 in Community Development Block Grant (CDBG) from the 2019 and 2020 Affordable Housing Rehabilitation Program fund;
  - b. \$800,000 in HOME Investment Partnerships Program (HOME);
  - c. \$1,100,000 in Housing Opportunities for Persons with AIDS (HOPWA) which includes 2018, 2019 and 2020 Entitlement; and
  - d. \$2,300,000 in Mixed Income Housing Ordinance Funds (MIHO).

Section 3. The Loan Commitment, attached as Exhibit A, for financing the Capitol Park Hotel with \$5,900,000 in CDBG, HOME, HOPWA and MIHO program funds is approved, and the Agency is delegated authority to execute and transmit the Loan Commitment to Mercy Housing California, or related entity.

Section 4. The Agency is authorized to enter into and execute other documents, as approved to form by Agency counsel, and perform other actions necessary to fulfill the intent of the Loan Commitment that accompany this resolution, in accordance with their terms, and to ensure proper repayment of the Agency funds including without limitation, loan restructuring, subordination and extensions, consistent with Agency adopted policy and with this resolution.

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Exhibit A – Capitol Park Hotel Conditional Loan Commitment



Date: February 11, 2020

Stephan Daues, Vice President  
1121 9th Street LLC  
C/O Mercy Housing California  
3120 Freeboard Drive, Suite 202,  
West Sacramento, CA 95691

RE: Conditional Funding Commitment for Capitol Park Hotel

Dear Mr. Daues:

On behalf of the Sacramento Housing and Redevelopment Agency (Agency), we are pleased to advise you of its commitment of \$7,600,000 in construction and permanent loan funds (Loan) comprised of City Community Development Block Grant (CDBG), HOME Investment Partnerships Program (HOME), Housing Authority Successor Agency Funds (HASAF), Housing Opportunities for Persons with AIDS (HOPWA), and Mixed Income Housing Funds (MIHO) for the purpose of financing the acquisition, rehabilitation and development of that certain real property known as Capitol Park Hotel located at 1117, 1121, 1125, 1127, 1129 and 1131 9<sup>th</sup> Street, Sacramento, California (Property). **The Agency's decision is based on your application, and all representations and information supplied by you to it. If these representations and information change in a material manner without written approval of the Agency, this commitment is void.** Agency's obligation to make the Loan is subject to the satisfaction of all the following terms and conditions and Borrower's execution of documentation that is in a form and in substance satisfactory to the Agency.

The Loan shall be made on standard Agency loan documents. Loan terms not in this funding commitment and the attached loan document forms shall not be included in the final loan documents without additional environmental review and governing board approval. In the event of any discrepancies between terms stated in this commitment and the loan documents, the terms stated in the loan commitment letter shall be deemed to be terms of this commitment.

Unless otherwise agreed in writing by the Agency in exercise of its absolute discretion, the following shall be considered conditions to Agency approval of a financing commitment. The Agency may, in exercise of its absolute discretion, modify its requirements upon written notice to Borrower given at least sixty (60) days prior to close of escrow for the Property.

This commitment will expire **August 11, 2021**.



1. **PROJECT DESCRIPTION:** Capitol Park Hotel will be an acquisition and rehabilitation of an historic 180-unit single room occupancy building into 134 affordable, permanent supportive and workforce housing units which are studios that include kitchenettes and full bathrooms (Project). Amenities will include a 24/7 desk clerk, community room, and meeting areas for individual and group settings. Bicycle parking will be available onsite.
2. **BORROWER:** The name of the Borrower for the Loan is 1121 9th Street LLC, a California limited liability company (an affiliate of Mercy Housing California, or related entity).
3. **PURPOSE OF LOAN:** The Loan is to be used by Borrower solely to pay the costs of acquisition, rehabilitation, development and for such other purposes as Agency expressly agrees to in the loan agreement for the Loan, and such other agreements as may be generally required by the Agency for the use of the funding source for the Loan.
4. **PRINCIPAL AMOUNT:** The combined principal amount of the Loan will be the lesser of (a) Seven Million Six Hundred Thousand Dollars (\$7,600,000), or (b) an amount to be determined prior to close of the Loan based on a project budget approved by Agency.
5. **TERM OF LOAN:** The Loan shall mature 57 years (i.e., 684 months) from the date of closing, at which point any and all unpaid principal and interest on the loan will be due and payable.
6. **INTEREST RATE:** Zero percent interest rate (0.00%).
7. **ANNUAL REPAYMENT:** Annual payments will be made on a Residual Receipts basis until the maturity date. Annual payments shall be applied to outstanding principal.

“Residual Receipts” is defined as follows: Based on the annual audited financial statement from the preceding year, payments will be made upon a “Residual Cash Flow” basis meaning Net Operating Income (NOI) less: (a) debt service on the monitoring fees of the State of California Housing Community Development (HCD) loan and the Sacramento Housing and Redevelopment Agency loan; (b) partnership management fee up to \$20,000 annually as of the Loan’s Effective Date escalating at 3% annually; (c) asset management fees up to \$5,000 annually as of the Loan’s Effective Date escalating at 3% annually; (d) after Sections (a) through (c) of this paragraph are paid, one hundred percent (100%) of the available cash flow from NOI to a capitalized services reserves account for the operation deficits of supportive and/or resident services for the residents of the Project; (e) after Sections (a) through (d) of this paragraph are paid, fifty percent (50%) of the available cash flow from NOI to Borrower; (f) after Sections (a) through (e) of this paragraph are paid, the proportional share of HCD’s public assistance of the available cash flow from NOI towards loan repayment to HCD after Sections (a) through (e) of this paragraph are paid; and (g) the remaining proportional share of the Agency’s

public assistance of the available cash flow from NOI towards loan repayment to the Agency loan after Sections (a) through (f) of this paragraph are paid.

The Net Operating Income is defined as periodic "Revenue" less "Operating Expenses." "Revenue" means all revenue from the leasing of the Project, including but not limited to all rents, fees, and charges paid by tenants as well as rental subsidy payments regardless of the source of these subsidies, forfeited tenant deposits, rent increases, proceeds from vending machines and laundry room machines. Revenue shall not include tenants' security deposits (unless forfeited), interest on those deposits, loan proceeds, capital contributions or similar advances, or amounts released from reserves or interest on reserves.

"Operating Expenses" shall mean actual costs, fees and expenses as evidenced by invoices attributable to the operation, recordkeeping, maintenance, taxes and management of the Project, including property management fees; taxes and assessments; payroll, benefits and payroll taxes for Project employees; insurance; security; painting, cleaning, repairs, and alterations; landscaping; sewer charges; utility charges; advertising, promotion and publicity; cable television, satellite, cable; elevator and other similar services; office, janitorial, cleaning and building supplies; recreational amenities and supplies; purchase, repair, servicing and installation of appliances; costs and expenses associated with the provision of social and/or community services to the residents of the Project; equipment, fixtures and furnishing; fire alarm and elevator monitoring; fees and expenses of accountants, attorneys, consultants and other professionals. The definition will include deposits into operating and/or replacement reserves maintained by the Borrower.

8. SOURCE OF LOAN FUNDS:

Agency is making the Loan from the following sources of funds, and the Loan is subject to all requirements related to the use of such, whether Agency requirements or otherwise: \$1,700,000 in CDBG; \$800,000 in HOME; \$1,700,000 in HASAF; \$1,100,000 in HOPWA; and \$2,300,000 in MIHO program funds. This Loan is conditioned upon Borrower's acceptance of Agency's requirements and conditions related to such lending programs and funding sources, including among others, the required forms of agreements for the Loan; the requirements for covenants, conditions and restrictions upon the Property; and insurance and indemnity requirements.

**Borrower acknowledges that, as a condition of the Agency's making of the Loan, the Property will be subject to restrictions on future sales and rentals which may result in less income to Borrower than could otherwise be realized, and that such restrictions run with the land, and during their operational term, will bind all successors in interest.**

\_\_\_\_\_ (Borrower Initial)



9. **ACCELERATION**: Agency shall have the right to accelerate repayment of the Loan in the event of a default under any Loan Document or upon sale, transfer or alienation of the Property except as specifically provided for in the Loan documents.
10. **SECURITY**: The Loan shall be evidenced by promissory note(s) secured by a deed of trust with assignment of rents against the fee and/or leasehold interest in the Property and Improvements, which shall be a lien upon the Property and Improvements subject only to liens senior to the Agency's lien securing loans from a conventional lender and such other items as the Agency may approve in writing. The Loan shall also be secured by security agreements. The Agency may subordinate said deeds of trust in order to accommodate completion of rehabilitation of the Property.
11. **LEASE AND RENTAL SCHEDULE**: All leases of the Property and Improvements shall be subject to Agency's review and approval prior to execution. Borrower shall not deviate from the rental schedule presented in Borrower's application for the Loan without Agency's prior written approval; provided, however, that such approval shall not be required for annual adjustments to rental rates as permitted by the California Tax Credit Allocation Committee.
12. **PROOF OF EQUITY**: Borrower shall provide proof of equity for the Property and Improvements in the amount of no less than \$39,000,000 in Low Income Housing Tax Credit Equity. If LIHTC equity goes below \$39,000,000, the equity must be offset by an increase in deferred developer fee and/or general partnership contribution.
13. **OTHER FINANCING**: Borrower, as a requirement of the Loan, shall procure and deliver to Agency evidence satisfactory to Agency that Borrower has obtained the following described financing which may be secured by a lien upon the Property and Improvements superior or subordinate to Agency's liens, and which shall be otherwise on terms and conditions acceptable to Agency:
  - (a) As a condition precedent to disbursement of the remainder of the Agency loan, construction financing from a private lender(s) in an amount(s) sufficient to complete construction of the Property according to a scope of work as approved by Agency and made for a term not less than that specified in the Schedule of Performances for completion of construction, and in any event not less than the time necessary to fulfill all conditions precedent to funding of the permanent financing.
  - (b) Commitments for permanent financing sufficient to "take out" all liens senior to the Agency's lien.
  - (c) Such commitments for financing shall not require modification of Agency loan documents, or any term of this commitment letter.
  - (d) Such commitments shall not be based upon sources and uses of Project funds that are different from those approved by Agency for the project or be subject to conditions which require amendment of the DDA, OPA or other agreements.

14. **EVIDENCE OF FUNDS:** Prior to the first disbursement of the Loan, Borrower must demonstrate evidence of adequate and assured funding to complete the development of the Project in accordance with the Agency's requirements. Borrower's evidence of available funds must include only one or more of the following: a) Borrower equity; b) firm and binding commitments for the Project from financial institution(s) or from other lender(s) approved by Agency in its absolute discretion; and c) Agency's contribution, provided, however, that Agency is not obligated by this letter to make any contribution not stated in the terms of the letter.
15. **SOILS AND TOXIC REPORTS:** Borrower has submitted to the Agency a hazardous substances report made in accordance with the American Society for Testing and Materials "Standard Practice for Environmental Site Assessments; Phase I Environmental Site Assessment Process" (Designation E1527-13) prepared by a licensed or registered environmental engineer or other qualified party prior to Loan closing. Borrower must, as a condition of disbursement of Loan funds, give assurances satisfactory to the Agency that hazardous materials are not present on the Property or that any hazardous materials on the Property will be remediated and that no further remediation is then required by the environmental agency having responsibility for monitoring such remediation.
16. **LOAN IN BALANCE:** Borrower will be required to maintain the Loan "in balance". The Loan is "in balance" whenever the amount of the undisbursed Loan funds, the remaining sums to be provided by the Borrower and the loan funds from other project lenders or the equity investor are sufficient, in the sole judgement of the Agency, to pay for the remainder of the work to be done on the project as required by written agreement with the Agency. Should the Agency determine that the Loan is not "in balance", the Agency may declare the Loan to be in default.
17. **PLANS AND SPECIFICATION:** Final plans and specifications, if any, for the project must be in accord with the proposal approved as part of the Loan application. Final plans and specifications will be subject to Agency's final approval prior to the disbursal of Agency Loan funds. Borrower must obtain Agency's prior written consent to any change in the approved plans and specifications or any material deviation in construction of the project. The final plans shall incorporate all related mitigation measures, environmental conditions required, if any, for compliance with approvals under CEQA, and/or NEPA, or the U.S. Department of Housing and Urban Development as conditions of approval of the project.
18. **ARCHITECTURAL AGREEMENT:** The architectural agreement (Agreement), if any, for the preparation of the plans and specifications and other services shall be subject to Agency's approval. Agency may require an assignment of Borrower's interest in and to the Agreement as security for the Loan.
19. **CONSTRUCTION CONTRACT:** The construction contract (Contract), if any, and any change orders issued thereunder, and the contractor (Contractor) to be retained by Borrower to construct the Improvements shall be subject to Agency's approval. Agency

may require an assignment of Borrower's interest in and to the Contract as security for the Loan. Agency may require Contractor to provide a performance and payment bond in a form acceptable to Agency for the amount of the Contract.

20. **RETENTION AMOUNT:** The Agency shall retain ten percent (10.0%) of the total amount of the Loan as retention and shall be released when the Agency determines all conditions to final disbursement of the Loan have been satisfied.
21. **COST BREAKDOWN:** Borrower shall deliver to Agency for Agency's approval prior to commencement of work a detailed cost breakdown of the cost of constructing, financing and other costs of developing the Improvements, which breakdown conforms to the project plans and specification and the budget approved with this commitment. Borrower shall also deliver a list of all contractors and subcontractors to be employed in connection with the construction of the Improvements. If required by the Agency, Borrower shall also submit copies of all bids received for each item of work to be performed as well as copies of executed contracts and subcontracts with acceptable bidders.

All contracts, subcontracts, contractors, and subcontractors shall be subject to Agency's approval prior to close of the Loan. Agency also reserves the right to require performance and material payment bonds on any or all contractors, or in lieu of bond a letter of credit acceptable to Agency.

Agency shall make disbursements of the Loan based on a cost breakdown that lists line items in cost categories. Agency shall require that Borrower provide documentation supporting all requests for disbursement of Loan funds, including proof of work done and actual expenditure. Agency shall conduct inspections of the Property to assure that the work was done before making a disbursement.

22. **COST SAVINGS:** At completion of construction, Borrower shall submit to Agency a cost certification prepared by a qualified, independent auditor acceptable to Agency, which cost certification shall indicate the amounts actually spent for each item in the cost breakdown and shall indicate the final sources of funding. If there is an aggregate savings, in the total of all such cost breakdown items from the cost breakdown items in the original budget approved by the Agency, after adjusting for any decrease in any funding source including any loss of any equity investment due to an adjustment in the allowable tax credits, the Agency shall withhold for itself as loan repayment, one-half of such savings from the amount of retention then held by the Agency, and the Loan balance shall be reduced by the amount so withheld. The Agency, in its sole discretion, shall determine any reduction and/or repayment of the Agency loan based upon this cost certification and the original approved budget for the project.
23. **START OF CONSTRUCTION:** Borrower shall commence construction at the earliest possible date subject to the conditions of this Agency and other involved lenders, but no later than sixty (60) days following the close of construction financing.

24. COMPLETION OF CONSTRUCTION: Borrower shall complete the construction of the Improvements no later than 24 months following the close of construction financing.
25. SECURITY CAMERAS AND OUTSIDE LIGHTING: Project shall include installation of a security camera system at vehicular driveways and additional exterior lighting, and security patrols, all as approved by the Agency.
26. INSURANCE PROVIDER: Each policy of insurance required under the Loan shall be obtained from a provider licensed to do business in California and having a current Best's Insurance Guide rating of A VII , which rating has been substantially the same or increasing for the last five (5) years, or such other equivalent rating, as may reasonably be approved by Lender's legal counsel.
27. HAZARD INSURANCE: Borrower shall procure and maintain fire and extended coverage insurance and during construction Builder's Risk completed value insurance in a form and substance approved by Agency. Coverage shall be for protection against loss of, or damage to the Improvements or materials for their construction to their full insurable value. Borrower shall also procure and maintain insurance against specific hazards affecting Agency's security for the Loan as may be required by Agency, governmental regulations, or any permanent lender. All such policies shall contain a standard mortgagee loss payable clause in favor of Agency. The insurance required shall be written with a deductible of not more than TEN THOUSAND DOLLARS (\$10,000.00).
28. PUBLIC LIABILITY AND OTHER INSURANCE: Borrower must procure and maintain public liability and property damage insurance (with Agency named as additional insured) in a form approved by Agency. Coverage must be approved by Agency and must be in at least the following limits of liability: (1) Commercial General Liability insurance in Insurance Services Office (ISO) policy form CG 00 01 Commercial General Liability (Occurrence) or better with limits of liability, which are not less than \$1,000,000, per occurrence limit; \$5,000,000 general aggregate limit, and \$5,000,000 products and completed operations aggregate limit, all per location of the Project; (2) Property damage liability of \$1,000,000 each occurrence, \$1,000,000 single limit and \$1,000,000 aggregate; (3) Contractual liability for Bodily Injury of \$1,000,000 each occurrence, for Property Damage of \$1,000,000 each occurrence and \$1,000,000 aggregate, and Personal Injury with Employment Exclusion Deleted of \$1,000,000 aggregate; and (4) Comprehensive Automobile Liability for any vehicle used for or in connection with the Work of \$1,000,000. The insurance required shall be written with a deductible of not more than TEN THOUSAND DOLLARS (\$10,000). Borrower must also procure and maintain workers' compensation and all other insurance required under applicable law, as required by law and as approved by Agency.
29. TITLE INSURANCE: Borrower must procure and deliver to Agency an ALTA Lender's Policy of Title Insurance, together with such endorsements as Agency may require, including but not limited to CLTA endorsement nos. 100, 116, and 102.5/102.7 insuring Agency in an amount equal to the principal amount of the Loan, that Agency's Deed of Trust constitutes a third lien or charge upon the Property and Improvements subject only

to such items as shall have been approved by Agency. There must be no exceptions permitted for mechanics liens. Title insurance for the Loan must be issued by a title insurer approved by Agency.

30. **ORGANIZATIONAL AGREEMENTS**: Borrower must submit to Agency certified copies of all of Borrower's organizational documents, including all amendments, modifications or terminations: if a corporation, Borrower's Articles of Incorporation and By-Laws; if a partnership, its Partnership Agreement and, as applicable, Certificate of Limited Partnership or Statement of Partnership; if a Limited Liability Company, its Articles of Organization and its Operating Agreement; and in all cases with all exhibits and amendments to such documents, fictitious business name statements, other related filings or recorded documents and such related documents as Agency may request. If it is a corporation, Borrower must submit a corporate borrowing resolution referencing this Loan. If Borrower is other than a corporation, Borrower must submit such proof of authority to enter this Loan as may be required under the organizational documents.
31. **PURCHASE OF PROPERTY**: Borrower shall provide Agency with copies of all documents relating to Borrower's purchase of the Property.
32. **FINANCIAL INFORMATION**: During the term of the Loan, Borrower shall deliver to Agency within 120 days of the end of each fiscal year an audited income and expense statement, a balance sheet, and a statement of all changes in financial position signed by authorized officers of Borrower. Prior to close of the Loan and during its term, Borrower must deliver to Agency such additional financial information as may be requested by Agency. Agency reserves the right to review and approve financial statements and other credit information and references prior to closing. During the term of the Loan, Borrower must deliver to Agency a monthly rent-roll including household composition information and operating statements with respect to the Property and Improvements, as Agency may request.
33. **MANAGEMENT AGREEMENT**: Prior to execution, Borrower must submit to Agency any agreement providing for the management or operation of the Property or Improvements by a third party which agreement is subject to Agency Approval.
34. **AFFIRMATIVE FAIR MARKETING**: Borrower agrees to submit an Affirmative Marketing Plan to Agency and to follow all Agency affirmative marketing requirements.
35. **RESIDENT SERVICES AGREEMENT**: Prior to execution, Borrower must submit to Agency any agreement providing for the resident services by a third party which agreement is subject to Agency Approval. The agreement must include a minimum of twenty (20) hours per week of on-site resident services, including an on-site service coordinator for six (6) hours, and the remaining fourteen (14) hours for educational, enrichment and transportation assistance programs.

36. LOW INCOME HOUSING TAX CREDITS (LIHTC): Borrower represents that as a condition of closing this Loan it is applying for an allocation of LIHTC's and agrees to perform all actions and to meet all requirements to maintain the LIHTC allocation if granted.
37. DOCUMENTATION: This letter is not intended to describe all of the requirements, terms, conditions and documents for the Loan, which shall also include customary provisions and documents for an Agency transaction of this type. All documents to be delivered to or approved by Agency must be satisfactory to Agency in all respects. Borrower must promptly deliver to Agency any further documentation that may be required by Agency.
38. CONSISTENCY OF DOCUMENTS: As a material obligation under this commitment letter, Borrower shall assure that the loan documents for the Project are consistent with lender's commitment approved by the Agency and comply, in all respects, with this commitment letter.
39. CHANGES OR AMENDMENTS: No documents or contracts which are to be delivered to Agency or are subject to Agency's review or approval shall be modified or terminated without the prior written approval of Agency.
40. ACCEPTANCE OF THIS COMMITMENT: Borrower's acceptance of this Commitment shall be evidenced by signing and delivering to Agency the enclosed copy of this letter. Until receipt of such acceptance by Agency, Agency shall have no obligation under this letter. Agency may withdraw this commitment at any time prior to Borrower's acceptance.

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La Shelle Dozier  
Executive Director

The undersigned acknowledges and accepts the foregoing Commitment and its terms and conditions.

Dated: February 11, 2020

**BORROWER:**

1121 9th Street LLC, a California limited liability company (an affiliate of Mercy Housing California, or related entity).

By: \_\_\_\_\_  
Stephan Daues, Vice President

**The Exhibit listed below is incorporated in this Loan Commitment by this reference for the financing of the Capitol Park Hotel Project:**  
Exhibit 1 - Scope of Development

## **Exhibit 1 - Scope of Development**

Capitol Park Hotel is an existing 180-room SRO on approximately 0.26 acres located in the Central City/Downtown area of the City of Sacramento. The proposed preservation and development plan consists of 134 studio units located within 7 and 8 story brick, wood and concrete building. There is approximately 8,000 sf of retail space on the ground floor that will be reduced to approximately 4,500 sf. There are minimal existing common areas. Approximately 3,000 sf of office and community space amenities will be created on the ground floor with the retail space adjoining the current lobby. Additional community will be created by converting 46 SRO rooms into lounges and other uses on the upper residential floors. There is no on-site parking or landscaping. Approximately 200 square feet of outside property is located out the back door and is available for bicycle parking. This area is shared space with the adjacent state office building.

### **I. Building Exteriors:**

1. **Asphalt Pavements:** N/A
2. **Balconies:** N/A
3. **Electrical:** All exterior lights will be replaced and updated.
4. **Entryway Doors:** The custom front entry double doors and threshold will be replaced with ADA compliant entryway doors with auto-openers.
5. **Landscaping Improvements:** N/A
6. **Roof:** Roofing will be replaced. Additionally, roof safety anchors will be installed for safer construction and future maintenance. All unnecessary existing structures on the roof will be removed.
7. **Siding:** The existing concrete facades will be repainted.
8. **Commercial Storefronts:** Storefronts will be restored to original condition.

### **II. Building Interiors**

1. **Americans with Disabilities Act (ADA) Units:** There will be a total of 14 Americans with Disabilities Act (ADA) compliant units; these units will also have mobility features. Five of these units will have communications features.
2. **Appliances:** All units will have new kitchenette type appliances, including cooktop and refrigerators.
3. **Blinds, Shades and Curtains:** All units will have new blinds installed.
4. **Bathtubs and Toilets:** All units will have new bathtub enclosures. Restrooms shall have new toilet accessories.
5. **Cabinets, Counters and Sinks:** All units will have new cabinets, countertops and sinks in the kitchen and bathroom. Countertops and vanities will be replaced in the bathrooms. Install additional shelving.
6. **Ceilings and Walls:** Damaged ceilings and walls will be repaired consistent with the existing surface texture. New paint will be applied on the ceilings, walls, doors, door frames, and trim in the kitchen and bathroom of all units.



7. **Electrical and Lighting:** All units will have all lighting replaced with LED light fixtures. All units must have one hard-wired smoke detector per bedroom corridor and a minimum of one smoke detector per unit/room.
8. **Flooring:** The units will have new vinyl plank (20 mil minimum wear layer) flooring. The restrooms will have sheet vinyl.
9. **Furnishings:** All units will be furnished with twin beds and mattresses, nightstands and dressers.
10. **Plumbing Fixtures:** All units will have new water efficient plumbing fixtures.

### III. Community Amenities

1. **Ceilings and Walls:** Damaged ceilings and walls will be repaired consistent with the existing surface texture. New paint will be applied on the ceilings, walls, doors, door frames, and trim throughout the hallways, lobby, laundry room, community restrooms, resident lounge, community kitchen and stairwells.
2. **Community Restrooms:** The two community restrooms on the first floor will have low-flow bathroom faucets, and low-flow toilets installed. Restrooms shall have new toilet accessories. Concrete flooring will be resealed.
3. **Community Room – 1<sup>st</sup> Floor:** A community room will be created on the first floor and will be a combination of repaired, remodel and new walls and ceilings. All new flooring, electrical and fixtures, and furniture will be provided.
4. **Community rooms/lounges – upper floors:** The 4 existing rooms on each of the upper floors facing L street will be opened up and converted to resident lounges. 2 rooms on the alley side and interior of the building will be opened up for light wells and seating areas open into the corridors.
5. **Community Room Kitchen:** The community room will have a kitchen area with all new appliances, fixtures and cabinets.
6. **Elevator:** The 2 elevators will be completely rebuilt to modern code.
7. **Hallways and Stairs:** Hallways will have new LVP flooring, new lighting, and new paint. The 2 interior stairs will be rebuilt to meet code.
8. **HVAC & Plumbing Systems:** The chiller, boiler and air conveying system are budget for replacement. However, the existing system is worth considering further investigation for retaining.
9. **Laundry Facility:** The laundry rooms on multiple floor swill be remodeled and upgraded.
10. **Lobby:** The lobby will be relocated to the original location at the adjacent restaurant space (salad bar).
11. **Signage:** All unit numbers will be remounted after hallways are painted and completed.
12. **Trash Room:** The trash room will have concrete flooring restored and cleaned. The metal trash chute will be repaired.

**Attachment 1: Lender's Minimum Construction Standards exhibit is on the following page.**

### **Attachment 1: Lender's Minimum Construction Standards**

This attachment is from Exhibit 2 from the Lender's Multifamily Lending and Mortgage Revenue Bond Policies.

## **SHRA RENTAL PROPERTY MINIMUM CONSTRUCTION STANDARDS**

The following is a list of the required minimum construction standards that must be incorporated into projects participating in SHRA's Multifamily Financing and/or Mortgage Revenue Bond programs. All rental units and sites associated with these projects must meet or exceed these standards.

**Note:** For rehabilitation projects, all of the following standards shall apply. The non-rehabilitation sections below shall apply to new construction projects.

### **Useful Life Expectancy – Rehabilitation only**

SHRA shall reference the current edition of Fannie Mae's "Instructions for Performing a Multifamily Property Condition Assessment, Appendix F. Estimated Useful Life Tables" in determining the useful life for all building components and systems located within the project. A remaining useful life of 15 years or more is required for all building components and systems located within the approved complex. All items on the Fannie Mae tables with useful lives indicated to be less than 15 years shall be replaced.

### **General Requirements**

- A. All materials funded under this loan must be new unless previously approved. Recycled items must be approved in writing by SHRA prior to their use.
- B. All work shall comply with Federal and State ADA accessibility requirements, as well as any other requirements stipulated by the funding source(s). When there are differences the stricter of the two shall apply. The developer is responsible for notifying their architect and/or engineer of all funding sources used on the project. The architect and/or engineer must indicate these funding requirements in the project's plans/scope.
- C. All units shall be approved for occupancy by the local Building Department or any other Agency Having Jurisdiction (AHJ) at the conclusion of the work and prior to occupancy.
- D. Web-based security cameras and the equipment to record events are required for primary ingress/egress points to and from the site and for the principal parking and indoor and outdoor common areas where people will be congregating.
- E. Site lighting is required for all parking and outside public spaces, and shall be of LED or similarly energy efficient type. The lenses on the exterior lights shall be cleaned with all oxidation removed or replaced. Light poles shall be new or painted, and shall be structurally sound and stable.
- F. The developer's architect is responsible for providing an Operating Procedure Outline Sheet (OPOS) for window washing systems where applicable, per Cal-OSHA requirements.
- G. SHRA encourages the use of energy and water-efficient systems wherever they may be incorporated into the project.

### **General Requirements – Rehabilitation only**

- A. Any component of the project which does or may present a health or safety hazard to the public or tenants shall be corrected to the satisfaction of the local Building Department or AHJ.
- B. A clear pest inspection report will be required at the conclusion of the construction work for rehabilitation projects.
- C. For all structures where disturbance of any hazardous materials (e.g. lead, asbestos, mold, etc.) will occur, a clearance report from an environmental consultant is required.
- D. Projects deemed historically significant landmark by either the City of Sacramento or the National Register of Historic Places shall consult with the State Historic Preservation Officer (SHPO), and shall conform to the Secretary of the Interior Standards for the Treatment of Historic Properties.

### **Site Work**

- A. Trees and large shrubs must be trimmed, grass areas must be mowed, and all planter areas must be weed-free. The landscape design shall incorporate a sustainable design appropriate for the Sacramento Valley. Vegetation that assists in minimizing crime and enhances public safety is preferred. Trees compromising building envelope materials (roofing, siding, windows, etc.) and/or structural integrity (including foundations) must be removed. An arborist shall be consulted for an opinion on trees prior to major branch trimming, root cutting or tree removal. All trees, bushes and other plants that are to be removed shall have the root ball removed by grinding or by mechanical means. A landscape plan describing the above must be provided to SHRA for approval.
- B. All landscaped areas must be served by a programmable automated irrigation system. The irrigation controller shall be a "Smart Controller" that senses rain to reduce water use. Irrigation shall be designed to use bubblers and other water saving measures. Irrigation must not spray on building. Sprinklers should minimize overspray that runs to storm drain drop inlets. Areas that show evidence of erosion of soil shall be landscaped to eliminate problems. The landscape plan must be approved by SHRA and applied.
- C. For gated communities containing swinging vehicle gates, driveways shall be striped to show the area under the gate swings for safety purposes.
- D. All projects shall contain trash enclosures with concrete aprons. Trash enclosures shall be made of cinder block or stucco. Trash enclosures shall be accessible to all tenants. Provisions for tenants with disabilities must be addressed in the project Scope of Development or the project plans.
- E. All projects shall meet the parking requirements of the local Agency Having Jurisdiction (AHJ) over the project. "Grandfathered Projects" will need to show that they are in fact "Grandfathered" or otherwise exempted by the local AHJ. Otherwise, all projects shall meet the governing ADA requirements for parking.
- F. A two percent (2%) slope shall be maintained for a distance of five feet from all structures and no standing water shall remain on the site. Provide an on- site drainage system if necessary.

- G. Stairways in common areas must include closed risers and non-slip concrete finish or other slip-resistant material on the treads.
- H. Exterior mounted electrical, mechanical, and plumbing systems must be protected from vandalism.
- I. For family projects of 50 or more units, a minimum of one school age-appropriate play structure is required. For family projects of 100 or more units, a minimum of one school age and one toddler-appropriate play structure is required.

### **Site Work – Rehabilitation only**

- A. All landscaping and irrigation systems must be in a well-maintained condition.
- B. All fencing must be in good and serviceable condition. Existing fencing that is to remain shall be free of flaking paint, rust, or any other signs of failure. If existing fencing shows any signs of failure, it shall be repaired, painted and restored to look new. All chain link fencing must be removed and replaced with fencing of another approved material. All pedestrian gates hardware must be functional and in new or near-new condition. Access Control systems are required at exterior pedestrian gates.
- C. All driveways and sidewalks must be in good condition. All cracked or uplifted areas (more than ¼") shall be repaired or replaced.
- D. The asphalt shall be in good condition, with no alligator cracking, longitudinal cracking, potholes, or standing water. Repairs to portions of parking lots not suitable for new coatings shall be performed by removing and replacing damaged paving. A new seal-coat or slurry-coat shall then be applied to the entire parking lot surface. Parking spaces shall be restriped, including ADA aisles and other applicable striping/painting.
- E. All site accessories (bollards, benches, tables, play equipment, bike racks, mailboxes, shade structures, BBQs, sheds, etc.) shall be replaced or in good repair (cleaned, painted and/or re-coated).

### **Building Envelope and Moisture Protection – Rehabilitation only**

- A. All areas exposed to moisture must be sealed and watertight. Buildings showing evidence of water intrusion shall have the areas inspected by a licensed architect/engineer or by a certified water intrusion expert. A water intrusion report shall be submitted to SHRA, and shall include the cause of the issue and a resolution to eradicate the water intrusion. If the inspection cannot be completed until the demolition phase of the project, the report shall describe a procedure to inspect the issue during demolition.
- B. Roofing must have 15 years or more of remaining life with no visible signs of leakage. For roofs containing composition shingles, a maximum of two layers of shingles are allowed (including any proposed new layers). Provide evidence that the roof system has a 15-year life remaining on the manufacturer's warranty.

- C. All siding must have 15 years or more of remaining life. Hairline cracks in stucco must be sealed and painted with elastomeric paint. If requested by SHRA, a statement by a licensed architect and/or engineer that the existing siding contains at least 15 years of useful life remaining shall be provided.
- D. Fireplaces must be clean and meet applicable air quality standards. Chimneys shall be clean and must be inspected by a certified chimney inspector for structural integrity. All recommended structural repairs shall be performed.

### **Doors and Windows**

- A. All dwelling/tenant units must have screens on all windows that are designed to open. Windows designed to open must have functional locks and must operate freely without excessive effort. All windows must be dual-paned (minimum), and shall meet or exceed the State of California's currently applicable efficiency standards, and any other efficiency standards that may be dictated by the funding source or other governing bodies for the project.
- B. All doors must have matching hardware finishes.
- C. All exterior doors must have deadbolt locks, keyed latch assemblies, viewers, and screws in strike plates long enough to penetrate the door jamb framing by at least one inch. The dwelling entry door hardware shall have single action hardware to release deadbolt and latch assembly.
- D. All sliding exterior doors shall have screen doors and shall have functional locks and must operate freely without excessive effort.
- E. All doors and windows must meet current egress standards.

### **Doors and Windows – Rehabilitation only**

- A. Retrofit windows are not acceptable. Any windows showing signs of condensation or leakage of any kind shall be replaced.
- B. All doors and doorjamb must be in good condition. No damaged or worn doorjamb or doors are allowed. Doors and/or jamb beyond their useful life shall be replaced.

### **Casework**

- A. New cabinet boxes shall be made of plywood or solid wood. No particle board boxes will be allowed.
- B. All counter tops shall be of solid surface or granite, and in very good condition with no significant scratches, burns or other imperfections.
- C. Face frames, doors and drawer faces shall be solid hardwood. No plastic laminate finishes will be allowed.

### **Casework – Rehabilitation only**

- A. All cabinets shall be replaced or in very good condition, within their 15 year useful life, both structurally and in appearance.

### **Finishes**

- A. All dwelling unit kitchens shall contain luxury vinyl plank (LVP) flooring. Bathrooms must be floored with LVP, sheet vinyl or ceramic tile to provide a cleanable, impervious surface. Bedrooms, hallways, and living and dining rooms may be floored with carpeting, LVP or hardwood. Wear layer of LVP shall be at least 12 mils inside dwelling units. Tenant unit entries shall be floored with LVP or ceramic tile.

In common areas, corridors may be floored with LVP, glue-down carpeting, or carpet tiles. Community rooms and kitchens shall be floored with LVP. Wear layer of LVP in common/commercial areas shall be a minimum of 20 mils thick.

Carpet shall meet or exceed the minimum standards as set by HUD's UM-44D bulletin.

### **Finishes – Rehabilitation only**

- A. Floor coverings must be in good, useable condition - no holes, tears, rips, or stains.
- B. All exterior and interior surfaces must be painted. No peeling, cracking, chipping, or otherwise failing paint will be allowed. All painted surfaces must be new, or in near new condition and appearance.
- C. Acoustic (popcorn) ceiling texture must be removed and refinished with new texture to match wall texture.

### **Equipment**

- A. Dishwashers, refrigerator/freezer, oven, stoves and garbage disposals are required in all dwelling unit kitchens. All appliances must be new or in very good operating condition. All appliances must be Energy Star rated, as applicable. Appliances slated for ADA units shall be per code requirements.
- B. SRO projects are encouraged to provide the appliances listed above and will be reviewed and approved on a case-by-case basis.
- C. All kitchens must have adequate cabinet and counter space. Installation of shelving for microwaves is required if over-the-range microwaves are not used, with the exception of ADA units.

### **Furnishings**

- A. Dwelling units must have window coverings on all windows.

### **Special Construction**

- A. Non-habitable structures on property must be painted to match primary buildings and must be structurally sound.
- B. Laundry facilities must be provided on the basis of one washer and dryer for every ten dwelling units. Ten percent of the total number of washer/dryers must be ADA-accessible machines (unless the ADA units contain their own laundry facilities). Solid surface countertops will be required within laundry rooms and countertops shall meet all ADA requirements.
- C. Public pool areas shall have self-closing gate(s). Fences and gates at pool areas shall meet applicable current codes and standards. Joints between coping and concrete deck shall be appropriately caulked. Existing pools shall have no cracks in plaster or tile grout joints. The Developer is responsible for ensuring pool and surroundings meet all applicable current codes and standards. If a project contains two or more pools, at least one must remain following rehabilitation.

### **Mechanical/Plumbing**

- A. Water heaters must be installed per current applicable codes.
- B. All common areas and tenant units must have heating and air conditioning. Wall mount (i.e. PTAC units) or central systems are acceptable. Evaporative coolers are not acceptable. HVAC units should be protected from vandalism, pursuant to discretion of SHRA.
- C. Toilets, showerheads, faucets, and mixing valves shall be new and meet current water conservation codes.
- D. Tub surrounds must be one unbroken piece per wall and must be of solid surfaces (such as "Swanstone" or other solid acrylic materials, quartz composites), or other similar materials. Fiberglass/acrylic surrounds are acceptable.

### **Mechanical/Plumbing – Rehabilitation only**

- A. All toilets, sinks, and tubs shall be chip and stain free.

### **Electrical**

- A. All units must have smoke/carbon monoxide detectors installed per current code.
- B. Wiring from telephone/data/cable suppliers shall be installed within walls, attic spaces, and/or crawl spaces. No conduits are allowed to be mounted on the exterior of the buildings in new construction.

### **Electrical – Rehabilitation only**

- A. All electrical panels shall meet current code.
- B. Any rehabilitation projects with un-grounded electrical systems shall be re-wired with grounded systems to meet current code.
- C. For rehabilitation projects, switches, outlets and light fixtures shall be replaced with devices that meet current applicable codes.
- D. Wiring mounted on the exterior of the surface may be allowed if it is concealed in conduit and conduit is painted to match exterior siding. For projects where exterior siding will be removed, this wiring shall be installed within walls, attic spaces, and/or crawl spaces.

### **Resident Services Community Space**

All properties, regardless of project type (i.e. senior, family, or large family), must devote a minimum of 1,200 s.f. to actual resident services/community space. Resident services space includes common kitchens, computer rooms, meeting rooms and general gathering space. It does not include public restrooms, leasing offices, laundry facilities and lobbies. Common kitchens are required, including refrigerator, stove, garbage disposal, and dishwasher.

For existing buildings, these requirements shall apply unless SHRA deems there to be significant physical constraints.

### **End of Scope of Development**



## RESOLUTION NO. SHRC-\_\_\_\_\_

ADOPTED BY THE SACRAMENTO HOUSING AND REDEVELOPMENT COMMISSION UNDER THE AUTHORITY DELEGATED TO THE COMMISSION PURSUANT TO CALIFORNIA HEALTH AND SAFETY CODE, SECTION 33202 BY RESOLUTION NO. RA 81-083 ADOPTED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO ON OCTOBER 20, 1981, AND BY RESOLUTION NO. RA-83 ADOPTED BY THE REDEVELOPMENT AGENCY OF THE COUNTY OF SACRAMENTO ON OCTOBER 27, 1981, AND PURSUANT TO CALIFORNIA HEALTH AND SAFETY CODE SECTION 34292 BY RESOLUTION NO. HA 81-098 ADOPTED BY THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO ON OCTOBER 20, 1981, AND BY RESOLUTION NO. HA-1497 ADOPTED BY THE HOUSING AUTHORITY OF THE COUNTY OF SACRAMENTO ON OCTOBER 27, 1981.

ON DATE OF  
February 5, 2020

### **CAPITOL PARK HOTEL: APPROVAL TO EXECUTE CONVERSION CERTIFICATE; PROVIDE LOANS COMPRISED OF \$9,100,000 IN COMMUNITY DEVELOPMENT BLOCK GRANT, HOME INVESTMENT PARTNERSHIPS PROGRAM FUND, HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS, HOUSING AUTHORITY SUCCESSOR AGENCY FUNDS AND MIXED INCOME HOUSING ORDINANCE FUNDS TO MERCY HOUSING CALIFORNIA, OR RELATED ENTITY; EXECUTION OF PREDEVELOPMENT AND PERMANENT LOAN DOCUMENTS WITH MERCY HOUSING CALIFORNIA, OR RELATED ENTITY; EXECUTION OF A LOAN COMMITMENT AND RELATED DOCUMENTS WITH MERCY HOUSING CALIFORNIA, OR RELATED ENTITY; RELATED BUDGET AMENDMENT; AND ENVIRONMENTAL FINDINGS**

**WHEREAS**, the Capitol Park Hotel is a 180-unit single room occupancy (SRO) residential hotel located downtown at 1125 9th Street, including the tenant addresses of 1117, 1121, 1127 and 1131 9th Street, (Capitol Park Hotel). Since 2006, the Capitol Park Hotel has been subject to the City of Sacramento's ordinance, Relocation Benefits Pertaining to Residential Hotel Unit Conversion or Demolition, City Code Chapter 18.20 (Ordinance). The Ordinance requires 712 SRO units. There are 762 units that are subject to the Ordinance and Regulated/Replacement SRO units, which provides 50 surplus/banked units.

**WHEREAS**, in July 2019, the Sacramento Housing and Redevelopment Agency (Agency) entered into an Acquisition and Relocation Loan Agreement with 1121 9<sup>th</sup> Street, LLC (Owner), a related entity of Mercy Housing California (Developer). The permanent relocation of the 90 residents is expected to be complete by October 2020. The Developer submitted an application to the Agency for withdrawal of 46 of the 180 residential hotel units. This will reduce the surplus/banked inventory to four units.

**WHEREAS**, the proposed Capitol Park Hotel project requires an award of nine percent Low Income Housing Tax Credits in order to proceed with the proposed renovation and reconfiguration of the hotel from 180 SRO units to 134 permanent supportive housing studio units.

**WHEREAS**, the Developer applied to the Agency for a \$9,100,000 loan, comprised of Community Development Block Grant, HOME Investment Partnerships Program Fund, Housing Opportunities for Persons with AIDS Funds, Mixed Income Housing Ordinance Funds, and Housing Authority Successor Agency Funds, to assist in funding the predevelopment, construction and permanent financing of the Capitol Park Hotel development. The Project includes 65 units for extremely low income and 69 units for very low income households.

**WHEREAS**, the Project is consistent with: a) the Agency's previously approved Multifamily Lending and Mortgage Revenue Bond Policies, Affordable Housing Priority 2(i), Conversion of Non-Residential to Residential Use for Permanent Supportive Housing and Homeless Housing, and Priority 2(iii), Workforce Housing; b) the 2013-2021 Housing Element, Goals H-1.1.1 Sustainable housing practices; H-1.2.9, in part, Workforce Housing, especially in and around downtown; H-1.3.2 Economic integration of multifamily affordable housing projects; H-2.2.4, in part, Pursue and maximize the use of all appropriate state, federal, local and private funding for the development of housing affordable for extremely low-, very low-, and low-income households, while maintaining economic competitiveness in the region; H-3.1.1 Promote extremely low income housing; H-3.2.8 Provide funding and other resources for permanent supportive housing; H-3.2.9 Prioritization of Special Needs Housing, such as chronically homeless individuals or families for available local affordable housing financing as set forth in the City's Multifamily Lending and Mortgage Revenue Bond Policies. Projects that augment or safeguard the City's inventory of single room occupancy units will also have the same priority; and H-5.1 to 5.4, in part, Promote and create accessible residential development (Resolution No. 2013-415); and c) the Sacramento Promise Zone Plans and Goals, Sustainably Built Community sub-goal to increase housing types and transit growth to promote livability and connectivity within the Promise Zone (Resolution No. 2015-263).

**WHEREAS**, in addition, the recommended actions for the development are located in a) the Downtown Housing Initiative and Initiation of the Downtown Specific Plan, to bring 10,000 places to live to Downtown Sacramento by 2025 (Resolution No. 2015-282); and b) the Opportunity Zone that provides a federal tax incentive for investors, who invest in real estate projects and operating businesses located in designated low-income communities through deferral and partial tax reductions of reinvested capital gains and forgiveness of tax on new capital gains (enacted into federal law through the Tax Cuts and Jobs Act of 2017).

**WHEREAS**, CDBG funds totaling \$1,250,725 were allocated to the in the 2020 Action Plan to the Affordable Housing Rehabilitation Program fund (Resolution 2019-0408). HOPWA funds totaling \$1,414,348.53 were allocated to the Multi-Family Housing Acquisition and

Construction fund in the 2018, 2019 and 2020 Action Plans (City Resolutions 2017-0410, 2018-0429 and 2019-0480).

**WHEREAS**, this project has been reviewed pursuant to the California Environmental Quality Act (CEQA) and has been found to be categorically exempt under CEQA pursuant to CEQA Guidelines §15301 and 15302.

**WHEREAS**, an Environmental Assessment (EA) was prepared for this project pursuant to the National Environmental Policy Act (NEPA), and it was found that with mitigation measures incorporated, the project will not result in a significant impact on the quality of the human environment.

**BE IT RESOLVED BY THE SACRAMENTO HOUSING AND REDEVELOPMENT COMMISSION:**

Section 1. All evidence presented having been duly considered, the findings, including environmental findings regarding this action, as stated above, are found to be true and accurate and are hereby approved adopted.

Section 2. Subject to Sacramento City Council approval, the Executive Director is authorized to enter into and execute the Conversion Certificate and other documents, as approved to form by Agency counsel, and perform other actions necessary all in accordance with the Ordinance.

Section 3. Subject to Sacramento City Council and Housing Authority Board approvals, the Executive Director is authorized to amend the Agency budget and allocate up to \$9,100,000 to Capitol Park Hotel utilizing the following funding sources and amounts:

- a. \$1,700,000 in Community Development Block Grant (CDBG) from the 2019 and 2020 Affordable Housing Rehabilitation Program fund;
- b. \$800,000 in HOME Investment Partnerships Program Fund (HOME);
- c. \$3,200,000 in Housing Authority Successor Agency (HASA) Funds;
- d. \$1,100,000 in Housing Opportunities for Persons with AIDS (HOPWA) which includes \$157,808.97 in 2018 Entitlement, \$764,078.54 in 2019 Entitlement and \$178,112.49 in 2020 Entitlement; and
- e. \$2,300,000 in Mixed Income Housing Funds (MIHO);

Section 4. The Predevelopment and Permanent Loan Agreement for financing the Capitol Park Hotel with \$1,500,000 in HASA Funds (Loan Agreement) is approved, and the Executive Director is authorized to execute and transmit the Loan Agreement to Mercy Housing California, or related entity.

Section 5. The Loan Commitment for the construction and permanent financing of the Capitol Park Hotel with \$7,600,000 in CDBG, HOME, HOPWA, HASA and MIHO program

funds (Loan Commitment) is approved, and the Executive Director is authorized to execute and transmit the Loan Commitment to Mercy Housing California, or related entity.

Section 6. The Executive Director is authorized to enter into and execute other documents, as approved to form by Agency counsel, and perform other actions necessary to fulfill the intent of the Loan Agreement and Loan Commitment that accompany this resolution, in accordance with their terms, and to ensure proper repayment of the Agency and Housing Authority funds including without limitation, loan restructuring, subordination, and extensions consistent with Agency adopted policy and with this resolution.

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CHAIR

ATTEST:

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CLERK



February 1, 2020

Sacramento Housing and  
Redevelopment Commission  
Sacramento, CA

Honorable Members in Session:

SUBJECT:

Saybrook Apartments: Tax Equity And Fiscal Responsibility Act (TEFRA)  
Hearing, Approval Of Tax-Exempt Bonds And Funding Commitment

RECOMMENDATION

Staff recommends approval of the recommendations outlined in this report prior to final approval by the County of Sacramento.

Respectfully submitted,

  
LA SHELLE DOZIER  
Executive Director

Attachment

**COUNTY OF SACRAMENTO  
CALIFORNIA**

For the Agenda of:  
February 11, 2020

To: Board of Supervisors and Housing Authority of the County of Sacramento

Through: Navdeep S. Gill, County Executive

From: La Shelle Dozier, Executive Director, Sacramento Housing and Redevelopment Agency

Subject: Saybrook Apartments: Tax Equity And Fiscal Responsibility Act (TEFRA) Hearing, Approval Of Tax-Exempt Bonds And Funding Commitment

District(s): Kennedy

**RECOMMENDED ACTION**

This report recommends approval of the attached Board of Supervisors Resolution for the Saybrook Apartments which indicates that the required Tax Equity and Fiscal Responsibility Act (TEFRA) hearing has been conducted related to the proposed construction and permanent financing of the Saybrook Apartments (Project). It also recommends approval of a \$2,800,000 Funding Commitment comprised of Community Development Block Grant (CDBG) funds and HOME Investment Partnership Program (HOME) funds with Jamboree Housing Corporation (Developer); the assignment, extension and/or restructure of the existing debt; \$750,000 in Affordable Housing Funds for a capitalized operating reserve; and the issuance of up to \$23 million in tax-exempt mortgage revenue bonds and authorizing submittal of an application to the California Debt Limit Allocation Committee (CDLAC). The clerk is requested to certify one electronic copy of the resolution and forward them to staff.

**BACKGROUND**

Jamboree Housing Corporation (Developer) has applied to the Sacramento Housing and Redevelopment Agency (SHRA) for a \$2,800,000 loan comprised of \$2,400,000 of CDBG funds and \$400,000 of HOME; \$750,000 in Affordable Housing Funds (AHF) for a capitalized operating reserve; assignment of the existing debt; and the issuance of up to \$23 million in tax-exempt mortgage revenue bonds for the Project. The 4.11 acre development is located in the County of Sacramento at 4390 47<sup>th</sup> Avenue. A vicinity map is included in Attachment 1.

Upon approval of the staff recommendation, an application for tax-exempt Mortgage Revenue bonds to the California Debt Limit Allocation Committee (CDLAC) and a four percent Low Income Housing Tax Credit (LIHTC) application to the California Tax Credit Allocation Committee (CTCAC) will be submitted no later than March 20, 2020. The Developer will submit an application to the State Department of Housing and Community Development (HCD) for approximately \$14 million in Multifamily Housing Program (MHP) funding by March 2, 2020.

Saybrook Apartments is an existing permanent supportive multifamily development that was converted from a motel in 2005. Jamboree is proposing the acquisition and rehabilitation of the existing three two-story residential buildings which include 60 affordable units, one manager unit, and a community center, along with construction of 27 new units, for a total of 88 units. The total unit mix will include eight studios, 33 one-bedroom, 24 two-bedroom, and 23 three-bedroom units. There are currently 60 units at Saybrook assisted with Project Based Vouchers from SHRA.

Substantial rehabilitation of the existing development is proposed. The scope of development includes addressing an underlying moisture issue, constructing a new roof, interior improvements including new kitchen and bathrooms, upgrade of common areas and amenities spaces, new windows, appliances, flooring, paint, heating and cooling equipment, exterior paint, slurry seal and restriping the parking lot, landscaping, and installation of solar photovoltaic and solar hot water system.

The 27 new construction family units will be in a new three-story tuck under wood framed building. The unit mix of this building will be three studio, six one-bedroom, twelve two bedroom, and six three bedroom units. The proposed design of the new 27-unit building will match the style of the existing buildings and will have a contemporary design. Building materials will match those on the existing community building including the brick veneer, siding and exterior plaster. A project rendering, photograph and a site map are included as Attachments 2 and 3.

The parking lot will include a total of 146 parking spaces. The site will be secured on all sides with a 6 feet tall perimeter fence and gate to keep the site secure. Site amenities include a playground for children up to age twelve, a tot lot playground, BBQ areas, a raised-bed community garden, and a dog run. See Exhibit 1 of the funding commitment for more details on the scope of development.

#### PROJECT BASED VOUCHERS

Sacramento Housing and Redevelopment Agency awarded 60 Project Based Vouchers (PBV) to house homeless households at Saybrook on October 31, 2017. All 60 subsidized households pay 30 percent of their adjusted household income as rent.

#### DEVELOPER

Jamboree Housing Corporation is the Project Developer. Jamboree is an affordable housing developer with 28 years of experience in residential development, including 91 developments consisting of more than 8,200 homes and an asset portfolio of \$1.1 billion across California. Jamboree is the owner of the Hotel Berry in downtown Sacramento.

#### PROPERTY MANAGEMENT

Domus Management Company, established in 2007, is the proposed property manager for the Development. Domus specializes in affordable and supportive services housing developments. Staff has reviewed Domus's qualifications and the management plan, and has found the proposed management company meets SHRA requirements.

#### TEMPORARY RELOCATION PLAN

Jamboree will provide temporary relocation services to the residents of the Saybrook Apartments. The temporary relocation plan was reviewed by SHRA's third-party relocation consultant and meets all applicable standards.

#### SUPPORTIVE SERVICES

On-site supportive services will be provided by both Lutheran Social Services of Northern California (LSS) and Jamboree. LSS has an overall goal to move families from poverty to self-sufficiency and has been providing case management services since 1998. In addition to LSS, Jamboree Community Impact (Housing with Heart) will provide 15 hours of resident services for all tenants. They will ensure availability of a comprehensive range of voluntary and coordinated multi-disciplinary services for all tenants.

#### SECURITY PLAN

SHRA staff has reviewed and approved the security plan which includes security patrol services available 24 hours a day and seven days a week, installation of web-based security cameras and recording equipment, and installation of exterior lighting.

#### PROJECT FINANCING

The financing of Saybrook includes tax-exempt Bonds, tax credit equity, deferred developer fee, an HCD MHP loan, County fee waivers, a new SHRA loan totaling \$2,800,000 comprised of \$2,400,000 County CDBG funds and



\$400,000 of County HOME funds, and the assignment and extension/restructuring of an existing permanent loan to be used for acquisition, construction and permanent financing for the Project. An application will be submitted to HCD for approximately \$14 million in MHP funds by March 2, 2020.

Resident services provided by Lutheran Social Services are funded annually through the federal government's competitive Continuum of Care allocations. Because the population at Saybrook is made up of formerly homeless families, robust resident services programming is critical to the long-term operational success of this project. The competitive nature of the social services funding provides significant risk, therefore, SHRA is recommending a resident services reserve of \$750,000 in Affordable Housing Funds to be held by SHRA in the event the services funding is discontinued. The funds will only be used if Continuum of Care funds are no longer available to fund resident services at Saybrook. The resident services reserve will be held for ten (10) years and will be reduced by 10 percent each year that funding is not required. A project summary and cash flow proforma are provided as Attachments 4 and 5.

#### BOND FINANCING

The Housing Authority is proposing to issue \$23 million of tax-exempt bonds, the proceeds of which can provide acquisition, construction, and permanent financing for multifamily housing projects. Interest paid on the bonds is exempt from federal and state income tax, therefore, bondholders will accept a below-market yield from the bonds. These savings are, in turn, passed on to the Project owner in the form of a below-market rate loan, with interest rates approximately one to two percent below prevailing market rates. The bonds for the Project are intended to be privately-placed. The law firm of Orrick, Herrington and Sutcliffe, LLP, will serve as bond counsel to the Housing Authority.

#### LOW-INCOME SET ASIDE REQUIREMENTS

As a condition of receiving tax credits, federal law requires that rental units be set aside for targeted-income groups. Income restrictions from LIHTC financing require that no households have income above 60 percent of Area Median Income (AMI). SHRA further requires that 20 percent of the units be restricted to households with incomes no greater than 50 percent AMI. The affordability restrictions will be specified in regulatory agreements between SHRA and the Developer. A schedule of maximum income and rents are included as Attachment 6.

The anticipated funding sources and their affordability requirements are summarized in the tables below for each phase of the development:

<b>Unit Type</b>	<b>Units</b>	<b>% of Units</b>	<b>Affordability Restriction <sup>1</sup> (55 years)</b>
4% LIHTC, State Tax Credits, Tax-exempt Bonds, PBV	17	20%	Extremely Low Income 25% of AMI
4% LIHTC, State Tax Credits, Tax-exempt Bonds, PBV	29	33%	Extremely Low Income 30% of AMI
4% LIHTC, State Tax Credits, Tax-exempt Bonds, PBV & HOME	2	2%	Extremely Low Income 30% of AMI
4% LIHTC, State Tax Credits, Tax-exempt Bonds, PBV & CDBG	12	14%	Extremely Low Income 30% of AMI
4% LIHTC, State Tax Credits, & Tax-exempt Bonds	3	3%	Very-Low Income 40% of AMI
4% LIHTC, State Tax Credits, Tax-exempt Bonds	24	27%	Very-Low Income 50% of AMI
Management Unit	1	<1%	Exempt Management Unit
<b>Total</b>	<b>88</b>	<b>100%</b>	

<sup>1</sup>Pursuant to 24CFR 983.301, contract rents approved by HUD may exceed the tax-credit rent limits. The tenant rent will not exceed 30% of the household adjusted gross income with PBV.

**COMMISSION ACTION**

At its meeting of February 5, 2020, the Sacramento Housing and Redevelopment Commission considered the staff recommendation for this item. Staff will notify the Board in the event the item is not approved.

### POLICY CONSIDERATIONS

The recommended actions for this Project are consistent with: a) SHRA's Multifamily Lending and Mortgage Revenue Bond Policies adopted by the Board on September 24, 2019, Subsection 1.1.(2)(i), new construction of permanent supportive housing and homeless housing and Subsection 1.1(2)(iii), Workforce housing (30% AMI to 60% AMI); and b) the 2013-2021 Housing Element Goals and Strategies, Subsection 4.1.1, support efforts to improve accessibility for both dwelling units and residential neighborhoods to meet the special needs of persons with disabilities; Subsection 4.1.9, support programs that address long-term solutions to homelessness, including work skills assessment, job training/placement, permanent housing and supportive services; Subsection 4.1.11, support the development of housing to meet the needs of large households; Subsection 4.2.1, facilitate the development of new extremely low-income rental units; Subsection 4.2.3, in part, assist extremely low-income households through the use of project based vouchers; and Subsection 6.1.2, encourage residential developers to maximize energy efficiency through building design and through the use of energy efficient materials, equipment, appliances, strategies and techniques.

All affordable housing units will be regulated for a period of 55 years by the California Tax Credit Allocation Committee as a LIHTC funding requirement. Regulatory restrictions on the property will be specified in the bond regulatory agreement between the Developer and the Housing Authority of the County of Sacramento for a period of 55 years. Regulatory restrictions on each of the properties will be specified in a HOME regulatory agreement between the Developer and SHRA for a period of 20 years. Compliance with the regulatory agreement will be monitored by SHRA on an annual basis.

### ENVIRONMENTAL REVIEW

California Environmental Quality Act (CEQA): The Saybrook project is exempt under CEQA pursuant to the CEQA Guidelines Class 32 categorical exemption for "infill development" (14 Cal. Code Regs., § 15332).

National Environmental Policy Act (NEPA): An Environmental Assessment for the Saybrook project was prepared pursuant to NEPA requirements under Title 24, Code of Federal Regulations (CFR) Part 58 and it was found that with mitigation measures incorporated, the project will not result in a significant impact on the quality of the human environment.

**M/WBE/SECTION 3 CONSIDERATIONS**

Minority and Women's Business Enterprise requirements and Section 3 requirements will be applied to all activities to the extent required by federal funding to maintain that federal funding.

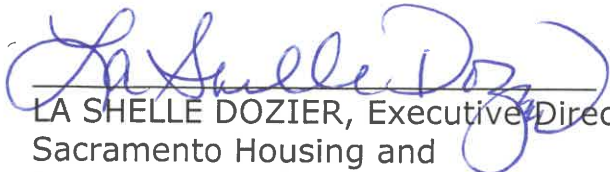
**FINANCIAL ANALYSIS**

The proposed bond issuance will not be an obligation of the County, the Housing Authority or the Sacramento Housing and Redevelopment Agency. The bonds will be the obligation solely of the Project's owner, who will bear all costs associated with the issuance of the bonds. SHRA will receive a one-time issuance fee of 0.25 percent of the bond amount, which is payable at bond closing. SHRA will also receive an annual payment for monitoring the regulatory restrictions and administration of the bonds and the SHRA loans, in the amount of 0.125 percent of the bond amount not to exceed \$25,000, for the term of 55 years. The Developer will be responsible for payment of all costs, fees, and deposits relating to the bond application.

In the 2020 Action Plan, CDBG funds were allocated to the Affordable Housing Rehabilitation Program fund (Resolution 2019-0743). The SHRA loan for Saybrook is comprised of \$2,400,000 County CDBG funds which includes \$1,226,647 in 2019 Program Income, \$1,173,353 in 2020 Entitlement and \$400,000 of County HOME funds for a total of \$2,800,000. This loan will have an interest rate of zero percent and a term of 55 years after the construction period is complete.

Respectfully Submitted,

APPROVED  
NAVDEEP S. GILL,  
County Executive

  
LA SHELLE DOZIER, Executive Director  
Sacramento Housing and  
Redevelopment Agency

By: \_\_\_\_\_  
BRUCE WAGSTAFF  
Deputy County Executive

Attachments:

- RES – Board of Supervisors TEFRA
- RES – Housing Authority Inducement Authorization
- RES – Board of Supervisors Funding Commitment Authorization
- ATT 1 – Vicinity Map
- ATT 2 – Project Rendering and Photo
- ATT 3 – Site Map
- ATT 4 – Project Summary
- ATT 5 – Project Cash Flow Proforma
- ATT 6 – Maximum Income and Rent Limits
- ATT 7 - Conditional Funding Commitment & Scope of Development
- EX 1 – Narrative Scope of Development

**RESOLUTION NO. \_\_\_\_\_**

**SAYBROOK: APPROVING THE ISSUANCE OF OBLIGATIONS  
BY THE HOUSING AUTHORITY OF THE COUNTY OF  
SACRAMENTO ON BEHALF OF JAMBOREE HOUSING  
CORPORATION**

**WHEREAS**, the Housing Authority of the County of Sacramento, a housing authority organized and existing under the laws of the State of California (the "Authority"), proposes a plan of financing providing for the issuance of exempt facility bonds for a qualified residential rental project pursuant to Section 142(a)(7) of the Internal Revenue Code of 1986 (the "Code") in one or more series issued from time to time, including bonds issued to refund such exempt facility bonds in one or more series from time to time, and at no time to exceed \$23,000,000 (the "Obligations") and to lend the proceeds thereof to Saybrook Housing Partners LP or a partnership of which Jamboree Housing Corporation (the "Developer") or a related person to the Developer is the general partner, to be used to provide funds to finance or refinance the acquisition, construction/rehabilitation and development of a multifamily housing residential facility to be located at 4390 47<sup>th</sup> Avenue, in the County of Sacramento, California;

**WHEREAS**, Section 147(f) of the Code requires the execution and delivery of the Obligations to be approved by the Board of Supervisors of the County (the "Board"), as the elected representative of the County of Sacramento and the host jurisdiction of the subject multifamily housing residential facility, after a public hearing has been held following reasonable and proper notice;

**WHEREAS**, a public hearing was held by the Board on February 11, 2020, following a duly published notice thereof, and all persons desiring to be heard have been heard;

**WHEREAS**, it is in the public interest and for the public benefit that the Board, as the elected representative of the County of Sacramento and the host jurisdiction of the subject multifamily housing residential facility, approve the execution and delivery of the Obligations by the Authority;

**NOW, THEREFORE**, BE IT RESOLVED BY THE BOARD OF SUPERVISORS OF THE COUNTY OF SACRAMENTO:

Section 1. The Board of Supervisors of the County of Sacramento hereby finds, determines and declares that issuance of the Obligations by the Authority in the maximum principal amount of \$23,000,000 for the purposes described above is hereby approved.

Section 2. This resolution shall take effect immediately upon its adoption.

Saybrook: Tax Equity And Fiscal Responsibility Act (TEFRA) Hearing  
Approval Of Tax-Exempt Bonds And Funding Commitment  
Page 3

On a motion by Supervisor \_\_\_\_\_, seconded by Supervisor \_\_\_\_\_, the foregoing Resolution was passed and adopted by the Board of Supervisors of the County of Sacramento this 11th day of February, 2020, by the following vote, to wit:

AYES: Supervisors,

NOES: Supervisors,

ABSENT: Supervisors,

ABSTAIN: Supervisors,

RECUSAL: Supervisors,  
(PER POLITICAL REFORM ACT (§ 18702.5.))

---

Chair of the Board of Supervisors  
of Sacramento County, California

(SEAL)

ATTEST:

---

Clerk, Board of Supervisors



**RESOLUTION NO. \_\_\_\_\_**

**HOUSING AUTHORITY OF THE COUNTY OF SACRAMENTO**

ON THE DATE OF

**SAYBROOK APARTMENTS: A RESOLUTION OF THE HOUSING  
AUTHORITY OF THE COUNTY OF SACRAMENTO DECLARING  
INTENTION TO REIMBURSE EXPENDITURES FROM THE PROCEEDS OF  
TAX-EXEMPT OBLIGATIONS AND DIRECTING CERTAIN ACTIONS**

**WHEREAS**, the Housing Authority of the County of Sacramento (the "Authority") intends to issue tax-exempt obligations (the "Obligations") for the purpose, among other things, of making a loan to Saybrook Housing Partners LP, or a limited partnership or a limited liability company related to or formed by Jamboree Housing Corporation (the "Developer"), the proceeds of which shall be used by the Developer to finance the acquisition, construction/rehabilitation and development of an 88-unit multifamily housing residential facility to be located at 4390 47<sup>th</sup> Avenue in the County of Sacramento, California (the "Project"); and

**WHEREAS**, United States Income Tax Regulations section 1.150-2 provides generally that proceeds of tax-exempt debt are not deemed to be expended when such proceeds are used for reimbursement of expenditures made prior to the date of issuance of such debt unless certain procedures are followed, among which is a requirement that (with certain exceptions), prior to the payment of any such expenditure, the issuer must declare an intention to reimburse such expenditure; and

**WHEREAS**, it is in the public interest and for the public benefit that the Authority declare its official intent to reimburse the expenditures referenced herein;

**NOW, THEREFORE,** BE IT RESOLVED BY THE HOUSING AUTHORITY OF THE COUNTY OF SACRAMENTO:

Section 1. The Authority intends to issue the Obligations for the purpose of paying the costs of financing the acquisition, construction/rehabilitation and development of the Project.

Section 2. The Authority hereby declares that it reasonably expects that a portion of the proceeds of the Obligations will be used for reimbursement of expenditures for the acquisition, construction/rehabilitation and development of the Project that are paid before the date of initial execution and delivery of the Obligations.

Section 3. The maximum amount of proceeds of the Obligations to be used for reimbursement of expenditures for the acquisition, construction/rehabilitation and development of the Project that are paid before the date of initial execution and delivery of the Obligations is not to exceed \$23,000,000.

Section 4. The foregoing declaration is consistent with the budgetary and financial circumstances of the Authority in that there are no funds (other than proceeds of the Obligations) that are reasonably expected to be (i) reserved, (ii) allocated or (iii) otherwise set aside, on a long-term basis, by or on behalf of the Authority, or any public entity controlled by the Authority, for the expenditures for the acquisition, construction/rehabilitation and development of the Project that are expected to be reimbursed from the proceeds of the Obligations.

Section 5. The Developer shall be responsible for the payment of all present and future costs in connection with the issuance of the Obligations, including, but not limited to, any fees and expenses incurred by the Authority in anticipation of the issuance of the Obligations, any fees required by the California Debt Limit Allocation Committee ("CDLAC"), the cost of printing any official statement, rating agency costs, bond counsel fees and

expenses, underwriting discount and costs, trustee fees and expense, and the costs of printing the Obligations. The payment of the principal, redemption premium, if any, and purchase price of and interest on the Obligations shall be solely the responsibility of the Developer. The Obligations shall not constitute a debt or obligation of the Authority.

Section 6. The appropriate officers or the staff of the Authority are hereby authorized, for and in the name of and on behalf of the Authority, to make an application to the CDLAC for an allocation of private activity bonds for the financing of the Project.

Section 7. The adoption of this Resolution shall not obligate (i) the Authority to provide financing to the Developer for the acquisition, construction/rehabilitation and development of the Project or to issue the Obligations for purposes of such financing; or (ii) the Authority, or any department of the Authority or the County of Sacramento to approve any application or request for, or take any other action in connection with, any environmental, General Plan, zoning or any other permit or other action necessary for the acquisition, construction/rehabilitation, development or operation of the Project.

Section 8. This resolution shall take effect immediately upon its adoption.

On a motion by Member \_\_\_\_\_, seconded by Member \_\_\_\_\_, the foregoing Resolution was passed and adopted by the Board of the Housing Authority of the County of Sacramento this 11<sup>th</sup> day of February, 2020, by the following vote, to wit:

AYES: Members,

NOES: Members,

ABSENT: Members,

ABSTAIN: Members,

RECUSAL: Members,  
(PER POLITICAL REFORM ACT (§ 18702.5.))

\_\_\_\_\_  
Chair of the Board of the Housing Authority  
of Sacramento County, California

(SEAL)

ATTEST:

\_\_\_\_\_  
Clerk

## RESOLUTION NO.

### **SAYBROOK APARTMENTS: A RESOLUTION OF THE BOARD OF SUPERVISORS OF THE COUNTY OF SACRAMENTO APPROVING A FUNDING COMMITMENT OF \$2,400,000 OF COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) FUNDS, \$400,000 OF COUNTY HOME INVESTMENT PARTNERSHIPS PROGRAM (HOME) FUNDS, AND \$750,000 AFFORDABLE HOUSING FUNDS (AHF); ASSIGNMENT, EXTENSION AND/OR RESTRUCTURING OF EXISTING DEBT; EXECUTION OF FUNDING COMMITMENT AND RELATED DOCUMENTS WITH JAMBOREE HOUSING CORPORATION, OR RELATED ENTITY; RELATED BUDGET AMENDMENT; RELATED FINDINGS; AND ENVIRONMENTAL FINDINGS**

**WHEREAS**, CDBG funds totaling \$2,400,000 were allocated in the 2020 Action Plan to the Affordable Housing Rehabilitation Program fund (Resolution 2019-0743).

**WHEREAS**, Jamboree Housing Corporation (Developer) has applied to the Sacramento Housing and Redevelopment Agency (Agency) for a funding commitment of \$2,400,000 of Community Development Block Grant (CDBG) funds, \$400,000 of County Home Investment Partnerships Program (HOME) funds, \$750,000 Affordable Housing Funds (AHF), and assignment, extension and/or restructuring of the existing debt for the construction and permanent financing, and capitalized resident services reserve for Saybrook Apartments (Project); and

**WHEREAS**, the Project qualifies for funding under the Agency's Multifamily Lending and Mortgage Revenue Bond Policies and meets housing development goals and strategies in the County's Housing Element of 2013-2021;

**WHEREAS**, the Project is exempt under the California Environmental Quality Act (CEQA) pursuant to the CEQA Guidelines Class 32 categorical exemption for "infill development" (14 Cal. Code Regs., § 15332); and

**WHEREAS**, an Environmental Assessment for the Project was prepared pursuant to National Environmental Policy Act (NEPA) requirements under Title 24, Code of Federal Regulations (CFR) Part 58 and it was found that with mitigation measures incorporated, the project

will not result in a significant impact on the quality of the human environment.

**NOW, THEREFORE,** BE IT RESOLVED BY THE BOARD OF SUPERVISORS OF THE COUNTY OF SACRAMENTO:

Section 1. All evidence presented having been duly considered, the findings, including environmental findings regarding this action, as stated above, are found to be true and accurate and are hereby approved and adopted.

Section 2. The Funding Commitment letter attached to and incorporated in this resolution by this reference for the financing of Saybrook Apartments is approved in the amount of \$2,400,000 of CDBG from the Affordable Housing and Rehabilitation Program fund which includes in 2019 Program Income and in 2020 Entitlement, \$400,000 of HOME funds, \$750,000 of AHF and assignment, restructuring and/or extension of the existing debt.

Section 3. The Agency is authorized to enter into and execute the Funding Commitment and related documents and transmit to Jamboree Housing Corporation, or related entity, as approved to form by Agency counsel, and perform other actions necessary to fulfill the intent of the Funding Commitment that accompanies this resolution, in accordance with its terms, and to ensure proper repayment of the Agency funds including, without limitation, subordination, extensions, assignments, and restructuring of loans consistent with Agency adopted policy and with this resolution. The Agency will return to the Board for approval of loan and grant documents.

Section 4. The Agency is authorized to amend its budget and to transfer up to \$2,400,000 of CDBG funds, \$400,000 of HOME funds, and \$750,000 of Affordable Housing Funds.

Saybrook: Tax Equity And Fiscal Responsibility Act (TEFRA) Hearing  
Approval Of Tax-Exempt Bonds And Funding Commitment  
Page 3

On a motion by Supervisor \_\_\_\_\_, seconded by Supervisor \_\_\_\_\_, the foregoing Resolution was passed and adopted by the Board of Supervisors of the County of Sacramento this 11th day of February, 2020, by the following vote, to wit:

AYES: Supervisors,

NOES: Supervisors,

ABSENT: Supervisors,

ABSTAIN: Supervisors,

RECUSAL: Supervisors,  
(PER POLITICAL REFORM ACT (§ 18702.5.))

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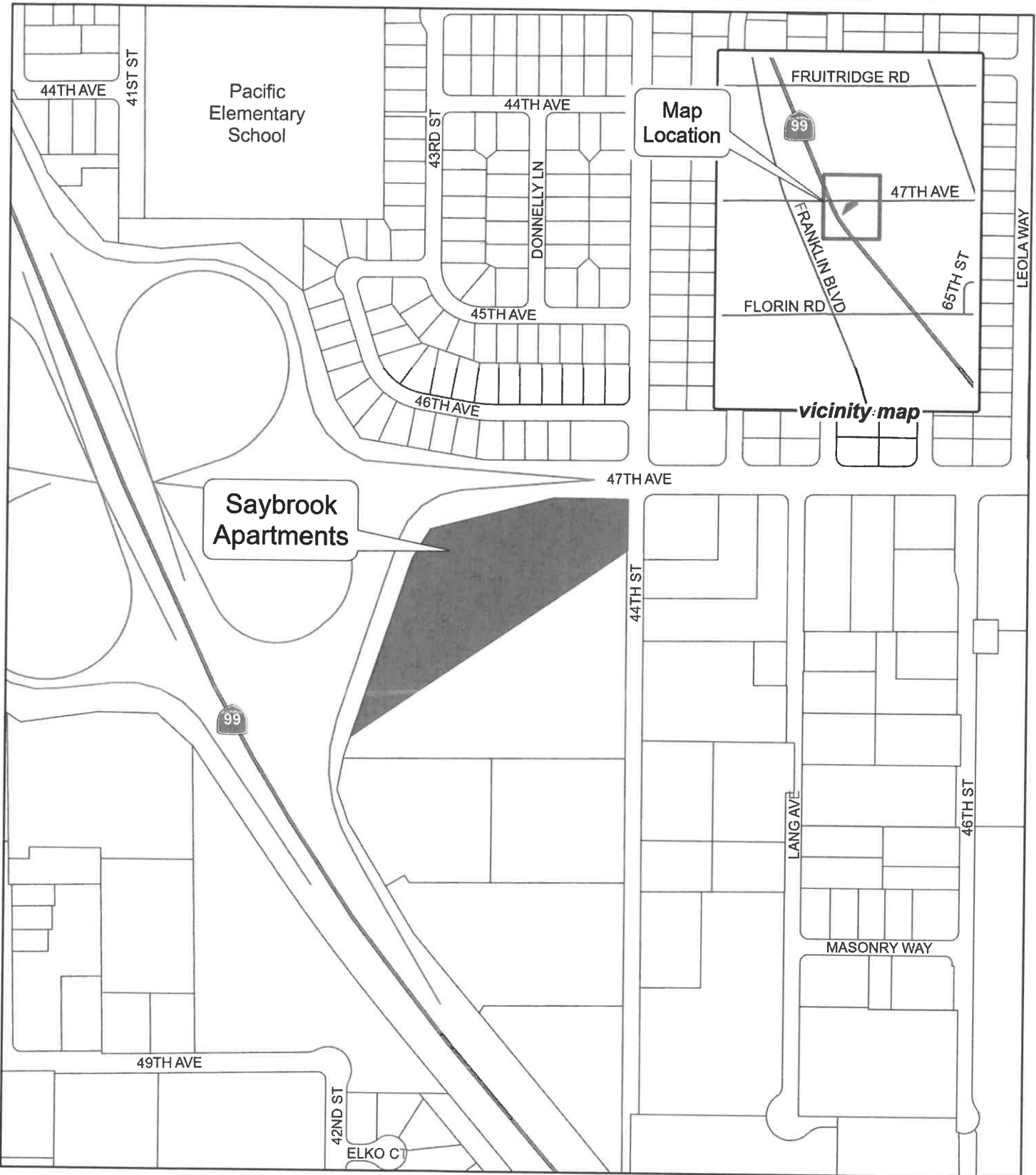
Chair of the Board of Supervisors  
of Sacramento County, California

(SEAL)

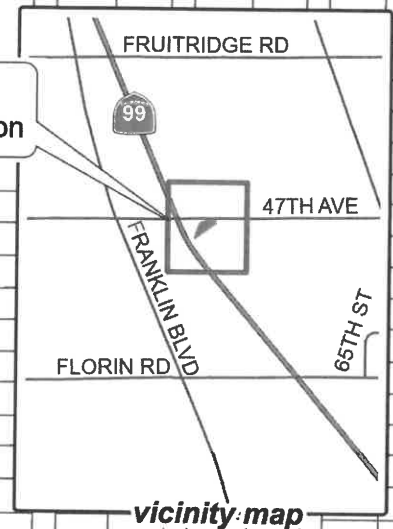
ATTEST: \_\_\_\_\_  
Clerk, Board of Supervisors



# Saybrook



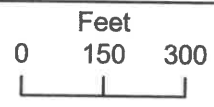
Map Location



Saybrook Apartments



Saybrook Apartments (4390 47th Avenue)



SHRA GIS  
December 11, 2019



# Saybrook Apartments Existing Structures



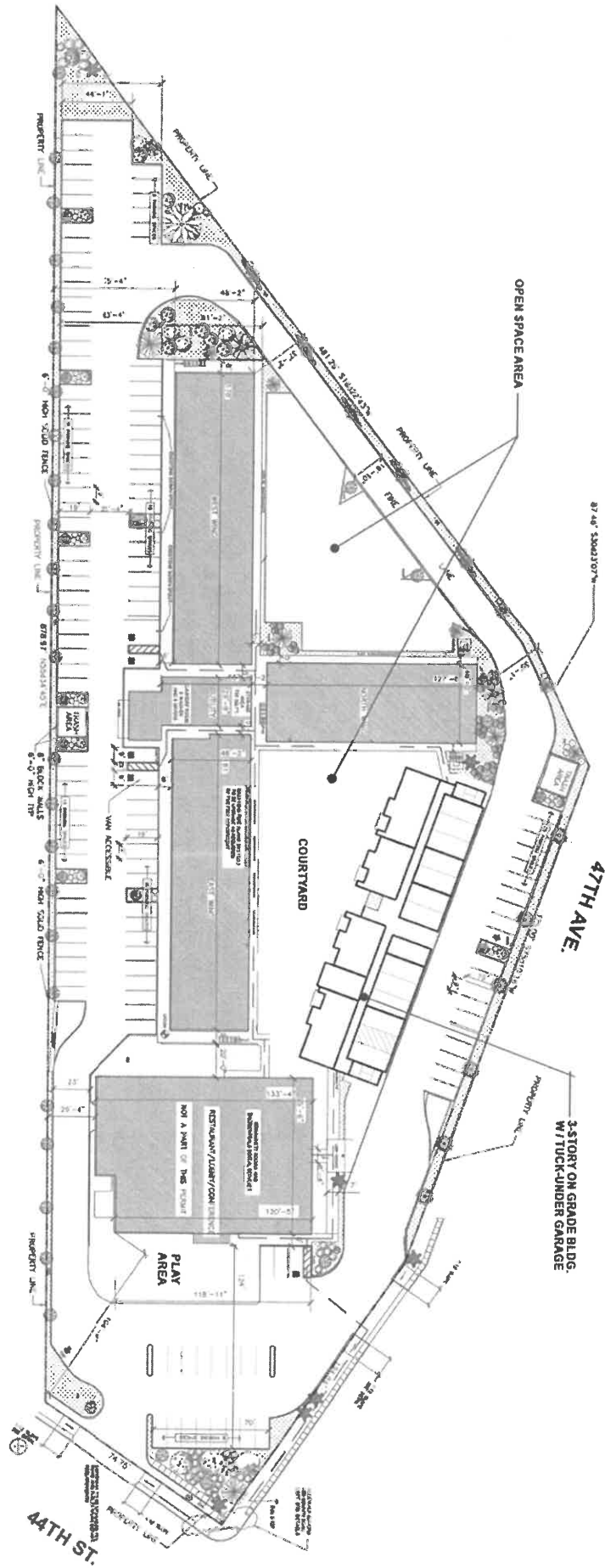
# Saybrook Apartments New Construction Project Renderings



RIGHT



FRONT



**Saybrook Apartments  
Residential Project Summary**

<b>Address</b>	4390 47th Avenue, Sacramento CA, 95824																																												
<b>Number of Units</b>	88																																												
<b>Year Built</b>	2005 & New Construction																																												
<b>Acreage</b>	4.11 acres (179,031.6 SF)																																												
<b>Unit Mix and Rents</b>	<u>ELI 25% AMI</u>	<u>ELI 30% AMI</u>	<u>VLI 40% AMI</u>	<u>VLI 50% AMI</u>	<u>Total</u>																																								
Studio/ 1 Bath	5		3	0	8																																								
1 Bedroom/ 1 Bath	12	15	0	6	33																																								
2 Bedroom/ 1 Bath	0	11	0	12	23																																								
3 Bedroom/ 2 Bath	0	17	0	6	23																																								
Management Unit (2 Bedroom exempt)	0	0	0	0	1																																								
<b>Total</b>	<b>17</b>	<b>43</b>	<b>3</b>	<b>24</b>	<b>88</b>																																								
<b>Square Footage</b>	<u>Unit Size (sq.ft.)</u>		<u>Total</u>																																										
Studio/ 1 Bath	332		2,655																																										
1 Bedroom/ 1Bath	521		17,208																																										
2 Bedroom/ 1Bath	663		15,249																																										
3 Bedroom/ 2 Bath	1,023		23,524	sq.ft.																																									
Community Area			36,557	sq.ft.																																									
<b>Total</b>			<b>95,193</b>	<b>sq.ft.</b>																																									
<b>Resident Facilities</b>	Community room with kitchen, management office and area for resident services and recreational activities, childcare, playground for school-aged children and tot-lot, 146 parking spaces, and perimeter fencing.																																												
<b>Permanent Sources</b>	<u>Total</u>		<u>Per Unit</u>	<u>Per Square Foot</u>																																									
Tax Credit Equity	\$ 10,729,357		\$ 121,925	\$ 112.71																																									
MHP Loan	\$ 14,969,597		\$ 170,109	\$ 157.26																																									
Existing Agency Loan	\$ 2,703,746		\$ 30,724	\$ 28.40																																									
New Agency Loan	\$ 2,800,000		\$ 31,818	\$ 29.41																																									
Capital Operating Reserve	\$ 750,000		\$ 8,523	\$ 7.88																																									
Deferred Developer Fee	\$ 1,500,000		\$ 17,045	\$ 15.76																																									
			\$ -	\$ -																																									
<b>TOTAL SOURCES</b>	<b>\$ 33,452,700</b>		<b>\$ 380,144</b>	<b>\$ 351.42</b>																																									
<b>Permanent Uses</b>	<u>Total</u>		<u>Per Unit</u>	<u>Per Square Foot</u>																																									
Acquisition	\$ 4,500,000		\$ 51,136	\$ 47.27																																									
Construction Costs	\$ 14,830,446		\$ 168,528	\$ 155.79																																									
Architecture & Engineering	\$ 950,000		\$ 10,795	\$ 9.98																																									
Permits	\$ 834,609		\$ 9,484	\$ 8.77																																									
Hard Cost Contingency	\$ 1,090,436		\$ 12,391	\$ 11.46																																									
Soft Cost Contingency	\$ 655,365		\$ 7,447	\$ 6.88																																									
Financing Cost	\$ 1,985,985		\$ 22,568	\$ 20.86																																									
Operating Reserves	\$ 220,130		\$ 2,501	\$ 2.31																																									
Capital Operating Reserve	\$ 1,500,000		\$ 17,045	\$ 15.76																																									
Capital Operating Resident Services Reserve	\$ 750,000		\$ 8,523	\$ 7.88																																									
Rent Reserve	\$ 544,729		\$ 6,190	\$ 5.72																																									
Legal Fees	\$ 120,000		\$ 1,364	\$ 1.26																																									
Relocation	\$ 400,000		\$ 4,545	\$ 4.20																																									
Developer Fee	\$ 3,500,000		\$ 39,773	\$ 36.77																																									
Third Party Fees, Marketing, Other	\$ 1,571,000		\$ 17,852	\$ 16.50																																									
<b>TOTAL USES</b>	<b>\$ 33,452,700</b>		<b>\$ 380,144</b>	<b>\$ 351.42</b>																																									
<b>Leveraging</b>	<u>SHRA \$ per Unit</u>		<u>Per Unit Cost</u>	<u>Leverage</u>																																									
	\$ 71,065		\$ 380,144	SHRA: Other \$1.00: \$5.35																																									
<b>Management / Operations</b>	<table style="width: 100%; border: none;"> <tr> <td style="width: 50%;">Proposed Developer</td> <td colspan="4">Jamboree Housing Corporation</td> </tr> <tr> <td>Property Management Company</td> <td colspan="4">Domus Management Company</td> </tr> <tr> <td>Operating Expenses</td> <td>\$ 570,473</td> <td></td> <td>\$ 6,483</td> <td></td> </tr> <tr> <td>Property Management</td> <td>\$ 52,800</td> <td></td> <td>\$ 600</td> <td></td> </tr> <tr> <td>Security</td> <td>\$ 30,000</td> <td></td> <td>\$ 341</td> <td></td> </tr> <tr> <td>Resident Services</td> <td>\$ 80,300</td> <td></td> <td>\$ 913</td> <td></td> </tr> <tr> <td>Replacement Reserves</td> <td>\$ 44,000</td> <td></td> <td>\$ 500</td> <td></td> </tr> <tr> <td>Taxes/Insurance</td> <td>\$ 40,075</td> <td></td> <td>\$ 455</td> <td></td> </tr> </table>					Proposed Developer	Jamboree Housing Corporation				Property Management Company	Domus Management Company				Operating Expenses	\$ 570,473		\$ 6,483		Property Management	\$ 52,800		\$ 600		Security	\$ 30,000		\$ 341		Resident Services	\$ 80,300		\$ 913		Replacement Reserves	\$ 44,000		\$ 500		Taxes/Insurance	\$ 40,075		\$ 455	
Proposed Developer	Jamboree Housing Corporation																																												
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Replacement Reserves	\$ 44,000		\$ 500																																										
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Saybrook Apartments  
Cash Flow Proforma

Attachment 5

Saybrook Apartments	Unit Type	Number	Square Feet	Total Sq Feet	Gross Rent	Utility Allowance	Net Rent	Rent per Sq Foot	Total Mo. Rent	Annual Rent
Studio /1 Bath @ 25% AMI	5	288	1,440	366	\$ 63	\$ 303	\$ 1.05	\$ 1,515	\$ 18,180	
Studio /1 Bath @ 40% AMI	3	405	1,215	588	\$ 70	\$ 523	\$ 1.29	\$ 1,569	\$ 18,828	
1 Bedroom /1 Bath @ 25% AMI	12	520	6,240	392	\$ 70	\$ 322	\$ 0.62	\$ 3,864	\$ 46,368	
1 Bedroom /1 Bath @ 30% AMI	15	528	7,800	470	\$ 70	\$ 400	\$ 0.77	\$ 6,000	\$ 72,000	
1 Bedroom /1 Bath @ 50% AMI	6	528	3,168	784	\$ 70	\$ 714	\$ 1.35	\$ 4,284	\$ 51,408	
2 Bedrooms /1 Bath @ 30% AMI	11	576	6,336	564	\$ 89	\$ 475	\$ 0.82	\$ 5,225	\$ 62,700	
2 Bedrooms /1 Bath @ 50% AMI	12	750	9,000	941	\$ 89	\$ 852	\$ 1.14	\$ 10,224	\$ 122,888	
3 Bedrooms /1 Bath @ 30% AMI	17	1,040	17,680	652	\$ 105	\$ 547	\$ 0.53	\$ 9,299	\$ 111,588	
3 Bedrooms /1 Bath @ 50% AMI	6	974	5,844	1,086	\$ 105	\$ 981	\$ 1.01	\$ 5,886	\$ 70,632	
2 Bedrooms /1 Bath - Exempt Management Unit	1	576	-	-	-	-	-	-	-	-
<b>Totals</b>	<b>88</b>	<b>6,177</b>	<b>59,299</b>						<b>47,866</b>	<b>574,392</b>

	Year 1 2023	Year 2 2024	Year 3 2025	Year 4 2026	Year 5 2027	Year 10 2032	Year 15 2037
<b>Income</b>							
Potential Gross Income	6,034,771	6,188,557	6,344,021	6,499,872	6,661,119	7,533,652	8,526,688
Rental Subsidy Income	433,105	443,933	455,031	466,407	478,067	540,889	611,967
Capitalized Operating Reserve (Owner)	105,065	107,889	110,381	113,141	115,969	131,209	148,451
Other Income	9,885	10,235	10,491	10,753	11,022	12,470	14,109
Less Gross Income Vacancy	(52,326)	(53,636)	(54,977)	(56,359)	(57,760)	(65,351)	(73,836)
Effective Gross Income	\$1,099,286	\$1,126,778	\$1,154,947	\$1,183,821	\$1,213,417	\$1,372,870	\$1,553,276
<b>Operating Expenses</b>							
Operating Expenses	6,944	632,494	654,631	677,543	701,257	832,873	989,192
Property Management	643	56,561	60,589	62,710	64,905	77,086	91,554
Resident Services	977	89,030	92,146	95,371	98,709	117,236	139,239
Security	365	32,137	34,426	35,631	36,876	43,789	52,020
Replacement Reserves	500	44,000	44,000	44,000	44,000	44,000	44,000
Taxes/Insurance	474	41,694	43,378	44,246	45,131	49,828	55,014
Total Expenses	\$9,904	\$899,853	\$929,170	\$959,501	\$990,879	\$1,164,823	\$1,371,020
<b>Net Operating Income</b>	<b>\$227,760</b>	<b>\$226,925</b>	<b>\$225,777</b>	<b>\$224,321</b>	<b>\$222,537</b>	<b>\$208,047</b>	<b>\$182,256</b>
<b>Debt Service</b>							
HCD Monitoring Fee	62,872	62,872	62,872	62,872	62,872	62,872	62,872
SHRA Monitoring Fee	25,000	25,000	25,000	25,000	25,000	25,000	25,000
Debt Service Subtotal	\$87,872	\$87,872	\$87,872	\$87,872	\$87,872	\$87,872	\$87,872
<b>Priority Distributions</b>							
Partnership Management Fee (LP)	\$5,000	10,300	10,609	10,927	11,255	13,048	15,126
Asset Management Fee (GP)	\$5,000	5,000	5,305	5,464	5,624	7,563	9,273
Priority Distributions Subtotal	\$10,000	\$15,450	\$15,914	\$16,391	\$16,883	\$19,572	\$22,689
Net Cash after Priority Distributions	\$124,908	\$123,602	\$121,991	\$120,057	\$117,782	\$100,603	\$71,695
<b>Deferred Developer Fee</b>							
Principal Balance	\$1,500,000	1,375,092	1,251,480	1,129,489	1,009,442	450,778	273
Payment from Cash Flow	124,908	123,602	121,991	120,782	117,782	100,603	0
Balance	\$1,375,092	\$1,251,490	\$1,129,489	\$1,009,442	\$891,659	\$350,174	\$273
Net Cash after Deferred Fee and Available Capitalized Operating Reserve	\$0	\$0	\$0	\$0	\$0	\$0	\$71,695
<b>Investor Cash Flow</b>							
Residential NOI after Debt Service, Priority Distributions & Deferred Developer Fee	\$0	\$0	\$0	\$0	\$0	\$0	\$35,848
<b>MHE</b>							
Principal Balance	\$14,969,597	14,969,597	14,969,597	14,969,597	14,969,597	14,969,597	14,969,597
Interest for Period	62,872	62,872	62,872	62,872	62,872	62,872	62,872
Accumulated Interest	62,872	125,745	188,617	251,489	314,362	628,723	943,085
Payment	0	0	0	0	0	0	13,105
Balance	\$15,032,469	\$15,095,342	\$15,158,214	\$15,221,086	\$15,283,959	\$15,588,320	\$15,899,576
<b>New SHRA Loan</b>							
Principal Balance	\$2,800,000	2,800,000	2,800,000	2,800,000	2,800,000	2,800,000	2,800,000
Payment	0	0	0	0	0	0	0
Balance	\$2,800,000	\$2,800,000	\$2,800,000	\$2,800,000	\$2,800,000	\$2,800,000	\$2,800,000
<b>Existing SHRA Loan</b>							
Principal Balance	\$2,703,746	2,776,477	2,800,000	2,800,000	2,800,000	2,800,000	2,800,000
Interest for Period	72,731	74,687	75,320	75,320	75,320	75,320	75,320
Accumulated Interest	72,731	147,418	222,738	298,058	373,378	749,978	1,126,578
Payment	0	0	0	0	0	0	0
Balance	\$2,776,477	\$2,923,895	\$3,022,738	\$3,088,058	\$3,173,378	\$3,549,878	\$3,926,578
<b>Distribution of Reserves</b>							
Capitalized Operating Subsidy Reserve (SHRA)	750,000	750,000	750,000	750,000	750,000	750,000	750,000
Withdrawal	0	0	0	0	0	0	0
Balance	750,000	750,000	750,000	750,000	750,000	750,000	750,000

\*Pursuant to 24CFR 983.301, contract rents approved by HUD may exceed the tax-credit rent limits. The tenant rent will not exceed 30% of the household adjusted gross income with PBI.

**MAXIMUM GROSS INCOME AND RENT LIMITS 2019**  
 Low Income Housing Tax Credits, Bonds, MHP, CDBG, HOME and AHP

**Saybrook Apartments**

**Maximum Gross Income Limits**

<b><u>Family Size</u></b>	<b><u>30% AMI</u></b>	<b><u>40% AMI</u></b>	<b><u>50% AMI</u></b>
1 person	\$ 17,580	\$ 23,440	\$ 29,300
2 person	\$ 20,070	\$ 26,760	\$ 33,450
3 person	\$ 22,590	\$ 30,120	\$ 37,650
4 person	\$ 25,080	\$ 33,440	\$ 41,800
5 person	\$ 27,090	\$ 36,120	\$ 45,150
6 person	\$ 29,100	\$ 38,800	\$ 48,500
7 person	\$ 31,110	\$ 41,480	\$ 51,850

**Rent Limits<sup>1</sup>**

<b><u>Unit Size</u></b>	<b><u>30% AMI</u></b>	<b><u>40% AMI</u></b>	<b><u>50% AMI</u></b>
Studio	\$ 439	\$ 732	\$ 879
1 Bedroom	\$ 470	\$ 627	\$ 784
2 Bedroom	\$ 564	\$ 753	\$ 941
3 Bedroom	\$ 652	\$ 869	\$ 1,086

<sup>1</sup>Pursuant to 24CFR 983.301, contract rents approved by HUD may exceed the tax-credit rent limits. The tenant rent will not exceed 30% of the household adjusted gross income with PBV.



Date: February 11, 2020

Jamboree Housing Corporation  
C/O Michael Massie  
17701 Cowan Avenue, Suite 200  
Irvine, CA 92614

RE: Conditional Funding Commitment for Saybrook Apartments

Dear Mr. Massie:

On behalf of the Sacramento Housing and Redevelopment Agency (Agency), we are pleased to advise you of its \$2,800,000 permanent loan commitment comprised of \$2,400,000 of Community Development Block Grant (CDBG) funds and \$400,000 of County Home Investment Partnerships Program (HOME) funds (Loan), for the acquisition, construction and permanent financing (Loan); and \$750,000 capitalized operating reserve for resident services held by the Agency (Reserve), for that certain real property known as Saybrook Apartments (Project) located at 4390 47<sup>th</sup> Avenue, Sacramento, California (Property). **The Agency's decision is based on your application, and all representations and information supplied by you to it. If these representations and information change in a material manner without written approval of the Agency, this commitment is void.** Agency's obligation to make the Loan is subject to the satisfaction of all the following terms and conditions and Borrower's execution of documentation that is in a form and in substance satisfactory to the Agency.

The Loan shall be made on standard Agency loan documents. Loan terms not in this funding commitment and the attached loan document forms shall not be included in the final loan documents without additional environmental review and governing board approval. In the event of any discrepancies between terms stated in this commitment and the loan documents, the terms stated in the loan commitment letter shall be deemed to be terms of this commitment.

Unless otherwise agreed in writing by the Agency in exercise of its absolute discretion, the following shall be considered conditions to Agency approval of a financing commitment. The Agency may, in exercise of its absolute discretion, modify its requirements upon written notice to Borrower given at least sixty (60) days prior to close of escrow for the Property.

This commitment will expire **August 11, 2021**.

1. **PROJECT DESCRIPTION:** The 4.11 acre proposed site is located in the County of Sacramento at 4390 47th Avenue. Saybrook Apartments is an existing affordable housing multifamily development. Jamboree is proposing the acquisition and rehabilitation of the existing three two-story residential buildings with 60 permanent supportive housing

family units, one manager unit and a community center, as well as the new construction of 27 family units for a total of 88 residential units. The total unit mix will include eight studios, 33 one bedroom, 24 two bedroom, and 23 three bedroom units. There are 60 units assisted with Project Based Vouchers from the Sacramento Housing and Redevelopment Agency. Substantial rehabilitation of the development is proposed. The scope of development includes addressing the underlying issue with moisture, constructing a new roof, exterior improvements, upgrade of common areas and amenities spaces, upgrade of units with new windows, appliances, flooring, paint, heating and cooling equipment, exterior paint, slurry seal and restriping the parking lot, landscaping, and installation of solar photovoltaic and solar hot water system. The 27 new construction family units will be in a new three-story tuck under wood framed building.

The proposed design of the new 27-unit building will match the style of the existing buildings which have very simple geometry. The new three story building is a contemporary design. Building materials will match those on the existing community building including the brick veneer, siding and exterior plaster.

All units will include a full kitchen with microwave, dishwasher, stove/range, cabinets and countertops. Bathrooms will have solid-surface counters, and low-flow fixtures. The flooring will be carpet and vinyl planking. The parking lot will include a total of 146 parking spaces. The site will be secured on all sides with a six-foot-tall perimeter fence with a key fob system to maintain security. The site amenities include a playground for children up to age twelve and a tot lot playground, BBQ areas, raised-bed community garden, and a dog run. See Exhibit 1 for more details on the Scope of Development.

2. BORROWER: The name of the Borrower for the Loan is Jamboree Housing Corporation, or related entity.
3. PURPOSE OF LOAN AND RESERVE: The Loan is to be used by Borrower solely to pay the costs of acquisition, rehabilitation, development and for such other purposes as Agency expressly agrees to in the loan agreement for the Loan, and such other agreements as may be generally required by the Agency for the use of the funding source for the Loan.

A Reserve for resident services in the amount of \$750,000 will be held by the Agency in the event the services funding is discontinued. The funds will only be used in the case Continuum of Care funds is no longer available to fund services at the Project. The capitalized operating reserve for resident services will be held for ten (10) years and will be reduced by 10 percent each year that funding is not required.

4. PRINCIPAL AMOUNT: The combined principal amount of the Loan will be the lesser of (a) the new Agency HOME and CDBG loan of Two Million Eight Hundred Thousand





Dollars (\$2,800,000) and the assignment or (b) an amount to be determined prior to close of the Loan based on a project budget approved by Agency.

4.1 EXTENSION PERIOD: The existing debt will be restructured and/or extended and assigned to the Borrower. Any restructuring of the loans and associated documents includes extending their maturity to a date 57 years or 684 months from the date of closing, at which point any and all unpaid principal and interest on the loan will be due and payable.

5. TERM OF LOAN: The Loan shall mature 57 years or 684 months from the date of closing, at which point any and all unpaid principal and interest on the loan will be due and payable.
6. INTEREST RATE: The interest rate shall be as follows: (a) simple interest at zero percent (0%) per annum on the Two Million Eight Hundred Thousand Dollars (\$2,800,000) Agency HOME and CDBG loan and (b) interest at Applicable Federal Rate annum on the existing Agency loan.
7. ANNUAL REPAYMENT: The loans are calculated to achieve an annual 1.2 debt coverage ratio. Annual payments will be made on a Residual Receipts, as defined below, basis until the maturity date. Annual payments shall be applied first to outstanding interest accrued and unpaid and then to principal.

“Residual Receipts” is defined as follows: Annual installments (as described in Section [f] of this paragraph) are based on the annual audited financial statement from the preceding year, payments will be made upon a “Residual Cash Flow” basis meaning Net Operating Income (NOI) less: (a) Debt Service, which means the monitoring fees of the State of California Housing Community Development (HCD) Multifamily Housing Program (MHP) loan and the County of Sacramento Housing Authority mortgage revenue bond issuance; (b) Priority Distributions, which means \$10,000 partnership management fee and \$5,000 asset management fee, both escalating at 3% annually as of the Loan’s Effective Date; (c) Deferred Developer Fee; (d) fifty percent (50%) of the available cash flow from NOI to Borrower; (e) after Sections (a) through (d) of this paragraph are paid, the proportional share of HCD’s public assistance towards loan repayment to HCD; (f) after Sections (a) through (e) of this paragraph are paid, the proportional share of the Agency’s public assistance towards repayment on the new loan (\$2,800,000 in HOME and CDBG funds; and (g) after Sections (a) through (f) of this paragraph are paid, the proportional share of the Agency’s public assistance towards repayment on the existing loan (\$2,703,746 in HTF).



The Net Operating Income is defined as periodic “Revenue” less “Operating Expenses.” “Revenue” means all revenue from the leasing of the Project, including but not limited to all rents, fees, and charges paid by tenants as well as rental subsidy payments regardless of the source of these subsidies, forfeited tenant deposits, rent increases, proceeds from vending machines and laundry room machines. Revenue shall not include tenants’ security deposits (unless forfeited), interest on those deposits, loan proceeds, capital contributions or similar advances, or amounts released from reserves or interest on reserves.

“Operating Expenses” shall mean actual costs, fees and expenses as evidenced by invoices attributable to the operation, recordkeeping, maintenance, taxes and management of the Project, including property management fees; taxes and assessments; payroll, benefits and payroll taxes of for property employees; insurance; security; painting, cleaning, repairs, and alterations; landscaping; sewer charges; utility charges; advertising, promotion and publicity; cable television, satellite, elevator and other similar services; office, janitorial, cleaning and building supplies; recreational amenities and supplies; purchase, repair, servicing and installation of appliances; costs and expenses associated with the provision of resident and supportive services to the tenants of the Project; equipment, fixtures and furnishing; fire alarm and elevator monitoring; fees and expenses of accountants, attorneys, consultants and other professionals. The definition will include deposits into operating and/or replacement reserves maintained by the Borrower.

The Capitalized Operating Reserve for resident services in the amount of \$750,000 will be utilized for the purpose of funding the operating deficit for resident services.

8. SOURCE OF LOAN AND RESERVE FUNDS:

Agency is making the Loan from the following sources of funds, and the Loan is subject to all requirements related to the use of such, whether as Agency requirements or otherwise: \$2,400,000 of CDBG funds, \$400,000 of HOME funds for the acquisition, construction and permanent financing of the Project. Additionally, the Agency is allocating \$750,000 from the Affordable Housing Funds for a Capitalized Operating Reserve, and the Reserve is subject to all requirements related to the use of such, whether as Agency requirements or otherwise.

This Loan and Reserve are conditioned upon Borrower’s acceptance of Agency’s requirements and conditions related to such lending programs and funding sources, including among others, the required forms of agreements for the Loan and Grant; the requirements for covenants, conditions and restrictions upon the Property; and insurance and indemnity requirements.



**Borrower acknowledges that, as a condition of the Agency's making of the Loan and Grant, the Property will be subject to restrictions on future sales and rentals which may result in less income to Borrower than could otherwise be realized, and that such restrictions run with the land, and during their operational term, will bind all successors in interest.**

\_\_\_\_\_ (Borrower Initial)

9. ACCELERATION: Agency shall have the right to accelerate repayment of the Loan in the event of a default under any Loan Document or upon sale, transfer or alienation of the Property except as specifically provided for in the Loan documents.
10. SECURITY: The Loan shall be evidenced by promissory note(s) secured by a deed of trust with assignment of rents against the fee and/or leasehold interest in the Property and Improvements, which shall be a lien upon the Property and Improvements subject only to liens senior to the Agency's lien securing loans from a conventional lender and such other items as the Agency may approve in writing. The Loan shall also be secured by security agreements. The Agency may subordinate said deeds of trust in order to accommodate completion of construction of the Property.
11. LEASE AND RENTAL SCHEDULE: All leases of the Property and Improvements shall be subject to Agency's review and approval prior to execution. Borrower shall not deviate from the rental schedule presented in Borrower's application for the Loan without Agency's prior written approval; provided, however, that such approval shall not be required for annual adjustments to rental rates as permitted by the California Tax Credit Allocation Committee.
12. PROOF OF EQUITY: Borrower shall provide proof of equity for the Property and Improvements in the amount of no less than \$10,700,000 in Low Income Housing Tax Credit Equity and no less than \$1,500,000 in deferred developer fee. If LIHTC equity goes below \$10,700,000 the equity must be offset by an increase in deferred developer fee.
13. OTHER FINANCING: Borrower, as a requirement of the Loan, shall procure and deliver to Agency evidence satisfactory to Agency that Borrower has obtained the following described financing which may be secured by a lien upon the Property and Improvements superior or subordinate to Agency's liens, and which shall be otherwise on terms and conditions acceptable to Agency:

(a) As a condition precedent to disbursement of the remainder of the Agency loan, construction financing from a private lender(s) in an amount(s) sufficient to complete construction of the Property according to a scope of work as approved by Agency and made for a term not less than that specified in the Schedule of Performances for



completion of construction, and in any event not less than the time necessary to fulfill all conditions precedent to funding of the permanent financing.

(b) Commitments for permanent financing sufficient to “take out” all liens senior to the Agency’s lien.

(c) Such commitments for financing shall not require modification of Agency loan documents, or any term of this commitment letter.

(d) Such commitments shall not be based upon sources and uses of Project funds that are different from those approved by Agency for the project or be subject to conditions which require amendment of the DDA, OPA or other agreements.

14. EVIDENCE OF FUNDS: Prior to the first disbursement of the Loan, Borrower must demonstrate evidence of adequate and assured funding to complete the development of the Project in accordance with the Agency's requirements. Borrower's evidence of available funds must include only one or more of the following: a) Borrower equity; b) firm and binding commitments for the Project from financial institution(s) or from other lender(s) approved by Agency in its absolute discretion; and c) Agency’s contribution, provided, however, that Agency is not obligated by this letter to make any contribution not stated in the terms of the letter.
15. SOILS AND TOXIC REPORTS: Borrower submitted to the Agency a hazardous substances report made in accordance with the American Society for Testing and Materials "Standard Practice for Environmental Site Assessments; Phase I Environmental Site Assessment (ESA Report) Process" (ASTM Standard Practice E1527-13) prepared by a licensed or registered environmental engineer or other qualified party prior to Loan closing. Borrower must, as a condition of disbursement of Loan funds, give assurances satisfactory to the Agency that hazardous materials are not present on the Property or that any hazardous materials on the Property will be remediated and that no further remediation is then required by the environmental agency having responsibility for monitoring such remediation.
16. LOAN IN BALANCE: Borrower will be required to maintain the Loan "in balance". The Loan is "in balance" whenever the amount of the undisbursed Loan funds, the remaining sums to be provided by the Borrower and the loan funds from other project lenders or the equity investor are sufficient, in the sole judgement of the Agency, to pay for the remainder of the work to be done on the project as required by written agreement with the Agency. Should the Agency determine that the Loan is not "in balance", the Agency may declare the Loan to be in default.
17. PLANS AND SPECIFICATION: Final plans and specifications, if any, for the project must be in accord with the proposal approved as part of the Loan application. Final plans and specifications will be subject to Agency's final approval prior to the disbursal of Agency Loan funds. Borrower must obtain Agency's prior written consent to any change in the approved plans and specifications or any material deviation in construction of the



project. The final plans shall incorporate all related mitigation measures, environmental conditions required, if any, for compliance with approvals under CEQA, and/or NEPA, or the U.S. Department of Housing and Urban Development as conditions of approval of the project.

18. ARCHITECTURAL AGREEMENT: The architectural agreement (Agreement), if any, for the preparation of the plans and specifications and other services shall be subject to Agency's approval. Agency may require an assignment of Borrower's interest in and to the Agreement as security for the Loan.
19. CONSTRUCTION CONTRACT: The construction contract (Contract), if any, and any change orders issued thereunder, and the contractor (Contractor) to be retained by Borrower to construct the Improvements shall be subject to Agency's approval. Agency may require an assignment of Borrower's interest in and to the Contract as security for the Loan. Agency may require Contractor to provide a performance and payment bond in a form acceptable to Agency for the amount of the Contract.
20. RETENTION AMOUNT: The Agency shall retain ten percent (10.0%) of the total amount of the Loan as retention and shall be released when the Agency determines all conditions to final disbursement of the Loan have been satisfied.
21. COST BREAKDOWN: Borrower shall deliver to Agency for Agency's approval prior to commencement of work a detailed cost breakdown of the cost of constructing, financing and other costs of developing the Improvements, which breakdown conforms to the project plans and specification and the budget approved with this commitment. Borrower shall also deliver a list of all contractors and subcontractors to be employed in connection with the construction of the Improvements. If required by the Agency, Borrower shall also submit copies of all bids received for each item of work to be performed as well as copies of executed contracts and subcontracts with acceptable bidders.

All contracts, subcontracts, contractors, and subcontractors shall be subject to Agency's approval prior to close of the Loan. Agency also reserves the right to require performance and material payment bonds on any or all contractors, or in lieu of bond a letter of credit acceptable to Agency.

Agency shall make disbursements of the Loan based on a cost breakdown that lists line items in cost categories. Agency shall require that Borrower provide documentation supporting all requests for disbursement of Loan funds, including proof of work done and actual expenditure. Agency shall conduct inspections of the Property to assure that the work was done before making a disbursement.



22. COST SAVINGS: At completion of construction, Borrower shall submit to Agency a cost certification prepared by a qualified, independent auditor acceptable to Agency, which cost certification shall indicate the amounts actually spent for each item in the cost breakdown and shall indicate the final sources of funding. If there is an aggregate savings, in the total of all such cost breakdown items from the cost breakdown items in the original budget approved by the Agency, after adjusting for any decrease in any funding source including any loss of any equity investment due to an adjustment in the allowable tax credits, the Agency shall withhold for itself as loan repayment, one-half of such savings from the amount of retention then held by the Agency, and the Loan balance shall be reduced by the amount so withheld. The Agency, in its sole discretion, shall determine any reduction and/or repayment of the Agency loan based upon this cost certification and the original approved budget for the project.
23. START OF CONSTRUCTION: Borrower shall commence construction at the earliest possible date subject to the conditions of this Agency and other involved lenders, but no later than sixty (60) days following the close of construction financing.
24. COMPLETION OF CONSTRUCTION: Borrower shall complete the construction of the Improvements no later than 24 months following the close of construction financing.
25. SECURITY CAMERAS AND OUTSIDE LIGHTING: Project shall include installation of a security camera system at vehicular driveways and additional exterior lighting, and security patrols, all as approved by the Agency.
26. INSURANCE PROVIDER: Each policy of insurance required under the Loan shall be obtained from a provider licensed to do business in California and having a current Best's Insurance Guide rating of A VII, which rating has been substantially the same or increasing for the last five (5) years, or such other equivalent rating, as may reasonably be approved by Lender's legal counsel.
27. HAZARD INSURANCE: Borrower shall procure and maintain fire and extended coverage insurance and during construction Builder's Risk completed value insurance in a form and substance approved by Agency. Coverage shall be for protection against loss of, or damage to the Improvements or materials for their construction to their full insurable value. Borrower shall also procure and maintain insurance against specific hazards affecting Agency's security for the Loan as may be required by Agency, governmental regulations, or any permanent lender. All such policies shall contain a standard mortgagee loss payable clause in favor of Agency. The insurance required shall be written with a deductible of not more than TEN THOUSAND DOLLARS (\$10,000.00).
28. PUBLIC LIABILITY AND OTHER INSURANCE: Borrower must procure and maintain public liability and property damage insurance (with Agency named as



additional insured) in a form approved by Agency. Coverage must be approved by Agency and must be in at least the following limits of liability: (1) Commercial General Liability insurance in Insurance Services Office (ISO) policy form CG 00 01 Commercial General Liability (Occurrence) or better with limits of liability, which are not less than \$1,000,000, per occurrence limit; \$5,000,000 general aggregate limit, and \$5,000,000 products and completed operations aggregate limit, all per location of the Project; (2) Property damage liability of \$1,000,000 each occurrence, \$1,000,000 single limit and \$1,000,000 aggregate; (3) Contractual liability for Bodily Injury of \$1,000,000 each occurrence, for Property Damage of \$1,000,000 each occurrence and \$1,000,000 aggregate, and Personal Injury with Employment Exclusion Deleted of \$1,000,000 aggregate; and (4) Comprehensive Automobile Liability for any vehicle used for or in connection with the Work of \$1,000,000. The insurance required shall be written with a deductible of not more than TEN THOUSAND DOLLARS (\$10,000). Borrower must also procure and maintain workers' compensation and all other insurance required under applicable law, as required by law and as approved by Agency.

29. TITLE INSURANCE: Borrower must procure and deliver to Agency an ALTA Lender's Policy of Title Insurance, together with such endorsements as Agency may require, including but not limited to CLTA endorsement nos. 100, 116, and 102.5/102.7 insuring Agency in an amount equal to the principal amount of the Loan, that Agency's Deed of Trust constitutes a third lien or charge upon the Property and Improvements subject only to such items as shall have been approved by Agency. There must be no exceptions permitted for mechanics liens. Title insurance for the Loan must be issued by a title insurer approved by Agency.
30. ORGANIZATIONAL AGREEMENTS: Borrower must submit to Agency certified copies of all of Borrower's organizational documents, including all amendments, modifications or terminations: if a corporation, Borrower's Articles of Incorporation and By-Laws; if a partnership, its Partnership Agreement and, as applicable, Certificate of Limited Partnership or Statement of Partnership; if a Limited Liability Company, its Articles of Organization and its Operating Agreement; and in all cases with all exhibits and amendments to such documents, fictitious business name statements, other related filings or recorded documents and such related documents as Agency may request. If it is a corporation, Borrower must submit a corporate borrowing resolution referencing this Loan. If Borrower is other than a corporation, Borrower must submit such proof of authority to enter this Loan as may be required under the organizational documents.
31. PURCHASE OF PROPERTY: Borrower shall provide Agency with copies of all documents relating to Borrower's purchase of the Property.
32. FINANCIAL INFORMATION: During the term of the Loan, Borrower shall deliver to Agency within 120 days of the end of each fiscal year an audited income and expense statement, a balance sheet, and a statement of all changes in financial position signed by



authorized officers of Borrower. Prior to close of the Loan and during its term, Borrower must deliver to Agency such additional financial information as may be requested by Agency. Agency reserves the right to review and approve financial statements and other credit information and references prior to closing. During the term of the Loan, Borrower must deliver to Agency a monthly rent-roll including household composition information and operating statements with respect to the Property and Improvements, as Agency may request.

33. MANAGEMENT AGREEMENT: Prior to execution, Borrower must submit to Agency any agreement providing for the management or operation of the Property or Improvements by a third party which agreement is subject to Agency Approval.
34. AFFIRMATIVE FAIR MARKETING: Borrower agrees to submit an Affirmative Marketing Plan to Agency and to follow all Agency affirmative marketing requirements.
35. RESIDENT SERVICES AGREEMENT: Prior to execution, Borrower must submit to Agency any agreement providing for the resident services by a third party which agreement is subject to Agency Approval. The agreement must include a minimum of 15 hours per week of on-site resident services, including an on-site service coordinator for four (4) hours and 11 hours for after school, educational, enrichment and transportation assistance services.
36. LOW INCOME HOUSING TAX CREDITS (LIHTC): Borrower represents that as a condition of closing this Loan it is applying for an allocation of LIHTC's and agrees to perform all actions and to meet all requirements to maintain the LIHTC allocation if granted.
37. DOCUMENTATION: This letter is not intended to describe all of the requirements, terms, conditions and documents for the Loan, which shall also include customary provisions and documents for an Agency transaction of this type. All documents to be delivered to or approved by Agency must be satisfactory to Agency in all respects. Borrower must promptly deliver to Agency any further documentation that may be required by Agency.
38. CONSISTENCY OF DOCUMENTS: As a material obligation under this commitment letter, Borrower shall assure that the loan documents for the Project are consistent with lender's commitment approved by the Agency and comply, in all respects, with this commitment letter.
39. CHANGES OR AMENDMENTS: No documents or contracts which are to be delivered to Agency or are subject to Agency's review or approval shall be modified or terminated without the prior written approval of Agency.





40. ACCEPTANCE OF THIS COMMITMENT: Borrower's acceptance of this Commitment shall be evidenced by signing and delivering to Agency the enclosed copy of this letter. Until receipt of such acceptance by Agency, Agency shall have no obligation under this letter. Agency may withdraw this commitment at any time prior to Borrower's acceptance.



Sincerely,

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La Shelle Dozier  
Executive Director

The undersigned acknowledges and accepts the foregoing Commitment and its terms and conditions.

Dated: February 11, 2020

BORROWER:

Jamboree Housing Corporation

By: 

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Michael Massie, Chief Development Office

**The Exhibit listed below is incorporated in this Conditional Funding Commitment by this reference for the financing of the Saybrook Apartments Project:**  
Exhibit 1 - Scope of Development



## I. Scope of Development

Saybrook Apartments is in the incorporated area of Sacramento County (County), South Sacramento community, located at 4390 47<sup>th</sup> Avenue. The proposed scope of work is the rehabilitation of three existing two-story residential buildings, an existing community building and the addition of 27 multifamily units in a new building. There will be a total of 88 total units. The existing 61-unit residential buildings are comprised of (5) studios, (27) one-bedroom, (11) two-bedroom and (17) three bedroom and (1) two-bedroom manager unit. The new 27-unit residential building will be comprised of (3) studios, (6) one-bedroom, (12) two-bedroom and (6) three-bedroom units. The substantial rehabilitation will extend the useful life of the property and significantly reduce on-going maintenance needs and costs. The renovation will also allow for American with Disabilities Act (ADA) accessibility modifications throughout the Project.

## II. RESIDENTIAL REHABILITATION

### Exterior Improvements

1. **Roof:** Installation of a new asphalt shingle roof over insulation, a new roof drainage system and mechanical platforms installed for all rooftop equipment.
2. **Gutters and Downspouts:** All gutters, downspouts will be replaced as needed.
3. **Siding/Plastering:** New siding and plastering will be repaired and replaced as needed.
4. **Paint:** New coat of elastomeric paint on all building exteriors.
5. **Stairways, Railings and Landings:** Paint all metal portions of exterior stairways. Install riser plates for all exterior treads. Install Accessibility Code required contrast striping on all exterior stairs and accessible handrails.
6. **Traffic Deck/Coating:** Install new traffic coating system throughout on upper walkways. Reinstall traffic coating on ground level section.
7. **Signage:** New unit ID will be installed.
8. **Security:** Replace existing security camera system.



## Interior Improvements

1. **ADA and Hearing or Visually Impaired (HVI) units:** ADA accessibility modification will be completed to ensure that 9 units include mobility features. Three units will include communication features.
2. **HVAC:** Install new high efficiency mini spilt systems in all units.
3. **Kitchens:** All kitchens will have new energy efficient electric ranges and hoods, refrigerators dishwashers and garbage disposals. New solid surface countertops, sinks, and low-flow faucets.
4. **Bathrooms:** All bathrooms will have new solid surface countertops, cabinets, sinks, low-flow faucets/showerheads and bath fans with humidistat.
5. **Exterior Doors:** The exterior doors will be replaced as necessary. Replace door hardware with dual action lever handle model. New ADA compliant lever hardware, as needed.
6. **Interior Doors:** Interior doors, replaced as necessary. Replace door hardware with dual action lever handle models. Install new metal framed sliding closet doors. New ADA-compliant lever hardware, as needed.
7. **Windows:** All units will have new low-e vinyl windows.
8. **Flooring:** Install high quality vinyl plank flooring in units.
9. **Window Coverings:** Install new window blinds in all units.
10. **Drywall:** Patching due to repairs, Drywall concrete on second floor,
11. **Paint:** New paint to all unit interiors.
12. **Electrical:** All light fixtures will be replaced with LED fixtures. Smoke and/or CO sensors shall be replaced.
13. **Ventilation:** Design and install ventilation system in all units.

## III. RESIDENTIAL NEW CONSTRUCTION

### New Building Exterior

1. **Roof:** The new building will have a TPO roof.



2. **Gutters, Downspouts and Downspout Extensions:** All gutters, downspouts, and downspout extensions will be connected to a storm drain system and/or routed to surface drain to site bio-retention planters.
3. **Exterior:** The exterior of the project will have stucco and siding.
4. **Paint:** The building will have interior and exterior painting.
5. **Balcony and Patio Enclosures:** Ground floor apartments will have private patios on grade while upper level apartments will have balconies.
6. **Lighting:** The new building will have adequate lighting to maintain security around the perimeter.
7. **Windows and Sliders:** All windows will be energy-efficient windows. Windows designed to be opened will have screens.
8. **Blinds:** Window blinds will be provided in all units.
9. **Security:** There will be controlled access as well as a security camera system.

#### **New Building Interior**

1. **HVAC:** The new building will have an energy efficient HVAC system.
2. **Kitchens:** All kitchens cabinets, drawers, solid surface countertops, stove/range, sink, dishwasher, garbage disposal, and refrigerator/freezer. All appliances will be EnergyStar.
3. **Bathrooms:** All bathrooms will have solid-surface counters, sinks, tubs and surrounds, accessories (i.e., toilet paper holders, towel racks), low-flow showerheads and low-flow faucets.
4. **Water Heaters:** The development will utilize a solar thermal system for water heating.
5. **Doors:** All doors will meet current egress standards.
6. **Windows:** All units will have energy efficient vinyl windows. Windows designed to open will have screens. All windows will meet current egress standards.
7. **Flooring:** All units will have luxury vinyl plank flooring.
8. **Paint:** Paint will be applied to all walls, ceilings, and trim, in all rooms, closets and storage rooms.
9. **Lighting:** All kitchens, bedrooms, bathrooms and hallways will have energy efficient light fixtures.



**10. Laundry:** There will be a laundry room onsite.

**11. Elevator:** There will be one elevator.

## **IV. SITE IMPROVEMENTS AND COMMUNITY BUILDING**

### **Site Improvements**

1. **Paving and Surface Parking:** Remove and replace damaged asphalt. Seal coat the parking lot and restripe parking areas according to current code. Construct new parking area near main entrance.
2. **Concrete:** New concrete walkways and concrete restoration and cleaning, as necessary.
3. **Lighting:** Site lighting will be upgraded as needed. All new light fixtures will be LED.
4. **Landscaping/Irrigation:** Existing irrigation system to be checked, repaired and/or modified as necessary. Weather sensitive controller will be installed. Drought tolerant landscape will be installed in perimeter section.
5. **Signage:** New monument and directory signage will be installed.
6. **Picnic Areas:** Barbeque and seating areas will be provided.
7. **Fencing:** Paint ornamental fencing. Repair damaged chain link fencing. Install sound wall between west and north wing for noise reduction.
8. **Gates:** Install level handle hardware on all gate exteriors for proper accessibility. Repair rusted vehicle gates. Add safety screen to vehicle gate.
9. **Domestic Hot Water System:** Replace older water heaters with new boiler and storage system.
10. **Play Area:** Relocate existing tot lot area. Replace outdoor playground equipment. Add additional outdoor children's amenities.
11. **Community Garden:** A new garden community garden will be installed.
12. **Dog Run:** Improve existing dog run area.
13. **Photovoltaic Panels and Solar Hot Water:** Install roof top solar panels for solar hot water system.
14. **Laundry Facilities:** Install new flooring, lighting fixtures, paint and ventilation system.



15. **Utility Room:** Remodel of existing utility room.
16. **Transformer:** Install protective bollards around transformer.

### **Community Building**

1. **Community Building Remodel:** Community building will be remodeled to make improvements to social services, property management, common area, community room and day care center spaces. New common area furniture, computer equipment and finishes throughout. Interior and exterior will be painted.
2. **Community Room and Kitchen:** Flooring to be replaced. New furniture and finishes will be installed. Paint throughout. The kitchen will have new counters, cabinets, refrigerator/freezer, range/oven/hood, dishwasher, sink, garbage disposal and low-flow faucets. All appliances will be Energy Star.
3. **Roof:** Replace community building roof.
4. **HVAC:** Replace existing units with high efficiency models.
5. **Security:** There will be controlled access as well as a security camera system.

**Attachment 1: Lender's Minimum Construction Standards exhibit is on the following page.**



## **Attachment 1: Lender's Minimum Construction Standards**

This attachment is from Exhibit 2 from the Lender's Multifamily Lending and Mortgage Revenue Bond Policies.

### **SHRA RENTAL PROPERTY MINIMUM CONSTRUCTION STANDARDS**

The following is a list of the required minimum construction standards that must be incorporated into projects participating in SHRA's Multifamily Financing and/or Mortgage Revenue Bond programs. All rental units and sites associated with these projects must meet or exceed these standards.

**Note:** For rehabilitation projects, all of the following standards shall apply. The non-rehabilitation sections below shall apply to new construction projects.

#### **Useful Life Expectancy – Rehabilitation only**

SHRA shall reference the current edition of Fannie Mae's "Instructions for Performing a Multifamily Property Condition Assessment, Appendix F. Estimated Useful Life Tables" in determining the useful life for all building components and systems located within the project. A remaining useful life of 15 years or more is required for all building components and systems located within the approved complex. All items on the Fannie Mae tables with useful lives indicated to be less than 15 years shall be replaced.

#### **General Requirements**

- A. All materials funded under this loan must be new unless previously approved. Recycled items must be approved in writing by SHRA prior to their use.
- B. All work shall comply with Federal and State ADA accessibility requirements, as well as any other requirements stipulated by the funding source(s). When there are differences the stricter of the two shall apply. The developer is responsible for notifying their architect and/or engineer of all funding sources used on the project. The architect and/or engineer must indicate these funding requirements in the project's plans/scope.
- C. All units shall be approved for occupancy by the local Building Department or any other Agency Having Jurisdiction (AHJ) at the conclusion of the work and prior to occupancy.
- D. Web-based security cameras and the equipment to record events are required for primary ingress/egress points to and from the site and for the principal parking and indoor and outdoor common areas where people will be congregating.
- E. Site lighting is required for all parking and outside public spaces, and shall be of LED or similarly energy efficient type. The lenses on the exterior lights shall be cleaned with all oxidation removed or replaced. Light poles shall be new or painted, and shall be structurally sound and stable.
- F. The developer's architect is responsible for providing an Operating Procedure Outline Sheet (OPOS) for window washing systems where applicable, per Cal-OSHA requirements.





- G. SHRA encourages the use of energy and water-efficient systems wherever they may be incorporated into the project.

### **General Requirements – Rehabilitation only**

- A. Any component of the project which does or may present a health or safety hazard to the public or tenants shall be corrected to the satisfaction of the local Building Department or AHJ.
- B. A clear pest inspection report will be required at the conclusion of the construction work for rehabilitation projects.
- C. For all structures where disturbance of any hazardous materials (e.g. lead, asbestos, mold, etc.) will occur, a clearance report from an environmental consultant is required.
- D. Projects deemed historically significant landmark by either the City of Sacramento or the National Register of Historic Places shall consult with the State Historic Preservation Officer (SHPO), and shall conform to the Secretary of the Interior Standards for the Treatment of Historic Properties.

### **Site Work**

- A. Trees and large shrubs must be trimmed, grass areas must be mowed, and all planter areas must be weed-free. The landscape design shall incorporate a sustainable design appropriate for the Sacramento Valley. Vegetation that assists in minimizing crime and enhances public safety is preferred. Trees compromising building envelope materials (roofing, siding, windows, etc.) and/or structural integrity (including foundations) must be removed. An arborist shall be consulted for an opinion on trees prior to major branch trimming, root cutting or tree removal. All trees, bushes and other plants that are to be removed shall have the root ball removed by grinding or by mechanical means. A landscape plan describing the above must be provided to SHRA for approval.
- B. All landscaped areas must be served by a programmable automated irrigation system. The irrigation controller shall be a "Smart Controller" that senses rain to reduce water use. Irrigation shall be designed to use bubblers and other water saving measures. Irrigation must not spray on building. Sprinklers should minimize overspray that runs to storm drain drop inlets. Areas that show evidence of erosion of soil shall be landscaped to eliminate problems. The landscape plan must be approved by SHRA and applied.
- C. For gated communities containing swinging vehicle gates, driveways shall be striped to show the area under the gate swings for safety purposes.
- D. All projects shall contain trash enclosures with concrete aprons. Trash enclosures shall be made of cinder block or stucco. Trash enclosures shall be accessible to all tenants. Provisions for tenants with disabilities must be addressed in the project Scope of Development or the project plans.



- E. All projects shall meet the parking requirements of the local Agency Having Jurisdiction (AHJ) over the project. "Grandfathered Projects" will need to show that they are in fact "Grandfathered" or otherwise exempted by the local AHJ. Otherwise, all projects shall meet the governing ADA requirements for parking.
- F. A two percent (2%) slope shall be maintained for a distance of five feet from all structures and no standing water shall remain on the site. Provide an on- site drainage system if necessary.
- G. Stairways in common areas must include closed risers and non-slip concrete finish or other slip-resistant material on the treads.
- H. Exterior mounted electrical, mechanical, and plumbing systems must be protected from vandalism.
- I. For family projects of 50 or more units, a minimum of one school age-appropriate play structure is required. For family projects of 100 or more units, a minimum of one school age and one toddler-appropriate play structure is required.

#### **Site Work – Rehabilitation only**

- A. All landscaping and irrigation systems must be in a well-maintained condition.
- B. All fencing must be in good and serviceable condition. Existing fencing that is to remain shall be free of flaking paint, rust, or any other signs of failure. If existing fencing shows any signs of failure, it shall be repaired, painted and restored to look new. All chain link fencing must be removed and replaced with fencing of another approved material. All pedestrian gates hardware must be functional and in new or near-new condition. Access Control systems are required at exterior pedestrian gates.
- C. All driveways and sidewalks must be in good condition. All cracked or uplifted areas (more than ¼") shall be repaired or replaced.
- D. The asphalt shall be in good condition, with no alligator cracking, longitudinal cracking, potholes, or standing water. Repairs to portions of parking lots not suitable for new coatings shall be performed by removing and replacing damaged paving. A new seal-coat or slurry-coat shall then be applied to the entire parking lot surface. Parking spaces shall be restriped, including ADA aisles and other applicable striping/painting.
- E. All site accessories (bollards, benches, tables, play equipment, bike racks, mailboxes, shade structures, BBQs, sheds, etc.) shall be replaced or in good repair (cleaned, painted and/or re-coated).

#### **Building Envelope and Moisture Protection – Rehabilitation only**

- A. All areas exposed to moisture must be sealed and watertight. Buildings showing evidence of water intrusion shall have the areas inspected by a licensed architect/engineer or by a certified water intrusion expert. A water intrusion report shall



be submitted to SHRA, and shall include the cause of the issue and a resolution to eradicate the water intrusion. If the inspection cannot be completed until the demolition phase of the project, the report shall describe a procedure to inspect the issue during demolition.

- B. Roofing must have 15 years or more of remaining life with no visible signs of leakage. For roofs containing composition shingles, a maximum of two layers of shingles are allowed (including any proposed new layers). Provide evidence that the roof system has a 15-year life remaining on the manufacturer's warranty.
- C. All siding must have 15 years or more of remaining life. Hairline cracks in stucco must be sealed and painted with elastomeric paint. If requested by SHRA, a statement by a licensed architect and/or engineer that the existing siding contains at least 15 years of useful life remaining shall be provided.
- D. Fireplaces must be clean and meet applicable air quality standards. Chimneys shall be clean and must be inspected by a certified chimney inspector for structural integrity. All recommended structural repairs shall be performed.

### **Doors and Windows**

- A. All dwelling/tenant units must have screens on all windows that are designed to open. Windows designed to open must have functional locks and must operate freely without excessive effort. All windows must be dual-paned (minimum), and shall meet or exceed the State of California's currently applicable efficiency standards, and any other efficiency standards that may be dictated by the funding source or other governing bodies for the project.
- B. All doors must have matching hardware finishes.
- C. All exterior doors must have deadbolt locks, keyed latch assemblies, viewers, and screws in strike plates long enough to penetrate the door jamb framing by at least one inch. The dwelling entry door hardware shall have single action hardware to release deadbolt and latch assembly.
- D. All sliding exterior doors shall have screen doors and shall have functional locks and must operate freely without excessive effort.
- E. All doors and windows must meet current egress standards.

### **Doors and Windows – Rehabilitation only**

- A. Retrofit windows are not acceptable. Any windows showing signs of condensation or leakage of any kind shall be replaced.
- B. All doors and doorjambes must be in good condition. No damaged or worn doorjambes or doors are allowed. Doors and/or jambes beyond their useful life shall be replaced.



## **Casework**

- A. New cabinet boxes shall be made of plywood or solid wood. No particle board boxes will be allowed.
- B. All counter tops shall be of solid surface or granite, and in very good condition with no significant scratches, burns or other imperfections.
- C. Face frames, doors and drawer faces shall be solid hardwood. No plastic laminate finishes will be allowed.

## **Casework – Rehabilitation only**

- A. All cabinets shall be replaced or in very good condition, within their 15 year useful life, both structurally and in appearance.

## **Finishes**

- A. All dwelling unit kitchens shall contain luxury vinyl plank (LVP) flooring. Bathrooms must be floored with LVP, sheet vinyl or ceramic tile to provide a cleanable, impervious surface. Bedrooms, hallways, and living and dining rooms may be floored with carpeting, LVP or hardwood. Wear layer of LVP shall be at least 12 mils inside dwelling units. Tenant unit entries shall be floored with LVP or ceramic tile.

In common areas, corridors may be floored with LVP, glue-down carpeting, or carpet tiles. Community rooms and kitchens shall be floored with LVP. Wear layer of LVP in common/commercial areas shall be a minimum of 20 mils thick.

Carpet shall meet or exceed the minimum standards as set by HUD's UM-44D bulletin.

## **Finishes – Rehabilitation only**

- A. Floor coverings must be in good, useable condition - no holes, tears, rips, or stains.
- B. All exterior and interior surfaces must be painted. No peeling, cracking, chipping, or otherwise failing paint will be allowed. All painted surfaces must be new, or in near new condition and appearance.
- C. Acoustic (popcorn) ceiling texture must be removed and refinished with new texture to match wall texture.

## **Equipment**

- A. Dishwashers, refrigerator/freezer, oven, stoves and garbage disposals are required in all dwelling unit kitchens. All appliances must be new or in very good operating condition. All appliances must be Energy Star rated, as applicable. Appliances slated for ADA units shall be per code requirements.



- B. SRO projects are encouraged to provide the appliances listed above and will be reviewed and approved on a case-by-case basis.
- C. All kitchens must have adequate cabinet and counter space. Installation of shelving for microwaves is required if over-the-range microwaves are not used, with the exception of ADA units.

### **Furnishings**

- A. Dwelling units must have window coverings on all windows.

### **Special Construction**

- A. Non-habitable structures on property must be painted to match primary buildings and must be structurally sound.
- B. Laundry facilities must be provided on the basis of one washer and dryer for every ten dwelling units. Ten percent of the total number of washer/dryers must be ADA-accessible machines (unless the ADA units contain their own laundry facilities). Solid surface countertops will be required within laundry rooms and countertops shall meet all ADA requirements.
- C. Public pool areas shall have self-closing gate(s). Fences and gates at pool areas shall meet applicable current codes and standards. Joints between coping and concrete deck shall be appropriately caulked. Existing pools shall have no cracks in plaster or tile grout joints. The Developer is responsible for ensuring pool and surroundings meet all applicable current codes and standards. If a project contains two or more pools, at least one must remain following rehabilitation.

### **Mechanical/Plumbing**

- A. Water heaters must be installed per current applicable codes.
- B. All common areas and tenant units must have heating and air conditioning. Wall mount (i.e. PTAC units) or central systems are acceptable. Evaporative coolers are not acceptable. HVAC units should be protected from vandalism, pursuant to discretion of SHRA.
- C. Toilets, showerheads, faucets, and mixing valves shall be new and meet current water conservation codes.
- D. Tub surrounds must be one unbroken piece per wall and must be of solid surfaces (such as "Swanstone" or other solid acrylic materials, quartz composites), or other similar materials. Fiberglass/acrylic surrounds are acceptable.



### **Mechanical/Plumbing – Rehabilitation only**

- A. All toilets, sinks, and tubs shall be chip and stain free.

### **Electrical**

- A. All units must have smoke/carbon monoxide detectors installed per current code.
- B. Wiring from telephone/data/cable suppliers shall be installed within walls, attic spaces, and/or crawl spaces. No conduits are allowed to be mounted on the exterior of the buildings in new construction.

### **Electrical – Rehabilitation only**

- A. All electrical panels shall meet current code.
- B. Any rehabilitation projects with un-grounded electrical systems shall be re-wired with grounded systems to meet current code.
- C. For rehabilitation projects, switches, outlets and light fixtures shall be replaced with devices that meet current applicable codes.
- D. Wiring mounted on the exterior of the surface may be allowed if it is concealed in conduit and conduit is painted to match exterior siding. For projects where exterior siding will be removed, this wiring shall be installed within walls, attic spaces, and/or crawl spaces.

### **Resident Services Community Space**

All properties, regardless of project type (i.e. senior, family, or large family), must devote a minimum of 1,200 s.f. to actual resident services/community space. Resident services space includes common kitchens, computer rooms, meeting rooms and general gathering space. It does not include public restrooms, leasing offices, laundry facilities and lobbies. Common kitchens are required, including refrigerator, stove, garbage disposal, and dishwasher.

For existing buildings, these requirements shall apply unless SHRA deems there to be significant physical constraints.

### **End of Scope of Development**



## RESOLUTION NO. SHRC-\_\_\_\_\_

ADOPTED BY THE SACRAMENTO HOUSING AND REDEVELOPMENT COMMISSION UNDER THE AUTHORITY DELEGATED TO THE COMMISSION PURSUANT TO CALIFORNIA HEALTH AND SAFETY CODE, SECTION 33202 BY RESOLUTION NO. RA 81-083 ADOPTED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO ON OCTOBER 20, 1981, AND BY RESOLUTION NO. RA-83 ADOPTED BY THE REDEVELOPMENT AGENCY OF THE COUNTY OF SACRAMENTO ON OCTOBER 27, 1981, AND PURSUANT TO CALIFORNIA HEALTH AND SAFETY CODE SECTION 34292 BY RESOLUTION NO. HA 81-098 ADOPTED BY THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO ON OCTOBER 20, 1981, AND BY RESOLUTION NO. HA-1497 ADOPTED BY THE HOUSING AUTHORITY OF THE COUNTY OF SACRAMENTO ON OCTOBER 27, 1981.

ON DATE OF  
February 5, 2020

**SAYBROOK APARTMENTS (PROJECT): AUTHORIZING A FUNDING COMMITMENT CONSISTING OF \$2,400,000 OF COUNTY COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) FUNDS, \$400,000 OF COUNTY HOME INVESTMENT PARTNERSHIPS (HOME) FUNDS, AND \$750,000 OF AFFORDABLE HOUSING FUNDS (AHF); EXTENTION AND/OR RESTRUCTURING OF EXISTING DEBT; EXECUTION OF A FUNDING COMMITMENT AND RELATED DOCUMENTS WITH JAMBOREE HOUSING CORPORATION, OR RELATED ENTITY; RELATED BUDGET AMENDMENT; AND ENVIRONMENTAL FINDINGS**

**NOW, THEREFORE, BE IT RESOLVED BY THE SACRAMENTO HOUSING AND REDEVELOPMENT COMMISSION:**

- Section 1. Saybrook Apartments (Project) is exempt under the California Environmental Quality Act (CEQA) pursuant to the CEQA Guidelines Class 32 categorical exemption for "infill development" (14 Cal. Code Regs § 15332).
- Section 2. An Environmental Assessment for the Project was prepared pursuant to National Environmental Policy Act (NEPA) requirements under Title 24, Code of Federal Regulations (CFR) Part 58 and it was found that with mitigation measures incorporated, the project will not result in a significant impact on the quality of the human environment.
- Section 3. Subject to approval by the Sacramento County Board of Supervisors (Board), the Funding Commitment attached to and incorporated in this resolution by this reference for the financing of the Project (Funding Commitment), the Executive Director, or designee, is authorized to execute the Funding Commitment and related documents, and perform other actions necessary to fulfill the intent of repayment of the Funding Commitment, including without limitation, extensions, all as approved by Sacramento Housing and Redevelopment Agency (Agency) counsel, and transmit to Jamboree Housing Corporation, or related entity.
- Section 4: The Executive Director, or designee, is authorized to amend the Agency budget to transfer \$2,400,000 of CDBG from the Affordable Housing and Rehabilitation Program funds which includes 2019 Program Income 2020 Entitlement, \$400,000 of HOME funds, and \$750,000 of AHF, and assignment, extension and/or restructuring of existing debt for Project use.

Section 5: Subject to approval by the Board, the Executive Director, or designee, is authorized to execute the loan agreement, conditional grant agreement for capitalized operating reserve for resident services, and related documents, and perform other actions necessary to fulfill the intent of repayment of funds, including without limitation, loan assignment, loan restructuring, subordination, extensions and restricting of payments, all as approved by Agency counsel, and transmit to Jamboree Housing Corporation, or related entity.

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CHAIR

ATTEST:

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CLERK





February 1, 2020

Sacramento Housing and  
Redevelopment Commission  
Sacramento, CA

Honorable Members in Session:

SUBJECT:

Approval Of Loan Commitment For Sunrise Pointe Apartments

RECOMMENDATION

Staff recommends approval of the recommendations outlined in this report prior to final approval by the County of Sacramento.

Respectfully submitted,

  
LA SHELLE DOZIER  
Executive Director

Attachment

**COUNTY OF SACRAMENTO  
CALIFORNIA**

For the Agenda of:  
February 11, 2020

To: Board of Supervisors

Through: Navdeep S. Gill, County Executive

From: La Shelle Dozier, Executive Director, Sacramento Housing and Redevelopment Agency

Subject: Approval Of Loan Commitment For Sunrise Pointe Apartments Located At 7424 Sunrise Boulevard In The City Of Citrus Heights

District(s): Frost

**RECOMMENDED ACTION**

This report recommends approval of the attached Board of Supervisors Resolution approving a loan commitment of an additional \$2,280,000 in HOME Investment Partnerships Program (HOME) funds to Sunrise Pointe Apartments, approving the execution of a Loan Commitment Letter with Jamboree Housing Corporation (JHC) or related entity, and the execution of all necessary documents associated with this transaction. The clerk is requested to certify one electronic copy of the resolution and forward them to staff.

**BACKGROUND**

Sunrise Pointe Apartments is a development proposed for a vacant site at 7424 Sunrise Boulevard in the City of Citrus Heights. The site is surrounded by residential and commercial offices. This development will be new construction of 47 apartments consisting of one, two and three bedroom units. There will be 46 Permanent Supportive Housing (PSH) units, plus one management unit. All 46 units will be awarded Project Based Vouchers for homeless households and of these, 22 will be No Place Like Home (NPLH) designated units. A Vicinity Map is included as Attachment 1.

Jamboree Housing Corporation (Jamboree) and Transforming Lives Cultivating Success (TLCS) (collectively "Developer") plan to acquire a 2.44 acre vacant lot in the City of Citrus Heights. On January 29, 2019, the Board of Supervisors approved a loan commitment of \$1,300,000 for construction and permanent financing and in June 2019, \$3,019,966 in competitive NPLH funds were awarded to the Project. In July 2019, the Project applied for

nine percent Tax Credits but was not successful. After discussions with the City of Citrus Heights and Sacramento Housing and Redevelopment Agency (Agency), the Developer is requesting an additional loan of \$2,280,000 in HOME funds, thereby increasing the total amount loaned to \$3,580,000. The additional local funding will increase local leverage points and greatly increase the projects chances of receiving an award of competitive nine percent tax credits. The City of Citrus Heights has requested the additional funding given the need for homeless housing in their community and the successful award of NPLH to this project. This HOME commitment represents the City of Citrus Heights' share of County HOME funds through the year 2030. Additional project financing will include a conventional loan and a deferred developer fee. Units will be regulated at 25, 30, 35, 40 and 45 percent of Area Median Income (AMI).

The Project will consist of two three-story garden style buildings. The design of the buildings will be Mediterranean style with low pitched roofs, dark frame windows and large arched openings. A Project rendering is included as Attachment 2. A site plan is included as Attachment 3.

All units will include a full kitchen with microwave, dishwasher, stove/range, cabinets and quartz countertops. Bathrooms will have solid-surface counters, tubs and low-flow fixtures. The flooring will be carpet and vinyl planking. Each unit will have a patio or balcony. Common areas will utilize a solar thermal system for water heating. The parking lot will include a total of 69 parking spaces. The site will have a 6-foot perimeter fence on all sides with a key fob system to enhance security. The site amenities include a courtyard with a lounge area, BBQ and picnic area, half basketball court and a small dog park. In addition, the project will include 4,500 square feet of community space that includes large multi-purpose rooms, a room for afterschool program and group and individual conference rooms. There will be 14 ADA accessible units.

#### DEVELOPER

The Developer for this project is a partnership between Jamboree Housing Corporation and TLCS. Jamboree is an affordable housing developer with 28 years of experience in residential development, including 91 developments consisting of more than 8,200 homes and an asset portfolio of \$1.1 billion across California. TLCS is a private, non-profit, psychosocial rehabilitation agency with 37 years of experience. TLCS provides PSH, interim housing and a variety of mental health services. In addition, TLCS owns or operates five special needs residential facilities in the County of Sacramento.

#### PROPERTY MANAGEMENT

Sunrise Pointe will be managed by the John Stewart Company (JSCo). Currently, JSCo manages over 620 properties consisting of approximately 47,000 residential units, including approximately 39,000 affordable units and

945 PSH units. Agency staff has reviewed JSCo's qualifications and the management plan, and has found that the proposed management company meets Agency requirements.

#### RESIDENT SERVICES

Resident Services will be provided by TLCS who has been a leading provider of mental health and supportive housing services for people with mental health challenges in the County of Sacramento for 37 years. A minimum of 15 hours per week of on-site resident services will be provided by a resident services coordinator. Resident services programs will include after-school programs, adult education, skill building classes and health and wellness services and programs. Additionally, TLCS will dedicate one full-time equivalent (FTE) case manager to provide supportive services to all non-NPLH residents. Staff has reviewed TLCS's qualifications and the resident services plan, and has found that the proposed resident services provider meets Agency requirements. In addition, the County of Sacramento will be responsible for the provision of mental health supportive services and the coordination of other services needed by the 22 NPLH residents for a minimum of 20 years.

#### PROJECT FINANCING

Sunrise Pointe will be financed using a combination of nine percent Low Income Housing Tax Credits (LIHTC), a conventional loan, an Agency Loan consisting of a total of \$3,580,000 of HOME funds (a previous committed \$1,300,000 plus an additional \$2,280,000), approximately \$3 million in competitive NPLH funds and a deferred developer fee. In addition, the Agency committed a total of 46 project-based vouchers to this project on November 20, 2018. Funding sources and uses are provided in the project summary as Attachment 4. A cash flow proforma is provided as Attachment 5.

#### LOW-INCOME SET-ASIDE REQUIREMENTS

As a condition of receiving tax credits, federal law requires that developments be set-aside for targeted income groups. Income restrictions from Low Income Housing Tax Credit (LIHTC) financing require that households have average income at or below 60 percent of the Area Median Income (AMI) and no households exceed 80 percent of the AMI.

The Agency further requires that at least 20 percent of the units be restricted to households with income at or below 50 percent AMI. The affordability restrictions will be specified in regulatory agreements between Jamboree and TLCS, and the respective monitoring agencies, (the State of California Department of Housing and Community Development, California Tax Credit Allocation Committee and the Agency). Proposed funding sources and their affordability requirements are summarized in the table below. See Attachment 6 for maximum income and rent levels.

<b>Unit Type</b>	<b>Units</b>	<b>% of Units</b>	<b>Affordability Restriction <sup>1</sup> (55 years)</b>
9% LIHTC, NPLH & PBV	14	30%	Extremely Low Income 25% of Area Median Income (AMI)
9% LIHTC & NPLH & PBV	8	17%	Extremely Low Income 30% of AMI
9% LIHTC & PBV	7	15%	Very Low Income 35% of AMI
9% LIHTC, PBV & HOME	1	2%	Very Low Income 35% of AMI
9% LIHTC, PBV & HOME	8	17%	Very Low Income 40% of AMI
9% LIHTC, PBV & HOME	8	17%	Very Low Income 45% of AMI
Manager's unit	1	2%	Unrestricted
<b>Total</b>	<b>47</b>	<b>100%</b>	

<sup>1</sup>Pursuant to 24CFR 983.301, contract rents approved by HUD may exceed the tax-credit rent limits. The tenant rent will not exceed 30% of the household adjusted gross income with PBV.

**COMMISSION ACTION**

At its meeting on February 5, 2020, the Sacramento Housing and Redevelopment Commission will consider the staff recommendation for this item. Staff will notify the Board in the event this does not occur.

**POLICY CONSIDERATIONS**

The recommended actions are consistent with the Agency's previously approved Multifamily Lending and Mortgage Revenue Bond Policies (Policies). The proposed financing for the Project conforms to the Agency's Policies and the November 30, 2018 County of Sacramento Homeless Plan (Plan). The HOME loan term will be 20 years following completion of the Project.

The loan regulatory agreement will specify the regulatory restrictions on the property. Repayment of the Agency loan will be deferred for the 15-year tax credit period. Compliance with the regulatory agreement will be monitored by the Agency on a regular basis in accordance with the HOME Funding Requirements.

This Project contributes to the County's 2013-2021 Housing Element goals by adding 46 newly regulated affordable housing units to the inventory. An extremely low-income unit is defined as being affordable to a household with income at or below 30 percent of the Area Median Income (AMI) and a very low-income unit is defined as being affordable to a household with income at or below 50 percent of AMI. Upon completion, the Project will add a net of 46 affordable units to the County's affordable housing stock.

**ENVIRONMENTAL REVIEW**

California Environmental Quality Act (CEQA): The Sunrise Pointe project is exempt under CEQA pursuant to the CEQA Guidelines Class 32 categorical exemption for "infill development" (14 Cal. Code Regs., § 15332). National Environmental Policy Act (NEPA): An Environmental Assessment for the Sunrise Pointe project was prepared pursuant to NEPA requirements under Title 24, Code of Federal Regulations (CFR) Part 58 and it was found that with mitigation measures incorporated, the project will not result in a significant impact on the quality of the human environment.

**M/WBE/SECTION 3 CONSIDERATIONS**

Minority and Women's Business Enterprise requirements and Section 3 requirements will be applied to all activities to the extent required by federal funding to maintain that federal funding.

**FINANCIAL ANALYSIS**

The attached conditional funding commitment relates to the \$3,580,000 HOME funds for construction and permanent financing. The construction and permanent loan will have a 3 percent interest rate. The Agency will collect an annual payment of 0.125 percent (12.5 basis points) of the total Agency funding amount for monitoring of the regulatory restrictions and administration of the funds from the Project's owner. The Agency will also receive a fee equal to \$100 per each Agency-funded unit per year (17 assisted units). The Annual Administration Fee shall not exceed \$15,000 per year on non-bond projects.

Approval Of Loan Commitment For Sunrise Pointe Apartments  
Page 6

Respectfully Submitted,

APPROVED  
NAVDEEP S. GILL,  
County Executive

  
\_\_\_\_\_  
LA SHELLE DOZIER, Executive Director  
Sacramento Housing and  
Redevelopment Agency

By: \_\_\_\_\_  
BRUCE WAGSTAFF  
Deputy County Executive

Attachments:

- RES – County BOS Resolution
- ATT 1 – Vicinity Map
- ATT 2 – Project Rendering
- ATT 3 – Site Map
- ATT 4 – Project Summary
- ATT 5 – Project Cash Flow Proforma
- ATT 6 – Maximum Income and Rent Limits
- ATT 7 – Exhibit A: Conditional Loan Commitment

**ENVIRONMENTAL REVIEW**

California Environmental Quality Act (CEQA): The Sunrise Pointe project is exempt under CEQA pursuant to the CEQA Guidelines Class 32 categorical exemption for "infill development" (14 Cal. Code Regs., § 15332). National Environmental Policy Act (NEPA): An Environmental Assessment for the Sunrise Pointe project was prepared pursuant to NEPA requirements under Title 24, Code of Federal Regulations (CFR) Part 58 and it was found that with mitigation measures incorporated, the project will not result in a significant impact on the quality of the human environment.

**M/WBE/SECTION 3 CONSIDERATIONS**

Minority and Women's Business Enterprise requirements and Section 3 requirements will be applied to all activities to the extent required by federal funding to maintain that federal funding.

**FINANCIAL ANALYSIS**

The attached conditional funding commitment relates to the \$3,580,000 HOME funds for construction and permanent financing. The construction and permanent loan will have a 3 percent interest rate. The Agency will collect an annual payment of 0.125 percent (12.5 basis points) of the total Agency funding amount for monitoring of the regulatory restrictions and administration of the funds from the Project's owner. The Agency will also receive a fee equal to \$100 per each Agency-funded unit per year (17 assisted units). The Annual Administration Fee shall not exceed \$15,000 per year on non-bond projects.

Respectfully Submitted,

APPROVED  
NAVDEEP S. GILL,  
County Executive

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LA SHELLE DOZIER, Executive Director  
Sacramento Housing and  
Redevelopment Agency

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## RESOLUTION NO.

### **SUNRISE POINTE: A RESOLUTION OF THE BOARD OF SUPERVISORS OF THE COUNTY OF SACRAMENTO APPROVING AN AMENED LOAN COMMITMENT OF \$3,580,000 OF COUNTY HOME IMPROVEMENT PARTNERSHIPS PROGRAM FUNDS; EXECUTION OF LOAN COMMITMENT AND RELATED DOCUMENTS WITH JAMBOREE HOUSING CORPORATION, OR RELATED ENTITY; RELATED BUDGET AMENDMENT; RELATED FINDINGS; AND ENVIRONMENTAL FINDINGS**

**WHEREAS**, on January 29, 2019, the Board of Supervisors approved Sacramento Housing and Redevelopment Agency (Agency) providing a gap financing loan commitment of \$1,300,000 of County Home Investment Partnerships Program (HOME) funds for the construction and permanent financing of Sunrise Pointe (Project); and

**WHEREAS**, Jamboree Housing Corporation (Developer) has applied to the Sacramento Housing and Redevelopment Agency (Agency) for an additional gap financing loan commitment of \$2,280,000 of HOME funds for the construction and permanent financing of Sunrise Pointe (Project) for a total loan of \$3,580,000; and

**WHEREAS**, the Project qualifies for funding under the Agency's Multifamily Lending and Mortgage Revenue Bond Policies and meets housing development goals and strategies in the County's Housing Element of 2013-2021; and

**WHEREAS**, the Sunrise Pointe project is exempt under CEQA pursuant to the CEQA Guidelines Class 32 categorical exemption for "infill development" (14 Cal. Code Regs., § 15332); and

**WHEREAS**, an Environmental Assessment for the Sunrise Pointe project was prepared pursuant to NEPA requirements under Title 24, Code of Federal Regulations (CFR) Part 58 and it was found that with mitigation measures incorporated, the project will not result in a significant impact on the quality of the human environment.

**NOW, THEREFORE, BE IT RESOLVED** BY THE BOARD OF SUPERVISORS OF THE COUNTY OF SACRAMENTO:

Section 1. All evidence presented having been duly considered, the findings, including environmental findings regarding this action, as stated above, are found to be true and accurate and are hereby approved and adopted.

Section 2. The Conditional Funding Commitment letter attached to and incorporated in this resolution by this reference for the financing of Sunrise Pointe is approved in the amount of \$3,580,000 of HOME funds.

Section 3. The Agency is authorized to enter into and execute the Conditional Funding Commitment and related documents and transmit to Jamboree Housing Corporation, or related entity, as approved to form by Agency counsel, and perform other actions necessary to fulfill the intent of the Conditional Funding Commitment that accompanies this resolution, in accordance with its terms, and to ensure proper repayment of the Agency funds including, without limitation, loan restructuring, subordination, extensions, and restructuring of such a loan consistent with Agency adopted policy and with this resolution. The Agency will return to the Board for approval of loan documents.

Section 4. The Agency is authorized to amend its budget and to transfer up to \$3,580,000 of HOME funds.

On a motion by Supervisor \_\_\_\_\_, seconded by Supervisor \_\_\_\_\_, the foregoing Resolution was passed and adopted by the Board of Supervisors of the County of Sacramento this 11th day of February, 2020, by the following vote, to wit:

AYES: Supervisors,

Approval Of Loan Commitment For Sunrise Pointe Apartments  
Page 3

NOES: Supervisors,

ABSENT: Supervisors,

ABSTAIN: Supervisors,

RECUSAL: Supervisors,  
(PER POLITICAL REFORM ACT (§ 18702.5.))

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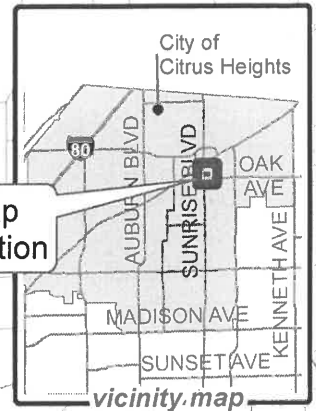
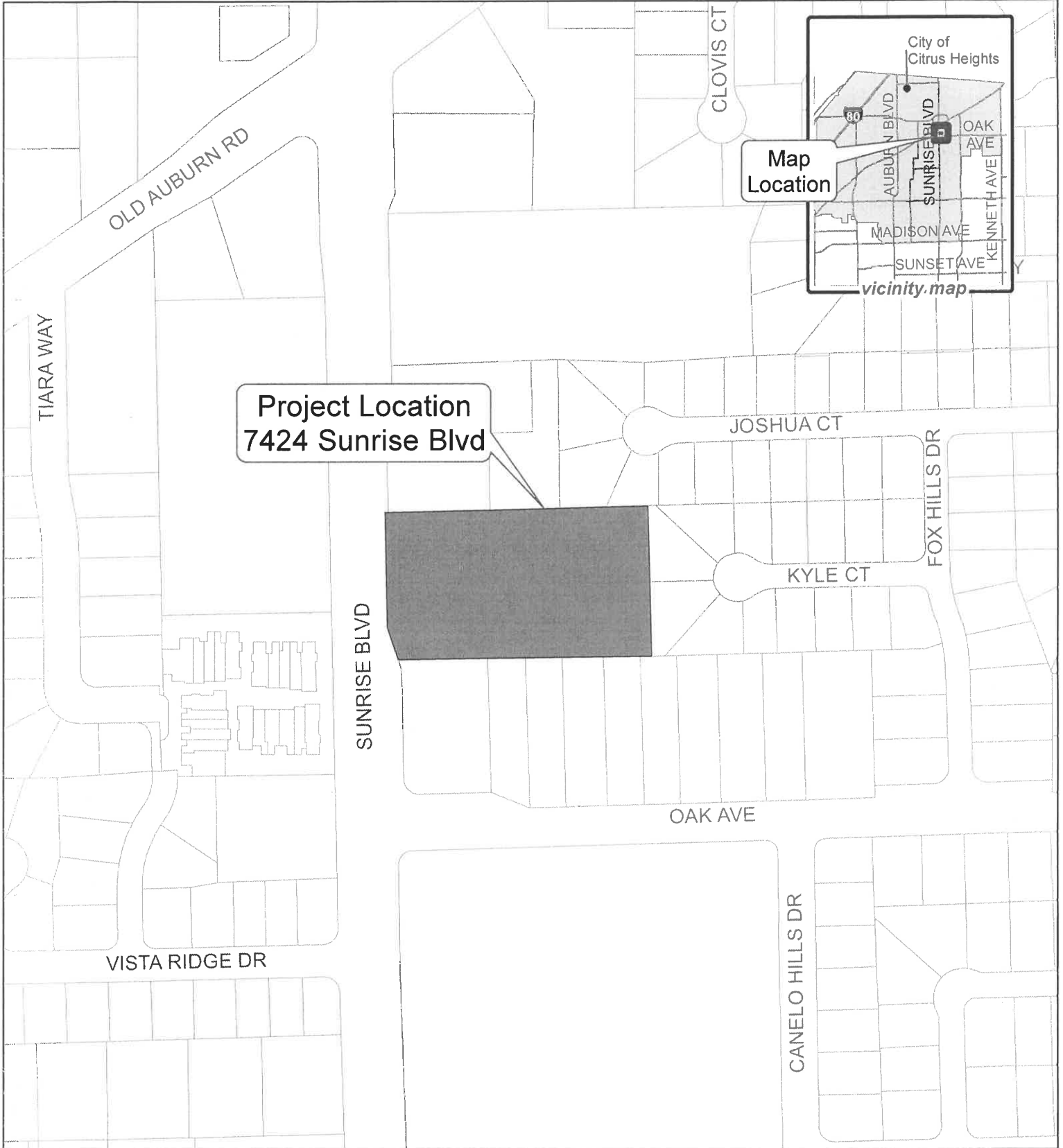
Chair of the Board of Supervisors  
of Sacramento County, California

(SEAL)

ATTEST: \_\_\_\_\_  
Clerk, Board of Supervisors



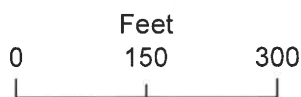
# Sunrise Pointe



**Project Location**  
7424 Sunrise Blvd



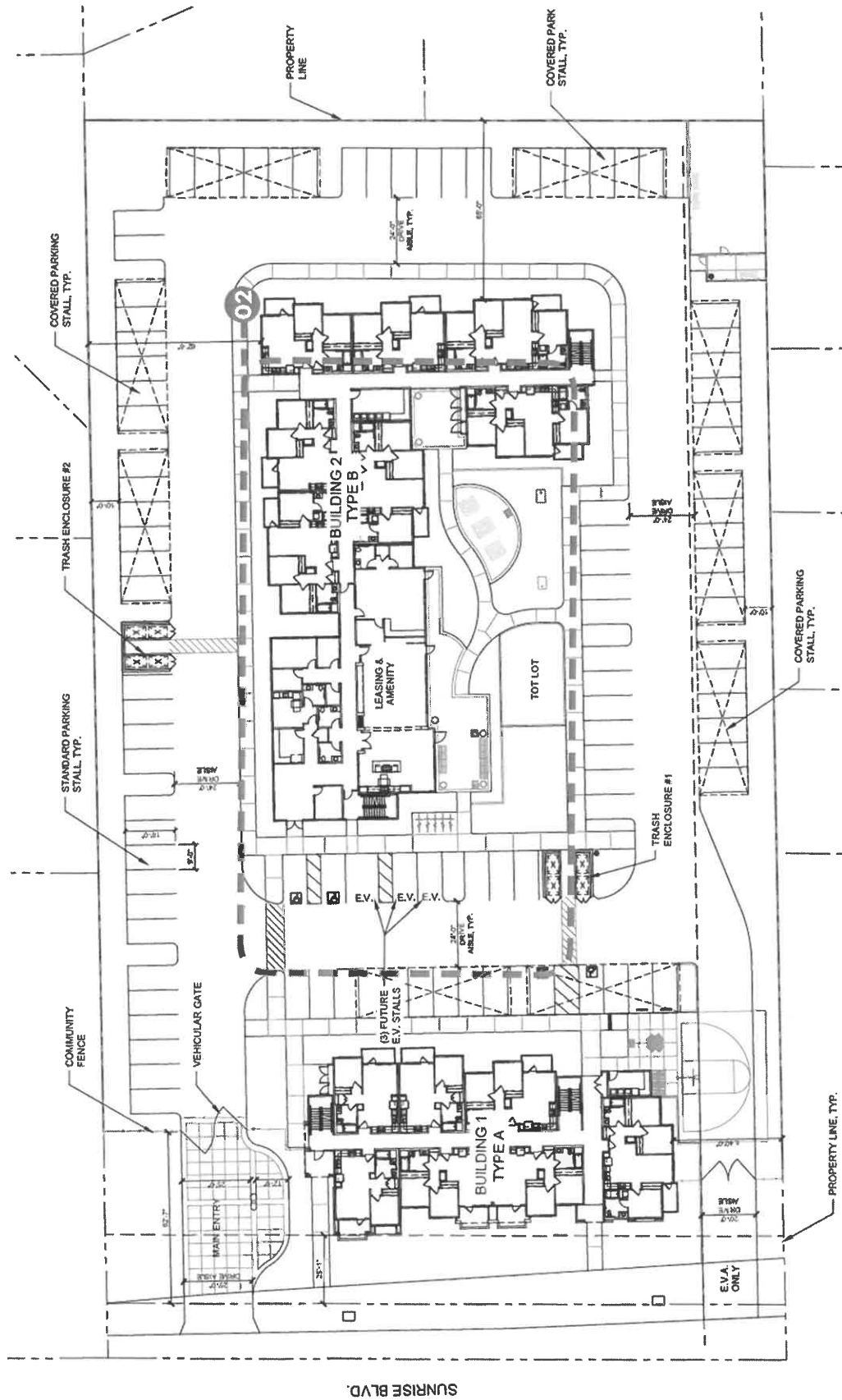
**7424 Sunrise Blvd**



SHRA GIS  
October 10, 2018

# Sunrise Pointe Apartments





SUNRISE BLVD.

Sunrise Pointe  
Residential Project Summary

<b>Address</b>	7424 Sunrise Blvd, Citrus Heights, CA 95610					
<b>Number of Units</b>	47					
<b>Year Built</b>	New Construction					
<b>Acreage</b>	2.44 acres (106,286 sq. ft.)					
<b>Affordability</b>	46 units at 25%, 30%, 35%, 40% and 45% AMI and 1 exempt Management unit 22 of the units will be designated as No Place Like Home					
<b>No Place Like Home (NPLH) Units</b>	14 of the 47 units will be designated as NPLH.					
<b>Unit Mix and Rents</b>	<u>ELI (25% AMI) NPLH &amp; PBV</u>	<u>ELI (30% AMI) PBV</u>	<u>VLI (35% AMI) PBV</u>	<u>VLI (40% AMI) PBV</u>	<u>VLI (45% AMI) PBV</u>	<u>Total</u>
1 Bedroom/ 1 Bath	4	3	2	1	1	11
2 Bedroom/ 1 Bath	5	4	5	5	4	23
3 Bedroom/ 2 Bath	5	1	1	2	3	12
Management Unit (1 Bedroom)	0	0	0	0	0	1
Total	14	8	8	8	8	47
<b>Square Footage</b>	<u>Unit Size (sq.ft.)</u>	<u>Total</u>				
1 Bedroom / 1 Bath	622	6,842 sq.ft.				
2 Bedroom/ 1 Bath	759	18,216 sq.ft.				
3 Bedroom/ 2 Bath	1,050	12,600 sq.ft.				
Community Area and Other		17,693 sq.ft.				
Total Gross		55,351 sq.ft.				
<b>Resident Facilities</b>	The amenity space will include large multi-purpose rooms, a playground, an afterschool program area, and group and individual conference rooms.					
<b>Permanent Sources</b>	<u>Total</u>	<u>Per Unit</u>		<u>Per Square Foot</u>		
Tax Credit Equity	\$ 12,261,155	\$ 260,876		\$ 221.52		
Permanent Loan	\$ 4,019,000	\$ 85,511		\$ 72.61		
NPLH Competitive Loan	\$ 3,019,966	\$ 64,255		\$ 54.56		
Previous HOME Loan commitment	\$ 1,300,000	\$ 27,660		\$ 23.49		
New HOME Loan commitment	\$ 2,280,000	\$ 48,511		\$ 41.19		
Accrued Differed Interest	\$ 107,400	\$ 2,285		\$ 1.94		
Deferred Developer Fee	\$ 313,985	\$ 6,681		\$ 5.67		
<b>TOTAL SOURCES</b>	\$ 23,301,506	\$ 495,777		\$ 420.98		
<b>Permanent Uses</b>						
Acquisition	\$ 950,000	\$ 20,213		\$ 17.16		
Construction Costs	\$ 14,604,086	\$ 310,725		\$ 263.85		
Architecture & Engineering	\$ 850,000	\$ 18,085		\$ 15.36		
Impact Fees and Permits	\$ 1,281,087	\$ 27,257		\$ 23.14		
Hard Cost Contingency	\$ 720,721	\$ 15,334		\$ 13.02		
Soft Cost Contingency	\$ 387,155	\$ 8,237		\$ 6.99		
Financing Cost	\$ 968,357	\$ 20,603		\$ 17.49		
Operating Reserves	\$ 168,465	\$ 3,584		\$ 3.04		
Transition Reserve	\$ 308,653	\$ 6,567		\$ 5.58		
Legal Fees	\$ 117,500	\$ 2,500		\$ 2.12		
Developer Fee	\$ 1,799,634	\$ 38,290		\$ 32.51		
Third Party Fees, Marketing, Other	\$ 1,145,848	\$ 24,380		\$ 20.70		
<b>TOTAL USES</b>	\$ 23,301,506	\$ 495,777		\$ 420.98		
<b>Management / Operations</b>						
Proposed Developer	Jamboree Housing Corporation and TLCS, Inc.					
Property Management Company	The John Stewart Company					
Operations Budget	\$ 248,100	\$ 5,279				
Property Management Company	\$ 27,188	\$ 578				
Resident Services	\$ 112,479	\$ 2,393				
Security	\$ 25,709	\$ 547				
Replacement Reserves	\$ 23,500	\$ 500				
Taxes/Insurance	\$ 32,282	\$ 687				





**MAXIMUM GROSS INCOME AND RENT LIMITS 2019****LIHTC/HOME/NPLH**

Rents at 25%, 30%, 35%, 40% and 45% of Area Median Income (AMI)

**Sunrise Pointe Income Limits:**

<b><u>Family Size</u></b>	<b><u>25% AMI</u></b>	<b><u>30% AMI</u></b>	<b><u>35% AMI</u></b>	<b><u>40% AMI</u></b>	<b><u>45% AMI</u></b>
1 person	\$ 14,650	\$ 17,580	\$ 20,510	\$ 23,440	\$ 26,370
2 person	\$ 16,725	\$ 20,070	\$ 23,415	\$ 26,760	\$ 30,105
3 person	\$ 18,825	\$ 22,590	\$ 26,355	\$ 30,120	\$ 33,885
4 person	\$ 20,900	\$ 25,080	\$ 29,260	\$ 33,440	\$ 37,620
5 person	\$ 22,575	\$ 27,090	\$ 31,605	\$ 36,120	\$ 40,635
6 person	\$ 24,250	\$ 29,100	\$ 33,950	\$ 38,800	\$ 43,650
7 person	\$ 25,925	\$ 31,110	\$ 36,295	\$ 41,480	\$ 46,665
8 person	\$ 27,600	\$ 33,120	\$ 38,640	\$ 44,160	\$ 49,680

**Rent Limits:**

<b><u>Unit Size</u></b>	<b><u>25% AMI</u></b>	<b><u>30% AMI</u></b>	<b><u>35% AMI</u></b>	<b><u>40% AMI</u></b>	<b><u>45% AMI</u></b>
1 Bedroom	\$ 366	\$ 439	\$ 512	\$ 586	\$ 659
2 Bedrooms	\$ 392	\$ 470	\$ 549	\$ 627	\$ 705
3 Bedrooms	\$ 470	\$ 564	\$ 658	\$ 753	\$ 847

The project has a Project-Based Voucher (HAP) contract.

Per 24CFR 983.301, contract rents approved by HUD may exceed the tax-credit rent limits.



Exhibit A

Date: February 11, 2020

Jamboree Housing Corporation  
C/O Michael Massie  
17701 Cowan Avenue, Suite 200  
Irvine, CA 92614

RE: Conditional Funding Commitment for Sunrise Pointe Apartments

Dear Mr. Massie:

On behalf of the Sacramento Housing and Redevelopment Agency (Agency), we are pleased to advise you of its commitment of \$3,580,000 in permanent loan funds (Loan) comprised of \$3,580,000 of County Home Investment Partnerships Program (HOME) funds for the purpose of financing the acquisition and development of that certain real property known as Sunrise Pointe Apartments located at 7424 Sunrise Boulevard, Citrus Heights, California (Property). This loan commitment supersedes the previously approved loan commitment of \$1,300,000 dated January 29, 2019. **The Agency's decision is based on your application, and all representations and information supplied by you to it. If these representations and information change in a material manner without written approval of the Agency, this commitment is void.** Agency's obligation to make the Loan is subject to the satisfaction of all the following terms and conditions and Borrower's execution of documentation that is in a form and in substance satisfactory to the Agency.

The Loan shall be made on standard Agency loan documents. Loan terms not in this funding commitment and the attached loan document forms shall not be included in the final loan documents without additional environmental review and governing board approval. In the event of any discrepancies between terms stated in this commitment and the loan documents, the terms stated in the loan commitment letter shall be deemed to be terms of this commitment.

Unless otherwise agreed in writing by the Agency in exercise of its absolute discretion, the following shall be considered conditions to Agency approval of a financing commitment. The Agency may, in exercise of its absolute discretion, modify its requirements upon written notice to Borrower given at least sixty (60) days prior to close of escrow for the Property.

This commitment will expire **August 11, 2021**.

1. PROJECT DESCRIPTION: Sunrise Pointe is proposed to be located at 7424 Sunrise Boulevard in the City of Citrus Heights. The site is currently vacant surrounded by residential and commercial offices. This development will be new construction of 47 apartments consisting of one, two and three bedroom units. There are 46 Permanent Supportive Housing (PSH) units, plus one exempt management unit. All 46 units will be awarded Project Based Vouchers to homeless households and of these, 22 will be No Place Like Home (NPLH) designated units. The Project will consist of two three-story garden style buildings. The design of the buildings will be Mediterranean style with low pitched roofs, dark frame windows and large arched openings. All units will include a full kitchen with microwave, dishwasher, stove/range, cabinets and quartz countertops. Bathrooms will have solid-surface counters, tubs and low-flow fixtures. The flooring will be carpet and vinyl planking. Each unit will have a patio or balcony. Common areas will utilize a solar thermal system for water heating. The parking lot will include a total of 69 parking spaces. The site will be secured on all sides with a 6 feet tall perimeter fence with a key fob system to keep the site secure. The site amenities include a courtyard with a lounge area, BBQ and picnic area, half basketball court and a dog park. In addition, the project will include 4,500 square feet of amenity space that includes large multi-purpose rooms, a room for afterschool program and group and individual conference rooms. 14 units will be ADA accessible.
2. BORROWER: The name of the Borrower for the Loan is Jamboree Housing Corporation or related entity.
3. PURPOSE OF LOAN: The Loan is to be used by Borrower solely to pay the costs of acquisition, development and for such other purposes as Agency expressly agrees to in the loan agreement for the Loan, and such other agreements as may be generally required by the Agency for the use of the funding source for the Loan.
4. PRINCIPAL AMOUNT: The combined principal amount of the Loan will be the lesser of (a) Three Million Five Hundred Eighty Thousand Dollars (\$3,580,000), or (b) an amount to be determined prior to close of the Loan based on a project budget approved by Agency.
5. TERM OF LOAN: The Loan shall mature 57 years or 684 months from the date of closing, at which point any and all unpaid principal and interest on the loan will be due and payable.
6. INTEREST RATE: The Loan will bear simple interest at three percent (3%) per annum. Interest shall be calculated on the basis of a 365-day year and actual number of days elapsed.
7. ANNUAL REPAYMENT: The loans are calculated to achieve an annual 1.2 debt coverage ratio. Annual payments will be made on a Residual Receipts, as defined below, basis until the maturity date. Annual payments shall be applied first to outstanding interest accrued and unpaid and then to principal.



“Residual Receipts” is defined as follows: Annual installments (as described in Section [f] of this paragraph) are based on the annual audited financial statement from the preceding year, payments will be made upon a “Residual Cash Flow” basis meaning Net Operating Income (NOI) less: (a) Debt Service, which means the monitoring fees of the State of California Housing Community Development (HCD) No Place Like Home Program (NPLH) loan and the Agency loan; (b) Priority Distributions, which means \$20,000 partnership management fee and \$5,000 asset management fee, both escalating at 3% annually as of the Loan’s Effective Date; (c) Deferred Developer Fee; (d) fifty percent (50%) of the available cash flow from NOI to Borrower; (e) after Sections (a) through (d) of this paragraph are paid, the proportional share of HCD’s public assistance towards loan repayment to HCD; and (f) after Sections (a) through (e) of this paragraph are paid, the proportional share of the Agency’s public assistance towards repayment on the Agency’s HOME loan.

The Net Operating Income is defined as periodic “Revenue” less “Operating Expenses.” “Revenue” means all revenue from the leasing of the Project, including but not limited to all rents, fees, and charges paid by tenants as well as rental subsidy payments regardless of the source of these subsidies, forfeited tenant deposits, rent increases, proceeds from vending machines and laundry room machines. Revenue shall not include tenants’ security deposits (unless forfeited), interest on those deposits, loan proceeds, capital contributions or similar advances, or amounts released from reserves or interest on reserves.

“Operating Expenses” shall mean actual costs, fees and expenses as evidenced by invoices attributable to the operation, recordkeeping, maintenance, taxes and management of the Project, including property management fees; taxes and assessments; payroll, benefits and payroll taxes of for property employees; insurance; security; painting, cleaning, repairs, and alterations; landscaping; sewer charges; utility charges; advertising, promotion and publicity; cable television, satellite and other similar services; office, janitorial, cleaning and building supplies; recreational amenities and supplies; purchase, repair, servicing and installation of appliances; costs and expenses associated with the provision of resident and supportive services to the tenants of the Project; equipment, fixtures and furnishing; fire alarm and elevator monitoring; fees and expenses of accountants, attorneys, consultants and other professionals. The definition will include deposits into operating and/or replacement reserves maintained by the Borrower.

8. SOURCE OF LOAN FUNDS:

Agency is making the Loan from the following sources of funds, and the Loan is subject to all requirements related to the use of such, whether Agency requirements or otherwise: HOME Investment Partnerships Program (HOME). This Loan is conditioned upon Borrower’s acceptance of Agency’s requirements and conditions related to such lending programs and funding sources, including among others, the required forms of agreements for the Loan; the requirements for covenants, conditions and restrictions upon the Property; and insurance and indemnity requirements.



**Borrower acknowledges that, as a condition of the Agency's making of the Loan, the Property will be subject to restrictions on future sales and rentals which may result in less income to Borrower than could otherwise be realized, and that such restrictions run with the land, and during their operational term, will bind all successors in interest.**

\_\_\_\_\_ **(Borrower Initial)**

9. ACCELERATION: Agency shall have the right to accelerate repayment of the Loan in the event of a default under any Loan Document or upon sale, transfer or alienation of the Property except as specifically provided for in the Loan documents.
10. SECURITY: The Loan shall be evidenced by promissory note(s) secured by a deed of trust with assignment of rents against the fee and/or leasehold interest in the Property and Improvements, which shall be a lien upon the Property and Improvements subject only to liens senior to the Agency's lien securing loans from the Union Bank, N.A. and such other items as the Agency may approve in writing. The Loan shall also be secured by security agreements. The Agency may subordinate said deeds of trust in order to accommodate completion of construction of the Property.
11. LEASE AND RENTAL SCHEDULE: All leases of the Property and Improvements shall be subject to Agency's review and approval prior to execution. Borrower shall not deviate from the rental schedule presented in Borrower's application for the Loan without Agency's prior written approval; provided, however, that such approval shall not be required for annual adjustments to rental rates as permitted by the California Tax Credit Allocation Committee.
12. PROOF OF EQUITY: Borrower shall provide proof of equity for the Property and Improvements in the amount of no less than \$11,900,000 in Low Income Housing Tax Credit Equity and no less than \$313,985 in deferred developer fee. If LIHTC equity goes below \$11,900,000 the equity must be offset by an increase in deferred developer fee.
13. OTHER FINANCING: Borrower, as a requirement of the Loan, shall procure and deliver to Agency evidence satisfactory to Agency that Borrower has obtained the following described financing which may be secured by a lien upon the Property and Improvements superior or subordinate to Agency's liens, and which shall be otherwise on terms and conditions acceptable to Agency:
  - (a) As a condition precedent to disbursement of the remainder of the Agency loan, construction financing from a private lender(s) in an amount(s) sufficient to complete



construction of the Property according to a scope of work as approved by Agency and made for a term not less than that specified in the Schedule of Performances for completion of construction, and in any event not less than the time necessary to fulfill all conditions precedent to funding of the permanent financing.

(b) Commitments for permanent financing sufficient to “take out” all liens senior to the Agency’s lien.

(c) Such commitments for financing shall not require modification of Agency loan documents, or any term of this commitment letter.

(d) Such commitments shall not be based upon sources and uses of Project funds that are different from those approved by Agency for the project or be subject to conditions which require amendment of the DDA, OPA or other agreements.

14. EVIDENCE OF FUNDS: Prior to the first disbursement of the Loan, Borrower must demonstrate evidence of adequate and assured funding to complete the development of the Project in accordance with the Agency's requirements. Borrower's evidence of available funds must include only one or more of the following: a) Borrower equity; b) firm and binding commitments for the Project from financial institution(s) or from other lender(s) approved by Agency in its absolute discretion; and c) Agency’s contribution, provided, however, that Agency is not obligated by this letter to make any contribution not stated in the terms of the letter.
15. SOILS AND TOXIC REPORTS: Borrower has submitted to the Agency a hazardous substances report made in accordance with the American Society for Testing and Materials "Standard Practice for Environmental Site Assessments; Phase I Environmental Site Assessment Process" (Designation E1527-13) prepared by a licensed or registered environmental engineer or other qualified party prior to Loan closing. Borrower must, as a condition of disbursement of Loan funds, give assurances satisfactory to the Agency that hazardous materials are not present on the Property or that any hazardous materials on the Property will be remediated and that no further remediation is then required by the environmental agency having responsibility for monitoring such remediation.
16. LOAN IN BALANCE: Borrower will be required to maintain the Loan "in balance". The Loan is "in balance" whenever the amount of the undisbursed Loan funds, the remaining sums to be provided by the Borrower and the loan funds from other project lenders or the equity investor are sufficient, in the sole judgment of the Agency, to pay for the remainder of the work to be done on the project as required by written agreement with the Agency. Should the Agency determine that the Loan is not "in balance", the Agency may declare the Loan to be in default.
17. PLANS AND SPECIFICATION: Final plans and specifications, if any, for the project must be in accord with the proposal approved as part of the Loan application. Final plans and specifications will be subject to Agency's final approval prior to the disbursal of Agency Loan funds. Borrower must obtain Agency's prior written consent to any change in the



approved plans and specifications or any material deviation in construction of the project. The final plans shall incorporate all related mitigation measures, environmental conditions required, if any, for compliance with approvals under CEQA, and/or NEPA, or the U.S. Department of Housing and Urban Development as conditions of approval of the project.

18. ARCHITECTURAL AGREEMENT: The architectural agreement (Agreement), if any, for the preparation of the plans and specifications and other services shall be subject to Agency's approval. Agency may require an assignment of Borrower's interest in and to the Agreement as security for the Loan.
19. CONSTRUCTION CONTRACT: The construction contract (Contract), if any, and any change orders issued thereunder, and the contractor (Contractor) to be retained by Borrower to construct the Improvements shall be subject to Agency's approval. Agency may require an assignment of Borrower's interest in and to the Contract as security for the Loan. Agency may require Contractor to provide a performance and payment bond in a form acceptable to Agency for the amount of the Contract.
20. RETENTION AMOUNT: The Agency shall retain ten percent (10.0%), not to exceed a total of ten percent (10.0%) of the total amount of the Loan.
21. COST BREAKDOWN: Borrower shall deliver to Agency for Agency's approval prior to commencement of work a detailed cost breakdown of the cost of constructing, financing and other costs of developing the Improvements, which breakdown conforms to the project plans and specification and the budget approved with this commitment. Borrower shall also deliver a list of all contractors and subcontractors to be employed in connection with the construction of the Improvements. If required by the Agency, Borrower shall also submit copies of all bids received for each item of work to be performed as well as copies of executed contracts and subcontracts with acceptable bidders.

All contracts, subcontracts, contractors, and subcontractors shall be subject to Agency's approval prior to close of the Loan. Agency also reserves the right to require performance and material payment bonds on any or all contractors, or in lieu of bond a letter of credit acceptable to Agency.

Agency shall make disbursements of the Loan based on a cost breakdown that lists line items in cost categories. Agency shall require that Borrower provide documentation supporting all requests for disbursement of Loan funds, including proof of work done and actual expenditure. Agency shall conduct inspections of the Property to assure that the work was done before making a disbursement.



22. COST SAVINGS: At completion of construction, Borrower shall submit to Lender a cost certification prepared by a qualified, independent auditor acceptable to Lender. The cost certification shall indicate the amounts actually spent for each item in the cost breakdown and shall indicate the final sources of funding. If there is an aggregate savings, in the total of all such cost breakdown items from the cost breakdown items in the original budget approved by the Lender, after adjusting for any decrease in any funding source including any loss of any equity investment due to an adjustment in the allowable tax credits, the Borrower shall seek Lender approval for Project-related use(s) of said aggregate savings. The Lender shall respond within 15 days to such request for approval. Upon receipt of such consent, the Borrower shall complete the Project-related use(s) in a 90-day period, with option to extend upon mutual agreement.
23. START OF CONSTRUCTION: Borrower shall commence construction at the earliest possible date subject to the conditions of this Agency and other involved lenders, but no later than sixty (60) days following the close of construction financing.
24. COMPLETION OF CONSTRUCTION: Borrower shall complete the construction of the Improvements no later than 24 months following the close of construction financing.
25. SECURITY CAMERAS AND OUTSIDE LIGHTING: Project shall include installation of a security camera system at vehicular driveways and additional exterior lighting, and security patrols, all as approved by the Agency.
26. INSURANCE PROVIDER: Each policy of insurance required under the Loan shall be obtained from a provider licensed to do business in California and having a current Best's Insurance Guide rating of A VII, which rating has been substantially the same or increasing for the last five (5) years, or such other equivalent rating, as may reasonably be approved by Lender's legal counsel.
27. HAZARD INSURANCE: Borrower shall procure and maintain fire and extended coverage insurance and during construction Builder's Risk completed value insurance in a form and substance approved by Agency. Coverage shall be for protection against loss of, or damage to the Improvements or materials for their construction to their full insurable value. Borrower shall also procure and maintain insurance against specific hazards affecting Agency's security for the Loan as may be required by Agency, governmental regulations, or any permanent lender. All such policies shall contain a standard mortgagee loss payable clause in favor of Agency. The insurance required shall be written with a deductible of not more than TEN THOUSAND DOLLARS (\$10,000.00).
28. PUBLIC LIABILITY AND OTHER INSURANCE: Borrower must procure and maintain public liability and property damage insurance (with Agency named as additional insured) in a form approved by Agency. Coverage must be approved by Agency and must be in at least the following limits of liability: (1) Commercial General Liability insurance in Insurance





Services Office (ISO) policy form CG 00 01 Commercial General Liability (Occurrence) or better with limits of liability, which are not less than \$1,000,000, per occurrence limit; \$5,000,000 general aggregate limit, and \$5,000,000 products and completed operations aggregate limit, all per location of the Project; (2) Property damage liability of \$1,000,000 each occurrence, \$1,000,000 single limit and \$1,000,000 aggregate; (3) Contractual liability for Bodily Injury of \$1,000,000 each occurrence, for Property Damage of \$1,000,000 each occurrence and \$1,000,000 aggregate, and Personal Injury with Employment Exclusion Deleted of \$1,000,000 aggregate; and (4) Comprehensive Automobile Liability for any vehicle used for or in connection with the Work of \$1,000,000. The insurance required shall be written with a deductible of not more than TEN THOUSAND DOLLARS (\$10,000). Borrower must also procure and maintain workers' compensation and all other insurance required under applicable law, as required by law and as approved by Agency.

29. TITLE INSURANCE: Borrower must procure and deliver to Agency an ALTA Lender's Policy of Title Insurance, together with such endorsements as Agency may require, including but not limited to CLTA endorsement nos. 100, 116, and 102.5/102.7 insuring Agency in an amount equal to the principal amount of the Loan, that Agency's Deed of Trust constitutes a third lien or charge upon the Property and Improvements subject only to such items as shall have been approved by Agency. There must be no exceptions permitted for mechanics liens. Title insurance for the Loan must be issued by a title insurer approved by Agency.
30. ORGANIZATIONAL AGREEMENTS: Borrower must submit to Agency certified copies of all of Borrower's organizational documents, including all amendments, modifications or terminations: if a corporation, Borrower's Articles of Incorporation and By-Laws; if a partnership, its Partnership Agreement and, as applicable, Certificate of Limited Partnership or Statement of Partnership; if a Limited Liability Company, its Articles of Organization and its Operating Agreement; and in all cases with all exhibits and amendments to such documents, fictitious business name statements, other related filings or recorded documents and such related documents as Agency may request. If it is a corporation, Borrower must submit a corporate borrowing resolution referencing this Loan. If Borrower is other than a corporation, Borrower must submit such proof of authority to enter this Loan as may be required under the organizational documents.
31. PURCHASE OF PROPERTY: Borrower shall provide Agency with copies of all documents relating to Borrower's purchase of the Property.
32. FINANCIAL INFORMATION: During the term of the Loan, Borrower shall deliver to Agency within 120 days of the end of each fiscal year an audited income and expense statement, a balance sheet, and a statement of all changes in financial position signed by authorized officers of Borrower. Prior to close of the Loan and during its term, Borrower must deliver to Agency such additional financial information as may be requested by Agency. Agency reserves the right to review and approve financial statements and other credit information and references prior to closing. During the term of the Loan, Borrower



must deliver to Agency a monthly rent-roll including household composition information and operating statements with respect to the Property and Improvements, as Agency may request.

33. MANAGEMENT AGREEMENT: Prior to execution, Borrower must submit to Agency any agreement providing for the management or operation of the Property or Improvements by a third party which agreement is subject to Agency Approval.
34. RESIDENT SERVICES AGREEMENT: Prior to execution and close of the Loan, Borrower must submit to Agency any agreement providing for the resident services by a third party which agreement. The agreement, services, and service provider are all subject to Agency Approval. The agreement must include a minimum of fifteen (15) hours per week of on-site resident services.
35. LOW INCOME HOUSING TAX CREDITS (LIHTC): Borrower represents that as a condition of closing this Loan it is applying for an allocation of LIHTC's and agrees to perform all actions and to meet all requirements to maintain the LIHTC allocation if granted.
36. DOCUMENTATION: This letter is not intended to describe all of the requirements, terms, conditions and documents for the Loan, which shall also include customary provisions and documents for an Agency transaction of this type. All documents to be delivered to or approved by Agency must be satisfactory to Agency in all respects. Borrower must promptly deliver to Agency any further documentation that may be required by Agency.
37. CONSISTENCY OF DOCUMENTS: As a material obligation under this commitment letter, Borrower shall assure that the loan documents for the Project are consistent with lender's commitment approved by the Agency and comply, in all respects, with this commitment letter.
38. CHANGES OR AMENDMENTS: No documents or contracts which are to be delivered to Agency or are subject to Agency's review or approval shall be modified or terminated without the prior written approval of Agency.
39. ACCEPTANCE OF THIS COMMITMENT: Borrower's acceptance of this Commitment shall be evidenced by signing and delivering to Agency the enclosed copy of this letter. Until receipt of such acceptance by Agency, Agency shall have no obligation under this letter. Agency may withdraw this commitment at any time prior to Borrower's acceptance.



Sincerely,

---

La Shelle Dozier  
Executive Director

The undersigned acknowledges and accepts the foregoing Commitment and its terms and conditions.

Dated: February 11, 2020

BORROWER:

Jamboree Housing Corporation

By: \_\_\_\_\_  
Michael Massie, Chief Development Officer

**The Exhibit listed below is incorporated in this Conditional Funding Commitment by this reference for the financing of the Saybrook Apartments Project:**  
Exhibit 1 - Scope of Development



## Scope of Development

Sunrise Pointe is a new construction project with 47 total units located on approximately 2.44 acres in the City of Citrus Heights in the County of Sacramento. The project will include one-, two- and three-bedroom units. Additionally, there is community area that will be utilized for property management and resident services. Other property amenities include bike racks, on-site parking, security cameras, covered BBQ/picnic area, outdoor tables, a playground and a covered lounge area.

### Site Work

#### 1. Landscaping

- a. The landscaping for the site includes a variety of trees that will provide optimal shade and a visual boundary between the project and the adjacent neighbors.
- b. The landscape will also include shrubs and a turf area.
- c. A Smart Irrigation Controller will be installed.

#### 2. Playground Equipment

- a. The site will have a tot lot complete with a shade structure.

#### 3. Pedestrian Access/Gates

- a. The project will be secured on all sides with two types of perimeter fences. The interior property line fence will be a CMU (Proto II fence wall), 6ft. tall and the fence along Sunrise Boulevard will be an open metal fence, six feet tall.
- b. The project will have a key fob system to keep the site secure.

#### 4. Site Accessories

- a. The project will have bike racks, BBQs and outdoor tables.

#### 5. Asphalt Parking Lot and Drive Aisles

- a. Parking lot and drive aisles will be designed in accordance with geotechnical and City recommendations. The parking lot will meet current code and ADA requirements. There will be a total of 99 parking spaces with 2 accessible spaces.



## **Building Exterior**

### **1. Roof**

- a. The project will have concrete roofing tiles and a TPO roofing system.

### **2. Gutters, Downspouts and Downspout Extensions**

- a. All gutters, downspouts, and downspout extensions will be connected to a storm drain system and/or routed to surface drain to site bio-retention planters.

### **3. Exterior**

- a. The exterior of the project will have stucco with dark bronze window frames.

### **4. Paint**

- a. The building will have interior and exterior painting.

### **5. Storefront**

- a. The project will incorporate a storefront system with dark bronze trim windows.

### **6. Balcony and Patio Enclosures**

- a. Ground floor apartments will have private patios on grade while upper level apartments will have balconies.

### **7. Lighting**

- a. The project will have adequate lighting to maintain security throughout the property.

### **8. Windows and Sliders**

- a. All windows will be energy-efficient windows. They will be designed to open and will have screens.

### **9. Signage**

- a. A monument sign, building and apartment addresses, and signage required by ADA and fire code, will provided at the property.

### **10. Security**

- a. There will be fob controlled access as well as a CCTV security camera system.



## **Building Interior**

### **1. HVAC**

- a. The project will have an HVAC system.

### **2. Kitchen**

- a. Each kitchen will have a stove/range, microwave, dishwasher, garbage disposal, and refrigerator. All appliances will be EnergyStar.
- b. There will be cabinets, drawers and quartz countertops.

### **3. Bathrooms**

- a. All bathrooms will have solid-surface counters, sinks, tubs and surrounds, accessories (i.e., toilet paper holders, towel racks), low-flow showerheads and low-flow faucets.

### **4. Water Heaters**

- a. The development will utilize a solar thermal system for water heating.

### **5. Doors**

- a. All doors will meet current egress standards.

### **6. Flooring**

- a. There will be carpet in the bedrooms and vinyl planking in the remainder of the unit.

### **7. Paint**

- a. Paint will be applied to all walls, ceilings, and trim, in all rooms, closets and storage rooms.

### **8. Lighting**

- a. All kitchens, dining rooms, bedrooms, bathrooms and hallways will have energy efficient light fixtures.

## **Project Amenities**

### **1. Amenity Space**

- a. The project will contain 4,500 sq. ft. of amenity space that includes large multi- purpose rooms, an afterschool program, and group and individual conference rooms.

### **2. Outdoor Space**

- a. The outdoor amenities include a landscaped interior courtyard with a lounge



area, BBQ/picnic area, tot-lot, half-basketball court, and a dog park.

**3. Laundry**

- a. There will be laundry rooms onsite.

**4. Resident Services**

- a. The project will have (1.5 FTE) Resident Service Coordinators onsite that will provide comprehensive and voluntary services to all residents.

**Attachment 1: Lender's Minimum Construction Standards exhibit is on the following page.**



## **Attachment 1: Lender's Minimum Construction Standards**

This attachment is from Exhibit 2 from the Lender's Multifamily Lending and Mortgage Revenue Bond Policies.

### **SHRA RENTAL PROPERTY MINIMUM CONSTRUCTION STANDARDS**

The following is a list of the required minimum construction standards that must be incorporated into projects participating in SHRA's Multifamily Financing and/or Mortgage Revenue Bond programs. All rental units and sites associated with these projects must meet or exceed these standards.

**Note:** For rehabilitation projects, all of the following standards shall apply. The non-rehabilitation sections below shall apply to new construction projects.

#### **Useful Life Expectancy – Rehabilitation only**

SHRA shall reference the current edition of Fannie Mae's "Instructions for Performing a Multifamily Property Condition Assessment, Appendix F. Estimated Useful Life Tables" in determining the useful life for all building components and systems located within the project. A remaining useful life of 15 years or more is required for all building components and systems located within the approved complex. All items on the Fannie Mae tables with useful lives indicated to be less than 15 years shall be replaced.

#### **General Requirements**

- A. All materials funded under this loan must be new unless previously approved. Recycled items must be approved in writing by SHRA prior to their use.
- B. All work shall comply with Federal and State ADA accessibility requirements, as well as any other requirements stipulated by the funding source(s). When there are differences the stricter of the two shall apply. The developer is responsible for notifying their architect and/or engineer of all funding sources used on the project. The architect and/or engineer must indicate these funding requirements in the project's plans/scope.
- C. All units shall be approved for occupancy by the local Building Department or any other Agency Having Jurisdiction (AHJ) at the conclusion of the work and prior to occupancy.
- D. Web-based security cameras and the equipment to record events are required for primary ingress/egress points to and from the site and for the principal parking and indoor and outdoor common areas where people will be congregating.
- E. Site lighting is required for all parking and outside public spaces, and shall be of LED or similarly energy efficient type. The lenses on the exterior lights shall be cleaned with all oxidation removed or replaced. Light poles shall be new or painted, and shall be structurally sound and stable.
- F. The developer's architect is responsible for providing an Operating Procedure Outline Sheet (OPOS) for window washing systems where applicable, per Cal-OSHA requirements.
- G. SHRA encourages the use of energy and water-efficient systems wherever they may be





incorporated into the project.

### **General Requirements – Rehabilitation only**

- A. Any component of the project which does or may present a health or safety hazard to the public or tenants shall be corrected to the satisfaction of the local Building Department or AHJ.
- B. A clear pest inspection report will be required at the conclusion of the construction work for rehabilitation projects.
- C. For all structures where disturbance of any hazardous materials (e.g. lead, asbestos, mold, etc.) will occur, a clearance report from an environmental consultant is required.
- D. Projects deemed historically significant landmark by either the City of Sacramento or the National Register of Historic Places shall consult with the State Historic Preservation Officer (SHPO), and shall conform to the Secretary of the Interior Standards for the Treatment of Historic Properties.

### **Site Work**

- A. Trees and large shrubs must be trimmed, grass areas must be mowed, and all planter areas must be weed-free. The landscape design shall incorporate a sustainable design appropriate for the Sacramento Valley. Vegetation that assists in minimizing crime and enhances public safety is preferred. Trees compromising building envelope materials (roofing, siding, windows, etc.) and/or structural integrity (including foundations) must be removed. An arborist shall be consulted for an opinion on trees prior to major branch trimming, root cutting or tree removal. All trees, bushes and other plants that are to be removed shall have the root ball removed by grinding or by mechanical means. A landscape plan describing the above must be provided to SHRA for approval.
- B. All landscaped areas must be served by a programmable automated irrigation system. The irrigation controller shall be a "Smart Controller" that senses rain to reduce water use. Irrigation shall be designed to use bubblers and other water saving measures. Irrigation must not spray on building. Sprinklers should minimize overspray that runs to storm drain drop inlets. Areas that show evidence of erosion of soil shall be landscaped to eliminate problems. The landscape plan must be approved by SHRA and applied.
- C. For gated communities containing swinging vehicle gates, driveways shall be striped to show the area under the gate swings for safety purposes.
- D. All projects shall contain trash enclosures with concrete aprons. Trash enclosures shall be made of cinder block or stucco. Trash enclosures shall be accessible to all tenants. Provisions for tenants with disabilities must be addressed in the project Scope of Development or the project plans.
- E. All projects shall meet the parking requirements of the local Agency Having Jurisdiction (AHJ) over the project. "Grandfathered Projects" will need to show that they are in fact "Grandfathered" or otherwise exempted by the local AHJ. Otherwise, all projects shall



meet the governing ADA requirements for parking.

- F. A two percent (2%) slope shall be maintained for a distance of five feet from all structures and no standing water shall remain on the site. Provide an on-site drainage system if necessary.
- G. Stairways in common areas must include closed risers and non-slip concrete finish or other slip-resistant material on the treads.
- H. Exterior mounted electrical, mechanical, and plumbing systems must be protected from vandalism.
- I. For family projects of 50 or more units, a minimum of one school age-appropriate play structure is required. For family projects of 100 or more units, a minimum of one school age and one toddler-appropriate play structure is required.

### **Site Work – Rehabilitation only**

- A. All landscaping and irrigation systems must be in a well-maintained condition.
- B. All fencing must be in good and serviceable condition. Existing fencing that is to remain shall be free of flaking paint, rust, or any other signs of failure. If existing fencing shows any signs of failure, it shall be repaired, painted and restored to look new. All chain link fencing must be removed and replaced with fencing of another approved material. All pedestrian gates hardware must be functional and in new or near-new condition. Access Control systems are required at exterior pedestrian gates.
- C. All driveways and sidewalks must be in good condition. All cracked or uplifted areas (more than ¼") shall be repaired or replaced.
- D. The asphalt shall be in good condition, with no alligator cracking, longitudinal cracking, potholes, or standing water. Repairs to portions of parking lots not suitable for new coatings shall be performed by removing and replacing damaged paving. A new seal-coat or slurry-coat shall then be applied to the entire parking lot surface. Parking spaces shall be restriped, including ADA aisles and other applicable striping/painting.
- E. All site accessories (bollards, benches, tables, play equipment, bike racks, mailboxes, shade structures, BBQs, sheds, etc.) shall be replaced or in good repair (cleaned, painted and/or re-coated).

### **Building Envelope and Moisture Protection – Rehabilitation only**

- A. All areas exposed to moisture must be sealed and watertight. Buildings showing evidence of water intrusion shall have the areas inspected by a licensed architect/engineer or by a certified water intrusion expert. A water intrusion report shall be submitted to SHRA, and shall include the cause of the issue and a resolution to eradicate the water intrusion. If the inspection cannot be completed until the demolition phase of the project, the report shall describe a procedure to inspect the issue during demolition.



- B. Roofing must have 15 years or more of remaining life with no visible signs of leakage. For roofs containing composition shingles, a maximum of two layers of shingles are allowed (including any proposed new layers). Provide evidence that the roof system has a 15-year life remaining on the manufacturer's warranty.
- C. All siding must have 15 years or more of remaining life. Hairline cracks in stucco must be sealed and painted with elastomeric paint. If requested by SHRA, a statement by a licensed architect and/or engineer that the existing siding contains at least 15 years of useful life remaining shall be provided.
- D. Fireplaces must be clean and meet applicable air quality standards. Chimneys shall be clean and must be inspected by a certified chimney inspector for structural integrity. All recommended structural repairs shall be performed.

### **Doors and Windows**

- A. All dwelling/tenant units must have screens on all windows that are designed to open. Windows designed to open must have functional locks and must operate freely without excessive effort. All windows must be dual-paned (minimum), and shall meet or exceed the State of California's currently applicable efficiency standards, and any other efficiency standards that may be dictated by the funding source or other governing bodies for the project.
- B. All doors must have matching hardware finishes.
- C. All exterior doors must have deadbolt locks, keyed latch assemblies, viewers, and screws in strike plates long enough to penetrate the door jamb framing by at least one inch. The dwelling entry door hardware shall have single action hardware to release deadbolt and latch assembly.
- D. All sliding exterior doors shall have screen doors and shall have functional locks and must operate freely without excessive effort.
- E. All doors and windows must meet current egress standards.

### **Doors and Windows – Rehabilitation only**

- A. Retrofit windows are not acceptable. Any windows showing signs of condensation or leakage of any kind shall be replaced.
- B. All doors and doorjamb must be in good condition. No damaged or worn doorjamb or doors are allowed. Doors and/or jamb beyond their useful life shall be replaced.

### **Casework**

- A. New cabinet boxes shall be made of plywood or solid wood. No particle board boxes will be allowed.
- B. All counter tops shall be of solid surface or granite, and in very good condition with no



significant scratches, burns or other imperfections.

- C. Face frames, doors and drawer faces shall be solid hardwood. No plastic laminate finishes will be allowed.

### **Casework – Rehabilitation only**

- A. All cabinets shall be replaced or in very good condition, within their 15 year useful life, both structurally and in appearance.

### **Finishes**

- A. All dwelling unit kitchens shall contain luxury vinyl plank (LVP) flooring. Bathrooms must be floored with LVP, sheet vinyl or ceramic tile to provide a cleanable, impervious surface. Bedrooms, hallways, and living and dining rooms may be floored with carpeting, LVP or hardwood. Wear layer of LVP shall be at least 12 mils inside dwelling units. Tenant unit entries shall be floored with LVP or ceramic tile.

In common areas, corridors may be floored with LVP, glue-down carpeting, or carpet tiles. Community rooms and kitchens shall be floored with LVP. Wear layer of LVP in common/commercial areas shall be a minimum of 20 mils thick.

Carpet shall meet or exceed the minimum standards as set by HUD's UM-44D bulletin.

### **Finishes – Rehabilitation only**

- A. Floor coverings must be in good, useable condition - no holes, tears, rips, or stains.
- B. All exterior and interior surfaces must be painted. No peeling, cracking, chipping, or otherwise failing paint will be allowed. All painted surfaces must be new, or in near new condition and appearance.
- C. Acoustic (popcorn) ceiling texture must be removed and refinished with new texture to match wall texture.

### **Equipment**

- A. Dishwashers, refrigerator/freezer, oven, stoves and garbage disposals are required in all dwelling unit kitchens. All appliances must be new or in very good operating condition. All appliances must be Energy Star rated, as applicable. Appliances slated for ADA units shall be per code requirements.
- B. SRO projects are encouraged to provide the appliances listed above and will be reviewed and approved on a case-by-case basis.
- C. All kitchens must have adequate cabinet and counter space. Installation of shelving for microwaves is required if over-the-range microwaves are not used, with the exception of ADA units.



## **Furnishings**

- A. Dwelling units must have window coverings on all windows.

## **Special Construction**

- A. Non-habitable structures on property must be painted to match primary buildings and must be structurally sound.
- B. Laundry facilities must be provided on the basis of one washer and dryer for every ten dwelling units. Ten percent of the total number of washer/dryers must be ADA-accessible machines (unless the ADA units contain their own laundry facilities). Solid surface countertops will be required within laundry rooms and countertops shall meet all ADA requirements.
- C. Public pool areas shall have self-closing gate(s). Fences and gates at pool areas shall meet applicable current codes and standards. Joints between coping and concrete deck shall be appropriately caulked. Existing pools shall have no cracks in plaster or tile grout joints. The Developer is responsible for ensuring pool and surroundings meet all applicable current codes and standards. If a project contains two or more pools, at least one must remain following rehabilitation.

## **Mechanical/Plumbing**

- A. Water heaters must be installed per current applicable codes.
- B. All common areas and tenant units must have heating and air conditioning. Wall mount (i.e. PTAC units) or central systems are acceptable. Evaporative coolers are not acceptable. HVAC units should be protected from vandalism, pursuant to discretion of SHRA.
- C. Toilets, showerheads, faucets, and mixing valves shall be new and meet current water conservation codes.
- D. Tub surrounds must be one unbroken piece per wall and must be of solid surfaces (such as "Swanstone" or other solid acrylic materials, quartz composites), or other similar materials. Fiberglass/acrylic surrounds are acceptable.

## **Mechanical/Plumbing – Rehabilitation only**

- A. All toilets, sinks, and tubs shall be chip and stain free.

## **Electrical**

- A. All units must have smoke/carbon monoxide detectors installed per current code.
- B. Wiring from telephone/data/cable suppliers shall be installed within walls, attic spaces,



and/or crawl spaces. No conduits are allowed to be mounted on the exterior of the buildings in new construction.

### **Electrical – Rehabilitation only**

- A. All electrical panels shall meet current code.
- B. Any rehabilitation projects with un-grounded electrical systems shall be re-wired with grounded systems to meet current code.
- C. For rehabilitation projects, switches, outlets and light fixtures shall be replaced with devices that meet current applicable codes.
- D. Wiring mounted on the exterior of the surface may be allowed if it is concealed in conduit and conduit is painted to match exterior siding. For projects where exterior siding will be removed, this wiring shall be installed within walls, attic spaces, and/or crawl spaces.

### **Resident Services Community Space**

All properties, regardless of project type (i.e. senior, family, or large family), must devote a minimum of 1,200 s.f. to actual resident services/community space. Resident services space includes common kitchens, computer rooms, meeting rooms and general gathering space. It does not include public restrooms, leasing offices, laundry facilities and lobbies. Common kitchens are required, including refrigerator, stove, garbage disposal, and dishwasher.

For existing buildings, these requirements shall apply unless SHRA deems there to be significant physical constraints.

### **End of Scope of Development**



## RESOLUTION NO. SHRC-\_\_\_\_\_

ADOPTED BY THE SACRAMENTO HOUSING AND REDEVELOPMENT COMMISSION UNDER THE AUTHORITY DELEGATED TO THE COMMISSION PURSUANT TO CALIFORNIA HEALTH AND SAFETY CODE, SECTION 33202 BY RESOLUTION NO. RA 81-083 ADOPTED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO ON OCTOBER 20, 1981, AND BY RESOLUTION NO. RA-83 ADOPTED BY THE REDEVELOPMENT AGENCY OF THE COUNTY OF SACRAMENTO ON OCTOBER 27, 1981, AND PURSUANT TO CALIFORNIA HEALTH AND SAFETY CODE SECTION 34292 BY RESOLUTION NO. HA 81-098 ADOPTED BY THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO ON OCTOBER 20, 1981, AND BY RESOLUTION NO. HA-1497 ADOPTED BY THE HOUSING AUTHORITY OF THE COUNTY OF SACRAMENTO ON OCTOBER 27, 1981.

ON DATE OF  
February 5, 2020

### **SUNRISE POINTE: AUTHORIZING A LOAN COMMITMENT CONSISTING OF \$3,580,000 OF COUNTY HOME INVESTMENT PARTNERSHIPS (HOME) FUNDS, EXECUTION OF A LOAN COMMITMENT AND RELATED DOCUMENTS WITH JAMBOREE HOUSING CORPORATION, OR RELATED ENTITY; RELATED BUDGET AMENDMENT; AND ENVIRONMENTAL FINDINGS**

NOW, THEREFORE, BE IT RESOLVED BY THE SACRAMENTO HOUSING AND REDEVELOPMENT COMMISSION:

Section 1. The Sunrise Pointe project is exempt under CEQA pursuant to the CEQA Guidelines Class 32 categorical exemption for “infill development” (14 Cal. Code Regs., § 15332).

Section 2. An Environmental Assessment for the Sunrise Pointe project was prepared pursuant to NEPA requirements under Title 24, Code of Federal Regulations (CFR) Part 58 and it was found that with mitigation measures incorporated, the project will not result in a significant impact on the quality of the human environment.

Section 3. Subject to approval by the Sacramento County Board of Supervisors (Board), the Loan Commitment attached to and incorporated in this resolution by this reference for the financing of Sunrise Pointe (Loan Commitment), the Executive Director, or designee, is authorized to execute the Loan Commitment and related documents, and perform other actions necessary to fulfill the intent of repayment of the Loan Commitment, including without limitation, extensions, all as approved by agency counsel, and transmit to Jamboree Housing Corporation, or related entity.

Section 4. The Executive Director, or designee, is authorized to amend the Sacramento Housing and Redevelopment Agency (Agency) budget to transfer \$3,580,000 of County Home Investment Partnerships Program (HOME) funds to the Sunrise Pointe Project.

Section 5. Subject to approval by the Board, the Executive Director, or designee, is

Sunrise Pointe: Authorizing A Loan Commitment Consisting Of \$3,580,000 Of County Home Investment Partnerships Funds, Execution Of A Loan Commitment And Related Documents With Jamboree Housing Corporation, Or Related Entity; Related Budget Amendment; And Environmental Findings

Page 2

authorized to execute the Loan Agreement and related documents, and perform other actions necessary to fulfill the intent of repayment of funds, including without limitation, subordination, extensions and restricting of payments, all as approved by Agency Counsel, and transmit to Jamboree Housing Corporation, or related entity.

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CHAIR

ATTEST:

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CLERK



Item # 10 – Mortgage Revenue Bond Fee Report for  
Construction of New Multifamily Affordable Housing – to be  
delivered.



February 1, 2020

Sacramento Housing and  
Redevelopment Commission  
Sacramento, CA

Honorable Members in Session:

SUBJECT:

Sacramento Housing and Redevelopment Agency Anticipated Affordable Housing  
Projects in 2020

RECOMMENDATION

Staff is presenting this information to the Commission for review prior to final review by  
the City of Sacramento.

Respectfully submitted,

Attachment

  
LA SHELLÉ DOZIER, Executive Director  
Sacramento Housing and  
Redevelopment Agency



**REPORT TO COUNCIL**  
**City of Sacramento**  
915 I Street, Sacramento, CA 95814-2671  
[www.CityofSacramento.org](http://www.CityofSacramento.org)

**Informational**  
**February 11, 2020**

**Honorable Mayor and Members of the City Council**

**Title: Sacramento Housing and Redevelopment Agency Anticipated Affordable Housing Projects in 2020**

**Location/Council District:** Citywide

**Recommendation:** Informational report only – no specific action required.

**Contact:** Christine Weichert, Assistant Director of Housing Finance, 440-1353  
Tyrone Roderick Williams, Director of Development, 440-1316

**Presenters:** Susan Salley Veazey, Program Manager

**Department:** Sacramento Housing and Redevelopment Agency (SHRA)

**Description/Analysis**

**Issue Detail:** The Sacramento Housing and Redevelopment Agency (SHRA) serves as the local housing finance agency for the City and County of Sacramento. As approved by Council, SHRA solicits affordable housing projects in need of local subsidy two to three times each year depending on funding. During these solicitation periods, affordable housing developers submit pre-applications for review. The pre-application process is used to minimize up-front costs to developers seeking a local subsidy commitment. This low-barrier pre-application process helps ensure that SHRA is aware of the majority of affordable housing project concepts in the City of Sacramento. Proposed projects for which there is sufficient funding and that meet City priorities are invited to submit a full application. Requests for local housing subsidies in the City have consistently exceeded the availability of resources. On average, during the five previous funding rounds, SHRA received requests for over eight times the amount of subsidy advertised. During the timeframe between January of 2018 and the recent January 2020 pre-application rounds, SHRA advertised \$18 million of subsidy available and received requests for \$117 million in subsidy.

Local subsidy provides the initial catalyst that allows developers to then compete for other resources, typically from the State of California. Attachment 1 to this report presents the requests for commitment or approval that we anticipate in 2020. Attachment 2 provides a list of State resources anticipated over the next year.

**Policy Considerations:** Not applicable to this report

**Economic Impacts:** Not applicable to this report

**Environmental Considerations:** Informational report only – environmental review not required.

**Sustainability Considerations:** Not applicable to this report

**Commission Action:** *Sacramento Housing and Redevelopment Commission:* Staff presented this item to the Sacramento Housing and Redevelopment Commission on February 5, 2020 as an informational item.

**Rationale for Recommendation:** None; this report is for information only.

**Financial Considerations:** Not applicable to this report.

**LBE - M/WBE and Section 3 requirements:** Not applicable to this report.

Respectfully Submitted by:

  
LA SHELLE DOZIER  
Executive Director

**Attachments**

- 1-Anticipated Project Approval Schedule for 2020
- 2-State Affordable Housing Resources

**Anticipated Affordable Housing Financing Approval Requests – 2020**  
SHRA Development Finance Division

**April 21, 2020**

- Villa Jardin/Carol Gables (81 units) – Disposition and Development Agreement, Loan Commitment, and TEFRA/Inducement from Mortgage Revenue Bonds (public hearing)
- Mirasol Village Block A (104 units) – Final Loan and Mortgage Revenue Bond Document approval (business item)
- Mirasol Village Blocks B/E (123 units) – Final Loan and Mortgage Revenue Bond Document approval (business item)
- Annual Reports for the Housing Trust Fund Ordinance, Mixed Income Housing Ordinance, HOME Investment Partnerships Program, and Residential Hotel Unit Withdrawal, Conversion, and Demolition Ordinance (informational)

**June 30, 2020**

- Mirasol Village Block D (114 units) – Loan Commitment (business item)

**July 28, 2020**

- Lavender Courtyard (53) – Final Loan and Mortgage Revenue Bond Document approval (business item)

**August 11, 2020**

- Mirasol Village Block C (84 units) – Loan Commitment and TEFRA/Inducement for Mortgage Revenue Bonds (public hearing)

**September 22, 2020**

- Overview of August 3<sup>rd</sup> Pre-Applications for funding submissions and acceptance of full applications (informational)

**October 13, 2020**

- Capitol Park Hotel Permanent Supportive Housing (134 units) – Final Loan Documents approval (business item)

**November 17, 2020**

- Award of Mirasol Village Park Construction Contract (consent)

## Attachment 1

- Broadway and 39<sup>th</sup> (35 units) - Loan Commitment and Approval of Disposition and Development Agreement (business item)

### **December 8, 2020**

- Metro at 7<sup>th</sup> (150 units) - Final Loan and Mortgage Revenue Bond Document approval (business item)
- Arden Way (120 units)- Final Loan and Mortgage Revenue Bond Document approval (business item)
- Riverview Plaza (123 units) - Loan Commitment and TEFRA/Inducement for Mortgage Revenue Bonds (public hearing)

State Funding Resources

Program	Administrative Entity	Total Allocation	Funds Available current/next round	Awards current/next round	Applicants	Competitive
<i>Building Jobs and Homes Act (SB2)</i> Local Housing Allocation	HCD	On-going	City est. \$2 million	Aug-20	Local Governments	No
Missing Middle (Mixed-Income Multifamily)	CalHFA	\$185 million			Developers	Yes
<i>Veterans and Affordable Housing Bond</i> Multifamily Housing Program	HCD	\$1.5 billion	\$297 million	Jun-20	Developers	Yes
Infill Infrastructure Grant	HCD	\$300 million	\$194 million	Apr-20	Developers	Yes
Local Housing Trust Fund Match	HCD	\$300 million	\$57 million	Sep-20	Local Governments	Yes
Transit-Oriented Development Program	HCD	\$150 million	\$75 million	Oct-20	Public Agencies, Developers, Transit Authorities	Yes
CalHome (Homebuyer Assistance)	HCD	\$300 million	\$57 million	May-20	Public Agencies, Not-profits	Yes
Home Purchase Assistance	CalHFA	\$150 million	Available	Available	Eligible Homebuyers	No
Farm and Home Loan Program	Cal-Vet	\$1 billion		Available	Eligible Borrowers	No
<i>Greenhouse Gas Reduction Fund</i> Affordable Housing and Sustainable Communities	SGC	On-going	\$550 million	Jun-20	Public Agencies, Developers, Transit Authorities	Yes
<i>Mental Health Services Act</i> No Place Like Home Special Needs Housing Program	HCD CalHFA	\$1.8 billion	\$178 million \$9 million	Jun-20 Available	Counties Sacramento County	Both No