



November 9, 2017

Sacramento Housing and  
Redevelopment Commission  
Sacramento, CA

Honorable Members in Session:

**SUBJECT:**

Approval Of Inter-Agency Project Agreement, Acquisition Loan Agreement And Loan  
Commitment For The Courtyard Inn Transit Oriented Development

**SUMMARY**

The attached report is presented for your review prior to review by the County of  
Sacramento.

**RECOMMENDATION**

Staff recommends approval of the recommendation outlined in the attached report.

Respectfully submitted,

  
LA SHELLE DOZIER  
Executive Director

Attachment

**COUNTY OF SACRAMENTO  
CALIFORNIA**

For the Agenda of:  
December 12, 2017

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

From: Sacramento Housing and Redevelopment Agency

Subject: Approval Of Inter-Agency Project Agreement, Acquisition Loan Agreement And Loan Commitment For The Courtyard Inn Transit Oriented Development

Supervisory  
District: Peters

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

**Overview**

This report recommends approval of a) an Inter-Agency Project Agreement between the County of Sacramento (County) and Sacramento Housing and Redevelopment Agency (Agency) in the amount of \$316,973; and b) a Loan Agreement in the amount of \$6,016,973 and a Loan Commitment in the amount of \$2,500,000 between the Agency and Mercy Housing California, L.P., or related entity, for the 92-unit Courtyard Inn Transit Oriented Development (Project).

**Recommendations**

1. Adopt a Board of Supervisors (Board) Resolution which:
  - a. adopts the Mitigated Negative Declaration, including all mitigation measures;
  - b. authorizes County and Agency to execute an Inter-Agency Project Agreement (IAPA) in the amount of \$316,973 in Merged Mather/McClellan 2008 Taxable Tax Revenue Bonds (Taxable Bond Funds);
  - c. authorizes County and Agency to execute all necessary documents associated with the IAPA;
  - d. authorizes the Agency to approve and execute an Acquisition Loan Agreement in the amount of \$6,016,973 in Housing Trust Fund (HTF), Affordable Housing Fund (AHF), Housing Opportunities for Persons with AIDS (HOPWA) Program funds and Taxable Bond Funds, and transmit to the Developer for the acquisition of the Project, and execute all necessary documents associated with the Acquisition Loan Agreement;
  - e. approves a loan commitment of \$2,500,000 in HOME Investment Partnership Program (HOME) and Community Development Block Grant (CDBG) funds for the construction and permanent financing of the Project;
  - f. authorizes the Agency to execute a Loan Commitment letter and transmit to the Developer, and execute all necessary documents associated with the Loan Commitment;
  - g. amends the County budget;
  - h. amends the Agency budget; and
  - i. makes related findings.
2. Adopt a Housing Authority Resolution:
  - a. indicating the Housing Authority of the County of Sacramento (Housing Authority) has adopted the Mitigated Negative Declaration, including all mitigation measures;

- b. directing the Executive Director, or her designee, to file a Notice of Determination;
- c. authorizing the allocation of \$316,973 in Taxable Bond Funds to the Agency to be used in an Acquisition Loan Agreement;
- d. approving the subordination of the Acquisition Loan Agreement;
- e. waiving the requirement to fund art in public places as these funds are needed to make housing affordable;
- f. finding that the proposed use and commitment of these funds are consistent with the purposes of the Low and Moderate Income Housing Asset Fund.

The clerk is requested to certify six (6) copies of the resolutions and forward them to staff.

#### **Fiscal Impact**

The Agency will receive an annual payment for monitoring the regulatory restrictions and administration of the Agency funds, in the amount of 0.15% of the Agency funding amount (\$12,775) for the term of 55 years following completion of the Project. Two loans are proposed to be authorized for this Project including a \$6,016,973 loan that will be used for acquisition of the Project and a \$2.5 million loan that will be used for the construction and permanent financing of the Project.

#### **BACKGROUND**

On February 10, 2015 the Board of Supervisors (Board) approved a \$150,000 loan to the Housing Authority of the County of Sacramento from the Neighborhood Revitalization Fund (formerly the Problem Property Revolving Trust Fund) for the purpose of providing funds for predevelopment costs related to the conversion of the Courtyard Inn motel into a Transit Oriented Development with affordable housing (County Loan Agreement). As a result, on April 7, 2015, the Housing Authority of the County of Sacramento approved a \$150,000 predevelopment loan to Mercy Housing California, L.P., or related entity (Developer) for this purpose (Predevelopment Loan Agreement).

To assist with acquisition and construction costs related to the proposed conversion of the Courtyard Inn Motel, the Developer applied to the Affordable Housing and Sustainable Communities Program (AHSC) on February 19, 2015 and March 16, 2016 for funding but was not successful in obtaining an award either time. The Developer also submitted an application on April 24, 2015, to the Veterans Housing and Homelessness Prevention (VHHP) Program without success.

On November 1, 2016, the Board approved the execution of a \$5,600,000 Loan Commitment to Mercy Housing, which is comprised of \$1,500,000 in HOME Investment Partnerships Program (HOME) funds, \$2,200,000 in Housing Trust Fund (HTF), and \$1,900,000 in Affordable Housing Fund (AHF) for the conversion of the Courtyard Inn motel to affordable housing. At this time, the Project was not restricted to persons who are homeless.

On August 22, 2017, the Board of Directors of the Housing Authority approved the Executive Director to award 92 project based vouchers for the Courtyard Inn Transit Oriented Development. The project based voucher program allows the Project to be restricted to persons who are homeless and targets extremely low income (30% of Area Median Income) households.

On October 31, 2017, the Board approved the 2018 One-Year Action Plan for Federal Programs, which includes the allocation of \$1,000,000 of CDBG funds to be used for the conversion of the Courtyard Inn motel to affordable housing. In addition, \$1,600,000 in Housing Opportunities for Persons with AIDS (HOPWA) funds were allocated by the City of Sacramento on December 5, 2017 to be used for Courtyard Inn. 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. These funds, along with \$316,973 of Taxable Bond Funds from Mather/McClellan Redevelopment Project Area and the previously approved \$5,600,000 loan commitment, will provide a total of \$8,516,973 to finance the Courtyard Inn.

The Purchase and Sale Agreement between the Developer and Courtyard Inn motel property owners is due to expire on March 24, 2018. The Developer is requesting that the Agency provide \$6,016,973 towards approximately \$8,400,000 in total acquisition costs. The remaining \$2,500,000 in approved gap financing will be used for construction and permanent financing after tax credit equity is secured.

Following approval of the recommendations in this report, the Developer will acquire the Courtyard Inn motel and apply for 9 percent Low Income Housing Tax Credits (LIHTC) no later than February 2018. If the Project is awarded tax credits in June 2018, construction will begin by the end of 2018 and be completed by the end of 2020. If the Project is not successful in the first round of tax credits, the Developer will apply for the second funding round in June of 2018 and, if the Project is awarded tax credits in the second round, construction would begin in 2019 and be completed in 2021.

## **DISCUSSION**

Description of Proposed Development: The Courtyard Inn Transit Oriented Development (Project) is on a four-acre parcel and is located in the unincorporated County of Sacramento at 3425 Orange Grove Avenue. The Project is an adaptive re-use of an existing 148-unit motel and additional new construction and the Project includes 92 transit oriented units comprised of 20 studio, 60 one-bedroom and twelve (12) two-bedroom apartments, including workforce housing units. As currently structured the affordable units will be available to residents earning 30% to 60% of Area Median Income (AMI). A vicinity map and site map are provided as Attachments 1 and 2. An artist rendering of the Project is provided as Attachment 3.

Proposed improvements include demolition of the motel's auto portico, lobby, offices, storage and utility rooms. The remaining buildings will be converted to 80 studio and one-bedroom apartments. The existing stucco, walls, and soffits will be repaired and painted and the existing second-level walkway surfaces will be replaced or removed. The new buildings will provide twelve (12) two bedroom units. All buildings will have new standing seam metal roofing on the pitched sections, built-up poly roofing on the flat sections, and photovoltaic solar systems installed.

The development will include ten (10) units with mobility features and four (4) units with visual and audio communication features to comply with Americans with Disabilities Act (ADA) requirements. The converted units will include new entry and interior doors and frames. Each unit will include a new refrigerator, electric range with cooking stove, range hood, sink and faucets, garbage disposal, solid surface countertops, microwave shelving, cabinetry, fiberglass bathtubs, toilets, vanities, vinyl plank and carpet flooring and vinyl dual pane windows. Due to limited space, there will be packaged terminal air conditioning and heating systems in the converted units, while the new construction units will be able to accommodate mini-split air conditioning and heating systems. Repair to drywall, including remediation of asbestos, will be performed, as needed.

The sidewalks will be replaced to meet ADA requirements. New drought-tolerant landscaping, storm drainage, and efficient irrigation will be installed throughout the site. New fencing around the perimeter of the site, vehicle and pedestrian gates, security cameras, digital video recording equipment and additional lighting will be installed. Railings and stairways with risers will be upgraded to meet current code requirements. New central water heaters with solar preheating, and enclosures for recycling and garbage containers will also be installed. There will also be 69 open parking spaces and bicycle storage on the property.

Upgrades to existing amenities include replacement of the current pool system, resurfacing of the pool and deck, installation of new ADA equipment, and fence and gate with access control. The existing restaurant space will be converted to a community space that includes a 24/7 desk clerk, management and resident services offices, health facility, community room with fully-equipped kitchen, laundry facility, computer work stations, and game and exercise areas. Other on-site amenities offer residents a range of activities, such as, swimming pool, community garden, recreation, picnic and barbeque areas and a fenced dog run. On-site Project-related services by WellSpace Health will provide all residents with access to a full array of services, such as counseling/therapy individually or in a group.

To support residents in achieving greater self-determination, all individuals will be encouraged to develop an individualized supportive services plan and will be assisted in connecting with services and employment which will support them in their goals of maintaining stable housing, entering the workforce and improving their quality of life.

Developer: Mercy Housing California, L.P. was formed through the merger of Rural California Housing Corporation and Mercy Charities Housing California in July 2000. The Developer 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 10,900 affordable homes, including over 7,900 rental and 3,000 homeownership units. Their portfolio includes 19 properties with over 1,300 units in Sacramento County. The Developer is qualified to repurpose the Courtyard Inn given its experience in the rehabilitation of the Budget Inn on Stockton Boulevard into the 74-unit Boulevard Court Apartments, a permanent supportive housing development.

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. Agency staff has reviewed and approved the management plan, including daily operations, leasing procedures, maintenance, and eviction procedures.

Resident Services: Services will be provided by Mercy Housing Resident Services, an affiliate of the Developer. A minimum of 15 hours per week of on-site resident services will be provided. Resident services will include, but are not limited to, an on-site service coordinator, after-school, education and enrichment programs.

Project Financing: Proposed financing for the Courtyard Inn Transit Oriented Development includes a combination of 9 percent LIHTC, \$8,516,973 Agency loan, and sewer fee credits. Funding sources and uses are provided in the Project Summary as Attachment 4 and a Cash Flow Proforma is provided as Attachment 5.

### **COMMISSION ACTION**

At its meeting of November 15, 2017, the Sacramento Housing and Redevelopment Commission considered the staff recommendation for this item. The votes were as follows:

AYES:

NOES:

ABSENT:

### **MEASURES/EVALUATIONS**

This Project contributes to the County's 2013-2021 Housing Element goals by adding 92 newly regulated affordable housing units to the inventory. An extremely low-income unit is defined as being affordable to a household with income up to 30% of the Area Median Income (AMI), a very low-income unit is defined as being affordable to a household with income up to 40% and 50% of AMI, while a low-income unit is defined as being affordable to a household with income of up to 60% of AMI. As currently proposed, upon completion, the Project will add a net of 92 affordable units to the County's affordable housing goals as represented in the following table:

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<b>Funding<sup>1</sup> Program</b>	<b>Affordability Level and AMI Regulated for 55 years<sup>2</sup></b>	<b>Proposed No. of Units</b>	<b>Percentage of Units</b>
HTF LIHTC	Very Low Income 50% AMI	14	15%
AHF LIHTC	Very Low Income 50% AMI	5	5%
AHF LIHTC	Low Income 60% AMI	7	8%
L/M TI LIHTC	Very Low Income 50% AMI	2	2%
HOPWA <sup>2</sup> LIHTC	Very Low Income 50% AMI	8	9%
HOPWA <sup>2</sup> LIHTC	Low Income 60% AMI	3	3%
HOME <sup>2</sup> LIHTC	Very Low Income 50% AMI	3	3%
HOME <sup>2</sup> LIHTC	Low Income 60% AMI	8	9%
CDBG <sup>2</sup> LIHTC	Low Income 60% AMI	7	8%
LIHTC	Extremely Low Income 30% AMI	10	10%
LIHTC	Very Low Income 40% AMI	7	8%
LIHTC	Very Low Income 50% AMI	7	8%
LIHTC	Low Income 60% AMI	11	12%
	<b>Total</b>	<b>92</b>	<b>100%</b>

Legend:

<sup>1</sup>The most restrictive income and rent limits will prevail when Project has layered funding programs. SHRA Regulatory Agreement for the HTF, AHF and TI assisted units and the LIHTC Regulatory Agreement will be enforced for 55 years.

<sup>2</sup>SHRA Regulatory Agreement for the HOPWA, HOME and CDBG assisted units will be enforced for 20 years.

## **FINANCIAL ANALYSIS**

The following funding agreements are related to the \$6,016,973 acquisition financing of the Project: 1) Inter-Agency Project Agreement consisting of \$316,973 in Taxable Bond Funds; and 2) the Acquisition Loan Agreement consists of \$1,900,000 of AHF, \$2,200,000 of HTF, \$1,600,000 of HOPWA funds and \$316,973 in Taxable Bond Funds.

The following funding agreement relates to the \$2,500,000 construction and rehabilitation financing: the Loan Commitment comprised of \$1,500,000 of HOME, which includes Community Housing Development Organization set-aside funds from HOME entitlement funds, and \$1,000,000 of CDBG funds.

The acquisition and permanent loans will have a 0% interest rate. The Inter-Agency Project Agreement is included as Attachment 7, the Acquisition Loan Agreement is included as Attachment 8, and the Conditional Loan Commitment is included as Attachment 9.

The Agency will collect an annual payment of 0.15% (15 basis points) of the total Agency funding amount for monitoring of the regulatory restrictions and administration of the Taxable Bond Funds, AHF, HTF, HOPWA, HOME and CDBG funds from the Project's owner.

### **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 with the Agency's Policies with the following exception due to current project feasibility considerations: the loan term is 55 years following completion of the Project, and waiving the deferred developer fee requirement in order to make the Project more competitive for 9% tax credit funding.

Regulatory restrictions on the property will be specified in the loan regulatory agreement. Repayment of the Agency loan will be at maturity. Compliance with the regulatory agreement will be monitored by the Agency on a regular basis in accordance with the Taxable Bond Funds, AHF, HTF, HOPWA, HOME and CDBG Funding Requirements.

### **ENVIRONMENTAL REVIEW**

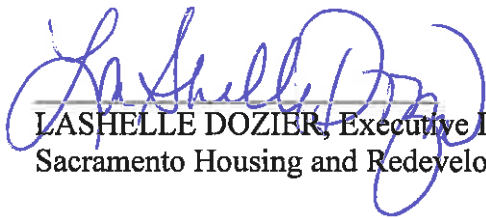
*California Environmental Quality Act (CEQA) and the National Environmental Policy Act (NEPA):* In July, 2016, combined Initial Study/ Environmental Assessment (IS/EA) was prepared for the Courtyard Inn Transit Oriented Development Project pursuant to CEQA requirements under Title 14, Section 15070 of the California Code of Regulations (CCR), and NEPA requirements under Title 24, Code of Federal Regulations (CFR) Part 58.36. The Agency determined that with mitigation measures incorporated, the project will have no significant impact on the environment and preparation of an Environmental Impact Report (EIR) or Environmental Impact Statement (EIS) is not required. A draft Mitigated Negative Declaration (MND) and Mitigation Monitoring Plan (MMP) was prepared pursuant to CEQA Guidelines Sections 15070 to 15075, and a Finding of No Significant Impact was prepared pursuant to NEPA requirements at 24 CFR 58.43. The project was initially approved at the Board of Supervisor's hearing held on November 1, 2016. Following project approval, the project description changed and supplemental assistance is being added to the project. Therefore, a re-evaluation of the environmental review has been performed pursuant to CEQA Guidelines Section 15162 and NEPA requirements at 24 CFR 58.47. The Agency determined that the change in project description will not result in any additional impacts and therefore no additional mitigation measures were added to the MMP. An addendum to the environmental review record has been prepared and the IS/EA has been updated to reflect the project changes, and was circulated for an additional CEQA public review period of 20 days. No comments were received. The IS/EA and MND, including the MMP are included as Attachment 10.



**M/WBE/SECTION 3 CONSIDERATIONS**

Minority and Women's Business Enterprise requirements will be applied to all activities to the extent required by federal funding to maintain that federal funding. Section 3 requirements will be applied to the extent applicable.

Respectfully submitted,



LASHELLE DOZIER, Executive Director  
Sacramento Housing and Redevelopment Agency

APPROVED  
NAVDEEP S. GILL  
County Executive

By: \_\_\_\_\_  
ADMINISTRATOR  
Deputy County Executive

Attachments:

RES – Board of Supervisors Inter-Agency Project Agreement, Acquisition Loan Agreement and Loan Commitment  
RES – Housing Authority Taxable Bond Funds Authorization  
ATT 1 – Vicinity Map  
ATT 2 – Site Map  
ATT 3 – Project Rendering  
ATT 4 – Project Summary  
ATT 5 – Project Cashflow Proforma  
ATT 6 – Maximum Income and Rent Limits  
ATT 7 – Inter-Agency Project Agreement  
ATT 8 – Acquisition Loan Agreement  
ATT 9 – Conditional Loan Commitment  
ATT 10 – Mitigated Negative Declaration/Initial Study/Environmental Assessment/ Mitigation Monitoring Plan

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

**ON DATE OF**

**COURTYARD INN TRANSIT ORIENTED DEVELOPMENT: APPROVAL OF AND AUTHORIZATION TO EXECUTE INTER-AGENCY PROJECT AGREEMENT AND RELATED DOCUMENTS CONTAINING \$316,973 IN MERGED MATHER/MCCLELLAN TAXABLE TAX REVENUE BONDS BETWEEN THE COUNTY OF SACRAMENTO AND SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY (AGENCY); APPROVAL OF AND AUTHORIZATION TO EXECUTE A \$6,016,973 ACQUISITION LOAN AGREEMENT AND RELATED DOCUMENTS BETWEEN THE AGENCY AND MERCY HOUSING CALIFORNIA, L.P.; APPROVAL OF AND AUTHORIZATION TO EXECUTE A \$2,500,000 LOAN COMMITMENT AND RELATED DOCUMENTS BETWEEN THE AGENCY AND MERCY HOUSING CALIFORNIA, L.P.; AUTHORIZATION TO AMEND THE COUNTY OF SACRAMENTO BUDGET AND AGENCY BUDGET; AND ENVIRONMENTAL FINDINGS**

**RECITALS**

**WHEREAS**, in September 2014, Mercy Housing California (Mercy Housing) expressed interest in the conversion of the existing 148-unit motel into a transit oriented affordable housing development, and began working with the owners of Courtyard Inn motel to negotiate a Purchase and Sale Agreement. Thereafter, Mercy Housing requested a predevelopment loan from the Sacramento Housing and Redevelopment Agency (Agency) for the Courtyard Inn Transit Oriented Development (Project); and

**WHEREAS**, the Project qualifies for funding under the Agency Multifamily Lending and Mortgage Revenue Bond Policies; and

**WHEREAS**, on February 10, 2015, the Sacramento County Board of Supervisors approved Resolution No. 2015-0096 authorizing a One Hundred Fifty Thousand Dollar (\$150,000) loan from the County of Sacramento's Neighborhood Revitalization Fund (formerly the Problem Property Revolving Trust Fund) to the Housing Authority of the County of Sacramento for the purpose of providing financing of predevelopment costs for the conversion of the Courtyard Inn motel to affordable housing; and

**WHEREAS**, on April 7, 2015, the Board of Directors of the Housing Authority of the County of Sacramento approved Resolution No. HA-2377, authorizing a One Hundred Fifty Thousand Dollar (\$150,000) loan agreement and related documents with the County of Sacramento, and One Hundred Fifty Thousand Dollar (\$150,000) predevelopment loan

agreement with Mercy Housing, for the purpose of providing financing of predevelopment costs for the conversion of the Courtyard Inn motel to affordable housing (Predevelopment Loan Agreement); and

**WHEREAS**, on April 8, 2016, Mercy Housing applied to the Agency for a gap financing loan of Five Million Six Hundred Thousand Dollars (\$5,600,000) for the acquisition, construction and permanent financing of the Project; and

**WHEREAS**, on May 24, 2016, the Sacramento County Board of Supervisors approved Resolution No. 2016-0373 and the Sacramento County Successor Agency Board of Directors approved Resolution No. RSA-2016-0003 authorizing the execution of a Master Inter-Agency Project Agreement to transfer Three Hundred Sixteen Thousand Nine Hundred Seventy-Three Dollars (\$316,973) of 2008 Taxable Tax Revenue Bonds, Series B (20% Low/Mod Funds for the Mather/McClellan Merged Project Area) from the Successor Agency to the County of Sacramento to fund development of low to moderate income housing at Mather and/or McClellan Redevelopment Project Areas (Master Inter-Agency Project Agreement); and

**WHEREAS**, the use of 2008 Taxable Tax Revenue Bonds, Series B (20% Low/Mod Funds for the Mather/McClellan Merged Project Area) for the Project is consistent with the Master Inter-Agency Project Agreement and bond covenants; and

**WHEREAS**, on November 1, 2016, the Sacramento County Board of Supervisors approved Resolution No. 2016-0841 authorizing the Agency to execute a Five Million Six Hundred Thousand Dollars (\$5,600,000) Loan Commitment to Mercy Housing. These funds are comprised of One Million Five Hundred Thousand Dollars (\$1,500,000) in HOME Investment Partnerships Program (HOME) funds, which includes Community Housing Development Organization (CHDO) set-aside funds from HOME entitlement funds, Two Million Two Hundred Thousand Dollars (\$2,200,000) in Housing Trust Fund, and One Million Nine Hundred Thousand Dollars (\$1,900,000) in Affordable Housing Fund to the Project; and

**WHEREAS**, on June 15, 2017, Mercy Housing restructured the funding resources for acquisition, construction and permanent financing of the Project and requested additional gap financing from the Agency due to discontinued plans to finance with mortgage revenue bond, Affordable Housing and Sustainable Communities Program and Veterans Housing and Homelessness Prevention Program funding; and

**WHEREAS**, on July 11, 2017, the Sacramento County Board of Supervisors approved Resolution No. 2017-0496, authorizing a First Amendment to the One Hundred Fifty Thousand

Dollar (\$150,000) Loan Agreement between the County of Sacramento and the Housing Authority, which extended the term for the purpose of providing financing of predevelopment costs for the conversion of the Courtyard Inn motel to affordable housing; and

**WHEREAS**, on July 11, 2017, the Board of Directors of the Housing Authority approved Resolution No. HA-2406, extending the Predevelopment Loan Agreement; and

**WHEREAS**, on August 22, 2017, the Board of Directors of the Housing Authority approved Resolution No. HA-2408, authorizing the Executive Director to award 343 of the recommended 368 project based vouchers, including 92 project based vouchers for the Project;

**WHEREAS**, on October 31, 2017, the Sacramento County Board of Supervisors approved the 2018 One-Year Action Plan for the Federal Programs, which includes the allocation of One Million Dollars (\$1,000,000) of Community Development Block Grant (CDBG) funds to the Project; and

**WHEREAS**, the Agency administers the Housing Opportunities for Persons with AIDS (HOPWA) funds on behalf of the City of Sacramento to serve eligible HIV or AIDS individuals within the Eligible Metropolitan Statistical Area (EMSA) which includes Sacramento, Yolo, Placer, and El Dorado counties; and the use of these funds proceeds for the Project is consistent with the HOPWA Program; and

**WHEREAS**, on December 5, 2017, the Sacramento City Council approved and authorized the Agency to amend its budget and transfer One Million Six Hundred Thousand Dollars (\$1,600,000) of HOPWA funds, which comprises a portion of the funds required, towards an acquisition loan to Mercy Housing California L.P., or related entity; and to enter into an Acquisition Loan Agreement and other agreements, execute other documents, and perform other actions necessary to fulfill the intent of the Acquisition Loan Agreement and to ensure proper repayment of the HOPWA funds, including without limitation, subordination, extensions and restructuring of such a loan consistent with the Agency adopted policies and with this resolution, all as approved by Agency Counsel; and

**WHEREAS**, allocating funds for the development of the Courtyard Inn Transit-Oriented Development Project (Project) is subject to review under the California Environmental Quality Act (CEQA) and the National Environmental Policy Act (NEPA); and

**WHEREAS**, pursuant to CEQA guidelines at 14 California Code of Regulations (CCR) §15051 and NEPA at 24 Code of Federal Regulations (CFR) §58.2(a)(7), SHRA is the Lead Agency and Certifying Officer for the Project; and

**WHEREAS**, The County is a Responsible Agency under CEQA for the Project, and, pursuant to 14 CCR §15096, a Responsible Agency must consider the environmental document prepared by the Lead Agency and make findings required by 14 CCR §15091; and

**WHEREAS**, in July 2016, in accordance with the California Environmental Quality Act (CEQA) and the National Environmental Policy Act (NEPA) and their implementing regulations, a combined Initial Study/Environmental Assessment (IS/EA) was prepared for the proposed project, and said IS/EA has disclosed no negative impacts of the proposed project upon the environment which cannot be mitigated to less than significant; and

**WHEREAS**, a Mitigated Negative Declaration (MND) was prepared and disseminated pursuant to 14 CCR §§15070-15073 for the proposed project, and

**WHEREAS**, a Finding of No Significant Impact (FONSI) was prepared and disseminated pursuant to 24 CFR §§58.40-58.45 for the proposed project, and

**WHEREAS**, following initial project approval, the project description changed and supplemental assistance is being added to the project, and, therefore, a re-evaluation of the environmental review has been performed pursuant to CEQA Guidelines Section 15162 and NEPA requirements at 24 CFR 58.47; and

**WHEREAS**, an addendum to the environmental review record has been prepared and the IS/EA has been updated to reflect the project changes, and was circulated for an additional CEQA public review period of 20 days, and no comments were received; and

**WHEREAS**, SHRA determined that the change in project description will not result in any additional impacts and therefore no additional mitigation measures were required; and

**WHEREAS**, the Sacramento Housing and Redevelopment Commission made findings pursuant to CEQA and adopted the MND and associated mitigation measures on November 15, 2017; and

**WHEREAS**, A Notice of Determination (NOD) has been filed by SHRA pursuant to 14 CCR §15075; and

**WHEREAS**, pursuant to 14 CCR §15096, The County, as a Responsible Agency, must consider the environmental document prepared by the Lead Agency and make findings required by 14 CCR §15091; and

**WHEREAS**, the County has considered the environmental document and reached its own independent decision to accept the environmental documentation prepared for the project; and

**WHEREAS**, the Sacramento County Board of Supervisors makes the following findings: (1) mitigation measures have been identified which avoid the significant environmental effects as identified in the MND and are now incorporated as part of the project, and (2) such mitigation measures as identified in the MND are within the responsibility and jurisdiction of SHRA and the County.

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

Section 1: After due consideration of the facts presented the above recitals, including environmental findings, are determined to be true and correct and are hereby approved and adopted.

Section 2: After preparation and review of the IS/EA for the Project, prepared in accordance with 14 CCR §15063, a draft MND has been prepared for the Project in accordance with 14 CCR §15070 and circulated for public review in accordance with 14 CCR §15073. The MND and all resulting public comments having been considered in accordance with 14 CCR §15074, the MND, including all mitigation measures, is adequate and complete and reflects the independent judgment of the County Board of Supervisors and is hereby adopted.

Section 3: The Inter-Agency Project Agreement attached to and incorporated in this resolution by this reference for the financing of the Courtyard Inn Transit Oriented Development, conversion of an existing 148-unit motel into a transit oriented 92 unit complex affordable to very low and low income tenants, is approved in the amount of Three Hundred Sixteen Thousand Nine Hundred Seventy-Three Dollars (\$316,973) of 2008 Taxable Tax Revenue Bonds, Series B (20% Low/Mod Funds for the Mather/McClellan Merged Project Area) and the County Executive, or his designee, and Sacramento Housing and Redevelopment Agency, a joint powers agency in which the Housing Authority is a constituent entity, are authorized to execute the Inter-Agency Project Agreement and related documents.

Section 4: The County Executive, or his designee, and Sacramento Housing and Redevelopment Agency are authorized to enter into and execute other documents, as approved to form by County Counsel and Agency Counsel, and perform other actions necessary to fulfill the intent of the Inter-Agency Project Agreement that accompanies this resolution, in accordance with its terms, and to ensure proper repayment of the 2008 Taxable Tax Revenue Bonds, Series B (20% Low/Mod Funds for the Mather/McClellan Merged Project Area) including without

limitation, extensions and restructuring of such a loan consistent with the County and Agency adopted policies and with this resolution.

Section 5: The Sacramento Housing and Redevelopment Agency is authorized to execute the Six Million Sixteen Thousand Nine Hundred Seventy-Three Dollars (\$6,016,973) Acquisition Loan Agreement and related documents, which is comprised of Two Million Two Hundred Thousand Dollars (\$2,200,000) in Housing Trust Fund (HTF), One Million Nine Hundred Thousand Dollars (\$1,900,000) in Affordable Housing Fund (AHF), One Million Six Hundred Thousand Dollars (\$1,600,000) in HOPWA funds, and Three Hundred Sixteen Thousand Nine Hundred Seventy-Three Dollars (\$316,973) and transmit to Mercy Housing California L.P., or related entity, and to enter into other agreements, execute other documents, and perform other actions necessary to fulfill the intent of the Acquisition Loan Agreement and to ensure proper repayment of the HTF, AHF, HOPWA and 2008 Taxable Tax Revenue Bonds, Series B (20% Low/Mod Funds for the Mather/McClellan Merged Project Area) funds, including without limitation, subordination, extensions and restructuring of such a loan consistent with the Agency adopted policies and with this resolution, all as approved by Agency Counsel.

Section 6: The Loan Commitment letter attached to and incorporated in this resolution by this reference for the construction financing of the Courtyard Inn Transit Oriented Development is approved in the amount of Two Million Five Hundred Thousand Dollars (\$2,500,000) comprised of One Million Five Hundred Thousand Dollars (\$1,500,000) in HOME Investment Partnerships Program (HOME) funds, and One Million Dollars (\$1,000,000) in Community Development Block Grant (CDBG) funds (Loan Commitment).

Section 7: The Agency is authorized to enter into and execute the Loan Commitment and related documents, as approved to form by Agency Counsel, and transmit to Mercy Housing California L.P., or related entity. The Agency is authorized to perform other actions necessary to fulfill the intent of the Loan Commitment that accompanies this resolution in accordance with its terms and to ensure proper repayment of the Agency funds including without limitation, extensions and restructuring of such a loan consistent with the Agency adopted policy and with this resolution. The Agency will return to the Board for approval of loan documents related to this Loan Commitment.

Section 8: The County of Sacramento is authorized to amend its budget and to transfer up to Three Hundred Sixteen Thousand Nine Hundred Seventy-Three Dollars (\$316,973) of 2008

Taxable Tax Revenue Bonds, Series B (20% Low/Mod Funds for the Mather/McClellan Merged Project Area) to Sacramento Housing and Redevelopment Agency.

Section 9: The Agency is authorized to amend its budget and to transfer an additional Three Hundred Sixteen Thousand Nine Hundred Seventy-Three Dollars (\$316,973) of 2008 Taxable Tax Revenue Bonds, Series B (20% Low/Mod Funds for the Mather/McClellan Merged Project Area) to the Courtyard Inn Transit Oriented Development project.

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, State of California this 12 day of December 2017, 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**

ON DATE OF

**COURTYARD INN TRANSIT ORIENTED DEVELOPMENT: APPROVAL OF \$316,973  
INTER-AGENCY PROJECT AGREEMENT AND RELATED DOCUMENTS  
CONTAINING MERGED MATHER/MCCLELLAN TAXABLE TAX REVENUE  
BONDS; EXECUTION OF INTER-AGENCY PROJECT AGREEMENT AND  
RELATED DOCUMENTS BETWEEN THE SACRAMENTO HOUSING AND  
REDEVELOPMENT AGENCY, A JOINT POWERS AGENCY IN WHICH THE  
HOUSING AUTHORITY OF THE COUNTY OF SACRAMENTO IS A CONSTITUENT  
ENTITY AND THE COUNTY OF SACRAMENTO; APPROVAL OF ALLOCATION  
MERGED MATHER/MCCLELLAN TAXABLE TAX REVENUE BONDS AND  
ENVIRONMENTAL FINDINGS**

**WHEREAS**, in 2011 the California Legislature enacted AB x1 26, which coupled with a subsequent decision of the State Supreme Court, resulted in the dissolution of redevelopment agencies as of February 1, 2012; and

**WHEREAS**, on January 24, 2012, the County of Sacramento (Resolution No. 2012-0051), designated the Housing Authority of the County of Sacramento (Housing Authority) as the local authority to retain the housing assets and functions previously performed by the Redevelopment Agency of the County of Sacramento (the "Housing Successor" California Health & Safety Code Sect. 34176(a)(3)); and

**WHEREAS**, on May 24, 2016, the Board of Supervisors (Resolution No. 2016-0373) and the Successor Agency Board of Directors (Resolution No. RSA-2016-0003) authorized execution of a Master Inter-Agency Project Agreement to transfer 2008 Taxable Tax Revenue Bonds, Series B Low/Mod Funds for the Mather/McClellan Merged Project Area from the Successor Agency to the County of Sacramento to fund development of low to moderate income housing at Mather and/or McClellan Redevelopment Project Areas; and

**WHEREAS**, the use of Merged Mather/McClellan 2008 Taxable Tax Revenue Bonds for the Project is consistent with the Master Inter-Agency Project Agreement and bond covenants; and

**WHEREAS**, allocating funds for the development of the Courtyard Inn Transit-Oriented Development Project (Project) is subject to review under the California Environmental Quality Act (CEQA) and the National Environmental Policy Act (NEPA); and

**WHEREAS**, pursuant to CEQA guidelines at 14 California Code of Regulations (CCR) §15051 and NEPA at 24 Code of Federal Regulations (CFR) §58.2(a)(7), Sacramento Housing and Redevelopment Agency (Agency) is the Lead Agency and Certifying Officer for the Project; and

**WHEREAS**, in July 2016, in accordance with CEQA and NEPA and their implementing regulations, a combined Initial Study/Environmental Assessment (IS/EA) was prepared for the Project, and said IS/EA has disclosed no negative impacts of the proposed project upon the environment which cannot be mitigated to less than significant; and

**WHEREAS**, a Mitigated Negative Declaration (MND) was prepared and disseminated pursuant to 14 CCR §§15070-15073 for the proposed project; and

**WHEREAS**, a Finding of No Significant Impact (FONSI) was prepared and disseminated pursuant to 24 CFR §§58.40-58.45 for the proposed project; and

**WHEREAS**, following initial project approval, the project description changed and supplemental assistance is being added to the project, and, therefore, a re-evaluation of the environmental review has been performed pursuant to CEQA Guidelines Section 15162 and NEPA requirements at 24 CFR 58.47; and

**WHEREAS**, an addendum to the environmental review record has been prepared and the IS/EA has been updated to reflect the project changes, and was circulated for an additional CEQA public review period of 20 days, and no comments were received; and

**WHEREAS**, Agency determined that the change in project description will not result in any additional impacts and therefore no additional mitigation measures were required; and

**WHEREAS**, the Housing Authority of the County of Sacramento makes the following findings: (1) mitigation measures have been identified which avoid the significant environmental effects as identified in the MND and are now incorporated as part of the project, and (2) such mitigation measures as identified in the MND are within the responsibility and jurisdiction of Agency and the County.

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

Section 1. After due consideration of the facts presented the above recitals, including environmental findings, are determined to be true and correct and are hereby approved and adopted.

Section 2. After preparation and review of the IS/EA for the Project, prepared in accordance with 14 CCR §15063, a draft MND has been prepared for the Project in accordance with 14 CCR §15070 and circulated for public review in accordance with 14 CCR §15073. The MND and all resulting public comments having been considered in accordance with 14 CCR §15074, the MND, including all mitigation measures, is adequate and complete and reflects the independent judgment of the Housing Authority of the County of Sacramento and is hereby adopted.

Section 3. The Executive Director, or her designee, is directed to file a Notice of Determination pursuant to 14 CCR §15075.

Section 4. The Housing Authority of the County of Sacramento approves the allocation of Three Hundred Sixteen Thousand Nine Hundred Seventy-Three Dollars (\$316,973) in Merged Mather/McClellan Taxable Tax Revenue Bonds (20% Low Mod funds) to the Sacramento Housing and Redevelopment Agency, a joint powers agency in which the Housing Authority is a constituent entity, to be used in an Acquisition Loan Agreement to Mercy Housing California L.P., or related entity, towards the acquisition of the Courtyard Inn Transit Oriented Development, for the conversion of an existing 148-unit motel into a transit oriented 92 unit complex affordable to very low, low and moderate income tenants (Project).

Section 5. The Housing Authority of the County of Sacramento approves the subordination of this Acquisition Loan Agreement and finds that an economically feasible alternative method of financing, refinancing, or assisting the units or parcels on substantially comparable terms and conditions without subordination, is not reasonably available.

Section 6. The Housing Authority of the County of Sacramento approves waiving the requirement to fund art in public places as these funds are needed to make housing affordable at the Project.

Section 7. The Housing Authority of the County of Sacramento determines that the proposed use and commitment of these funds are in a manner consistent with the purposes of the Low and Moderate Income Housing Asset Fund.

Approval Of Inter-Agency Project Agreement, Acquisition Loan Agreement and Loan  
Commitment For The Courtyard Inn Transit Oriented Development  
Page 4

On a motion by Member \_\_\_\_\_, seconded by Member  
\_\_\_\_\_, the foregoing Resolution was passed and adopted by the Housing  
Authority of the County of Sacramento, State of California, this 12th day of December, 2017, 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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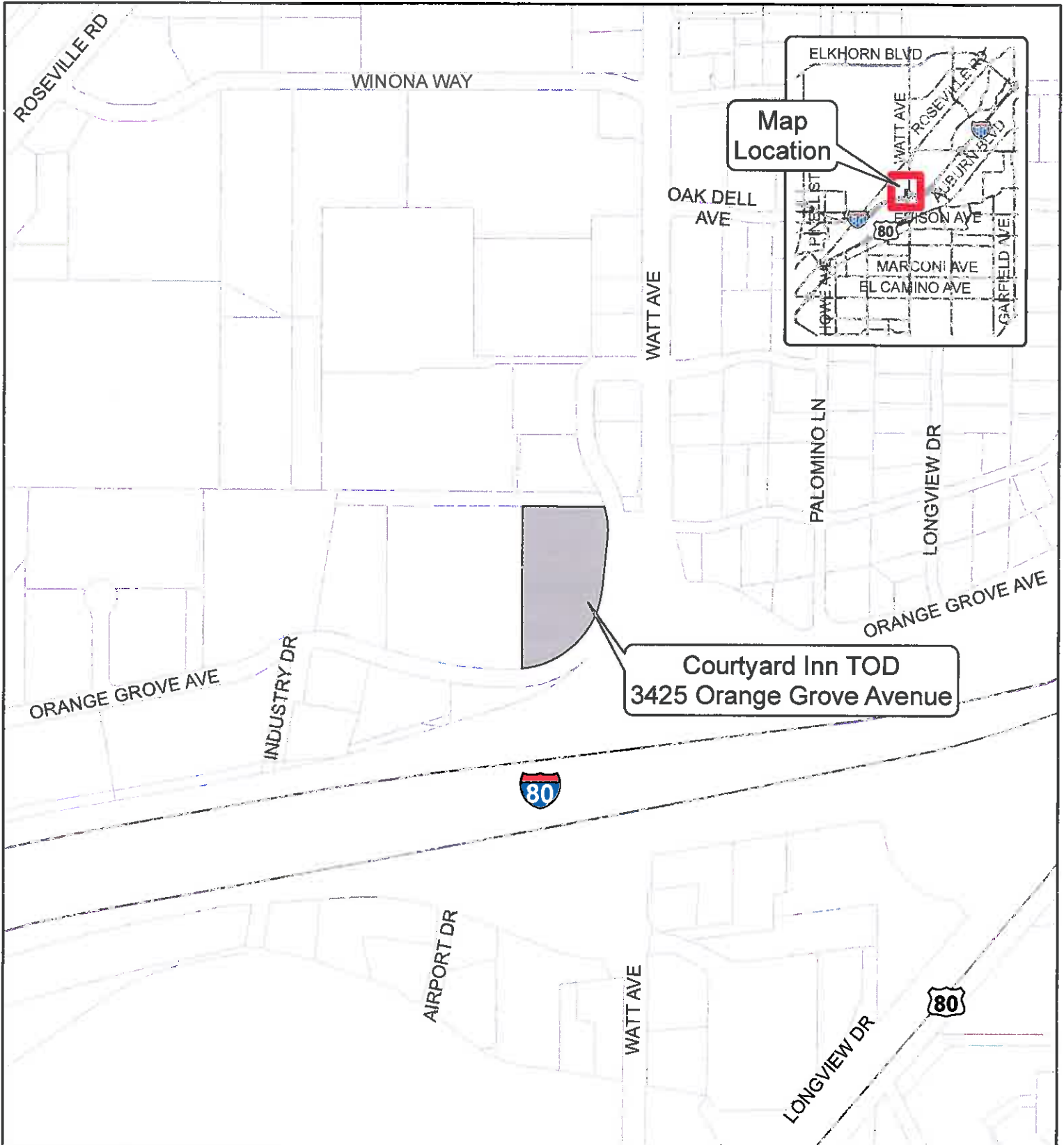
Chair of the Housing Authority  
of Sacramento County, California

(SEAL)

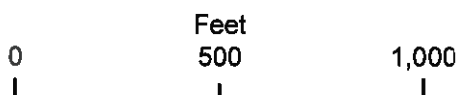
ATTEST: \_\_\_\_\_  
Clerk



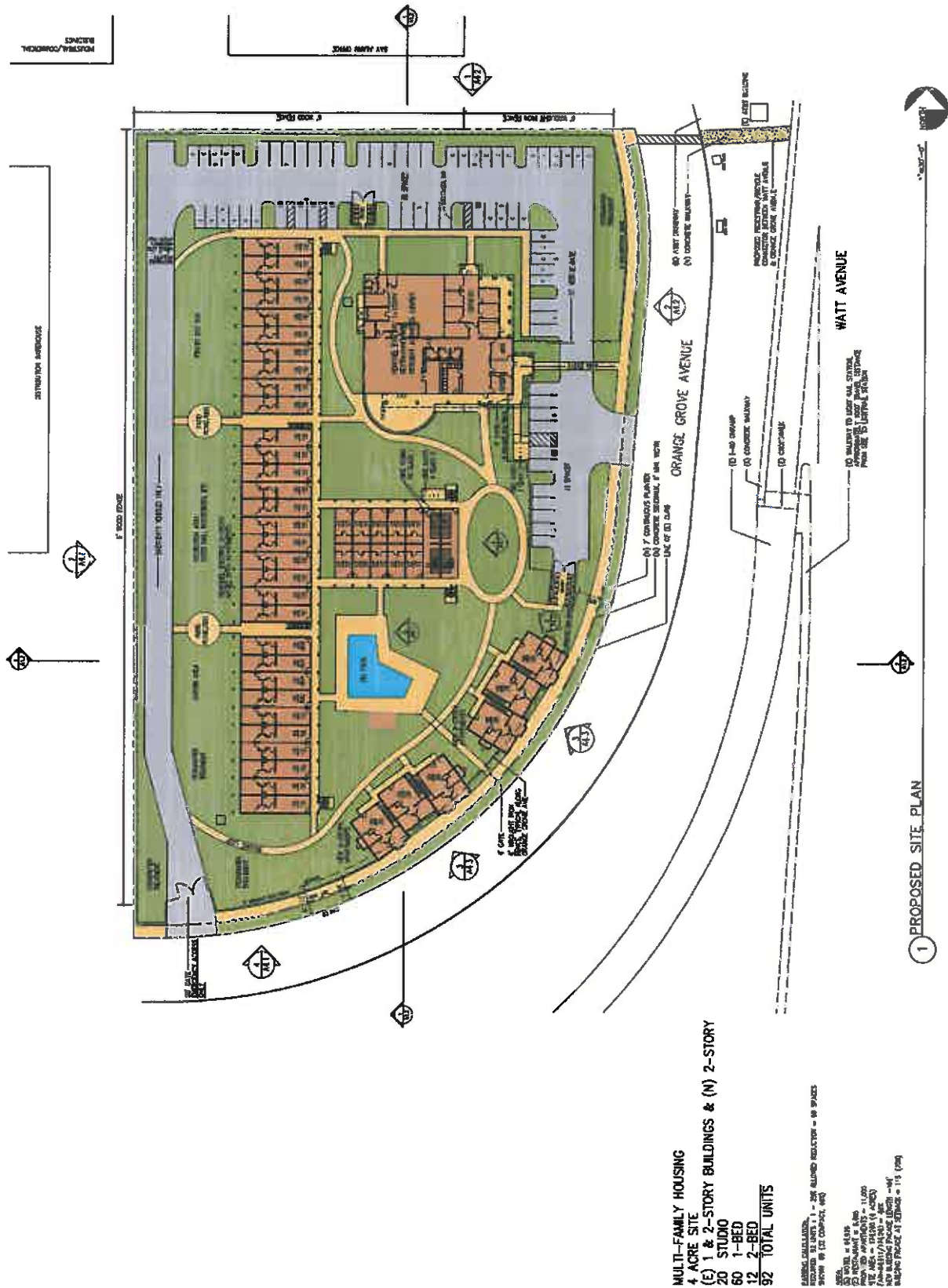
# Courtyard Inn Transit Oriented Development (TOD)



Courtyard Inn TOD



SHRA GIS  
October 24, 2017





Courtyard Inn Transit Oriented Development  
Project Rendering



**Courtyard Inn Transit Oriented Development  
Residential Project Summary**

<b><u>Address</u></b>	3425 Orange Grove Avenue, North Highlands			
<b><u>Number of Units</u></b>	92			
<b><u>Year Built</u></b>	Adaptive Re-Use of 1972 Buildings and New Construction			
<b><u>Acreage</u></b>	4.0 (174,240 sq. ft.)			
<b><u>Affordability</u></b>	10 units at or below 30% of Area Median Income (AMI), 26 units at or below 40% AMI, 20 units at or below 50% AMI and 36 units at or below 60% AMI.			
<b><u>Unit Mix and Rents</u></b>	ELI (30% AMI)	VLI (40% AMI)	VLI (50% AMI)	LI (60% AMI)
Studio / 1 Bath (20 units)	2	6	3	9
1 Bedroom / 1 Bath (60 units)	6	18	14	22
2 Bedroom / 1 Bath (12 units)	2	2	3	5
Total (92 units)	10	26	20	36
<b><u>Square Footage</u></b>	<b><u>Unit Size (sq.ft.)</u></b>		<b><u>Total</u></b>	
Studio / 1 Bath	310		6,200	sq. ft.
1 Bedroom / 1 Bath	621		37,260	sq. ft.
2 Bedroom / 1 Bath	925		11,100	sq. ft.
Community Area			8,485	sq. ft.
Total			63,045	sq. ft.
<b><u>Resident Facilities</u></b>	Community areas include a 24/7 desk clerk, management and resident services offices, health facility, community room with fully-equipped kitchen, laundry facility, computer work stations, game and exercise areas, swimming pool, community garden, tot-lot playground, recreation, picnic and barbeque areas and a fenced dog run, vehicle and bicycle parking, perimeter fencing, and security cameras.			
<b><u>Permanent Sources</u></b>	<b><u>Total</u></b>	<b><u>Per Unit</u></b>	<b><u>Per Square Foot</u></b>	
Tax Credit Equity	23,248,956	252,706	368.77	
Previously Approved Agency Loan	5,600,000	60,870	88.83	
New Agency Loan	2,916,973	31,706	46.27	
Predevelopment Loan	161,486	1,755	2.56	
Sewer Fee Credits	79,764	867	1.27	
<b>TOTAL SOURCES</b>	<b>\$ 32,007,179</b>	<b>\$ 347,904</b>	<b>\$ 507.69</b>	
<b><u>Permanent Uses</u></b>				
Acquisition	8,668,233	94,220	137.49	
Repayment of Predevelopment Loan	161,486	1,755	2.56	
Construction Costs	13,359,729	145,214	211.91	
Permits and Fees	1,099,634	11,953	17.44	
Architecture, Engineering, Survey	520,000	5,652	8.25	
Hard Cost Contingency	2,003,959	21,782	31.79	
Soft Cost Contingency	250,000	2,717	3.97	
Financing Cost	1,901,346	20,667	30.16	
Operating Reserves	391,676	4,257	6.21	
Capitalized Operating Reserves	500,000	5,435	7.93	
Capitalized Transition Reserves	501,216	5,448	7.95	
Legal Fees	70,000	761	1.11	
Developer Fee	2,000,000	21,739	31.72	
Third Party Fees, Marketing, Other	579,900	6,303	9.20	
<b>TOTAL USES</b>	<b>\$ 32,007,179</b>	<b>\$ 347,904</b>	<b>\$ 507.69</b>	
<b><u>Management / Operations</u></b>				
Proposed Developer:	Mercy Housing California			
Property Management Company:	Mercy Housing Management Group			
Operations Budget:	553,132	6,012		
Property Management:	60,720	660		
Resident Services:	95,000	1,033		
Replacement Reserves:	46,000	500		



**Courtyard Inn Transit Oriented Development  
Cash Flow Proforma**

Unit Type	Number	Square Feet	Total Sq Feet	HAP Rent	Rent per Sq Foot	Total Mo. Rent	Year 1 2020	Year 2 2021	Year 3 2022	Year 4 2023	Year 5 2024	Year 6 2025	Year 7 2026	Year 8 2027	Year 9 2028	Year 10 2029	Year 15 2034
Studio / 1 BA @ 30% AMI	2	310	620	\$ 763	\$ 2.46	\$ 1,528	\$ 18,312										
1 BD / 1 BA @ 30% AMI	6	621	3,726	\$ 870	\$ 1.40	\$ 5,220	\$ 62,640										
2 BD / 1 BA @ 30% AMI	2	925	1,850	\$ 1,098	\$ 1.19	\$ 2,196	\$ 26,352										
Studio / 1 BA @ 40% AMI	6	310	1,860	\$ 763	\$ 2.46	\$ 4,578	\$ 54,936										
1 BD / 1 BA @ 40% AMI	18	621	11,178	\$ 870	\$ 1.40	\$ 15,860	\$ 187,920										
2 BD / 1 BA @ 40% AMI	2	925	1,850	\$ 1,098	\$ 1.19	\$ 2,196	\$ 26,352										
Studio / 1 BA @ 50% AMI	3	310	930	\$ 763	\$ 2.46	\$ 2,289	\$ 27,468										
1 BD / 1 BA @ 50% AMI	14	621	8,694	\$ 870	\$ 1.40	\$ 12,180	\$ 145,160										
2 BD / 1 BA @ 50% AMI	3	925	2,775	\$ 1,098	\$ 1.19	\$ 3,294	\$ 39,528										
Studio / 1 BA @ 60% AMI	9	310	2,780	\$ 763	\$ 2.46	\$ 6,867	\$ 82,404										
1 BD / 1 BA @ 60% AMI	22	621	13,662	\$ 870	\$ 1.40	\$ 19,140	\$ 229,680										
2 BD / 1 BA @ 60% AMI	5	925	4,625	\$ 1,098	\$ 1.19	\$ 5,490	\$ 65,880										
<b>Totals</b>	<b>92</b>	<b>7,424</b>	<b>54,560</b>			<b>\$ 80,636</b>	<b>\$ 987,632</b>										
<b>Income</b>																	
Potential Gross Income		2.50%		967,632	981,823	1,016,818	1,042,034	1,068,085	1,094,787	1,122,156	1,150,210	1,178,986	1,208,440	1,237,239			
Other Income		2.50%		7,728	7,921	8,119	8,322	8,530	8,744	8,962	9,188	9,416	9,651	9,887			
Less Vacancy		10.00%		(97,536)	(99,974)	(102,474)	(105,036)	(107,681)	(110,353)	(113,112)	(115,840)	(118,638)	(121,509)	(124,456)			
Effective Gross Income				\$877,824	\$889,770	\$922,264	\$945,320	\$968,953	\$993,177	\$1,018,007	\$1,043,457	\$1,069,543	\$1,096,282	\$1,123,662			
<b>Operating Expenses</b>																	
Operating Expenses		3.50%	6,012	553,132	572,492	592,529	613,287	634,732	656,947	679,940	703,738	728,389	753,862	780,352			
Property Management		3.50%	860	60,720	62,845	65,045	67,321	69,678	72,116	74,640	77,253	79,957	82,755	85,647			
Resident Services		3.50%	1,033	95,000	98,325	101,766	105,328	108,915	112,530	116,179	120,867	125,597	130,375	135,203			
Replacement Reserves			500	46,000	46,000	46,000	46,000	46,000	46,000	46,000	46,000	46,000	46,000	46,000			
Taxes/Insurance		2.00%	310	28,500	29,070	29,651	30,244	30,849	31,466	32,096	32,738	33,392	34,060	34,743			
Total Expenses			8,205	\$754,852	\$779,662	\$805,340	\$831,917	\$859,424	\$887,894	\$917,360	\$947,858	\$979,423	\$1,012,083	\$1,044,915			
<b>Net Operating Income</b>				<b>\$122,972</b>	<b>\$120,108</b>	<b>\$116,924</b>	<b>\$113,404</b>	<b>\$109,529</b>	<b>\$105,283</b>	<b>\$100,647</b>	<b>\$95,599</b>	<b>\$90,121</b>	<b>\$84,189</b>	<b>\$77,745</b>			
<b>Debt Service</b>																	
SHRA Monitoring Fee		0.15%		12,775	12,775	12,775	12,775	12,775	12,775	12,775	12,775	12,775	12,775	12,775			
Debt Service Subtotal				\$12,775	\$12,775	\$12,775	\$12,775	\$12,775	\$12,775	\$12,775	\$12,775	\$12,775	\$12,775	\$12,775			
<b>Priority Distributions</b>																	
Asset Management Fee (GP)	\$5,000	3.00%		5,000	5,150	5,305	5,464	5,628	5,796	5,970	6,149	6,334	6,524	6,719			
Partnership Management Fee (LP)	\$20,000	3.00%		20,000	20,600	21,218	21,855	22,510	23,185	23,881	24,597	25,335	26,095	26,879			
Priority Distributions Subtotal				25,000	25,750	26,523	27,318	28,138	28,982	29,861	30,747	31,668	32,619	33,603			
Net Cash after Priority Distributions				\$85,197	\$81,582	\$77,628	\$73,310	\$68,616	\$63,526	\$58,020	\$52,077	\$45,676	\$38,795	\$31,136			
<b>SHRA HOME, CDBG, HOPWA, HTF, AHF &amp; TI Loan</b>																	
Principal Balance	\$8,516,973	0.00%		8,516,973	8,516,973	8,516,973	8,516,973	8,516,973	8,516,973	8,516,973	8,516,973	8,516,973	8,516,973	8,516,973			
Payment				0	0	0	0	0	0	0	0	0	0	0			
Balance				\$8,516,973	\$8,516,973	\$8,516,973	\$8,516,973	\$8,516,973	\$8,516,973	\$8,516,973	\$8,516,973	\$8,516,973	\$8,516,973	\$8,516,973			
Net Cash After Loan Repayment				\$85,197	\$81,582	\$77,628	\$73,310	\$68,616	\$63,526	\$58,020	\$52,077	\$45,676	\$38,795	\$31,136			
<b>Distribution of Reserves (Tax Credit Equity)</b>																	
Capitalized Operating Reserves	\$500,000	1.25%		500,000	508,250	512,578	518,985	525,473	532,041	538,692	545,425	552,243	559,146	566,135			
Interest Earned				6,250	6,328	6,407	6,487	6,568	6,651	6,734	6,818	6,903	6,989	7,075			
Operations & Priority Distributions Paid				0	0	0	0	0	0	0	0	0	0	0			
Net Capitalized Operating Subsidy Reserve				\$506,250	\$514,578	\$519,985	\$525,473	\$532,041	\$538,692	\$545,425	\$552,243	\$559,146	\$566,135	\$573,210			
Transition Project Based Vouchers Reserves	\$501,216	1.25%		501,216	507,481	513,825	520,248	526,751	533,335	540,002	546,752	553,586	560,506	567,512			
Interest Earned				6,265	6,344	6,423	6,503	6,584	6,667	6,750	6,834	6,918	7,003	7,088			
Net Capitalized Operating Subsidy Reserve				\$507,481	\$513,825	\$520,248	\$526,751	\$533,335	\$540,002	\$546,752	\$553,586	\$560,506	\$567,512	\$574,599			

**MAXIMUM RENT AND INCOME LEVELS 2017**

LIHTC/HOME/CDBG/HOPWA/HTF/AHF/TI

*Rents at 30%, 40%, 50% and 60% of Area Median income (AMI)***Maximum Income Limits:**

<i>Household Size</i>		<i>30% AMI</i>		<i>40% AMI</i>		<i>50% AMI</i>		<i>60% AMI</i>
1 person	\$	15,600	\$	20,800	\$	26,000	\$	31,200
2 person	\$	17,820	\$	23,760	\$	29,700	\$	35,640
3 person	\$	20,040	\$	26,720	\$	33,400	\$	40,080
4 person	\$	22,260	\$	29,680	\$	37,100	\$	44,520
5 person	\$	24,060	\$	32,080	\$	40,100	\$	48,120

**Maximum Rent Limits:**

<i>Unit Size</i>		<i>30% AMI</i>		<i>40% AMI</i>		<i>50% AMI</i>		<i>60% AMI</i>
Studio	\$	390	\$	520	\$	650	\$	780
1 Bedroom	\$	417	\$	557	\$	696	\$	835
2 Bedroom	\$	501	\$	668	\$	835	\$	1,002

**INTER-AGENCY PROJECT AGREEMENT**  
**Regarding The Allocation and Expenditure of Three Hundred Sixteen**  
**Thousand Nine Hundred Seventy Three Dollars (\$316,973) of Merged**  
**Mather/McClellan Taxable Tax Revenue Bonds for**  
**the Courtyard Inn Transit Oriented Development Project**

This Inter-Agency Project Agreement (**Agreement**) is dated for reference purposes as of **December 12, 2017** and is entered into by and between the County of Sacramento and the Sacramento Housing and Redevelopment Agency (**Agency**), a joint powers agency in which the Housing Authority of the County of Sacramento is a constituent entity, duly organized and existing under the laws of the State of California to assist in funding the acquisition of the Courtyard Inn Transit Oriented Development (**Courtyard Inn** or **Project**).

**RECITALS**

- A. WHEREAS**, on January 24, 2012, the Sacramento County Board of Supervisors elected to have Sacramento County (County) serve as the Sacramento County Successor Agency (Successor Agency) for the Redevelopment Agency's non-housing assets and liabilities pursuant to the provisions of ABX1 26 (Chapter 5, Statutes of 2011). The Redevelopment Agency was dissolved as of February 1, 2012 and all of its non-housing assets were transferred to the County in its capacity as the Successor Agency.
- B. WHEREAS**, under AB 1484 (Chapter 16, Statutes of 2012), the dissolution law was clarified to provide that the Successor Agency is a separate legal entity from the County. Also, AB 1484 provided that the Redevelopment Agency's bond fund assets can be allocated for expenditure for new projects in accordance with the bonds covenants after compliance with certain requirements. On July 16, 2013, the Successor Agency received its Finding of Completion from the State Department of Finance (DOF) and is able to spend the Redevelopment Agency's unencumbered bond funds for new capital improvement projects.
- C. WHEREAS**, on May 24, 2016 the Board of Supervisors (Resolution No. 2016-0373) and the Successor Agency Board of Directors (Resolution No. RSA-2016-0003) authorized execution of a Master Inter-Agency Project Agreement to transfer 2008 Taxable Tax Revenue Bonds, Series B (Low/Mod Funds for the Mather/McClellan Merged Project Area from the Successor Agency to the County of Sacramento to fund development of very low, low and moderate income housing at Mather and/or McClellan Redevelopment Project Areas.
- D. WHEREAS**, the use of Merged Mather/McClellan 2008 Taxable Tax Revenue Bonds for the Project is consistent with the Master Inter-Agency Project Agreement dated July 11, 2016 and the bond covenants.

## AGREEMENT

**NOW, THEREFORE,** the County of Sacramento and Agency agree that the aforementioned Recitals are true and correct and are incorporated herein; and further agree as follows:

1. The Effective Date of this Agreement is as follows:

<b>Effective Date:</b>	December 12, 2017
------------------------	-------------------

2. The County of Sacramento and Agency hereby agree that the County of Sacramento will transfer and pay to Agency funds from the source and in the amount as set out below for the Project within the redevelopment project areas as defined below, and Agency shall use the funds solely to undertake the Project, subject to the terms and conditions set out in this Agreement.

<b>Source of Funds- "Bond Funds":</b>	2008 Taxable Tax Revenue Bonds, Series B (Low/Mod Funds for the Mather/McClellan Merged Project Area)
<b>Amount of Funds:</b>	Three Hundred Sixteen Thousand Nine Hundred Seventy Three Dollars and No Cents (\$316,973.00)
<b>Interest:</b>	Not applicable.
<b>Project:</b>	The Bond Funds comprise a portion of the funds required to complete acquisition of the Courtyard Inn motel. Subject to governing board approval, the Agency will use the Bond Funds in an Acquisition Loan to Agency's approved Developer, Mercy Housing California L.P., or related entity, (Developer) towards the acquisition of the Courtyard Inn Transit Oriented Development, for the conversion of an existing 148-unit motel into a 92 transit oriented unit complex affordable to very low and low income tenants. Following successful award of Low Income Housing Tax Credits (LIHTC), the affordability restrictions will be 55-years.
<b>Project Location:</b>	The Project location is 3425 Orange Grove Avenue, North Highlands, California 95660 and is further described in the Legal Description (Exhibit A)
<b>Project Area:</b>	McClellan Redevelopment Project Area

3. **Disbursement.** Within twenty (20) days from the effective date, County of Sacramento shall deliver the Agency the Bond Funds to loan to the Developer for the Project.
4. **Amendments.** For the purposes of an amendment to the Agreement required under this Paragraph 4, the Agency Executive Director, or designee, has the authority to execute the amendment on behalf of the Agency and the County Executive, or designee, has the authority to execute the amendment on behalf of the County of Sacramento.

5. **Recordkeeping and Audit.** Agency shall retain accounting records with regard to its expenditure of the Bond Funds for the Project and shall cooperate with the County of Sacramento if an audit of the expenditures for this Project is required. The obligations and duties under this Recordkeeping and Audit section shall survive the expiration or termination of the Agreement for a minimum ten (10) year period following the date of the Certificate of Occupancy of the Project.
6. **Mutual Indemnity.** To the fullest extent permitted by law, each of the Parties shall indemnify, defend and hold harmless each of the other Parties, their respective governing boards, officers, directors, officials, employees, and authorized volunteers and agents from and against any and all claims, demands, actions, losses, liabilities, damages, and all expenses and costs incidental thereto (collectively "Claims"), including cost of defense, settlement, arbitration, and reasonable attorneys' fees, resulting from injuries to or death of persons, including but not limited to employees of either Party hereto, and damage to or destruction of property or loss of use thereof, including but not limited to the property of either Party hereto, arising out of, pertaining to, or resulting from the acts or omissions of their respective governing boards, officers, directors, officials, employees, volunteers, agents, or contractors.

It is the intention of the Parties that the provisions of this indemnity be interpreted to impose on each Party responsibility to the other for the acts and omissions of their governing boards, officers, directors, officials, employees, volunteers, agents or contractors. It is also the intention of the Parties that, where comparative fault is determined to have been contributory, principles of comparative fault will be followed and each Party shall bear the proportionate cost of any Claims attributable to the faults of that Party, its governing board, officers, directors, officials, employees, volunteers, agents, or contractors.

This indemnity shall not be limited by the types and amounts of insurance or self-insurance maintained by the Parties. Nothing in this Indemnity shall be construed to create any duty to, any standard of care with reference to, or any liability or obligation, contractual or otherwise, to any third party. The provisions of this Indemnity shall survive the expiration or termination of the Agreement.

7. **Expiration.** This Agreement will expire following the completion of the Project by Agency's approved Developer which is the conversion of an existing 148-unit motel into a transit oriented 92 unit complex affordable to very low and low income tenants, and comprised of studio, one-bedroom and two-bedroom apartments, that includes workforce housing units. Completion includes the Agency's approved Developer providing the County of Sacramento and Agency with a cost certification prepared by a qualified independent auditor, which outlines all costs associated with the Project. In the event the Developer does not proceed with the acquisition of Courtyard Inn motel, Agency shall return Bond Funds to the County of Sacramento.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the Effective Date as follows:

**SACRAMENTO HOUSING AND  
REDEVELOPMENT AGENCY**

**COUNTY OF SACRAMENTO**

By:

By:

\_\_\_\_\_  
LA SHELLE DOZIER  
Executive Director

\_\_\_\_\_  
NAVDEEP S. GILL  
County Executive

Approved as to Form:

Approved as to Form:

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

\_\_\_\_\_  
County Counsel

**EXHIBIT A**  
**Legal Description**

**For APN/Parcel ID(s): 240-0540-028-0000**

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

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

BEGINNING AT A POINT ON THE NORTHERLY LINE OF ORANGE GROVE AVENUE, AS DESCRIBED IN THE DEED TO SACRAMENTO COUNTY, RECORDED IN THE OFFICE OF SAID RECORDER IN BOOK 66-02-23, OFFICIAL RECORDS, PAGE 405, FROM WHICH POINT OF BEGINNING THE SOUTHWEST CORNER OF SAID LOT 267 BEARS THE FOLLOWING TWO COURSES: (1) SOUTH 00°10'06"EAST 30.00 FEET (FORMERLY A RECORD BEARING OF SOUTH 00° 25' 11" EAST); AND (2) NORTH 86°45'10" WEST 219.73 FEET (FORMERLY A RECORD BEARING OF NORTH 86° 01' 15" WEST); THENCE FROM SAID POINT OF BEGINNING ALONG THE NORTHERLY LINE OF SAID ORANGE GROVE AVENUE, CURVING TO THE RIGHT ON AN ARC OF 1402.69 FEET RADIUS (FORMERLY A RECORD RADIUS OF 1402.40 FEET) SAID ARC BEING SUBTENDED BY A CHORD BEARING NORTH 89°35'28" WEST 28.22 FEET (FORMERLY A RECORD BEARING OF NORTH 89°50'30" WEST) THENCE NORTH 00°41'51" EAST 560.38 FEET (FORMERLY A RECORD BEARING AND DISTANCE OF NORTH 00° 26' 46" EAST 565.07 FEET) TO A POINT ON THE SOUTH LINE OF THAT CERTAIN STRIP OF LAND CONVEYED TO PACIFIC GAS AND ELECTRIC COMPANY, DESCRIBED IN DEED RECORDED IN THE OFFICE OF SAID RECORDER IN BOOK 1134 OF OFFICIAL RECORDS, PAGE 398; THENCE ALONG THE SOUTH LINE OF SAID PACIFIC GAS AND ELECTRIC COMPANY PROPERTY SOUTH 89°07'52" EAST 348.03 FEET (FORMERLY A RECORD BEARING AND DISTANCE OF SOUTH 89° 33' 14" EAST 346.56 FEET) TO A POINT ON THE WESTERLY LINE OF THAT CERTAIN PARCEL OF LAND DESCRIBED IN THE NOTICE OF LIS PENDENS RECORDED IN THE OFFICE OF SAID RECORDER IN BOOK 68-03-12 OF OFFICIAL RECORDS, PAGE 336; THENCE ALONG THE WESTERLY AND NORTHWESTERLY LINE OF THE LAST MENTIONED PARCEL OF LAND THE FOLLOWING THREE COURSES: (1) CURVING TO THE RIGHT ON AN ARC OF 320.00 FEET RADIUS, SAID ARC BEING SUBTENDED BY A CHORD BEARING SOUTH 04° 34' 46" EAST 111.19 FEET; (2) SOUTH 05° 25' 30" WEST 162.37 FEET AND (3) CURVING TO THE RIGHT OF AN ARC OF 320.00 FEET RADIUS, SAID ARC BEING SUBTENDED BY A CHORD BEARING SOUTH 47° 30' 10" WEST 428.90 FEET TO THE POINT OF BEGINNING.

## PERMANENT ACQUISITION LOAN AGREEMENT COURTYARD INN TRANSIT ORIENTED DEVELOPMENT

### ARTICLE I TERMS AND DEFINITIONS:

"EFFECTIVE DATE"		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"	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 joint powers agency	
Principal Address	801 12th Street, City of Sacramento, Sacramento County, California 95814	
"BORROWER"	The borrower of the Loan funds whose name, legal status and address are:	
Name	Mercy Housing California, a California nonprofit public benefit corporation	
Legal Status	nonprofit public benefit corporation	
Principal Address	2512 River Plaza Drive, Suite 200, Sacramento, California 95833	
"LOAN"	The Loan made by this Loan Agreement.	
"LOAN COMMITMENT"	Lender's loan commitment, made by letter dated as of	November 1, 2016
"LOAN PROGRAM"	Lender's Loan Program, commonly known as	County Housing Trust Fund, Affordable Housing Fund, Housing Opportunities for Persons With AIDS (HOPWA) Program, and Taxable Tax Revenue Bonds, (Low/Mod Funds for the Mather/McClellan Merged Project Area)
"LOAN AMOUNT"	Six Million Sixteen Thousand Nine Hundred Seventy Three Dollars and No Cents (6,016,973.00)	
"INTEREST RATE"	The interest rate is 0%.	
"MATURITY DATE"	The first day of the 696th calendar month following the Effective Date.	
"PAYMENT START DATE"	The first day of the 696th calendar month following the Effective Date.	
"PAYMENT SCHEDULE"	The payment shall be made in lump sum on the Maturity Date.	
"BORROWER EQUITY"	Two Million Five Hundred Seventy-Six Thousand Two Hundred Sixty Dollars and No Cents (\$2,576,260.00) from proceeds of an acquisition loan from Century Housing Corporation	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 Acquisition.



<b>"SPECIAL TERMS"</b>	Repayment of the loan proceeds from the County Housing Trust Fund, County Affordable Housing Fund, HOPWA Program, and Taxable Tax Revenue Bonds (Low/Mod Funds for the Mather/McClellan Merged Project Area) together totaling Six Million Sixteen Thousand Nine Hundred Seventy Three Dollars and No Cents (\$6,016,973.00) shall be deferred for 695 months.
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<b>B. "Collateral"</b> The Collateral securing repayment of the Loan, which Collateral consists of the following:		
<b>"PROPERTY"</b>	The following described real property, which is security for the Loan:	
Address	3425-3427 Orange Grove Avenue, North Highlands, California	
Assessor's Parcel Number	240-0540-028-0000	
"Legal Description"	The Property is situated in the State of California, County of Sacramento, and is more particularly described in <b>Exhibit: Legal Description</b> attached and incorporated by reference.	
Borrower's Title Interest	Borrower has fee interest in the Property or, if the Additional Escrow Instructions so indicate, Borrower will acquire fee interest in the Property at Close of Escrow.	
<b>"ADDITIONAL COLLATERAL"</b>	The Additional Collateral securing repayment of the Loan is any additional security required by Lender under this Loan Agreement, including without limitation the following items, if any	
<b>"PERSONAL PROPERTY"</b>	Borrower's interest in the following personal property, tangible and intangible, and all other such property listed as security in this Loan Agreement	Leases and rental agreements for the Property
<b>"ADDITIONAL REAL PROPERTY"</b>	Address	Not Applicable
	Assessor's Parcel Number	Not Applicable
	"Legal Description"	Not Applicable
	Borrower's Title Interest	Not Applicable

<b>C. "ESCROW INFORMATION"</b>		
<b>"Title Company" and "Escrow Agent"</b>	Fidelity National Title Company	Which is the title company that will issue the Title Policy and that will act as Escrow Agent for the Escrow
<b>"Escrow"</b>	The escrow with Escrow Agent	
<b>"Closing Date"</b>		Which is the date for close of the Escrow, as it may be extended

<b>D. "LIST OF EXHIBITS"</b> (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: Regulatory Agreement</u>	"Regulatory Agreement"
<u>Exhibit 5: Escrow Instructions</u>	"Escrow Instructions"

<b>D. "APPROVAL DOCUMENTS"</b> 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 the operation of the Property, including capital improvements and operating reserve account	
Permanent financing documents for senior loans, as and when available	

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

<b>H. "SPECIAL PROVISIONS"</b> The following special provisions shall be in addition to the provisions of this Loan Agreement
1. Loan funds shall be used solely for acquisition of Property and such specific Property costs as Agency may approve in writing in advance. The Borrower shall apply for Low Income Housing Tax Credits, secure construction financing, tax credit equity and other sources for the purpose of financing the rehabilitation and development of the Courtyard Inn Transit Oriented Development, as contemplated in the Commitment Letter from Lender to Borrower dated December 12, 2017.
2. Agency will subordinate this Loan to the senior loan, provided that the senior loan does not require modification of this Loan Agreement or Agency's entering into any agreements containing new or modified Loan terms.
3. When requested by Lender, Borrower shall provide certified financial statements and such other evidence as the Lender may deem necessary to verify the Property net income, including without limitation copies of certified rent roles, bank statements, billing statements and invoices.
<p>4. Property Management: 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 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 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 Borrower agrees to cooperate with the Lender in such reviews.</p> <p>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, 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.</p> <p>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 and/or applicable law or 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.</p>

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

**BORROWER:**  
**MERCY HOUSING CALIFORNIA, A CALIFORNIA**  
**NONPROFIT PUBLIC BENEFIT CORPORATION**

**AGENCY:**  
**SACRAMENTO HOUSING AND REDEVELOPMENT**  
**AGENCY, a joint powers agency**

By: \_\_\_\_\_  
Stephan Daues, Vice President

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

Approved as to form:

Approved as to form:

\_\_\_\_\_  
Borrower Counsel

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

## 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. "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.

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

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 Trust Deed, the Note, the Regulatory Agreement and any other instrument that is incorporated in this Loan Agreement or that otherwise secures the repayment of the Loan, following all applicable notice and cure periods.

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. "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.

1.9. "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.

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

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

1.12. "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.

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

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

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

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

1.17. "Permanent Loan" means the permanent financing obtained by Borrower, which is to be made concurrently with the funding of the Loan and which is secured by a senior lien against the Property.

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

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

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

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

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

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

**2.2. BINDING OBLIGATION.** This Loan Agreement, the Note, the Trust Deed, and each of the other Loan Documents 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 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 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 lien, subject to the lien of the Permanent Loan.

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

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

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

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

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

**3.2. USE OF LOAN FUNDS.** Loan funds shall be permanent financing used only for the acquisition of the Property and related expenses and for other purposes specified in this Agreement. Lender is making this Loan in reliance upon Borrower's representation that Borrower will redevelop an existing 148-unit motel into a 92 transit oriented unit complex affordable to very low, low and moderate income tenants, and comprised of studio, one-bedroom and two-bedroom apartments, that includes workforce housing units.

**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 each evidenced by the Note executed by Borrower in favor of Lender/Grantor and delivered to Lender/Grantor upon Close of Escrow. Repayment of the Note is secured by the Trust Deed covering the Property. 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.

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

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

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

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

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

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

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

**5. RELOCATION.** Lender is required by law to provide relocation services and make relocation payments to eligible tenants, if any, displaced as a result of the Lender's involvement in the Property. Acquisition of the Property with this Loan will not result in the displacement of any lease compliant tenants occupying units within the Property at the time of acquisition. Borrower shall comply fully with all relocation laws that are the obligation of Lender or are otherwise applicable to the Property at the time rehabilitation and construction of the Project on 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.** Relocation costs and services shall be considered and addressed in future Project funding agreements.

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

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

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

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

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

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

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 and that of any other project funding related liens or security interests previously approved by Lender.

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 affecting the Property 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 Commitments dated November 1, 2016 and December 12, 2017.

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. **MAKING DISBURSEMENT.** Lender shall deposit the Loan Proceeds, net of all costs which are payable directly by Lender to itself or a third-party pursuant to this Loan Agreement, in Escrow not later than twenty-four (24) hours prior to Close of Escrow, subject to fulfillment of the conditions precedent as stated in Section 7.



## **9. DEFAULTS**

**9.1. EVENTS OF DEFAULT.** At the option of Lender, each of the following events will constitute a default (each an "Event of Default"):

9.1.1. The occurrence of an Event of Default under the Trust Deed, this Loan Agreement, the Conditional Grant Agreement, or the Regulatory Agreement subject to all applicable notice and cure periods.

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

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

9.1.4. The filing of any lien against the Property, if the claim of lien continues for thirty (30) days without discharge, satisfaction, or the making of provision for payment (including bonding) to the satisfaction of Lender.

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

Notwithstanding anything to the contrary contained herein, Borrower shall have a period of thirty (30) days to cure any non-monetary default hereunder or such longer period as may be reasonably necessary provided Borrower has commenced a cure within such thirty (30) day period, is diligently prosecuting such cure, and completes such cure within 90 days.

## **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 the disbursement.

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 or the Trust Deed.

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

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 which amounts will be deemed secured by the Trust Deed.

**10.2. 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.

**10.3. 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.

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

**11.1. 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 VII or better, or such other equivalent rating, as may reasonably be approved by Agency's legal counsel. Each policy shall bear an endorsement precluding cancellation or termination of the policy or reduction in coverage unless the Agency has been given written notice of such intended action at least thirty (30) days prior to its effective date.

**11.2. 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 Agency shall have the right to purchase the insurance on Borrower's behalf, and Borrower shall promptly reimburse the full cost of such insurance to the Agency. If Borrower fails to reimburse the Agency for insurance, the amount of unpaid reimbursement shall bear interest, at the maximum rate permissible under the law, until paid.

## **12. MISCELLANEOUS.**

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

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

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

**12.4. 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.

**12.5. NO WAIVER.** No failure or delay on the part of Lender in exercising any right or remedy under the Loan Documents will operate as a waiver nor will Lender be estopped to exercise any right or remedy at any future time because of any such failure or delay. No express waiver will affect any matter other than the matter expressly waived and that

waiver will be operative only for the time and to the extent stated. Waivers of any covenant, term, or condition in this Loan Agreement will not be construed to waive any subsequent breach of the same covenant, term, or condition.

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

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

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 Agency may respectively designate by written notice to the other.

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

**12.9. ASSIGNMENT.** The terms of this Loan Agreement will be binding on and inure to the benefit of successors and assigns of the parties. However, Borrower shall not assign this Loan Agreement or any interest it may have in the monies due or, except as otherwise provided, convey or encumber the Property or any Personalty or Fixtures now or later on the Property without the prior written consent of Lender, except as otherwise provided under the terms of the documents evidencing the Loan. 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 Security Documents. 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.

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

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

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

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

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

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

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

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

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

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

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

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

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

**12.23. INDEMNITY.** Borrower agrees to defend, indemnify, and hold Lender, the Housing Authority of the County of Sacramento, the Housing Authority of the City of Sacramento, the County of Sacramento or the City of Sacramento (its "Constituent Entities") harmless from all losses, damages, liabilities, claims, actions, judgments, costs, and reasonable attorney fees ("the "Claims") that Lender and/or its Constituent Entities 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, specifically excluding any Claims resulting from the gross negligence and/or willful misconduct of the Constituent Entities. 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 and its Constituent Entities will survive the release and cancellation of the Note and the reconveyance or partial reconveyance of the Trust Deed.

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

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

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

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

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

## **Exhibit 1: Legal Description**

**For APN/Parcel ID(s): 240-0540-028-0000**

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

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

BEGINNING AT A POINT ON THE NORTHERLY LINE OF ORANGE GROVE AVENUE, AS DESCRIBED IN THE DEED TO SACRAMENTO COUNTY, RECORDED IN THE OFFICE OF SAID RECORDER IN BOOK 66-02-23, OFFICIAL RECORDS, PAGE 405, FROM WHICH POINT OF BEGINNING THE SOUTHWEST CORNER OF SAID LOT 267 BEARS THE FOLLOWING TWO COURSES: (1) SOUTH 00°10'06"EAST 30.00 FEET (FORMERLY A RECORD BEARING OF SOUTH 00° 25' 11" EAST); AND (2) NORTH 86°45'10" WEST 219.73 FEET (FORMERLY A RECORD BEARING OF NORTH 86° 01' 15" WEST); THENCE FROM SAID POINT OF BEGINNING ALONG THE NORTHERLY LINE OF SAID ORANGE GROVE AVENUE, CURVING TO THE RIGHT ON AN ARC OF 1402.69 FEET RADIUS (FORMERLY A RECORD RADIUS OF 1402.40 FEET) SAID ARC BEING SUBTENDED BY A CHORD BEARING NORTH 89°35'28" WEST 28.22 FEET (FORMERLY A RECORD BEARING OF NORTH 89°50'30" WEST) THENCE NORTH 00°41'51" EAST 560.38 FEET (FORMERLY A RECORD BEARING AND DISTANCE OF NORTH 00° 26' 46" EAST 565.07 FEET) TO A POINT ON THE SOUTH LINE OF THAT CERTAIN STRIP OF LAND CONVEYED TO PACIFIC GAS AND ELECTRIC COMPANY, DESCRIBED IN DEED RECORDED IN THE OFFICE OF SAID RECORDER IN BOOK 1134 OF OFFICIAL RECORDS, PAGE 398; THENCE ALONG THE SOUTH LINE OF SAID PACIFIC GAS AND ELECTRIC COMPANY PROPERTY SOUTH 89°07'52" EAST 348.03 FEET (FORMERLY A RECORD BEARING AND DISTANCE OF SOUTH 89° 33' 14" EAST 346.56 FEET) TO A POINT ON THE WESTERLY LINE OF THAT CERTAIN PARCEL OF LAND DESCRIBED IN THE NOTICE OF LIS PENDENS RECORDED IN THE OFFICE OF SAID RECORDER IN BOOK 68-03-12 OF OFFICIAL RECORDS, PAGE 336; THENCE ALONG THE WESTERLY AND NORTHWESTERLY LINE OF THE LAST MENTIONED PARCEL OF LAND THE FOLLOWING THREE COURSES: (1) CURVING TO THE RIGHT ON AN ARC OF 320.00 FEET RADIUS, SAID ARC BEING SUBTENDED BY A CHORD BEARING SOUTH 04° 34' 46" EAST 111.19 FEET; (2) SOUTH 05° 25' 30" WEST 162.37 FEET AND (3) CURVING TO THE RIGHT OF AN ARC OF 320.00 FEET RADIUS, SAID ARC BEING SUBTENDED BY A CHORD BEARING SOUTH 47° 30' 10" WEST 428.90 FEET TO THE POINT OF BEGINNING.

## **Exhibit 2: Note Form**

### **PROMISSORY NOTE FOR COURTYARD INN TRANSIT ORIENTED DEVELOPMENT PERMANENT ACQUISITION 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"		
"Lender"	Sacramento Housing and Redevelopment Agency	
"Borrower"	Mercy Housing California, a California nonprofit public benefit corporation	
"Borrower Legal Status"	nonprofit public benefit corporation	
"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"	Six Million Sixteen Thousand Nine Hundred Seventy Three Dollars and No Cents (\$6,016,973.00)	
"Interest Rate"	The interest rate is 0%.	
"Accrual Date"	Interest shall accrue starting on the following "Accrual Date":	The Effective Date
"Special Terms"	Repayment of the loan proceeds from the County Housing Trust Fund, County Affordable Housing Fund, <i>Housing Opportunities for Persons With AIDS</i> (HOPWA) Program, and Taxable Tax Revenue Bonds (Low/Mod Funds for the Mather/McClellan Merged Project Area) together totaling Six Million Sixteen Thousand Nine Hundred Seventy Three Dollars and No Cents (\$6,016,973.00) shall be deferred for 695 months.	
PAYMENT SCHEDULE. Repayment of this Note shall be made the following amounts:		
"Maturity Date"	The first day of the 696th calendar month following the Effective Date.	
"Payment Start Date"	The first day of the 696th calendar month following the Effective Date.	
"Payment Schedule"	The payment shall be made in lump sum on the Maturity Date.	
"Loan Payment Amount"	Six Million Sixteen Thousand Nine Hundred Seventy Three Dollars and No Cents (\$6,016,973.00)	

**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 Loan Date ("Loan Agreement"). The terms and covenants of the Loan Agreement are incorporated in this Note by reference. The Loan Agreement provides for and incorporates the Regulatory Agreement ("Regulatory Agreement"), the making of which is further consideration for this Note.

All payments on this Note shall be applied first to fees and charges due under the Loan Agreement, if any, then interest and then to the principal due on this Note. Borrower shall make the payments to the Lender at 801 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.

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

3. This Note is secured by a Deed of Trust with Assignment of Rents against the real property described in the Loan Agreement ("Property"), recorded in the office of the County Recorder of Sacramento County ("Trust Deed"). The Trust Deed securing this Note provides that Lender may at its option, declare all funds secured by the Trust Deed immediately due and payable, if any interest in the real property is sold, transferred or conveyed to any person, whether voluntarily or involuntarily, except as otherwise permitted hereunder. 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 within fifteen (15) days as of 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, specifically excluding a transfer to an entity controlled by or under common control with Mercy Housing California.
- 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.

Notwithstanding anything to the contrary contained herein, Borrower shall have a period of thirty (30) days to cure any non-monetary default hereunder or such longer period as may be reasonably necessary provided Borrower has commenced a cure within such thirty (30) day period, is diligently prosecuting such cure, and completes such cure within 90 days.

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

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



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

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

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

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

**BORROWER:**

**MERCY HOUSING CALIFORNIA, A CALIFORNIA  
NONPROFIT PUBLIC BENEFIT CORPORATION**

By:

\_\_\_\_\_  
Stephan Daues, Vice President  
Authorized Representative

### **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: Development Finance

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**DEED OF TRUST AND ASSIGNMENT OF RENTS  
COURTYARD INN TRANSIT ORIENTED DEVELOPMENT  
PERMANENT ACQUISITION LOAN  
APN: 240-054-028-0000**

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"	Mercy Housing California, a California nonprofit public benefit corporation
"Borrower Address"	2512 River Plaza Drive, Suite 200, Sacramento, California 95833
"Trustee"	Fidelity National Title Company
"Beneficiary" and "Lender"	Sacramento Housing and Redevelopment Agency, a joint powers agency
"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 3425-3427 Orange Grove Avenue, North Highlands, California
	Assessor's Parcel Number 240-054-028-0000
"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 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:

	Century Housing Corporation 1000 Corporate Pointe Culver City, CA 90230 Attention: Legal Department	
"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.	
	Which has a principal sum of	Six Million Sixteen Thousand Nine Hundred Seventy Three Dollars and No Cents (\$6,016,973.00)

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

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

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

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

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

Borrower and Lender covenant and agree as follows:

1. Payment of Principal and Interest. Borrower shall promptly pay when due the principal and interest, if any, on the indebtedness evidenced by the Note. All payments received by Lender under the Note shall be applied by Lender first to interest payable on the Note and thereafter to the unpaid principal of the Note.
2. Charges; Liens. Borrower shall pay all taxes, assessments and other charges, fines and impositions attributable to the Property and leasehold payments or ground rents, if any by Borrower making payment, when due, directly to the appropriate payee. Borrower shall promptly furnish to Lender all notices of amounts due under this paragraph, and in the event that Borrower makes payment directly, Borrower shall promptly furnish to Lender receipts evidencing such payments. Borrower shall pay when due any encumbrance, charge and lien, with interest in accordance with its terms, on the Property or any portion which is inferior or superior to this Deed of Trust, or shall bond over any such lien to Lender's reasonable satisfaction.
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. Once rehabilitation and development is complete, no later than three (3) years from the effective date or by December 1, 2020, 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, which consent shall not be unreasonably withheld, Lender may, at Lender's option, declare all the sums secured by this Deed of Trust to be immediately due and payable, provided, however, Lender shall preapprove transfers of any entity controlled by or under common control with Mercy Housing California. Lender shall have waived such option to accelerate if, prior to the refinancing, sale or transfer, Lender and the person to whom the Property is to be sold or transferred reach agreement in writing that the loan may be assumed. If Lender has waived the option to accelerate provided in this Section and if Borrower's successor in interest has executed a written assumption agreement accepted in writing by Lender, Lender shall release Borrower from all obligations under this Deed of Trust and the Note.

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

16. Acceleration on Breach; Remedies. Except as provided in Section 15, upon Borrower's breach of any covenant or agreement of Borrower in this Deed of Trust, the Note, (including the covenants to pay when due any sums secured by this Deed of Trust and restricting transfer of the Property) or Loan Agreement, Lender shall mail notice to Borrower specifying: (1) the breach; (2) the action required to cure such breach; (3) a date, no less than 30 days from the date the notice is mailed to Borrower, by which breach must be cured; and (4) that failure to cure such breach on or before the date specified in the notice may result in acceleration of the sums secured by this Deed of Trust and sale of the Property. If the breach is not cured on or before the date specified in the notice, which date shall be at least thirty (30) days following such breach, 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):

**MERCY HOUSING CALIFORNIA, A CALIFORNIA  
NONPROFIT PUBLIC BENEFIT CORPORATION**

By: \_\_\_\_\_  
Stephan Daues, Vice President

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[NOTARIZED ACKNOWLEDGEMENTS]

## **Exhibit 4: Regulatory Agreement**

### **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: Development Finance

### **REGULATORY AGREEMENT FOR RESIDENTIAL RENTAL PROPERTY CONTAINING COVENANTS AFFECTING REAL PROPERTY**

<b>PROJECT NAME:</b>	Courtyard Inn Transit Oriented Development
<b>PROJECT ADDRESS:</b>	3425-3427 Orange Grove Avenue, North Highlands, California
<b>APN:</b>	240-0540-028-0000

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

1. **GENERAL.** This Regulatory Agreement, includes the Exhibits listed below which are attached to and incorporated in this Regulatory Agreement by this reference.

2. **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.)

TERM	DEFINITION		
“Effective Date”	This Regulatory Agreement shall be effective as of the following date:		
“Agency”	Sacramento Housing and Redevelopment Agency		
	The Agency is a joint powers agency.		
“Owner”	Mercy Housing California, a California nonprofit public benefit corporation		
“Agency Address”	Agency’s business address is 801 12th Street, Sacramento, California 95814		
“Owner Address”	Owner’s business address is as follows:	2512 River Plaza Drive, Sacramento, CA 95833	
“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>Exhibit 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:	Permanent Acquisition 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:	Six Million Sixteen Thousand Nine Hundred Seventy Three Dollars and No Cents (\$6,016,973.00)
"Proportionate Agency Assistance"	The percentage of the Project cost, including without limitation, land, predevelopment and development costs, that is attributable to the Agency Funding. For rehabilitation projects, the percentage that the Agency Funding bears to the total of the fair market value of the Property before rehabilitation and the total costs of rehabilitation.	19%
"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:	92

**3. 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. Additionally, higher rents may be charged for units subject to U.S. Department of Housing and Urban Development Housing Assistance Payment Vouchers, provided that the actual rents paid by the tenants do not exceed the affordability levels for the respective units.

Agency Funding Source:	Affordability Level:	Number of Units:	Restricted Units:	Initial Rent per Unit per Month:
County Housing Trust Fund (HTF)	Very Low Income 50%AMI	3	Studio	\$666.25
County HTF	Very Low Income 50%AMI	10	One Bedroom	\$761.25
County HTF	Very Low Income 50%AMI	1	Two Bedroom	\$856.25
County Affordable Housing Fund (AHF)	Very Low Income 50%AMI	1	Studio	\$666.25
County AHF	Very Low Income 50%AMI	3	One Bedroom	\$761.25
County AHF	Very Low Income 50%AMI	1	Two Bedroom	\$856.25
County AHF	Low Income 60%AMI	7	One Bedroom	\$913.50
County Low/Mod TI Fund (Merged Mather/McClellan 2008 Tax Exempt Bond)	Very Low Income 50%AMI	2	One Bedroom	\$761.25

<i>Housing Opportunities for Persons With AIDS (HOPWA)</i>	Very Low Income 50%AMI	3	Studio	\$650.00
<i>HOPWA</i>	Very Low Income 50%AMI	5	One Bedroom	\$696.00
<i>HOPWA</i>	Low Income 60% AMI	3	Studio	\$780.00
<b>Total Restricted Units</b>		<b>39</b>		

4. **MANAGEMENT AGREEMENT.** Owner shall obtain and maintain a property management agreement with a duly accredited real estate property management company for the management of the Property. Such management company shall have at least three years' experience in the operation and management of similar regulated affordable rental housing properties. A property management agreement shall be in place for the term of the Funding Agreement or the longest term of the Funding Requirements, whichever is longer. Agency has approved the initial property manager for the Project, as listed below in this section. Owner shall not the change management company without the prior written approval of the Agency.

a. If Agency determines in its reasonable judgment that the Property is not being operated and managed in accordance with one of the standards of this Agreement, Agency may deliver notice to Owner requesting replacement of the Manager, which notice shall clearly state the reason for the request. Owner agrees that, upon receipt of such notice, it shall within 60 days submit to Agency, a proposal to engage a new property manager meeting the requirements of this Section 4. Agency shall respond within 30 days to such proposal or such proposal shall be deemed given. Upon the receipt of such consent or deemed consent, Owner shall promptly terminate the existing Manager's engagement and engage the new property manager.

#### Approved Management Company

Mercy Housing Management Group

5. **SPECIAL PROVISIONS.** Owner shall also comply with the following special provisions.

Provision	Term
a. 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 loans. Owner shall pay annually a Fee equal to 15 basis points (0.15%) of the Agency Funding Amount of \$6,016,973.00 in equal semi-annual installments on January 1 and June 1 each year.	Fee payments begin on January 1, 2021 until the end of the Term.
b. Property Management: 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.	See Term.

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.

**6. 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.

**7. 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. Once rehabilitation and development is complete, no later than three (3) years from the effective date or by December 1, 2020, 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 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.

h. Owner shall provide approved resident services at the development according to the following minimum schedule: 15 hours per week, including four (4) hours of an on-site service coordinator, eleven (11) hours of education, enrichment and after school programs.

i. 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.

j. 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.

k. Owner shall make 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.

**8. 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.

**9. 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 for the HTF, AHF, and County Low/Mod TI assisted units and twenty (20) years for the HOPWA assisted units following the Certificate of Occupancy date.

a. **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.

**10. 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.

**11. 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.

**12. 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.

**13. 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.

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

**15. CHANGES WITHOUT CONSENT OF TENANTS, LESSEES, OR OTHERS.** Only Agency and its successors and assigns, and Owner (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.

**16. DEFAULT.** Upon a breach of any of the provisions of this Regulatory Agreement by Owner, the Agency may give written notice of such breach to Owner by registered or certified mail. 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.

a. **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.

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

**18. CONTRADICTORY AGREEMENTS.** Owner warrants that 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.

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

**20. SEVERABILITY.** The invalidity of any clause, part or provision of this Regulatory Agreement shall not affect the validity of the remaining portions.

**21. 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.

**22. 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.

**23. 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 :**  
**MERCY HOUSING CALIFORNIA, A CALIFORNIA**  
**NONPROFIT PUBLIC BENEFIT CORPORATION**

**AGENCY:**  
**THE SACRAMENTO HOUSING AND**  
**REDEVELOPMENT AGENCY**

By: \_\_\_\_\_  
Stephan Daues, Vice-President

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

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

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

Approved as to form: \_\_\_\_\_  
Developer Counsel

Approved as to form: \_\_\_\_\_  
Agency Counsel

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**[NOTARIZED ACKNOWLEDGEMENTS]**

**EXHIBIT 1**  
**Legal Description of the Property**

**For APN/Parcel ID(s): 240-0540-028-0000**

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

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

BEGINNING AT A POINT ON THE NORTHERLY LINE OF ORANGE GROVE AVENUE, AS DESCRIBED IN THE DEED TO SACRAMENTO COUNTY, RECORDED IN THE OFFICE OF SAID RECORDER IN BOOK 66-02-23, OFFICIAL RECORDS, PAGE 405, FROM WHICH POINT OF BEGINNING THE SOUTHWEST CORNER OF SAID LOT 267 BEARS THE FOLLOWING TWO COURSES: (1) SOUTH 00°10'06"EAST 30.00 FEET (FORMERLY A RECORD BEARING OF SOUTH 00° 25' 11" EAST); AND (2) NORTH 86°45'10" WEST 219.73 FEET (FORMERLY A RECORD BEARING OF NORTH 86° 01' 15" WEST); THENCE FROM SAID POINT OF BEGINNING ALONG THE NORTHERLY LINE OF SAID ORANGE GROVE AVENUE, CURVING TO THE RIGHT ON AN ARC OF 1402.69 FEET RADIUS (FORMERLY A RECORD RADIUS OF 1402.40 FEET) SAID ARC BEING SUBTENDED BY A CHORD BEARING NORTH 89°35'28" WEST 28.22 FEET (FORMERLY A RECORD BEARING OF NORTH 89°50'30" WEST) THENCE NORTH 00°41'51" EAST 560.38 FEET (FORMERLY A RECORD BEARING AND DISTANCE OF NORTH 00° 26' 46" EAST 565.07 FEET) TO A POINT ON THE SOUTH LINE OF THAT CERTAIN STRIP OF LAND CONVEYED TO PACIFIC GAS AND ELECTRIC COMPANY, DESCRIBED IN DEED RECORDED IN THE OFFICE OF SAID RECORDER IN BOOK 1134 OF OFFICIAL RECORDS, PAGE 398; THENCE ALONG THE SOUTH LINE OF SAID PACIFIC GAS AND ELECTRIC COMPANY PROPERTY SOUTH 89°07'52" EAST 348.03 FEET (FORMERLY A RECORD BEARING AND DISTANCE OF SOUTH 89° 33' 14" EAST 346.56 FEET) TO A POINT ON THE WESTERLY LINE OF THAT CERTAIN PARCEL OF LAND DESCRIBED IN THE NOTICE OF LIS PENDENS RECORDED IN THE OFFICE OF SAID RECORDER IN BOOK 68-03-12 OF OFFICIAL RECORDS, PAGE 336; THENCE ALONG THE WESTERLY AND NORTHWESTERLY LINE OF THE LAST MENTIONED PARCEL OF LAND THE FOLLOWING THREE COURSES: (1) CURVING TO THE RIGHT ON AN ARC OF 320.00 FEET RADIUS, SAID ARC BEING SUBTENDED BY A CHORD BEARING SOUTH 04° 34' 46" EAST 111.19 FEET; (2) SOUTH 05° 25' 30" WEST 162.37 FEET AND (3) CURVING TO THE RIGHT OF AN ARC OF 320.00 FEET RADIUS, SAID ARC BEING SUBTENDED BY A CHORD BEARING SOUTH 47° 30' 10" WEST 428.90 FEET TO THE POINT OF BEGINNING.



## **EXHIBIT 2**

### **Funding Requirements**

#### **HOUSING TRUST FUND – COUNTY OF SACRAMENTO FINANCING FOR RESIDENTIAL RENTAL PROPERTY**

These “HTF Funding Requirements” are attached to a Regulatory Agreement, and are incorporated in that Regulatory Agreement. In turn, the Regulatory Agreement is incorporated in the Loan that is described in the Regulatory Agreement. [The capitalized terms used in these HTF Funding Requirements shall have the meanings below in the body of these HTF Funding Requirements. Terms being defined are indicated by quotation marks. Capitalized terms in these HTF Funding Requirements that are not defined below are defined in the Regulatory Agreement.]

**1. RECITALS.** The Loan is funded by the Agency with proceeds of the Housing Trust Fund (“HTF”) of the County of Sacramento. The Agency has approved the Loan on condition that the property securing the Loan (“Property”) is rehabilitated or developed as residential rental property (“Project”) with certain units regulated in accordance with the HTF (“HTF-Assisted Units”) by recordation of these HTF Funding Restrictions as covenants running with the land. The Project has been determined to be within a seven mile distance from the non-residential projects generating the funds or has access to existing or planned public transit such that it is reasonable that tenants of the Project could commute from the Project to the non-residential projects generating the funds. The Project conforms to any County “Fair Share” plan currently adopted and in effect. HTF-Assisted 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 of the Regulatory Agreement. The development of the Project will benefit the Project Area because the Project will provide housing for persons who work within the Project Area. The Project is located within the County of Sacramento (“County”). Most Project Area workers live outside of the Project Area and come from throughout the County, including the vicinity of the Property.

**2. AFFORDABILITY REQUIREMENTS.** Owner shall assure that all of the Assisted Units assisted with HTF funds shall be rented at or below the following rates:

a. Low-Income Units shall be rented for not more than thirty percent (30%) of sixty percent (60%) 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 HTF-Assisted Unit.

b. Very Low-Income Units shall be rented for not more than 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 HTF-Assisted Unit.

c. Unless Owner has obtained prior written Agency authorization, Owner shall maintain the allocation of HTF-Assisted Units by the bedroom sizes stated in the Regulatory Agreement.

d. Owner shall be responsible to determine the affordable rents for the Assisted 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 rents.

**2. OCCUPANCY REQUIREMENTS.** Owner shall assure that all Assisted Units assisted with HTF funds shall be occupied by households earning less than fifty percent (50%) of Median Income.

**3. UNIT QUALITY.** Owner shall assure that Assisted Units assisted with HTF funds must be comparable in size and amenities to other units in the Project.

**4. TERM.** These covenants shall burden and regulate the Assisted Units assisted with HTF funds for a term of fifty-five (55) years following the Certificate of Occupancy date.

**5. WORKFORCE DEVELOPMENT.** All of Courtyard Inn’s residents will have an opportunity to participate in vocational training to prepare them for the local workforce. Supportive services will create, enhance, and prepare skill sets with the goal of future employment. After a period of stabilization, many residents will be

ready, willing and able to seek gainful employment and vocation. Through wrap around case management, including Individualized Development Plans (IDP), on site services staff will work with every resident to pursue self-determined goals. Vocational training opportunities often allow residents an opportunity to increase their earned income. Beyond the direct case management support and IDPs, residents will participate and benefit from onsite group services and trainings designed to increase employability and soft skills. Communication and the development of life skills are areas of focus that are needed to gain and maintain employment and increase earned income.

**AFFORDABLE HOUSING FUND – COUNTY OF SACRAMENTO  
FINANCING FOR RESIDENTIAL RENTAL PROPERTY**

1. **RECITALS.** This loan is funded by the Agency with the proceeds of the County of Sacramento Affordable Housing Funds (“AHF”). In order to assure that the proper number and types of Restricted Units have been rented in accordance with this Regulatory Agreement, Owner is prohibited from leasing any unit within the Property until either the parties have recorded against the Property a list of the Restricted Units or the Agency has approved the individual leases. The description of the Restricted Units and the initial rents shall be as follows (“Affordability Requirements”); provided, however, that upon the request of Owner, Owner and Agency may agree to a rent 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 Restricted Units may be adjusted not more often than annually and in accordance with the following Affordability Levels, as applicable to the Restricted Units. The rents shall include allowance for utilities and costs reasonably related to the rental of the Restricted Units, as may be required in determining the Affordability Level. The Restricted Units may only be rented to households whose income does not exceed the Affordability Level.

2. **AFFORDABILITY REQUIREMENTS.** The rental rate shall be determined as follows based on the Affordability Level of the Restricted Unit:

- a. Low-Income: The monthly payment shall not exceed one-twelfth (1/12) of thirty percent (30%) of sixty percent (60%) of the Median Income, as adjusted for family size and less a reasonable allowance for utilities.
- b. Very Low-Income: The monthly payment shall not exceed one-twelfth (1/12) of thirty percent (30%) of fifty percent (50%) of the Median Income, as adjusted for family size and less a reasonable allowance for utilities.
- c. “Median Income” shall be based on the U.S. Department of Housing and Urban Development’s rates for the Sacramento Metropolitan Statistical Area, which are updated annually and republished by the Agency. The rental rate shall be calculated by the Agency and based on occupancy standards of one person per bedroom, plus one additional person. For example, the rental price for a two bedroom unit would be set based on the income of a three person household.
- d. Unless Owner has obtained prior written Agency authorization, Owner shall maintain the allocation of AFH-Assisted Units by the bedroom sizes stated in the Regulatory Agreement.
- e. Owner shall be responsible to determine the affordable rents for the Assisted 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 rents.

2. **OCCUPANCY REQUIREMENTS.** Owner shall assure the following affordability:

- a. At minimum, twenty percent (20%) of affordable units assisted with AFH funds must be occupied by Very Low-Income households earning fifty percent (50%) or less of the Median Income.
- b. Eighty percent (80%) of affordable units assisted with AFH funds must be occupied by Low-income households earning sixty percent (60%) or less of the Median Income.

3. **UNIT QUALITY.** Owner shall assure that Assisted Units assisted with AFH funds must be comparable in size and amenities to other units in the Project.

4. **TERM.** These covenants shall burden and regulate the Assisted Units assisted with AHF funds for a term of fifty five (55) years following the Certificate of Occupancy date.

**HOPWA FUNDING REQUIREMENTS**  
**HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS**  
**FINANCING FOR RESIDENTIAL RENTAL PROPERTY**

These "HOPWA Funding Requirements" are attached to a Regulatory Agreement, and are incorporated in that Regulatory Agreement. In turn, the Regulatory Agreement is incorporated in the funding agreement ("Funding Agreement") that is described in the Regulatory Agreement. [The capitalized terms used in these HOPWA Funding Requirements shall have the meanings below in the body of these HOPWA Funding Requirements. Terms being defined are indicated by quotation marks. Capitalized terms in these HOPWA Funding Requirements that are not defined below are defined in the Regulatory Agreement.]

1. **RECITALS.** The Agency funding is from proceeds of the Housing Opportunities for Persons With AIDS ("HOPWA"). The Agency has approved the Agency funding on condition that the property described in the Funding Agreement ("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 HOPWA funds for the benefit low-income persons ("HOPWA-Restricted Units") by recordation of these HOPWA Funding Restrictions as covenants running with the land. HOPWA-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.

2. **AFFORDABILITY REQUIREMENTS.** Owner shall assure that the of HOPWA Restricted Units shall be rented or sold at or below the following rates:

a. Low-Income Units shall be rented for amounts that do not exceed payments of thirty percent (30%) of sixty percent (60%) the 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 HOPWA-Restricted Unit.

b. Very Low-Income Units shall be rented for amounts that do not exceed payments of thirty percent (30%) of fifty percent (50%) of the 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 HOPWA-Restricted Unit.

c. Unless Owner has obtained prior written Agency authorization, Owner shall maintain the allocation of HOPWA-Restricted Units by the bedroom sizes stated in the Regulatory Agreement.

3. **OCCUPANCY REQUIREMENTS.** Owner shall assure that all Restricted Units assisted with HOPWA funds shall be occupied by households earning less than sixty percent (60%) of Median Income.

4. **UNIT QUALITY.** Owner shall assure that Restricted Units assisted with HOPWA funds must be comparable in size and amenities to other units in the Project.

5. **COMPLIANCE WITH FUNDING AGREEMENT.** At least eighty percent (80%) of HOPWA funds shall be expended for development of the HOPWA-Restricted Unit. Owner shall comply with any and all applicable provisions of the Funding Agreement for so long as they continue in effect.

6. **TERM.** These covenants shall burden and regulate the Restricted Units assisted with HOPWA funds for a term of twenty (20) years following the Certificate of Occupancy date.

**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. 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.
  - b. 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.
  - c. 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.
3. **TERM.** These covenants shall burden and regulate the TI Restricted Units for a term of (55) years following the Certificate of Occupancy date.

Recording Requested by  
and When Recorded Return to:

Sacramento Housing & Redevelopment Agency  
Attn: Development Finance  
801 12th Street  
Sacramento, CA 95814

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**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 **Exhibit 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	Sacramento Housing and Redevelopment Agency
Owner	Mercy Housing California, a California nonprofit public benefit corporation
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
Courtyard Inn Transit Oriented Development 3425-3427 Orange Grove Avenue, North Highlands, California	240-0540- 028-0000	Two (2) One-Bedroom Units	Very Low Income 50% AMI	Fifty-five (55) years following the Certificate of Occupancy date.	Rental

4. 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. 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.

b. 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.

5. 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.

THE PARTIES HAVE EXECUTED THIS NOTICE OF AFFORDABILITY RESTRICTIONS in Sacramento, California as of the Effective Date

**OWNER :**  
**MERCY HOUSING CALIFORNIA, A CALIFORNIA**  
**NONPROFIT PUBLIC BENEFIT CORPORATION**

**AGENCY:**  
**THE SACRAMENTO HOUSING AND**  
**REDEVELOPMENT AGENCY**

By: \_\_\_\_\_  
Stephan Daues, Vice-President

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

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

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

Approved as to form: \_\_\_\_\_  
Developer Counsel

Approved as to form: \_\_\_\_\_  
Agency Counsel

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[NOTARIZED ACKNOWLEDGEMENTS]



**EXHIBIT 1**  
**Legal Description of the Property**

**For APN/Parcel ID(s): 240-0540-028-0000**

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

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

BEGINNING AT A POINT ON THE NORTHERLY LINE OF ORANGE GROVE AVENUE, AS DESCRIBED IN THE DEED TO SACRAMENTO COUNTY, RECORDED IN THE OFFICE OF SAID RECORDER IN BOOK 66-02-23, OFFICIAL RECORDS, PAGE 405, FROM WHICH POINT OF BEGINNING THE SOUTHWEST CORNER OF SAID LOT 267 BEARS THE FOLLOWING TWO COURSES: (1) SOUTH 00°10'06"EAST 30.00 FEET (FORMERLY A RECORD BEARING OF SOUTH 00° 25' 11" EAST); AND (2) NORTH 86°45'10" WEST 219.73 FEET (FORMERLY A RECORD BEARING OF NORTH 86° 01' 15" WEST); THENCE FROM SAID POINT OF BEGINNING ALONG THE NORTHERLY LINE OF SAID ORANGE GROVE AVENUE, CURVING TO THE RIGHT ON AN ARC OF 1402.69 FEET RADIUS (FORMERLY A RECORD RADIUS OF 1402.40 FEET) SAID ARC BEING SUBTENDED BY A CHORD BEARING NORTH 89°35'28" WEST 28.22 FEET (FORMERLY A RECORD BEARING OF NORTH 89°50'30" WEST) THENCE NORTH 00°41'51" EAST 560.38 FEET (FORMERLY A RECORD BEARING AND DISTANCE OF NORTH 00° 26' 46" EAST 565.07 FEET) TO A POINT ON THE SOUTH LINE OF THAT CERTAIN STRIP OF LAND CONVEYED TO PACIFIC GAS AND ELECTRIC COMPANY, DESCRIBED IN DEED RECORDED IN THE OFFICE OF SAID RECORDER IN BOOK 1134 OF OFFICIAL RECORDS, PAGE 398; THENCE ALONG THE SOUTH LINE OF SAID PACIFIC GAS AND ELECTRIC COMPANY PROPERTY SOUTH 89°07'52" EAST 348.03 FEET (FORMERLY A RECORD BEARING AND DISTANCE OF SOUTH 89° 33' 14" EAST 346.56 FEET) TO A POINT ON THE WESTERLY LINE OF THAT CERTAIN PARCEL OF LAND DESCRIBED IN THE NOTICE OF LIS PENDENS RECORDED IN THE OFFICE OF SAID RECORDER IN BOOK 68-03-12 OF OFFICIAL RECORDS, PAGE 336; THENCE ALONG THE WESTERLY AND NORTHWESTERLY LINE OF THE LAST MENTIONED PARCEL OF LAND THE FOLLOWING THREE COURSES: (1) CURVING TO THE RIGHT ON AN ARC OF 320.00 FEET RADIUS, SAID ARC BEING SUBTENDED BY A CHORD BEARING SOUTH 04° 34' 46" EAST 111.19 FEET; (2) SOUTH 05° 25' 30" WEST 162.37 FEET AND (3) CURVING TO THE RIGHT OF AN ARC OF 320.00 FEET RADIUS, SAID ARC BEING SUBTENDED BY A CHORD BEARING SOUTH 47° 30' 10" WEST 428.90 FEET TO THE POINT OF BEGINNING.

## **Exhibit 5: Escrow Instructions**

### **JOINT ESCROW INSTRUCTIONS FOR COURTYARD INN TRANSIT ORIENTED DEVELOPMENT PERMANENT ACQUISITION LOAN AGREEMENT**

"Effective Date"	
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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.**

24. **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.

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

"Title Company"	Fidelity National Title Company		
	Address:	1375 Exposition Blvd., Suite 240, Sacramento, 95815	
"Escrow" with Title Company	Escrow Number:	FSSE-0101501482-KA	Attention: Kritsi Adan
"Agency"	Sacramento Housing and Redevelopment Agency		
	Address:	801 12 <sup>th</sup> Street, Sacramento, CA 95814	
	Attention:	Development Finance	
"Borrower"	Mercy Housing California, a California nonprofit public benefit corporation		
	Address:	2512 River Plaza, Suite 200, Sacramento, California 95833	
	Attention:	Stephan Daues	
"Closing Date"			
"Property"	Address:	3425-3427 Orange Grove Avenue, North Highlands, California	APN: 240-0540-028-0000
Description of the transaction	This transaction involves a loan. The proceeds are to be used by the Borrower towards the acquisition 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"- 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 Notice of Affordability Restrictions	Sacramento Housing and Redevelopment Agency Attention: Development Finance
<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>	Six Million Sixteen Thousand Nine Hundred Seventy Three Dollars and No Cents (\$6,016,973.00)	
	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	In the amount of the loan secured (\$6,016,973.00)	
<b>The title policies shall be subject only to the following "Conditions of Title":</b>	Items 1-12; 22-23, and 26 of Title Company's Preliminary Report for the Escrow	<b>Dated:</b>	September 13, 2017
		<b>Number:</b>	FSSE-0101501482-KA

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

**BORROWER:**  
**MERCY HOUSING CALIFORNIA, A CALIFORNIA**  
**NONPROFIT PUBLIC BENEFIT CORPORATION**

**AGENCY:**  
**SACRAMENTO HOUSING AND REDEVELOPMENT**  
**AGENCY**

By: \_\_\_\_\_  
Stephan Daues, Vice-President  
Authorized signatory

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

## ARTICLE II. INSTRUCTIONS

13. **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.

14. **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.

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

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

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

14.1.3. 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.

14.1.4. 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.

14.1.5. 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.

14.1.6. 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.

14.2. **TRUST DEED FORM.** If no exhibit setting out the form of the Trust Deed form is attached, the Title Company shall draw the Trust Deed on the Title Company's Long Form Deed of Trust. Title Company shall assure that the Trust Deed includes a standard clause giving Agency the option to accelerate the Loan upon the sale, conveyance, transfer or further encumbrance of the Property, whether voluntary or involuntary. Title Company shall also affix the following provision to the Trust Deed and incorporate it in the Trust Deed by reference:

*"The Loan Agreement requires the filing of the "Regulatory Agreement" that is defined in the Loan Agreement. The Regulatory Agreement contains covenants running with the land and is recorded against the Property. If Developer does not comply with the requirements of the Regulatory Agreement and fails to come into compliance with the Regulatory Agreement within thirty (30) days after Agency's written notice to Developer of such failure, the principal balance of the Loan shall, at Agency's option, be immediately due and payable, together with all unpaid interest at the stated rate from the date of the advancement of the Loan's proceeds."*

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

14.3.1. Assure fulfillment of the Special Provisions;

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

14.3.3. Obtain full execution of all unexecuted documents;

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

14.3.5. Record the Recorded Documents in the priority listed;

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

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

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

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

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

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### ACCEPTANCE OF ESCROW INSTRUCTIONS

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

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

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

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

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

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

**TITLE COMPANY**  
**FIDELITY NATIONAL TITLE COMPANY**

By: \_\_\_\_\_

Name: \_\_\_\_\_

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



Date: December 12, 2017

Mercy Housing California  
c/o Stephan Daues, Vice President  
2512 River Plaza Drive, Suite 200  
Sacramento, CA 95833

RE: Conditional Loan Commitment for Courtyard Inn  
Transit Oriented Development

Dear Mr. Daues:

On behalf of the Sacramento Housing and Redevelopment Agency (Agency), we are pleased to advise you of its commitment of permanent loan funds (Loan) comprised of \$2,500,000 in County Home Investment Partnerships Program (HOME) and Community Development Block Grant (CDBG) funds for the purpose of financing the rehabilitation and development of certain real property known as Courtyard Inn Transit Oriented Development, located at 3425 Orange Grove Avenue, North Highlands, 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. No loan terms not in this funding commitment and the attached loan document forms shall be included in the final loan documents without additional environmental review and governing board approval. In the event of any discrepancies between terms stated in this commitment and the loan documents, the terms stated in the loan commitment letter shall be deemed to be terms of this commitment.

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

This commitment will expire on December 31, 2019, with option to extend upon mutual agreement.



1. **PROJECT DESCRIPTION:** Courtyard Inn Transit Oriented Development (Project) is an adaptive re-use of an existing 148-unit motel and new construction addition development. The Project includes 92 transit oriented units comprised of 20 studio, 60 one-bedroom and twelve (12) two-bedroom apartments, including workforce housing units.

The existing restaurant space will be converted to a community space that includes a 24/7 desk clerk, management and resident services offices, health facility, community room with fully-equipped kitchen, laundry facility, computer work stations, and game and exercise areas. Other on-site amenities offer residents with a range of activities, such as, swimming pool, community garden, recreation, picnic and barbeque areas and a fenced dog run. Vehicle and bicycle parking, perimeter fencing and security cameras are also included. On-site Project-related services will include case managers from both Mercy Housing and a health provider to ensure that all residents have access to a full array of services, such as counseling/therapy in a group or individually.

To support residents in achieving greater self-determination, all individuals will be encouraged to develop an individualized supportive services plan and will be assisted in connecting with services and employment which will support them in their goals of maintaining stable housing, entering the workforce and improving their quality of life.

2. **BORROWER:** The name of the Borrower for the Loan is Mercy Housing California, a California limited partnership (or related entity).
3. **PURPOSE OF LOAN:** The Loan is to be used by Borrower solely to pay the costs of 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) \$2,500,000 in HOME and CDBG funds 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 shall bear no interest.
7. **REPAYMENT:** Payments shall be deferred from the Loan's Effective Date through the first 683 months. Beginning in month 684, full payment shall be applied to unpaid principal. Early payments are not penalized.



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: County HOME and CDBG 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 bank construction loan/bond, 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 and new 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 \$23,000,000 in Low Income Housing Tax Credit Equity. If LIHTC equity goes below \$23,000,000 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.
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/Grantee 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/Grant closing. Borrower/Grantee must, as a condition of disbursement of Loan/Grant 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 SPECIFICATIONS:** Final plans and specifications, if any, for the Project must be in accordance 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 disbursement 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 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%) as retention from each disbursement, 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 close of the Loan, a detailed cost breakdown of the cost of constructing, financing and other costs of developing the Improvements. The breakdown shall conform to the Project plans and specifications 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. 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 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 Borrower shall seek Agency approval for Project-related use(s) of said aggregate savings. The Agency 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, 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 and close of the Loan, 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 is 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. SMOKE-FREE ENVIRONMENT: At least 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, 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,

La Shelle Dozier  
Executive Director

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

Dated: December 12, 2017

**BORROWER:**

Mercy Housing California, L.P., a California limited partnership (or related entity)

By: \_\_\_\_\_  
Stephan Daues, Vice President

