

Act, 42 U.S.C. Section 6901 *et seq.* (“RCRA”); the Toxic Substances Control Act, 15 U.S.C. Section 2601 *et seq.* (“TSCA”); the Hazardous Materials Transportation Act, 49 U.S.C. Section 1801 *et seq.*; the Clean Air Act, 42 U.S.C. Section 7401 *et seq.*; the Clean Water Act, 33 U.S.C. Section 1251 *et seq.* and any so-called “Superfund” or “Superlien” law, and the Occupational Safety and Health Act, 29 U.S.C. Section 651 *et seq.* (“OSHA”). *[State law references to be added: definition and related concepts remain subject to review by environmental counsel.]*

“Event of Default” is defined in Section 10.1.

“Existing Development” is defined in Section A of the Recitals.

“General Contractor” means any general contractor chosen (in accordance with the terms of this Agreement) to construct any or all Phases under general construction contract(s).

“Hazardous Materials” means: means any solid, liquid, or gaseous material, chemical, waste or substance that is regulated by a federal, state or local governmental authority and includes those substances listed or defined as “hazardous substance” under CERCLA, “hazardous waste” under RCRA or otherwise classified as hazardous, dangerous or toxic under any Environmental Law and shall specifically include petroleum, oil and petroleum hydrocarbons, radon, radioactive materials, asbestos, lead-based paint, urea formaldehyde foam insulation and polychlorinated biphenyls.

“Housing Act” means the United States Housing Act of 1937, as amended.

“Housing Plan” shall mean those components of the “Transformation Plan” defined in Section III(B) of the Choice Grant Agreement comprised of the housing plan and other components directly relating to the development of the housing contemplated by the Transformation Plan, as approved by HUD, and as the same may exist and be amended, modified or supplemented from time to time. The Housing Plan is further discussed and described in Section 1.2 and the current version is included at Exhibit H.

“HUD” means the United States Department of Housing and Urban Development.

“HUD Cost Guidelines” means the “Cost Control and Safe Harbor Standards for Rental Mixed-Finance Development” promulgated by HUD as applicable to the Housing Plan. As of the date of this Agreement, the controlling HUD Cost Guidelines for mixed finance redevelopments are those as revised April 9, 2003 and for Choice Grant developments that include Section 8 projects are those dated November 2015.

“HUD Program Schedule” shall mean the Program Schedule, in the format of the Quarterly Reports required by the Choice Grant Agreement, submitted to and approved by HUD pursuant to Article III(D) of the Choice Grant Agreement.

“HUD Requirements” means all requirements of HUD and Federal law, regulation or HUD guidance as applicable to the Development, or a given element thereof (including, as applicable in a given context, Choice Requirements and/or PBV Requirements).

“Initial Agreement” is defined in Section C of the Recitals.

“Investor” means such investor limited partner(s) or non-managing member(s) in an Owner Entity, to be selected pursuant to Section 2.1.6.

“Lender” means a third-party mortgage lender for a given Phase, to be selected pursuant to Section 2.1.6, and may include a first mortgage lender (or bond purchaser) and/or a public or quasi-public gap lender as applicable but shall expressly not include the Authority.

“Master Schedule” shall have the meaning described in Section 4.1.

“MBS” means McCormack Baron Salazar, Inc., a Missouri corporation.

“MBS Fee” is defined in Section 8.5.

“Neighborhood Component” is defined in Section 1.3.

“Net Paid Developer Fee” is defined in Section 2.2.1.

“New Improvements” means buildings and improvements (including building fixtures) to be constructed by an Owner Entity on a Development Site, including ancillary buildings and site improvements. New Improvements expressly does not include Public Infrastructure Improvements.

“Owner Entity” means an entity to be formed to own, operate and maintain a Phase.

“Paid Developer Fee” is defined in Section 2.2.1.

“PBV-Assisted Units” means units to be assisted by and subject to a PBV HAP Contract.

“PBV AHAP Contract” means the Agreement to Enter into Housing Assistance Payments Contract between the Authority and each Owner Entity pursuant to the PBV Program dated on or about the date of the Closing of such Phase.

“PBV HAP Contract” means the Housing Assistance Payments Contract to be entered into between the Authority and each Owner Entity pursuant to the PBV AHAP Contract with such Owner Entity.

“PBV Program” means the Section 8 Project Based Voucher Program established pursuant to Section 8(o)(13) of United States Housing Act of 1937 (42 U.S.C. Section 1437, et seq.), as amended, or any successor program.

“PBV Requirements” means all requirements of the PBV Program as set forth in the PBV AHAP Contract and the PBV HAP Contract.

“PBV Subsidy” means project-based voucher rental assistance made available by the Authority pursuant to its PBV Program.

“People Component” is defined in Section 1.3.

“Phase” means a separately financed portion of the Development. Phases may close simultaneously and may be included within a single Development Site and still be considered separate Phases for purposes of this Agreement provided that they are separately financed – for example through the use of simultaneous “9%” and “4%” Phases as presently permitted by CTCAC.

“Phase Development Budget” is defined in Section 4.2.2.

“Phase Predevelopment Expenses” is defined in Section 4.3.1.

“Public Infrastructure Improvements” is defined in Section 6.4.2.

“Relocation Plan” means the plan of the Authority providing for relocation and re-occupancy rights and priorities of residents of the Existing Development, to be developed as further provided in Section 6.2

“Replacement Housing Unit” means one of the 218 PBV Units (as further defined and established pursuant to the Choice Requirements).

“RFQ” is defined in Section B of the Recitals.

“SHARP” means Sacramento Housing Authority Repositioning Program, Inc., a California public benefit corporation.

“Site ESA” is defined in Section 5.1.3.

“Site Preparation Work” is defined in Section 6.4.1.

“State” means the State of California.

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## ARTICLE I. ENGAGEMENT; HOUSING PLAN.

**1.1 Designation as Developer and “Partner”.** The Authority confirms the designation of the Developer as developer for the redevelopment of the site of the Existing Development and of the Additional Site.

The term “Partner” as used above reflects a recognition that the Housing Plan entails substantial contributions of services and resources by both parties, and requires close coordination and consensus at all stages and on all elements, as well as the fact that the financial compensation of the Developer is significantly dependent upon successful implementation of the Housing Plan. Notwithstanding the foregoing, nothing contained in this Agreement shall be deemed or construed to create a relationship of partners, co-venturers, or principal and agent between the Authority and the Developer. The Developer shall have no power or authority to create any obligation on the part of the Authority, as obligor, guarantor, or surety, with respect to any obligation to third parties incurred by the Developer.

### 1.2 Housing Plan.

**1.2.1 Current Housing Plan and Phasing Plan.** The Housing Plan contemplates demolition of the Existing Development in two phases and the phased construction of a new 487 unit mixed-income community on the site of the Existing Development and on the Additional Site. The present Housing Plan is attached at Exhibit H and is further described in the phasing plan set forth in Exhibit B-1 (the “Phasing Plan”) and the accompanying conceptual site plan attached as Exhibit B-2. The parties understand and hereby acknowledge and agree that the Housing Plan, Phasing Plan and conceptual site plan as set forth on Exhibit H, Exhibit B-1 and Exhibit B-2, respectively, are not yet final, and agree to work together in good faith to finalize these items and secure required HUD approvals.

**1.2.2 Adjustments in General.** As the Authority and Developer pursue the further planning and implementation of the Housing Plan, they may identify areas in which the Housing Plan can be improved so as to make the Development more economically feasible, to better achieve the underlying objective of community revitalization and/or to meet expectations or requirements of other stakeholders or funding bodies. The Authority and Developer recognize that both the Development as a whole and each Phase are wholly dependent upon each of the projected funding sources being available in a timely manner and other conditions which are, in part, beyond the parties’ control. The parties therefore recognize that the Housing Plan may prove to be predicated on assumptions of fact or law (including, but not restricted to, assumptions about the availability of certain funds on certain terms, or about statutory or administrative restrictions applicable to funds or other resources, or about the cost of the Housing Plan) which are no longer well-founded, causing the Housing Plan or segments thereof to be no longer reasonably feasible, or requiring changes to the number or mix of units in Phases or the sequencing of Phases.

**1.2.3 Process for Adjustments.** Where future amendments to the Housing Plan are required by infeasibility or unforeseen circumstances, subject to the provisions of this Agreement, the Authority and Developer will make commercially reasonable efforts to work together to develop changes which accomplish the original goals set forth in the Housing Plan given available resources (including applicable CTCAC restrictions and limitations) with respect to the Housing Plan. The Developer will be responsible for preparing for the Authority’s approval and submission to HUD any amendment to the Housing Plan which may be necessitated by the evolution of plans and required by the Choice Grant Agreement. The Authority will not submit to HUD any proposed amendment to the Housing Plan without prior consultation with Developer and Developer’s written agreement.

### 1.2.4 Reserved.

**1.3 People and Neighborhood Components.** The Choice Grant Agreement establishes expectations and funding for an extensive “**People Component**” and an extensive “**Neighborhood Component**.” As established in the Choice Implementation Agreement, Urban Strategies, Inc. is the lead entity responsible for coordinating and providing technical assistance for the People Component and the Authority is the lead entity responsible for coordinating and implementing the Neighborhood Component. The Developer has no responsibility for the People Component or the Neighborhood Component, but will continue to confer and coordinate its activities with the Authority and other team members in accordance with the Choice Implementation Agreement. The Authority may choose to engage the Developer to provide services or otherwise play a role in the People Component or the Neighborhood Component as an Additional Service.

## **ARTICLE II. DEVELOPER SERVICES, DEVELOPER FEES AND ADDITIONAL SERVICES**

**2.1 Developer Services.** The Developer, directly or through Owner Entities, shall initiate, coordinate, and carry out or contract for all design, financing, and construction activities in connection with the development, construction and completion of each Phase under the Housing Plan, subject to delivery by the Authority to the Developer or appropriate Owner Entities of Development Sites in Clean and Buildable Condition and more generally as further provided in and subject to the terms of this Agreement. The services and activities to be performed by Developer in its capacity as developer of a Phase subject to the terms of this Agreement (the “**Developer Services**”) include the following (in each case subject to the recognition that Developer Services described in this Agreement as belonging to the Developer may be performed or caused to be performed by the Developer, an Owner Entity related to the Developer and/or an Affiliate of the Developer):

**2.1.1** Developer shall be responsible for pursuing the award and commitment of all sources of construction and permanent financing needed for each Phase in accordance with the Development Budget, other than the Authority Funds. The Developer agrees to confer with the Authority before it applies for financing and before it enters into, materially amends, or waives any material provision of a financing commitment and will reasonably entertain all comments provided by the Authority. The Developer further agrees to obtain the Authority’s approval of each source of funding to the extent such funding materially changes the structure of the financing for such Phase or the schedule of work for such Phase.

**2.1.2** Developer shall be responsible for applying for, obtaining and preserving through Closing allocations of Federal low-income housing tax credits and/or access to tax-exempt bond volume cap (each as applicable for a given Phase in accordance with the Development Budget), and for tax and financial structuring. The Authority agrees to provide funding commitments for the Authority Funds and ground lease options in accordance with HUD Requirements and to the extent necessary to support funding applications submitted by Developer. As such, Developer will provide the proposed program description, *pro-forma*, ownership structure and draft commitments to the Authority no later than five (5) business days in advance of the application due date so that the Authority can comment on the application and complete the required commitment documents. To the extent that the Authority or related entities make available funds other than the Choice Grant funds (“**Competitive Funds**”) for which the Development may be eligible, the Authority will notify the Developer of the funding announcement. However, the Developer’s application for Competitive Funds will be subject to the requirements of the applicable Notice of Funding Availability, the Sacramento Housing and Redevelopment Agency’s (“**SHRA**”) Multifamily Lending and Mortgage Revenue Bond Policies and SHRA’s standard underwriting review process. All of the terms and conditions that are published or communicated in writing (including by e-mail) relating to the application, selection or award of a commitment for Competitive Funds, or that are contained within Closing Documents evidencing or securing Competitive

Funds, are collectively referenced in this Agreement as “**Competitive Funds Terms and Conditions.**” If and to the extent that the Developer identifies a material difference between the Competitive Funds Terms and Conditions and a specific material term of this Agreement otherwise applicable to the Phase for which Competitive Funds are sought, it may identify such difference to the Authority in writing as a “**Material Funding Conflict.**” A matter shall not be considered a Material Funding Conflict if and to the extent it is directly required by the “Sacramento Housing and Redevelopment Agency Multifamily Lending and Mortgage Revenue Bond Policies For Projects of 12 or More Units” Rev. 12/2016 (the “**Current Guidelines**”); however, a matter may be considered a Material Funding Conflict if and to the extent it could be eliminated or reduced by the exercise of discretion explicitly provided to SHRA pursuant to the Current Guidelines. If the Developer delivers written notice to the Authority of a Material Funding Conflict, the parties will consider it to be a Development Contingency. Upon delivery of such a notice, the Developer will proceed to schedule a discussion (in person or via phone) with the Authority no later than five (5) business days following such delivery. The parties agree to meet in person or via phone no less than weekly in a spirit of good faith and a mutual desire to resolve the Material Funding Conflict. If the Authority, through SHRA, and the Developer are unable to eliminate or resolve the Material Funding Conflict to the reasonable satisfaction of both parties within ninety (90) days of Developer’s written notice, then the Developer may opt to withdraw from this Agreement by written notice to the Authority, following which the parties shall have no further obligations to each other, except as provided in Section 10.3.3 or to the extent obligations under this Agreement explicitly continue after termination. Notwithstanding any of the foregoing, the parties recognize that not all of the Competitive Funds Terms and Conditions and underwriting for each phase have been agreed upon and will be, in part, subject to discussion and negotiation between SHRA and the Developer.

**2.1.3** Developer shall be responsible for the design, engineering and implementation of all New Improvements for each Phase subsequent to delivery of the Phase Site in Clean and Buildable Condition, as will be more particularly established in the Authority Closing Documents.

**2.1.4** Developer shall contract with, supervise and discharge architects, engineers and General Contractors for the New Improvements, and the Developer shall cause the design and construction of the New Improvements to be in compliance with all applicable Federal, state and local laws, codes, ordinances, rules and regulations, subsequent to delivery of the Phase Site in Clean and Buildable Condition, as will be more particularly established in the Authority Closing Documents.

**2.1.5** The Developer is responsible for selecting Lenders and Investors for each Phase. The Developer may choose to issue a formal proposal to solicit a Lender and/or an Investor, or may determine based on market conditions that a more limited or informal process (such as direct negotiation with one or two most competitive options) is likely to produce a better result based on the criteria described below. If the Developer elects to issue a formal proposal, it will provide the Authority with an opportunity to review and comment on such proposal, and an opportunity to add potential Lenders and/or Investors to the list of potential respondents that will receive the proposal (provided that Developer shall not be required to solicit proposals from a potential respondent recommended by the Authority unless the potential respondent would qualify as an acceptable Investor or Lender by reasonable industry standards and specifically one without mixed-income experience). If the Developer elects not to issue a formal proposal, it will inform the Authority of such determination and explain its reasons for making such decision, and will affirm that no conflict of interest exists and it remains in compliance with the requirements of this Section 2.1.5 regarding disclosure of relationships and receipt of fees or other moneys). The Developer will provide the Authority with copies of all Investor and Lender proposals received (whether as a result of a formal proposal process or otherwise) together with a summary analysis and assessment of the proposals. The Authority shall be invited to comment on any proposals received, but final selection of the Investor and Lender shall be the function and responsibility of the Developer, based on demonstrated competitiveness of the selected proposal under then-current market conditions in terms of pricing and related terms and conditions, including pay-in schedule, required guaranties, and

bridge financing, and demonstrated reliability of performance in comparable transactions and provided that such selection does not materially increase the risk or responsibility of the Authority from that contemplated pursuant to this Agreement. The Developer shall disclose, in writing, to the Authority all direct and indirect relationships which the Developer or any of its Affiliates, Goldman Sachs, or U.S. Bancorp has with the potential Investors or Lenders in regard to low-income housing tax credits, bonds and loans, as well as the amounts of any funds, fees, sums, reimbursements or other moneys (regardless of characterization) received or to be received directly or indirectly by the Developer or its Affiliates, Goldman Sachs, or U.S. Bancorp in regard to the syndication transaction. The Developer and its Affiliates shall not receive directly or indirectly any funds, fees, sums, reimbursements or other moneys (regardless of characterization) in regard to the syndication transaction not otherwise identified in or consistent with the terms of this Agreement without the prior written consent of the Authority, which may be withheld in the Authority's sole discretion. The Developer shall provide guarantees in accordance with Section 8.12.

## 2.2 Developer Fees.

2.2.1 As full compensation for its undertaking and performance of Developer Services, the Developer (or an Affiliate designated by Developer) shall be deemed to earn and receive developer fees from each Owner Entity (the "**Developer Fees**") which shall be the only fees the Developer earns during the Developer Services phase. If Developer elects to hire a consultant for assistance in obtaining financial commitments, tax credits, City or State approvals, or general construction contracting services, the fees for the consultant shall not be included in the Project Budget or any itemization of the third-party costs and third-party expenses, and such consultant services shall be paid from Developer's share of the Developer Fees. Developer Fees paid by each Owner Entity may include some amounts anticipated to be paid from capital sources in the Development Budget ("**Paid Developer Fee**") and other amounts anticipated to be paid from cash flow ("**Deferred Developer Fee**"). The Developer and the Authority intend that the Developer Fee for each Phase shall equal the maximum amount available pursuant to the HUD Cost Guidelines as in effect on the date of this Agreement, subject to HUD Requirements. Without limiting the foregoing, the Authority agrees to work with the Developer in good faith to structure each Phase to result in Paid Developer Fee (net of the Authority Developer Fee Share) (the "**Net Paid Developer Fee**") at Closing of not less than nine percent (9%) of project costs (with project costs as further defined in the HUD Cost Guidelines) to meaningful development costs of the Phase excluding all reserves and the Developer Fee itself (the "**Developer Fee Target**").

2.2.2 Developer Fees shall be deemed earned and shall be paid on a per-Phase basis in accordance with the terms and conditions of appropriate agreements with the Owner Entity. The Developer and the Authority agree that Developer Fees for each Phase shall be deemed fully earned at substantial completion but shall be payable not less than 50% at construction loan Closing, 25% at substantial completion, and 25% at achievement of stabilized occupancy in accordance with HUD Cost Guidelines. For purposes of this provision, "stabilized occupancy" and "substantial completion" shall be determined based on criteria reasonably established by the Investor; however, for purposes of this provision, as between the Authority and the Developer, at a minimum "Substantial Completion" means issuance by the inspecting architect a Certificate of Substantial Completion and "Stabilized Occupancy" means 100% initial occupancy of each low-income housing tax credit unit and/or Replacement Housing Units.

2.2.3 In consideration for its assistance in performing Developer Services, the Authority or, at the Authority's option, to SHARP, shall be considered a co-developer and paid twenty percent (20%) of the Developer Fee for each Phase (the "**Authority Developer Fee Share**"). The Authority Developer Fee Share shall be paid pursuant to a subcontract with the Developer, *pro-rata* with each corresponding payment of Paid Developer Fee or Deferred Developer Fee to the Developer. The Developer may satisfy its obligation to pay the Authority Developer Fee Share by funding alternative payments to the Authority

(or to SHARP) from a source other than the Developer Fee (such as loan fees, additional Ground Lease payments or other fees to the Authority) so long as it shall be paid from sources other than the Authority Funds and any additional funding provided by the Authority.

### **2.3 Additional Services.**

**2.3.1** The Authority may request the Developer to undertake additional services in connection with activities which are designated in this Agreement as obligations of the Authority (“**Additional Services**”), subject to written agreement between the Authority and the Developer regarding the scope of services and compensation for such Additional Services which shall be set forth in one or more separate agreements, or by modification or supplement to this Agreement. The Developer shall provide any such Additional Services as an independent contractor and not as an agent of the Authority. The Developer may cause an Affiliate of Developer, including without limitation McCormack Baron Salazar Development, Inc., to perform some or all of the Additional Services, to enter into associated agreements and/or to receive associated compensation.

**2.3.2** In general, subject to the terms of the separate agreements governing particular Additional Services, the Developer will be compensated for Additional Services on a cost-plus-fee basis, based on the actual cost of services provided by third-party contractors. The Developer’s fee relating to such Additional Services shall be four percent (4%) of such costs. The compensation to the Developer for performance of any Additional Service is not intended by the Authority or the Developer to be considered a part of or an advance against amounts payable as Developer Fee but is intended to reflect compensation for managing the scope, design and construction of Additional Services.

**2.3.3** Each separate agreement for Additional Services will include a budget approved by the Authority for the estimated costs of all third-party services required for the performance of such Additional Service and the Developer’s compensation, and identifying the source or sources of funds. The Authority will, as applicable (and with assistance from the Developer), request approval or modification of any budget previously approved by HUD as required to permit drawdown of Authority Funds for timely payment of amounts expected to become due to the Developer or third-party contractors for Additional Services and identified by the parties to be funded from Authority Funds. Authorization to the Developer by the Authority to cause or permit commencement of third-party work contracted for by the Developer for any Additional Service shall constitute a representation by the Authority that funds for the payment of third-party costs and for Developer’s compensation for such Additional Service have been authorized and appropriated, as required, and are available for such use.

**2.3.4** If the Developer determines in its sole discretion that it would enhance the Phase Development Budget of a Phase for an Owner Entity to carry out some or all of the work otherwise to be performed as an Additional Service (and/or some of the work performed pursuant to the Initial Agreement) and/or to assume or reimburse the Authority for related expenditures (for example, if such determination would result in an increase to the amount of equity available to an Owner Entity) it may include such costs in a Phase Development Budget subject to prior approval from the Authority. Such costs shall then be included in the project costs forming the basis for calculating Developer Fee, provided that equitable adjustments shall be made to the extent an Additional Service fee was previously paid in connection with the same cost. The Authority acknowledges that, except as otherwise determined and directed by the Developer pursuant to this Section 2.3.4, costs associated with Additional Services will not be repaid or assumed by an Owner Entity or otherwise included in a Phase Development Budget.

**2.3.5** The Developer agrees to undertake the following activities as Additional Services, subject to execution of one or more mutually satisfactory agreements as described in Section 2.3.3: design and construction administration services relating to the Site Preparation Work; design and construction administration services relating to the Public Infrastructure Improvements.



## ARTICLE III. AUTHORITY COMMITMENTS AND SUPPORT

### 3.1 Authority Financial Commitments.

3.1.1 The Authority agrees to commit up to Eighteen Million Dollars (\$18,000,000) in Choice Funds (with such committed funds referred to herein as Authority Funds) for the Development, subject to receipt from HUD and the applicable terms of the Choice Requirements, the Choice Budget, the Choice Grant Agreement and any additional approvals from HUD regarding such funds. The parties acknowledge that the foregoing commitment excludes the administrative fee that the Authority is entitled to receive pursuant to the Choice Grant Agreement as well as such additional amounts that the Authority shall commit for the Neighborhood Component, People Component and the Authority's obligations under this Agreement. In addition to the foregoing commitment, the Authority has committed separate from this Agreement approximately \$23.5 Million in Choice Funds and other funds for demolition, relocation and infrastructure work to be undertaken by the Authority in connection with the Development. The Developer's responsibility for pursuing additional funding is addressed in Section 2.1, and the Authority's commitment of PBV Subsidy is further addressed in Section 8.9.

3.1.2 The Authority will request Choice Grant funds from HUD, on a timely basis when required for expenditure in accordance with the approved Choice Budget and will make available to the Housing Plan all other resources committed by the Authority in the Choice Application. In accordance with Section 3.2.1, the Authority will support the Developer's efforts to raise additional gap funding for the Development to supplement the Authority Funds. The parties acknowledge and agree that the Choice Grant funds shall be subject to the HUD total development cost guidelines, subject to exceptions for extraordinary site costs, as applicable.

### 3.2 Authority Institutional Support.

3.2.1 The Authority shall provide commercially reasonable assistance and non-monetary support (within its ability based on staffing and costs) for the Housing Plan with local agencies, HUD, CTCAC, lenders, and other applicable parties. The Authority shall provide commercially reasonable assistance (within its ability based on staffing and costs) requested by the Developer in support of the Developer's efforts to perform the Developer Services relating to licenses, approvals, clearances, or other cooperation from local, state, and federal agencies, the City and other local governing bodies, and shall support, and seek the support of others, for any application submitted by Developer for allocations of low-income housing tax credits, tax-exempt bond volume cap or other sources of funds. Subject to the terms of this Agreement, the Authority will provide commitment letters in support of each tax credit or other funding application in the amount of the Authority Funds reflected in the corresponding Phase Budget, and will provide ground lease options (subject to HUD Requirements and at no cost for the options but ultimately subject to payment of rent in accordance with Section 8.3 herein) meeting the site control requirements of each funding source (provided, however, that the Authority has approved the program, unit mix and financing in connection with such funding application in accordance with applicable terms of this Agreement). The Authority will have a right to review and approve the program, unit mix and financing at the funding application stage and any proposed changes thereto in order to confirm their consistency with the Housing Plan and the Choice Requirements. As such, Developer will provide the proposed program description, pro-forma, ownership structure and draft commitments to the Authority for review no later than five (5) business days in advance of the application due date so that the Authority can comment on and complete the required commitment documents.

3.2.2 The Authority shall give the Developer its full support so long as all of Developer's obligations are performed in accordance with the terms of this Agreement. Notwithstanding any silence

of this Agreement as to specific obligations, the Authority and the Developer will take all reasonable actions as are within their respective authority and necessary to the accomplishment of the Housing Plan. Where any resources anticipated by the parties become unavailable in whole or in part, or for any reason the Housing Plan must change in order to be feasible, or if future amendments to the Housing Plan are required by unforeseen circumstances, the Authority and Developer will work together to agree upon changes or alternate plans which accomplish the original goals set forth in the Housing Plan to the maximum extent reasonably possible given available resources. The Authority may, subject to such approval from HUD as may be required, provide available Authority Funds identified in Section 3.1.1 as bridge loan financing to facilitate timely achievement of Closings to the maximum extent possible given limited available Authority resources.

**3.3 Authority Delivery of Sites.** The Authority is responsible for the design, engineering, funding and implementation of the Site Preparation Work and of the Public Infrastructure Improvements, as further specified in Section 6.4. The Developer has agreed to assist the Authority in meeting these responsibilities as an Additional Service. All sites for physical redevelopment activities to be conducted as part of any Phase of the Development shall be in Clean and Buildable Condition before they are conveyed to the Developer or Owner Entity. All Public Infrastructure Improvements of any Phase of the Development shall be made available to the Developer (or an appropriate Owner Entity) within the timeframes anticipated by the respective Phase Schedules and the requirements of the Investor and Lenders. The Developer's obligations under this Agreement are contingent upon the completion of the Site Preparation Work and of the Public Infrastructure Improvements within the timeframes anticipated by the respective Phase Schedules— provided that the Developer will not be excused from performing such obligations based on a default by the Developer or its Affiliate pursuant to relevant Additional Services agreements. Upon execution of this Agreement, Authority hereby gives Developer (together with its employees, contracts, agents and consultants) access to the Development Site (or portions thereof subject to control by the Authority) so as to allow Developer to undertake and accomplish its responsibilities under this Agreement.

**3.4 HUD Approvals.** The Authority and the Developer acknowledge that the Closings and the consummation of the transactions contemplated by this Agreement are subject to and contingent upon approval by HUD. The Authority and the Developer agree to cooperate in good faith to obtain all necessary approvals from HUD required pursuant to the Choice Grant Agreement and other HUD Requirements. The Authority shall coordinate closely with the Developer regarding all relevant communications with HUD and timely forward to the Developer all relevant correspondence, directives, and other written material either to or from HUD with respect to the Development. The Authority shall maintain sole authority for the execution of documents required of the Authority as the grantee of Authority Funds. Whenever statute or regulation or the successful implementation of the Development requires the Authority or the Developer to take actions or execute documents to accomplish the Development, the Authority or the Developer, as applicable, will do so promptly, so as not to impede the orderly progress of the Development. Any submission to HUD of any agreements in draft or final form, or any submissions intended, upon HUD approval, to become or amend a component of the Housing Plan, shall be approved by the Authority, after prior review and opportunity for comment by the Developer, and shall be submitted to HUD by the Authority; provided, however, that no submission which, in the reasonable determination of the Developer, materially increases the responsibility or risk of the Developer from that previously contemplated shall be made without the Developer's approval. The Developer agrees that submissions to HUD of any agreements in draft or final form to which Developer or its Affiliate would be a party, or any submissions intended, upon HUD approval, to become or amend a component of the Housing Plan require prompt review, comment and approval by the Developer as not to impede the orderly progress of the Development. Additionally, the Authority shall be the primary point of contact for all communications with HUD and resident association(s), except for such items as the Authority may delegate to the Developer. The parties

acknowledge that HUD may, at times, contact Developer directly, and Developer shall apprise Authority of all such contacts pertaining to the Development. Developer shall not initiate contact with HUD regarding the Development without the knowledge and consent of Authority

### 3.5 Litigation.

(a) The Authority represents and warrants that, to the best of its knowledge, as of the date of this Agreement, there is no outstanding judgment, settlement agreement, conciliation agreement, or consent decree, nor any pending or threatened litigation against the Authority in any federal or state court which challenges the Housing Plan or which could otherwise result in an adverse judgment, order or settlement, which could materially and adversely affect the Housing Plan or this Agreement. The Authority will promptly disclose to Developer any new litigation commenced or threatened that, if known at the date of this Agreement, the Authority would have been required to disclose pursuant to the foregoing representation and warranty, and the Authority shall advise Developer of any significant developments, adverse or otherwise, in any litigation required to be disclosed pursuant to this section. The Authority will direct its counsel in any such litigation to respond fairly to any reasonable due diligence inquiries by Developer or its counsel with respect to the status or prospects of any such litigation, including by providing copies of any requested filings therein.

(b) The Developer represents and warrants that, to the best of its knowledge, as of the date of this Agreement, there is no outstanding judgment, settlement agreement, conciliation agreement, or consent decree, nor any pending or threatened litigation against the Developer in any federal or state court, which could otherwise result in an adverse judgment, order or settlement, which could materially and adversely affect this Agreement. The Developer will promptly disclose to Authority any new litigation commenced or threatened that, if known at the date of this Agreement, the Developer would have been required to disclose pursuant to the foregoing representation and warranty, and the Developer shall advise the Authority of any significant developments, adverse or otherwise, in any litigation required to be disclosed pursuant to this section. The Developer will direct its counsel in any such litigation to respond fairly to any reasonable due diligence inquiries by Authority or its counsel with respect to the status or prospects of any such litigation, including by providing copies of any requested filings therein.

## ARTICLE IV. OVERALL CONDUCT AND ADMINISTRATION OF HOUSING PLAN

**4.1 Schedules.** An initial schedule for starting and finishing all tasks contemplated by the Housing Plan (in the form approved by the Authority as part of the initial Housing Plan) is attached as **Exhibit C** (as it may be supplemented and amended in accordance with the terms of this Agreement, the "Master Schedule"). The Developer shall supplement the initial Master Schedule with detailed schedules for key deliverables associated with key tasks. The Developer shall submit changes to the Master Schedule to the Authority for review and consent and shall title all such change submissions in boldface, capitalized font with the following notification: "**NOTICE: MASTER SCHEDULE CHANGE FOR REVIEW BY AUTHORITY**". If the Authority objects to any change in the schedule as submitted by the Developer, the Authority shall promptly advise the Developer in writing of the Authority's basis for such objection and any suggested means of avoiding or otherwise remedying such change. Each party agrees to advise the other promptly if it learns of any known or reasonably anticipated event or condition that might affect the Master Schedule. Notwithstanding the foregoing, Developer acknowledges that it is responsible to prepare and adhere to a schedule that complies with the HUD Program Schedule and specific deadlines identified in the Choice Grant Agreement for the housing component, subject to both parties timely performing their obligations under this Agreement and to mutually agreed on extensions approved by HUD. Notwithstanding the foregoing, no change shall be made to, nor a request submitted to HUD for a change in, the HUD Program Schedule without the Authority's prior written approval.

## 4.2 Budgets.

**4.2.1 Development Budget.** An initial budget for the overall Development is attached as **Exhibit D** (as it may be supplemented and amended in accordance with the terms of this Agreement, the “**Development Budget**”). Proposed revisions to a Development Budget will be submitted by the Developer to the Authority when deemed necessary by the Developer or when requested by the Authority (as part of the submissions described in Section 4.5), accompanied (if requested by the Authority) by a written statement of the basis for any changes and recommendations for remedy, which upon approval by the Authority shall be deemed to constitute a revised Development Budget. The Authority shall not unreasonably withhold approval of any proposed increase in a Development Budget to accomplish the full Housing Plan for which a source of funds other than Authority Funds is identified by the Developer so long as the source of funds does not conflict with the Choice Requirements, provided that any Competitive Authority Funds shown in the Development Budget shall be subject to the approval process described in Section 2.1.2.

**4.2.2 Phase Development Budgets.** Not later than 30 days prior to the anticipated date for initial submission of a funding application or submission to HUD of a Development Proposal, the Developer shall submit to the Authority, for review, approval, and submission, a development budget for the Phase (the “**Phase Development Budget**”), identifying all sources of funds and estimated uses, in form comparable to and not less detailed than the budget required by HUD as part of the Development Proposal. After initial submission, proposed material revisions to a Phase Development Budget will be submitted by the Developer to the Authority monthly, as needed (as part of the submissions described in Section 4.5), in the form of a proposed revised Phase Development Budget with identification and explanation of changes, which upon approval by the Authority shall be deemed to constitute a revised Phase Development Budget. Initial master planning costs and Choice Neighborhoods Grant application costs of the Authority will not be included in an Owner Entity’s Phase Development Budget but are, and shall remain, in “Part B” of the Development Budget.

## 4.3 Predevelopment Budgets, Loans and Overhead Advances.

**4.3.1** The Developer shall develop, for approval by the Authority, a Predevelopment Budget for each Phase (or for a stated period if proposed costs are allocable to more than one Phase), identifying (A) all estimated uses of funds for costs expected to be required to be incurred before Closing, including third-party costs for activities within the Developer Services (the “**Phase Predevelopment Expenses**”), and (B) all sources of funds for payment of such costs (with a breakdown of the split between Developer costs and Authority costs). Phase Predevelopment Expenses expressly do not include the cost of Site Preparation Work, Public Infrastructure Improvements or other activities for which the Authority remains responsible pursuant to Article VI or other applicable provisions of this Agreement. The Phase 1 and Phase 2 Owner Entities previously entered into predevelopment loan documents with SHARP, pursuant to which SHARP has fully funded its share of Phase Predevelopment Expenses for Phase 1 and Phase 2 as of the date of this Agreement. For remaining Phases, the Authority shall fund 75% of Phase Predevelopment Expenses and the Developer shall fund its 25%. Notwithstanding the foregoing, the Developer acknowledges that funding available for the Authority to fund its share of the Phase Predevelopment Expenses is limited to the \$1.5 million in predevelopment funding provided by SHARP, and at no time shall there be more than \$1.5 million outstanding on the predevelopment loans made by SHARP to fund the Authority’s share of Phase Predevelopment Expenses.

**4.3.2** The Authority’s share of Phase Predevelopment Expenses shall be advanced or paid to the Developer, a Developer Affiliate or an Owner Entity pursuant to the terms of one or more predevelopment loan agreements consistent with the terms of this Agreement. Such loans will be secured solely by a pledge of work product funded by the Authority and will be nonrecourse to the Developer and any Affiliates. Each Phase will be the subject of a separate set of predevelopment loan documents. The

loan agreement shall provide for all costs of work included in an approved Phase Predevelopment Budget to be payable when approved by Authority for payment pursuant to monthly requests for disbursement in a form acceptable to Authority. All approved payments shall be advanced to the Developer, which will promptly pay such Authority Funds to the appropriate contractors. The Developer shall also advance its share of the Phase Predevelopment Expenses and promptly pay such funds to the appropriate contractors. At the Closing of each Phase, predevelopment loan funds allocable to such Phase shall be reimbursed to the Developer or the Authority, as applicable. In the event the Authority uses Choice Funds to pay some or all of its portion of predevelopment funding for a Phase, a loan from Choice Funds may be credited as a first advance of the Authority's loan to the Owner Entity.

**4.3.3 Execution by the Authority of a predevelopment loan agreement, an Additional Services Agreement or an Authority Closing Document committing Authority Funds shall constitute a representation by the Authority that Authority Funds identified in such agreement(s) are available in the amounts, and for the purposes identified, in such agreement(s), subject to approval by HUD under the terms of the Choice Grant Agreement, appropriations or other applicable HUD Requirements. The Developer will have the right to request reasonable evidence of approval from HUD prior to commencing work under such agreement(s). The Authority will request approval or modification of the budgets established under Choice Grant Agreement to permit timely drawdown of Authority Funds to pay amounts due from the subject source of Authority Funds pursuant to Phase Predevelopment Budgets. If HUD disapproves, or does not approve, any items for which approval was requested by the Authority in accordance with the Phase Predevelopment Budget, the Authority shall immediately notify the Developer and the Developer shall have a right either to stop work or to adjust the Phase Predevelopment Budget accordingly, by identification of an alternate source of funds for payment of such items. In no event will Developer be obligated to begin incurring its 25% share of Phase Predevelopment Expenses unless and until: (i) a predevelopment loan agreement is in effect for the Authority's share of remaining Phase Predevelopment Expenses and the corresponding approval has been received from HUD and (ii) the Authority has provided financial commitments and support for the subject Phase as required by Section 3.1.**

**4.3.4 Predevelopment Overhead Advances.** Subject to HUD approval (if required), the Developer may earn an overhead advance of 15% of the expected Developer Fee for the applicable Phase, to be paid exclusively from the Developer's share of Phase Predevelopment Expenses. Such advance will be paid monthly in accordance with the Predevelopment Budget for such Phase and shall be paid out of proceeds of the Choice Grant, as approved by HUD. Such payments shall be deemed advances against Developer Fees and shall be repayable, without interest, only from Developer Fees received by Developer for Phases of the Development. Each Phase will be the subject of a separate set of overhead advance loan documents. Developer shall repay the advances outstanding for a particular Phase at the time of each Phase Closing.

**4.3.5 Developer's Line of Credit.** The Developer and the Owner Entity for the first Phase have entered into a line of credit agreement with Urban Strategies, Inc. for an aggregate amount of up to Three Million Dollars (\$3,000,000.00) (the "**Developer's Line of Credit**"). The Developer may, in its sole discretion, draw upon the Developer's Line of Credit to fund any eligible expenses. The Authority acknowledges that in doing so the Developer may choose to use a portion of the Developer's Line of Credit to bridge or otherwise expedite funding of eligible expenses that the Authority has agreed to fund pursuant to this Agreement, such as the Authority's share of Phase Predevelopment Expenses as established in Section 4.3, the Authority's share of overhead advances as established in Section 4.3 and/or the cost of Additional Services (collectively, the "**Developer-Funded Authority Expenses**"). If and to the extent that the Developer's Line of Credit is used to fund Developer-Funded Authority Expenses, the Authority will not be relieved of its corresponding funding obligation under this Agreement. Without limiting the foregoing, the Developer (or its Affiliate or Owner Entity) shall expressly be permitted to draw upon a predevelopment loan agreement, overhead advance loan document and/or Additional

Services Agreement to repay the Developer's Line of Credit (exclusive of interest charges) to the extent used for Developer-Funded Authority Expenses, provided that appropriate documentation of the underlying activities is submitted to the Authority in accordance with applicable terms of the subject agreement. Any draws on the Developer's Line of Credit in support of the first Phase that are not repaid pursuant to the preceding sentence (inclusive of interest charges applicable to Phase Predevelopment Expenses, not to exceed LIBOR plus 4.25%) shall be repaid by the Owner Entity at the time of the subject Phase Closing.

**4.4 Status Reports and Information.** The Developer shall provide the Authority with regular, written updates on the status of Housing Plan activities in a form agreed to by the parties on a quarterly basis during predevelopment and on a monthly basis during construction. The Developer shall also attend monthly, or as otherwise determined with the Authority, meetings with the Authority to discuss topics such as progress of each development phase, budgets, and potential or known obstacles or opportunities. The Developer shall also provide reporting as required by other funders, including for HUD for Choice Grant reporting purposes, as further referenced in 4.5 below, including monthly construction status reports during the construction of each phase.

**4.5 HUD Submissions.** The Developer shall provide the Authority on a timely basis with all information and assistance which the Authority reasonably requires to prepare the submissions required of the Authority by the Choice Grant Agreement. Any submission to HUD shall be approved by the Authority, after prior review and opportunity for comment by the Developer, and shall be submitted to HUD by the Authority; provided, however, that the Authority shall make no submission to HUD that, in the reasonable determination of the Developer, materially increases the responsibility or risk of the Developer from that previously contemplated in this Agreement or other documentation approved by the Developer without the Developer's approval. The Developer further agrees to participate in or attend meetings and discussions with HUD as may be reasonably necessary to advance the purposes of this Agreement or to comply with the terms of the Choice Grant Agreement.

**4.6 Contractors and Consultants.** The Developer or appropriate Affiliate or Owner Entity shall be responsible for the selection and engagement of subcontractors, consultants and other participating parties necessary to carry out Developer Services or Additional Services. The Authority considers Developer as a contractor and not a subgrantee for purposes of the Choice Grant Agreement and 2 CFR Part 200. As such, neither the Developer nor an Owner Entity is required to comply with procedures set forth in the procurement policy of the Authority or the competitive procurement procedures under 2 CFR Part 200, subpart D. The Developer, Affiliate or Owner Entity may hire all such parties following consultations with the Authority. For procurement of General Contractors, Architects and engineers only – exclusive of those identified in Exhibit E as further referenced below – if the proposed contract is for more than \$100,000 the Developer shall submit proposed procurement, bid or other solicitation documents to the Authority for review and comment prior to issuance. In selecting contractors and consultants, the Developer shall be alert to organizational conflicts of interest as well as noncompetitive practices that may restrict or eliminate competition or otherwise restrain trade and will make awards to the respondent whose response is in the Developer's (or Owner Entity's) reasonable determination most advantageous to the Housing Plan, taking into consideration price, quality, experience and other factors. The other factors may include (but not be limited to) the respondent's commitment to compliance with the Section 3 and MBE/WBE participation goals as described in this Agreement. The Developer will at all times comply with the highest ethical standards to avoid conflicts of interest or the appearance of conflicts of interest in the procurement, management or selection of vendors, subcontractors, investment partners or professional service providers. Developer must fully disclose the nature of any identity of interest for a party or any party presenting a conflict or appearance of conflict of interest proposed to receive a fee pursuant to this Agreement: such party must be approved by the Authority prior to beginning work or executing a contract. Contracts for architecture, engineering and

general construction shall be based on the Developer's standard forms or on modified AIA forms and shall be shared with the Authority upon request in advance of their being executed.

The Developer shall advise the Authority of all selections by the Developer of contractors or other participating parties engaged or selected for participation in the Housing Plan and shall timely provide to the Authority such documentation or information as Authority may reasonably request to confirm the qualifications of and pricing by the contractors and other participating parties, as applicable.

The parties each acknowledge that the Developer's scheduling and budgeting estimates assume no procurement requirements beyond those specified in this Agreement and therefore each party shall work together to minimize the expansion of the Developer's procurement obligations beyond such terms. The Authority acknowledges and (to the extent required) approves the General Contractor, Architect, Engineers and other consultants and contractors previously identified by the Developer in its RFQ response and/or engaged by the Developer for services under the Initial Agreement or previously executed predevelopment loan agreements, as identified in Exhibit E.

#### 4.7 Section 3/MBE/WBE Goals and Obligations

(a) In accomplishing its development activities as provided herein, the Developer will comply with Section 3 of the Housing and Urban Development Act of 1968 and implementing regulations thereunder by training and hiring public housing residents and lower-income community residents to the greatest extent feasible.

(b) This Agreement requires that, to the greatest extent feasible, opportunities for training and employment be given to lower income residents in and around the area of the Development. The Developer will instruct its General Contractor and its subcontractors to utilize lower income project area residents as employees to the greatest extent feasible, including but not limited to:

- (1) Identifying the number of positions in the various occupational categories including skilled, semi-skilled, and unskilled labor, needed to perform each phase of phase of the Project;
- (2) Identifying the positions described in Paragraph (1) of this subsection, the number of positions in the various occupational categories which are currently occupied by regular, permanent employees;
- (3) Identifying the positions described in Paragraph (1) of this subsection, the number of positions in the various occupational categories which are not currently occupied by regular permanent employees;
- (4) Establishing the positions described in Paragraph (3) of this subsection, a goal which is consistent with the purpose of this subpart within each occupational category of the number of positions to be filled by lower income residents of the Section 3 covered project area; and
- (5) Making a good faith effort to fill all of the positions identified in Paragraph (4) of this subsection with lower income project area residents.

To the greatest extent feasible, the Developer shall comply (and shall obligate its General Contractor to comply) with the Authority's Section 3 plan, and costs related to meeting the goals of the plan shall be factored into the Development Budget. To the greatest extent feasible, the Developer shall comply (and shall obligate its General Contractor to comply) to provide 10% of the total dollars of construction subcontracting opportunities and 3% of the total dollars of Section 3 covered non-



construction subcontracting opportunities to Section 3 businesses and to cause 30% of new hires (including trainees) to be Section 3 employees.

(c) In accomplishing its development activities as provided herein, the Developer will also comply with the Authority's MBE/WBE requirements. To the greatest extent feasible, the Developer shall comply (and shall obligate its General Contractor to comply) with the Authority's MBE/WBE requirements, and costs related to meeting the goals of the plan shall be factored into the Development Budget. To the greatest extent feasible, the Developer shall provide (and shall obligate its General Contractor to provide) \_\_\_% of the total dollars of construction subcontracting opportunities and \_\_\_% of the total dollars of non-construction subcontracting opportunities to MBE/WBE businesses. [Note: Authority to provide percentages]

(d) The Developer shall include reports about efforts and results relating to such Section 3/MBE/WBE goals, including but not limited to the completed Project New Hire Summary and New Hire Questionnaire for applicable hires agreed to by the parties, with any draw for construction expenses (including those performed under Additional Services) and will provide timely information on Section 3/MBE/WBE contracting for soft costs expenses annually (or as needed) for HUD reporting.

(e) The Developer or each Owner Entity may contract with a third party for MBE/WBE/Section 3 and Davis-Bacon and related prevailing wage monitoring and compliance and include the costs relating thereto as a project cost in the applicable Additional Services Agreement and/or Phase Development Budget.

(f) In furtherance of the goals set forth in this Section 4.7, the Developer and the Authority also agree to comply with the obligations set forth in a Project New Hire Summary and New Hire Questionnaire form to be agreed upon by the parties no later than thirty (30) days following execution of this Agreement.

(g) The Authority will support the efforts of the Developer and the General Contractor to comply with the foregoing Section 3 requirements by providing confirmation that certain persons and businesses qualify as Section 3 individuals or businesses, respectively, and by providing Developer timely with lists of already-confirmed Section 3 individuals and companies. The Authority acknowledges that failure to conduct such activities timely will limit the Developer's ability to comply with the requirements.

**4.8 Cooperation and Approval Standards.** The Authority and the Developer shall cooperate with one another in good faith to complete the Housing Plan. Such cooperation shall include reasonable efforts to respond to one another as expeditiously as possible with regard to requests for information, consents or approvals required hereby and prompt proactive sharing of information pertinent to the carrying out and orderly progression of the Housing Plan, including forwarding of all relevant correspondence, directives, and other written material either to or from the City, CTCAC or HUD with respect to the Housing Plan. With regard to materials or documents requiring the approval of one or more parties, if such materials or documents are not approved as initially submitted, then the parties shall engage in such communication as is necessary under the circumstances to resolve the issues resulting in such disapproval. A spirit of good faith and a mutual desire for the success of the Housing Plan shall govern the parties' relationship under this Agreement. The parties agree to cooperate and consult with each other in advance of any formal public statements or publication made regarding the Development or any Phase thereof; provided, however, that any informal statement or publication, by the Authority, including without limitation, social media postings, do not require prior approval by the Developer. Each party shall promptly review any matter submitted and advise the other party in writing of approval or of why approval is being withheld. Authority's approval of any matter required hereunder shall be in writing and shall not be unreasonably withheld, conditioned or delayed, unless the text otherwise expressly states. To the extent this Agreement entitles the Authority to exercise any rights of approval,



consent, or the like, in regard to activities performed by Developer or documents or plans, such approval and consent rights shall be exercised by the Authority in a manner which will not result in the applicability of any State or Federal procurement requirements to such activities or documents or plans.

**4.9 Communications.** To facilitate communication, the Authority and the Developer each shall designate a representative with responsibility for the routine administration of such party's obligations under this Agreement. Initially such representatives shall be Bern Wikhammer, for the Authority and Lauren Levrant, Vice President, for the Developer.

## **ARTICLE V. ENVIRONMENTAL AND GEOTECHNICAL REVIEW, REMEDIATION, AND OBLIGATIONS**

### **5.1 Environmental Assessments and Remediation**

**5.1.1** The Authority shall be responsible for obtaining all necessary HUD approvals of Requests for Release of Funds for all activities arising under this Agreement (including, as applicable, performance of Additional Services and the Closing of each Phase pursuant to 24 CFR Part 50 or Part 58, as applicable).

**5.1.2** After reasonable and diligent review of its files, the Authority has delivered to the Developer all existing documentation identified in such file review regarding the site of the Existing Development (including environmental assessments, reports, demolition and as-built drawings, notices, and other material correspondence with any public agency), as specified in **Exhibit F**. Any additional documentation of this nature will be forwarded to the Developer no later than twenty-four (24) hours after receipt of said information by the Authority.

**5.1.3** Developer has caused Phase I environmental assessments to be completed for the site of the Existing Development, which assessments were independent of certain other assessments previously performed by a consultant procured by the Authority. If deemed warranted by the Developer or the Authority with respect to an existing or suspected Environmental Condition identified in environmental site assessments or addenda thereto, the Authority will cause to be performed further Phase II environmental assessments, or any further testing or other evaluation reasonably necessary to determine the existence, scope and extent of an Environmental Condition; provided however that Developer shall provide all information obtained or produced in connection with the Phase I environmental assessments needed to complete such further assessments, testing or other evaluation. If a Phase I environmental site assessment or Phase II environmental site assessment and any addenda or further testing or evaluation (collectively, a "Site ESA"), identifies the presence of an Environmental Condition, the Developer and Authority shall meet to determine the scope of remediation, if any, to be performed at the affected site consistent with Protective Concentration Levels (PCLs) or remedy standards applicable to the intended use of the property. If the Developer and Authority are able to reach agreement on the scope of remediation, such remediation shall be added to the scope of Site Preparation Work for the site or affected portion thereof. The Authority shall submit or cause to be submitted to the Developer for its review all proposed plans and specifications for remedial actions, and at Developer's request shall cause Authority's contractor or appropriate consultants to meet with Developer or its consultants for the purpose of reviewing and approving such submission so that any and all environmental issues which may be problematic to Developer and third-party funding sources may be identified at the earliest possible date and fully resolved by Authority during the predevelopment phase and prior to the Phase's need for financing from such third-party funding sources, the costs of all of such reports and remedial actions to be borne by Authority. The Authority agrees that any reports, assessments or other information provided to the Developer regarding the environmental condition of the site of the Existing Development may be provided to any third party consultants as needed to conduct any additional diligence and/or testing as may be required. The Authority and the Developer acknowledge that all third-party funding sources, as a

condition to their funding of any portion of the Housing Plan, will likely require all data available in regard to the foregoing environmental matters, and will likely require evidence that any Environmental Conditions have been remediated to meet applicable Environmental Laws, which may include a requirement to obtain a Certificate of Completion or a “no further action” clearance letter with respect thereto, to submit to a Voluntary Compliance Plan, or to comply with similar requirements from the federal, state, and local entities having jurisdiction over the Development. Developer shall bear no responsibility or liability, however, for environmental remediation plans and specifications as a result of its review and approval thereof. All costs associated with identifying, investigating and remediating Environmental Conditions are the responsibility of the Authority – but related activities may be carried out by the Developer as an Additional Service and/or as part of predevelopment activities.

**5.1.4** If the Developer and Authority are unable to reach agreement on the scope of remediation to address an Environmental Condition identified by a Site ESA, or if the Authority determines at any time subsequent to the completion of any Site ESA, but prior to Closing with respect to the Phase encompassing the affected site or portion thereof, that the nature of, time frames for, or costs of remediation required pursuant to Section 5.1.3 of an Environmental Condition affecting a Development Site or any portion thereof identified in a Site ESA or discovered during the course of Site Preparation Work would render the construction of the New Improvement on such site practically or financially unacceptable, the Developer and Authority shall meet to consider the continued feasibility of the development of the affected Phase or affected portions thereof and possible alternate or additional methods and source of payment for remediation of such Environmental Condition. Subject to any required HUD approvals, the Master Schedule may be extended by the time needed to remediate such Environmental Condition, if feasible in the light of controlling deadlines imposed by financing or supervisory agencies. If the Authority, after consulting with the Developer, determines that remediation of such Environmental Condition in accordance with a scope of remediation acceptable to the Developer and third-party funding sources (including, if applicable, participation in a Voluntary Compliance Plan) cannot feasibly be effected, the affected site or portion thereof shall be removed from the affected Phase. If following such removal a reasonably available suitable alternative site can be identified that is acceptable to the Developer and in (or which) accordance with the terms of this Agreement can be made to be in) Clean and Buildable Condition such alternative site may be substituted in order to permit development and construction of the subject Phase, preserving the full number of units and unit mix planned to the extent reasonably possible. If substitution of a suitable alternative site is not feasible in light of controlling deadlines imposed by financing or supervisory agencies, the parties will use good faith efforts to include development of the affected number of units in a later Phase of the Development, if applicable and feasible, or may declare the subject Phase (or if needed elements of the broader Development) infeasible.

**5.2 Developer Environmental Covenant.** Developer shall not itself, nor shall it permit any other person, including, but not limited to, third parties with whom Developer contracts in regard to this Agreement, to bring onto any Development Site any Hazardous Materials, except to the extent reasonably necessary to perform development and construction activities and used in compliance with all applicable Environmental Laws. Notwithstanding the foregoing, the following Hazardous Materials are prohibited from being brought onto the Development Site: (i) asbestos or asbestos containing material, or (ii) polychlorinated biphenyl material, or (iii) soil containing volatile organic compounds regulated under applicable law. Additionally, in the event that Developer encounters on such Development Site (i) asbestos or asbestos containing material, (ii) polychlorinated biphenyl material, (iii) soil containing volatile organic compounds, or (iv) any other subsurface, adverse condition, Developer shall promptly notify the Authority in writing.

**5.3 Authority Environmental Covenant.** Except for Environmental Conditions caused solely by Developer or third parties with whom Developer contracts in regard to this Agreement, the Authority shall be responsible for all costs and expenses associated with the investigation and remediation

of any Environmental Condition in furtherance of its obligation to deliver each Development Site to an Owner Entity in Clean and Buildable Condition, subject to the terms of any Additional Services Agreements.

#### **5.4 Geotechnical Assessment and Remediation.**

**5.4.1** The Developer has, as part of the predevelopment scope for each Phase, engaged geotechnical consultants to perform geotechnical evaluations of all sites identified as Development Sites and will provide copies of each of such reports to the Authority. Subsequent geotechnical evaluations and remedial actions recommended in geotechnical assessment reports shall be included in Site Preparation Work for the Phase in which the affected sites are intended to be included. The Developer shall submit or cause to be submitted to the Authority for its review all proposed plans and specifications for site preparation activities and shall cause the appropriate contractors or consultants to meet with the Authority for the purpose of reviewing such submissions and discussing any Authority or Developer questions or concerns; provided, however, Developer shall bear no responsibility or liability for plans and specifications for site preparation activities as a result of its engagement of consultants and contractors on behalf of the Authority, but Developer shall cause the relevant consultants and contractors to provide to the Authority a certification that the plans and specifications for site preparation activities comply with all applicable legal requirements.

**5.4.2** If the Authority determines at any time prior to Closing that the nature of, time frames for, or cost of remediation of a geotechnical condition recommended in a geotechnical evaluation report, or remediation of a geotechnical condition which is discovered during the course of Site Preparation Work (or a materially increased scope or cost of remediation of a previously discovered condition which is discovered during the course of such Site Preparation Work) would render construction or operation of the New Improvements on the affected Phase Site or portion thereof practically or financially unacceptable, the Developer and the Authority shall meet to consider the feasibility of the development of the Development Site or affected portions thereof and the possible methods and source of payment for remediation of such geotechnical condition. The Master Schedule may be extended by the time needed to evaluate and remediate such geotechnical condition, if feasible in the light of controlling deadlines imposed by financing or supervisory agencies. If the Authority, after conferring with the Developer (and, if applicable securing a second professional opinion) determines that the geotechnical condition cannot feasibly be cured, the affected site or portion thereof shall be removed from the Phase and, if reasonably available, a suitable alternative site identified by and acceptable to the Developer in Clean and Buildable Condition shall be substituted therefor, in order to permit development and construction of a Phase, and to the extent reasonably possible, having the full number of units and unit mix planned. If substitution of a suitable alternative site is not feasible in light of controlling deadlines imposed by financing or supervisory agencies, the parties will use good faith efforts to include development of the affected number of units in a later Phase of the Development, if applicable and feasible.

### **ARTICLE VI. SITE ACTIVITIES.**

#### **6.1 Reserved.**

**6.2 Relocation.** The Authority shall be exclusively responsible for temporary or permanent relocation of residents and commercial occupants of the Existing Development and, if applicable, of the Additional Site (including continued responsibility for relocation relating to the demolition of the Existing Development and, as applicable, any further activities on the Additional Site). The Authority has carried out, and will continue to carry out, its relocation activities in accordance with HUD and the Authority's standard relocation requirements and the Uniform Relocation Act and other HUD Requirements (expressly including the "right of return" provisions of the Choice Requirements), as applicable, and in accordance with the Relocation Plan. The Developer has engaged a consultant to develop the Relocation

Plan pursuant to an Agreement for Additional Services dated on or about September \_\_\_\_\_, 2017 (the "Relocation Consultant"). Developer does not and shall not, by virtue of subcontracting for or otherwise participating in the development of the Relocation Plan, make any representation concerning the accuracy or completeness of the Relocation Plan or its compliance with Relocation Laws, nor shall Developer, any Owner Entity or any of their respective Affiliates bear any liability to the Authority or to any third party relative to the development, content or execution of the Relocation Plan. As of the date of this Agreement, the Relocation Plan is in final form, subject to approval in accordance with HUD Requirements, as applicable, and such final contents and any subsequent amendment shall further be subject to the approval of each Party.

**6.3 Demolition/Disposition.** The Authority – with the assistance of the Developer as an Additional Service – is responsible for the demolition of the Existing Development and, if applicable, for any further demolition activities on the Additional Site (if applicable) as part of its obligations relating to delivery of Clean and Buildable Sites. Activities relating to demolition are part of the Site Preparation Work further referenced below. The Authority shall, with the assistance of Developer if requested, timely request all demolition and disposition approvals that may be required pursuant to applicable HUD Requirements.

**6.4 Site Preparation Work and Public Infrastructure Improvements.**

**6.4.1** The Authority – with the assistance of the Developer as an Additional Service – is responsible for the performance of: (a) all activities relating to delivery of a site in Clean and Buildable Condition; (b) environmental investigation and (where applicable) remediation activities for which the Authority is responsible under Section 5.1, and (c) geotechnical investigation and (where applicable) remediation activities under Section 5.3 (collectively, "Site Preparation Work"). Site Preparation Work expressly includes all associated design, engineering, funding and implementation activities and associated expenses, such as:

- Specification writing and associated engineering design;
- Solicitation, award and execution of contracts;
- Demolition and associated activities, such as (where applicable):
  - debris removal and securing of units prior to demolition
  - asbestos and lead-based paint abatement in each unit
  - removal of fences, steps, sidewalks, etc., from each unit
  - demolition of each unit and removal of debris
  - removal of all subsurface materials including footings and foundations that impact the construction of any Phase
  - placement of engineered backfill in each hold created by the demolition
- Rough survey to identify property lines and building footprints plus related site preparation;
- Excavation of unsuitable soils, replacement with appropriate fills and compaction to the standards defined in the geotechnical investigation report based on the proposed development location and use;
- Removal of above and/or below ground improvements such as retaining walls, and building structures and foundations;

- Removal and disposal of soils and materials unsuitable for use as competent fill for the structures anticipated;
- Relocation or abandonment of existing utilities to accomplish excavation of unsuitable or contaminated soils;
- Certified and documented geotechnical observation and oversight during unsuitable soils excavation and fill;
- Observation and testing during excavation and replacement of existing fill and buried structures; and
- Obtaining all applicable governmental and utility approvals.

**6.4.2** The Authority – with the assistance of the Developer as an Additional Service (except as otherwise provided in Section 6.4.3 – is responsible for the construction of all new or improved infrastructure improvements that are to be located outside of the Development’s boundaries and within the public right of way and that are necessary for the construction and occupancy of the Development in a timely fashion as required pursuant to agreements with private investors and lenders on a Phase basis (the “Public Infrastructure Improvements”), expressly including but not limited to:

- the road bed and road surface;
- all underground utilities, sewers, drains, etc.;
- all curbs, curb cuts, and sidewalks, landscaping and lighting to all sides of the Development Site;
- any existing or new streets;
- all sewers and drains whether on-site or off-site; and
- conveyance of Authority property as required for right-of-ways (e.g., sidewalks, tree lawns, street bike paths) pursuant to the public infrastructure master plan and Phase-specific site design.

The Authority’s responsibilities for the Public Infrastructure Improvements expressly includes all associated design, engineering, funding and implementation activities and associated expenses.

**6.4.3** The parties anticipate that the City will perform and fund all Public Infrastructure Improvements associated with the extension of Richards Boulevard as reflected in the Conceptual Site Plan. As the design and construction process for such extension proceeds, the Authority and the Developer will each cooperate and share information and the Authority will not approve any material element of such design or implementation (including, without limitation, access or scheduling decisions) without the prior approval of the Developer and, if applicable, Owner Entities. Authority Funds will not be expended for the design or implementation of the Richards Boulevard extension without the approval of Developer, which may be withheld in its sole discretion.

**6.4.4** If and to the extent that Site Preparation Work and/or Public Infrastructure Improvements for the site of a Phase or a portion thereof are not completed by the date of Closing with respect to such Phase, the Developer may in its sole and absolute discretion proceed with such Closing provided that, at a

minimum, the Authority causes the continuation and completion of Site Preparation Work and/or Public Infrastructure Improvements subsequent to Closing (provided that the Owner Entity shall grant to the Authority (or to the Developer pursuant to an Additional Services Agreement) such licenses or easements as are required in order to permit completion of the subject activities), and the obligations of the Authority (and, as applicable, the obligations of the Developer pursuant to the corresponding Additional Services Agreement) with respect to the affected Development Site will survive the Closing of such Phase and be specified in the Authority Closing Documents.

## **ARTICLE VII. PRE-CLOSING DEVELOPMENT PHASE ACTIVITIES**

### **7.1 Plans and Specifications.**

**7.1.1** The Developer has selected a Project Architect as identified in Exhibit D, and may proceed with that Project Architect or may select one or more alternate Project Architects for the Phases (and/or to perform Additional Services) through a selection process meeting the requirements of Section 4.6.

**7.1.2** The Developer shall coordinate the development of plans and specifications by the Architect for the New Improvements for each Phase pursuant to building codes and regulations enacted by the City and the State and to achieve a high quality, energy efficient, sustainable housing development compatible with the neighborhood transit-oriented development goals in accordance with the HUD Requirements, the Choice Grant Agreement and the River District- Railyards Choice Neighborhoods Transformation Plan. All plans and specifications shall be submitted to Authority for approval at concept, design development and construction document stages. Developer and the Authority shall communicate to each other and the Project Architect, approval or disapproval within fourteen (14) business days of submission. If a submission is disapproved, a written explanation shall be provided. The Developer shall cooperate with Authority and the Project Architect, as required, in obtaining the input of community residents. Developer shall advise the Authority in writing of any hearings regarding matters described in this Section 7.1.2 with sufficient advance notice to enable the Authority to attend such hearings. Developer shall coordinate any necessary utility relocation, rezoning and re-subdivision of the Development Site (including necessary planned unit development approvals and modifications to ordinances) and any applicable street and alley vacations and dedications.

**7.2 Appraisal, Market Study, Financing Commitments.** The Developer shall obtain an appraisal, market study (if necessary) and applicable title commitments respecting each Phase and shall timely apply for and make best efforts to obtain, an allocation of tax-exempt bond volume cap and/or Federal Low-Income Housing Tax Credits, and other financial commitments as necessary to support construction and permanent financing of each Phase.

### **7.3 General Contractor.**

**7.3.1** The Developer selected a General Contractor and included that General Contractor in its response to the Request for Qualifications, and such General Contractor has been approved by the Authority as referenced in Section 4.6 and Exhibit D. If Developer elects to use a different General Contractor for any Phase of the Development (and/or to perform Additional Services), Developer will select a General Contractor not affiliated with the Developer through a selection process meeting the requirements of Section 4.6 and the balance of this Section 7.3. Alternatively, Developer may, at its option, provide the Authority with a list of proposed General Contractors in advance of selecting a General Contractor, in which case the Authority shall advise whether it disapproves of any of the proposed General Contractor (provided that the Authority shall not unreasonably withhold, condition or delay its approval of any proposed General Contractor and shall provide the General Contractor with a written explanation in the event it disapproves of any proposed General Contractor), and Developer may

select one of the proposed General Contractors pre-approved by the Authority. The Developer shall establish standards for the selection of some or all subcontractors by the General Contractor to the Developer's reasonable satisfaction, and may reserve to itself the right to approve some or all subcontractors, provided that in any event such standards shall comply with applicable requirements of HUD and of this Agreement.

**7.3.2** Developer shall negotiate a fixed price or guaranteed maximum price contract ("**Construction Contract**") between the Owner Entity and the General Contractor. Prior to execution of any Construction Contract, the Developer shall submit a final draft to the Authority for its review and approval for the sole purpose of confirming compliance with this Agreement and applicable HUD Requirements and other standard lender requirements. Each Construction Contract shall be consistent with the HUD Cost Guidelines, as applicable, shall be subject to reasonable audit and cost certification and shall provide for assignment to the Authority in the event of default under the Authority Closing Documents (subject to senior pledges to other Lenders).

## **ARTICLE VIII. CLOSINGS, PHASE BUSINESS TERMS AND AUTHORITY CLOSING DOCUMENTS**

**8.1 Continuing Relationships.** The Authority and the Developer acknowledge that the Housing Plan contemplates and encompasses certain long-term continuing relationships between the Authority and the Developer or Affiliates of the Developer following completion of construction of each Phase that are integral to the realization of the goals of the Housing Plan and material inducements to the Developer's application for designation as the Authority's development partner and to the Authority's selection of Developer. The terms and conditions of such continuing relationships with respect to each Phase are to be more fully described and set forth in various development documents which will be executed in connection with the respective Closings for each Phase. The present understandings between the Authority and the Developer with respect to such relationships as they relate to the Phases, and as will be memorialized and further detailed in separate agreements at the Closings of each Phase, are summarized in the following provisions of this Article VIII.

**8.2 Ownership of Phases.** Developer will cause each Owner Entity to be formed as a limited partnership or limited liability company in which an Affiliate of the Developer will serve as the administrative general partner or managing member. A tax-exempt Affiliate of the Authority will serve as the managing general partner or managing member with such authority (and only such authority) as may be required to qualify the subject Phase for real estate tax exemption as set forth by the California State Board of Equalization. Each Owner Entity shall grant to the Authority an option to purchase the Phase and a right of first refusal with respect to any offer from an unrelated third party to purchase the Phase, each exercisable at the end of the tax credit compliance period, upon terms and conditions to be set forth in an appropriate agreement between the Owner Entity and the Authority to be executed in connection with the Closing and approved by the Developer as well as the Investor and its tax counsel. Such agreement(s) will further provide that: (i) Developer will hold a secondary option to purchase the Phase (or the Investor's interest) upon the same terms and conditions granted to the Authority if the Authority fails to exercise its option (or right of first refusal) within two (2) years of such option becoming available, and (ii) if the Authority intends to work with a private developer to preserve or redevelop the Phase following the exercise of its rights under such agreement(s), it will either (x) continue to treat the Developer as its development partner, or (y) provide the Developer with notice and an opportunity to compete for selection of a new development partner, and give material weight to past performance in such selection process. Developer will include a form of purchase option and right of first refusal proposed by the Authority and reasonably acceptable to the Developer in its equity solicitations.



**8.3 Ground Leases.** The Authority will hold fee title to each Development Site but will convey site control through a long-term ground lease of each Development Site to each respective Owner Entity. The term of each ground lease will be for a period of no less than 75 years or such longer period as may reasonably be required by the Investor or its tax counsel. The rental payments pursuant to each ground lease will be established based upon the appraised value of the leasehold taking account of all applicable restrictions and payable (through payments on a seller note or through annual ground lease payment) from the Authority's share of Available Surplus Cash as described below, provided that the Developer shall cause up to 10% of such value to be paid at the Phase Closing. The ground lease will include allocation of environmental responsibilities consistent with the terms of this Agreement (expressly including Section 5). For the Phase(s) developed on the Additional Site, the Developer shall further cause the Development Phase Budget to include an amount paid at Closing sufficient to repay the Authority for amounts spent to acquire the Additional Site and related expenditures associated with preparing the site for construction (to be paid through up-front ground lease payments or otherwise as reasonably acceptable to the Parties).

**8.4 Authority Loans to Phases.** The Authority shall enter into one or more loan agreements with each Owner Entity providing for one or more loans of Authority Funds consistent with the Phase Development Budget. The Authority's loans may be subordinate to loans made by private lenders and shall be *pari passu* with loans of other public lenders except as otherwise approved by the Authority, will be nonrecourse to the Owner Entity and the Developer (provided that the Authority shall remain entitled to receive a construction completion guaranty pursuant to Section 8.12) and will have a maturity date and such other terms as may reasonably be required by the Investor to ensure financial feasibility. Such loans will be payable prior to maturity only from a portion of "Adjusted Annual Surplus Cash" as defined and further described below.

**8.5 Adjusted Annual Surplus Cash Payments to Authority.** Each Owner Entity shall (subject to certain limits described below) pay the Authority 90% of Adjusted Annual Surplus Cash. "Adjusted Annual Surplus Cash" shall mean "Surplus Cash" less "Priority Payments," where:

- "Surplus Cash" shall mean surplus cash as established under HUD reporting requirements for multifamily projects subject to HUD's Uniform Financial Reporting Standards for HUD Housing Programs, except that references to such requirements to HUD-insured loans and to HUD approvals shall be disregarded; and
- "Priority Payments" shall mean payments of must-pay debt service, an annual asset management or general partner fee to MBS or its Affiliate in the amount of \$20,000 per Phase (the "MBS Fee"), tax credit adjustment payments, partner loans or advances, reserve replenishment, Deferred Developer Fee and other conditions as may be required by the Investor and by third-party Lenders subject to reasonable approval by the Authority.

All payments due to the Authority from the Owner Entity – specifically including mortgage loan payments, ground lease payments and other seller financing payments – shall be included within and subject to the preceding limitation on Adjusted Annual Surplus Cash payments described above. If any other Lenders require repayment from Surplus Cash or otherwise from cash flow of the Owner Entity, then such Lenders' payments will be included within and credited against the 90% share described above and the Authority will therefore be required to divide such amounts with such other Lenders; provided however that the ground lease payments shall be the first priority payment from the 90% of Adjusted Annual Surplus Cash to the extent such priority is reasonably acceptable to other Lenders. The Owner Entity shall apply the remaining share (i.e., 10%, or such lesser amount as may remain after application of the preceding sentence) for distributions to the Affiliate of Developer serving as administrative general partner as an incentive management fee (in an amount to be agreed upon between the Developer and the Investor and thereafter to the partners of such Owner Entity in accordance with their ownership interests in such Owner Entity. If necessary based on the requirements of other Lender or the Investor, the



Developer may cause the MBS Fee to be paid in a manner other than as a Priority Payment and/or may cause the incentive management fee to be paid in a manner other than through the remaining share of cash flow referenced in the preceding sentence, provided that no such change shall be to the material detriment of the Authority and the share of Adjusted Annual Surplus Cash that it would otherwise receive without the approval of the Authority.

**8.6 Cost Savings.** Each Owner Entity will calculate “Cost Savings” at the time of the stabilization of the applicable Phase (or, if later, approval of the cost certification and issuance of I.R.S. Form 8609 by CTCAC). Cost Savings will be calculated as the amount by which final aggregate development sources exceed final aggregate development uses (including payment in full of the Developer Fee, full funding of all required reserve accounts and, if applicable, cost saving payments due to the General Contractor under the terms of its contract). Final aggregate development sources and uses shall be established pursuant to the cost certification prepared by the Owner’s accountant. Cost Savings shall be applied to repay or reduce the amount of the Authority’s loan to the subject Phase (on a pro rata basis to the extent of any outstanding gap financing provided by other funders, if required by such funders, exclusive of the Investor’s equity and any private first mortgage debt). Remaining Cost Savings may be used to further enhance reserve accounts, to the extent permitted, and in no event will be paid to the Developer.

**8.7 Property Management.** McCormack Baron Management, Inc., an Affiliate of the Developer, will be the initial property management agent for each Phase and shall remain as property management agent for such Phase unless terminated by the applicable Owner Entity so long as the Developer or an Affiliate is either a general partner of the Owner Entity or a guarantor under an outstanding guaranty relating to such Phase. The management agent shall be responsible to the Owner Entity for management of each Phase in accordance with the terms of the Management Agreement and in accordance with a Management Plan each of which shall be approved in writing by the Owner Entity and the Authority prior to its implementation and further subject to approval of amendments, as will be addressed in Authority Closing Documents. The Management Plan shall include methods for (a) obtaining applications from eligible households; (b) pre-screening applicants to determine their status as eligible residents, (c) selecting residents from among eligible applicants; and (d) criteria for continued occupancy. If the management agent materially violates, breaches or fails to comply with any provision of the Management Agreement relating to HUD Requirements specified in the Authority Closing Documents, the Authority shall have the right to request the Rental Owner to terminate the management contract, subject to the notice and opportunity for cure provisions (if any) provided for in the Management Agreement and further subject to approval by the Investor and third-party Lenders. The Authority will (along with the Investor and Lenders) have a right to approve a successor management, if applicable, which approval will not unreasonably be withheld, conditioned or delayed. The management agent shall receive a management fee equal to a fixed element of five percent (5%) of gross collected revenue on a calendar year basis, plus an incentive-based element up to an additional one percent (1%) of gross collected revenue for achieving High Performer status (or comparable HUD ranking) and maintaining compliance with all regulatory agreements associated with each phase during each calendar year, to be further detailed in the Management Agreement.

**8.8 Admissions and Occupancy Policies.** The Authority and the Developer acknowledge that the goal of achieving long-term sustainability of each Phase as a mixed-income community will be enhanced by administrative procedures and terms and conditions of occupancy that reduce discernible distinctions in maintenance, operation and conditions of continued occupancy, between the Replacement Housing Units and the other units in the Phase to the greatest extent feasible. The selection of applicants for admission to and continued occupancy of rental units in each Phase, including the Replacement Housing Units, shall be the function of the Owner Entity. Admission to and continued occupancy of Replacement Housing Units shall be limited to persons or families eligible for such units under applicable HUD Requirements, as limited further, during the compliance period and any extended use period, by

applicable restrictions under Section 42 of the Internal Revenue Code. All re-occupancy of Replacement Housing Units shall be subject to the leasing requirements imposed by the Relocation Plan. The Authority shall administer and enforce the leases with each of the residents of the Existing Development (or, as applicable, shall monitor lease compliance for residents not living in other public housing units) in compliance with HUD Requirements and the terms of the Relocation Plan until each such resident has moved to the Replacement Housing Units or has otherwise relocated from the Existing Development and has declined or forfeited his or her right to move to the Replacement Housing Units. Subject to HUD Requirements if applicable, priority occupancy and return rights for Replacement Housing Units shall be available only upon initial lease-up of Replacement Housing Units (subject to the Authority providing timely and accurate information regarding eligibility, priority, household size, contact information and other critical information in a manner that does not delay lease-up activities) and only for eligible residents of the Existing Development that have preserved their rights under the Relocation Plan, which generally means that they are in good standing and in compliance with their current leases. The Owner Entity, subject to delegation to the management agent, shall carry out all administrative functions in connection with admission of applicants to occupancy of the Replacement Housing Units, including pre-application and application intake, applicant interview and screening, verification procedures, determination of eligibility for admission and qualification for preference, record maintenance, waiting list maintenance, unit assignment and execution of leases, all in accordance with criteria and procedures approved by the Authority in the Management Plan. The Authority shall authorize each Owner Entity (or, upon request, one or more Owner Entities acting together) to maintain a site-based waiting list, if permitted by the HUD Requirements, and shall include a description of the site-based waiting list and admission procedures and policies applicable to the Replacement Housing Units in each Phase in its annual plan and in its Section 8 Administrative Plan, as applicable. Screening criteria and procedures established by Owner Entity with respect to the Replacement Housing Units will, to the maximum extent permissible under HUD Requirements, be consistent with those utilized by the Owner Entity and its management agent with respect to non-Replacement Housing Units in the Phase.

**8.9 PBV Subsidy.** The Authority shall provide PBV Subsidy for the two hundred eighteen (218) Replacement Housing Units. The source of PBV Subsidy within each Phase is or will be initially identified in the Phasing Plan, and will be confirmed and documented through the Development Proposal and Authority Closing Documents. Nothing in this Agreement shall be deemed to obligate or otherwise commit any funds of the Authority beyond the PBV Subsidy funds approved by and made available to the Authority by HUD pursuant to HUD Requirements.

**8.9.1** The Authority shall provide PBV Subsidy in accordance with the Authority's Section 8 Administrative Plan and subject to the Authority's payment standard requirements. The Authority, with the full assistance and support of the Developer and management agent, shall take such actions as may be required under HUD Requirements to make the full number of PBV-Assisted Units available in each Phase, as established in the Phasing Plan.

**8.9.2** Any change to the PBV Subsidy arrangement or the Housing Plan that would result in any Replacement Housing Unit not receiving PBV Subsidy will be subject to the approval of the Developer, which it shall not be unreasonably withheld, conditioned or delayed.

**8.10 Reserves.** Each Owner Entity will have reserve accounts as may be required by the Investor and/or Lender, including an operating reserve and a reserve for replacements. The reserves will all be funds of the Owner Entity. The operating reserve will be initially capitalized out of the Phase Budget from sources other than Authority Funds and, if necessary, will be further funded or replenished from each Owner Entity's "Priority Payments" as described in Section 8.5. The replacement reserve may also be initially capitalized out of the Phase Budget, but will otherwise be funded from operating revenues of each Owner Entity at a level established by the Investor or Lender, and may also be further funded or replenished from "Priority Payments." Releases from the operating reserve and from the replacement

reserve will be subject to the approval of the Investor and Lenders and will be subject to further conditions outlined in the Owner Entity's limited partnership agreement and loan documents.

**8.11 Construction.** Each Phase will be constructed in conformance with the approved plans and specifications and corresponding fixed price or guaranteed maximum price construction contract, subject to modifications and change orders that will require prior written approval of the Authority if they exceed thresholds to be established in the Authority Closing Documents. Developer will cause construction contracts entered into by Developer or an Owner Entity to contain all necessary provisions for compliance with applicable labor standards requirements under the Davis-Bacon Act and related prevailing wage requirements, applicable State prevailing wage law requirements, and with Section 3 and MBE/WBE standards as set forth in this Agreement. Authority loan documents shall require that Owner will fully monitor and enforce these requirements.

**8.12 Guarantees at the Closing of each Phase.** Developer will execute a guaranty of construction completion for the benefit of the Authority at the Closing of each Phase in a form reasonably acceptable to the Authority, which guaranty will begin at the initial Closing of such Phase and terminate at issuance by the City of a certificate of occupancy. Developer will execute such further guarantees as may reasonably be required by the Investor and Lenders including, if applicable, development deficit guarantees, operating deficit guarantees, tax credit recapture guaranties and environmental indemnities. Developer reserves the right to negotiate the terms of such guarantees with the Investor and such Lenders on a commercially reasonable basis. The Authority shall not be required to provide guarantees to the Investor or to Lenders.

**8.13 Authority Closing Documents.** At Closing for each Phase the Authority will execute with the Developer and/or the Owner Entity, as appropriate, such documents as shall be necessary and appropriate to the implementation of the Development proposal with respect to such Phase ("Authority Closing Documents"). Authority Closing Documents shall conform to the requirements normally imposed by public entities in undertaking participation in projects similar to the Development (subject to particular commitments made in this Agreement) and shall be in form and content satisfactory to Developer, the Authority, the Developer's counsel, the Authority's counsel, the Investor, the Investor's counsel, other lenders' counsel and counsel, the purchasers and the underwriters of any bonds, HUD, and/or any other requisite funding source.

**8.14 No Survival of Master Development Agreement.** Once Closing has occurred for any Phase, Authority Closing Documents will govern the rights and remedies of the parties in regard to the subject Phase. This Agreement shall terminate and be of no further relevance to any Phase that has achieved Closing (subject, however, to the survival of such provisions of this Agreement that are explicitly identified as surviving its termination). This Agreement shall remain applicable to elements of the Housing Plan other than the Phase that has achieved Closing. In no event shall this Agreement bind any Owner Entity except for sections of this Agreement that specifically assign obligations or requirements to an Owner Entity.

## ARTICLE IX. INDEMNIFICATION AND INSURANCE.

**9.1 Indemnification by Developer.** Except where caused by the active negligence, sole negligence, or willful misconduct of the Indemnified Parties (as hereafter defined), to the fullest extent permitted by law, Developer shall indemnify, defend and hold harmless the Housing Authority of the City of Sacramento, the Housing Authority of the County of Sacramento, the City of Sacramento, and SHRA, their subsidiaries and their affiliates and their respective officers, directors, commission members,

advisory committee members, agents and employees (collectively and individually, the “**Indemnified Parties**”) from and against all claims, damages, losses and expenses, including, but not limited to, attorneys’ fees, arising out of or resulting from the performance of Developer’s services hereunder, but only if and to the extent caused directly by any negligent acts or omissions of Developer or any third-parties with whom Developer contracts in regard to the Housing Plan. The indemnification obligation of Developer hereunder shall not be limited in any way by any limitation on the amount or type of damages, compensation or benefits payable by Developer or any consultant of Developer or any other person or entity under workers’ or workmen’s compensation acts, disability benefit acts or other employee benefit acts. The agreements, representations and warranties in this Article IX shall survive the expiration or early termination of this Agreement, but shall not apply to claims arising in connection with a Phase that has achieved Closing (which Phase shall be the subject of separate provisions specified in its applicable Authority Closing Documents).

**9.2 Insurance.** The Developer shall maintain and keep in full force and effect, or shall pay for or cause its General Contractors to maintain and keep in full force and effect, as applicable, during the term of this Agreement, such insurance as is set forth on Exhibit G. Each such policy shall name the Authority as additional named insureds and loss payees to the extent permitted. Each such policy shall be underwritten and issued by companies authorized to do business in the State of California reasonably satisfactory to the Authority, and to the extent available after diligent inquiry, shall not be subject to cancellation without 30 days’ prior written notice to the Authority. Evidence of the insurance required by Exhibit G shall be provided by Developer to Authority on or prior to execution of the Agreement, except such insurance as the Authority may accept from the General Contractors during construction shall be provided by Developer prior to such General Contractor beginning work on the Development.

## **ARTICLE X. TERMINATION.**

**10.1 Termination by Authority for Event of Default.** Upon written notice from the Authority, and the expiration of any cure rights set forth in this Section 10.1 or in Section 10.2, any of the following shall constitute an “Event of Default” by the Developer under this Agreement (subject, in any event, to (1) Events Beyond Control in Section 10.2 or (2) the determination that performance is infeasible due to the occurrence of events contemplated in Section 10.3):

**10.1.1** Failure of an Owner Entity or Developer to complete any work within the time set forth in the Master Schedule, in such failure: (a) is predominantly attributable to acts or failure to act on the part of the Developer or an Affiliate; (b) materially prejudices the obtaining of any necessary and material approval by a third party, including HUD, required for the timely completion of the Development; or (c) would adversely impact the Authority’s ability to meet the deadlines set forth in the Choice Grant Agreement;

**10.1.2** Developer, or an Affiliate which has any rights or obligations with respect to the Development, becoming insolvent, making an arrangement with or for the benefit of its creditors, acquiescing in the appointment of a receiver, trustee or liquidator, instituting or becoming the subject of any proceeding commenced under any law for the relief of debtors, or otherwise objectively demonstrating financial incapacity to carry out its obligations hereunder;

**10.1.3** Unilateral withdrawal by the Developer (other than pursuant to Section 10.3.2);

**10.1.4** Debarment, suspension, or other exclusion of the Developer, or any Affiliate thereof, from participation in any Federal or State program which shall exclude the Developer from qualifying for award of Federal or State assistance (including allocation of low-income housing tax credits) on which the Development is dependent;

**10.1.5** Failure of Developer or an Affiliate to enforce any material terms, provisions, conditions, covenants or agreements in the Construction Documents or project financing documents to be observed and/or performed on the part of the General Contractor or other contractors, if such failure materially and adversely affects the Authority's interest hereunder;

**10.1.6** Any action or omission by the Developer, an Affiliate or their contractors that causes a default by the Authority under the Authority's Annual Contributions Contract, including all amendments thereto;

**10.1.7** Failure of Developer or an Affiliate to make payment to a third party contractor when due and funds for such payment have been received from the Authority (except for justified holdbacks or amounts in dispute);

**10.1.8** Failure of Developer or an Affiliate to obtain and maintain the insurance coverage required by this Agreement, or to take appropriate efforts or use due diligence to enforce such insurance obligations on contractors; or

**10.1.9** Material breach of any representation, warranties, covenants, or certifications made in this Agreement.

**10.2 Events Beyond Control.** Notwithstanding Section 10.1, this Agreement shall not be terminated for an Event of Default if the delay in completing the work or other cause of the subject Event of Default arises from the failure to occur of one or more Development Contingencies (as defined in Section 10.3.1) or from unforeseeable events beyond the reasonable control of the Developer. Examples of such causes include (a) acts of God or public enemy, (b) acts or failure to act, or delays in action, of the Authority, HUD, the City, CTCAC, CAL HFA, Strategic Growth Council, State Housing and Community Development or other funding bodies or other governmental entities in either their sovereign or contractual capacity, (c) acts or failure to act of another contractor (other than a contractor to the Developer) in the performance of a contract with the Authority, (d) fires, (e) floods, (f) strikes or labor disputes, (g) freight embargoes, (h) unavailability of materials, (i) unusually severe weather, (j) delays of subcontractors or suppliers of any tier arising from unforeseeable events beyond the control and without fault or negligence of the Developer, or (k) delay caused by litigation that is not between the Authority and the Developer.

**10.3 Withdrawal for Infeasibility.**

**10.3.1 Development Contingencies.** The Authority acknowledges that the Developer's ability to perform many responsibilities under this Agreement is substantially contingent upon actions by third parties over which Developer has limited or no control, or factual circumstances which could not reasonably have been determined as of the date of this Agreement ("**Development Contingencies**"). Such Development Contingencies include, but may not be limited to the following items as to which the Housing Plan reflects certain expectations of the parties:

- i. A Material Funding Conflict pursuant to Section 2.1.2;
- ii. the successful elimination of Hazardous Materials from the Development Site (or any applicable portion thereof) within the Development Budget, including such actions as may arise or be required by the Developer and third party funding sources pursuant to Article 5 and the delivery of the Development Site (or any applicable portion thereof) in Clean and Buildable Condition pursuant to Section 3.3;

- iii. the performance of all Site Preparation Work relative to the Development Site (or any applicable portion thereof);
- iv. the availability of all Public Infrastructure Improvements on or available to the Development Site pursuant to Section 3.3;
- v. the availability of Authority Funds or any other Authority funds in the amounts reflected in the Development Budget or a Phase Development Budget, and the availability of PBV Subsidy at levels required to support corresponding operating *pro-formas*, subject to HUD requirements, all on terms consistent with this Agreement and with the Housing Plan;
- vi. the receipt of all necessary government approvals, including without limitation approval of all components of the Housing Plan, this Agreement, and any Development Proposal;
- vii. the receipt of support from the City in connection with funding applications (including applications for tax credits or tax-exempt bond financing) to the extent such support is required;
- viii. the availability of all requisite permits from the City for the Housing Plan (including, as applicable and without limitation, for the Site Preparation Work, the Public Infrastructure Improvements and the construction of new improvements) in a timely manner and subject only to reasonable and generally applicable conditions for development in the City;
- ix. the inability to secure a weighted average Net-Paid Developer Fee of seven and one-half percent (7.5%) of project costs across the current and closed Phases (taking into account any adjustments made pursuant to the last sentence of Section 2.2.1), for purposes of this paragraph the weighted average will be based on the total number of units in each Phase and the total development costs for each Phase;
- x. the provision of additional assistance from public or private sources that may become necessary to close a financing gap not projected at the date of this Agreement or the date on which a Development Budget or Phase Budget is established that is created by changed debt or equity market conditions or unanticipated material increases in construction costs in the market area;
- xi. the award of tax credits or tax-exempt bond financing allocations in the amount projected as necessary for any Phase in budgets approved by both parties, except where a Phase is unable to obtain an award of tax credits or tax-exempt bond financing allocations due to penalties imposed on the Developer or its Affiliates or due to technical deficiencies in the application for such allocations that caused the application to be rejected by the allocating agency;
- xii. the investment of equity at rates projected as necessary for any Phase in budgets approved by both parties, and consistent with industry standards and norms for affordable housing;
- xiii. the making of private loans under terms and conditions, and in amounts, projected to be necessary for any Phase in budgets approved by both parties, and consistent with standards and norms for construction and permanent financing for affordable housing at the time of preparation of such budgets (e.g., non-recourse loans, reasonable debt service

coverage and reserve requirements, and interest rates consistent with market terms at such time); and

- xiv. the continuation of law, regulations and policy at least as favorable to affordable housing development in general, and to the Development in particular, as they currently exist.

**10.3.2** If a Development Contingency fails to occur after all reasonable efforts by the Developer to cause it to occur in a manner generally consistent with the Housing Plan and this Agreement, the parties will consider, in good faith, a revision of the Housing Plan, the Development Budget and/or the Master Schedule by extending deadlines, revising goals, or as otherwise agreed. If a Development Contingency fails to occur due to causes beyond the control of the Developer and the parties cannot within 60 days agree to such amendments despite good faith efforts to do so, or cannot secure required governmental approvals of any amendment so agreed to within an additional 90 days, then the Developer or the Authority may opt to withdraw from this Agreement, by written notice delivered to the other party. If the Developer or the Authority withdraws pursuant to this Section, the parties shall have no further obligations to each other, except as provided in Section 10.3.3. The Parties agree that reasonable efforts by the Developer to obtain competitively-selected financing, including but not limited to LIHTC awards, require multiple applications before funding is awarded. Notwithstanding the foregoing, a Development Contingency that is a Material Funding Conflict (as defined in Section 2.1.2) shall follow the resolution process described at Section 2.1.2.

**10.3.3 Effect of Withdrawal on Predevelopment Costs and Related Matters.**

**10.3.3.1** If (1) the Developer withdraws pursuant to this Section due exclusively to the failure of the contingencies described at Sections 10.3.1 (i) through (viii), and (2) the Developer is not in material breach of this Agreement, then the Authority shall compensate the Developer using the methodology described at Section 10.4.

**10.3.3.2.** If (1) the Developer or the Authority withdraws pursuant to this Section due primarily or exclusively to the failure of the contingencies described at Sections 10.3.1(ix) through (xiv) or of Development Contingencies not specified in Sections 10.3.1(i) through (viii), and (2) the Developer is not in material breach of this Agreement, then the Authority shall (1) fund or reimburse any remaining Phase Predevelopment Expenses actually incurred prior to the date of termination and due pursuant to Section 4.3.1 and any remaining advances of Developer overhead costs due and payable prior to the date of termination pursuant to Section 4.3.4. and (2) shall deem any predevelopment loan or advance (including, as applicable, any advances of Developer overhead pursuant to Section 4.3.4) satisfied in full by assignment and delivery of third-party work products.

**10.4 Termination by Authority for Convenience.** The Authority also reserves the right to terminate this Agreement, in whole or in part, at any time for the convenience of the Authority if the Authority shall determine that it is infeasible to proceed with the Development or that such termination is in the best interest of the Authority. In the event of a termination for convenience under this Section 10.4 the Authority shall be liable to the Developer for reasonable and proper costs resulting from such termination which costs shall be paid to Developer within 30 days of receipt by the Authority of a properly presented claim setting out in detail: (i) the total cost of all third-party costs actually incurred prior to the date of termination; (ii) the cost of settling and paying claims under subcontracts and material orders for work performed and materials and supplies delivered to the site, or for settling other liabilities of Developer actually incurred in performance of its obligations hereunder, such claim presentation to include only the services to present the initial claim to the Authority to a maximum of \$50,000 and will not include any costs for litigation against the Authority for the claim; (iii) the cost of preserving and protecting the work already performed until the Authority or its assignee takes possession thereof or assumes responsibility therefor; (iv) the actual cost of legal and accounting services reasonably necessary

to prepare and present the termination claim to the Authority; and (v) fair compensation to Developer. "Fair compensation" as such term is used in this Section 10.4 shall mean one hundred five percent (105%) of Developer's overhead expenses (calculated as the sum of: (a) the percentage of time each employee of MBS or its Affiliates has reasonably spent in connection with the Development (exclusive of time relating directly to a Phase that has achieved Closing) multiplied by the "fully loaded" cost of such employee (exclusive of profit) as used by MBS during the relevant time period pursuant to government-approved contracts, plus (b) reasonable travel expenses of each employee of MBS or its Affiliates incurred in connection with Development (exclusive of expenses relating directly to a Phase that has achieved Closing), with a setoff for sums previously paid by the Authority or SHARP as a Developer predevelopment cost, as an advance of overhead or otherwise paid or reimbursed by the Authority or SHARP. In no event shall Fair compensation exceed the following: (x) if a termination for convenience occurs prior to the Closing for Phase 1, seventy-five percent (75%) of the anticipated Paid Developer Fee for the Phase 1 construction loan Closing, based on the most recent Phase Development Budget approved by Authority or, if there no Phase Development Budget, the most recent Development Budget or (y) if a termination for convenience occurs prior to the Closing for any Phase subsequent to Phase 1, fifty percent (50%) of the Paid Developer Fee for the construction loan Closing for the next Phase scheduled to close, based on the most recent Phase Development Budget approved by Authority or if there no Phase Development Budget, the most recent Development Budget. For avoidance of doubt, the Paid Developer Fee discussed in the preceding sentence shall not include the twenty percent (20%) of Developer Fee due to Authority or SHARP pursuant to Section 2.2.3 hereof.

**10.5 Notice.** The Authority shall exercise its Section to terminate this Agreement by delivering a notice thereof to the Developer specifying the nature (Event of Default or convenience) and the effective date of the termination and the extent to which performance of work under this Agreement is terminated. If the termination is stated to be for an Event of Default, the notice thereof shall specify the nature of the claimed default and, if such default shall be reasonably subject to adequate cure, shall state (i) the actions required to be taken by the Developer to cure the Event of Default, and (ii) the reasonable time within which Developer shall respond with a showing that all required actions have been taken, provided that the Developer shall have such additional time as is reasonably necessary to cure such Event of Default so long as the Developer has diligently commenced and is proceeding in a reasonable and diligent matter toward curing such default (provided that in no event shall such additional time exceed one hundred twenty (120) days). During any cure period so provided, the Developer shall proceed diligently with performance of any work required by this Agreement which is not the subject of the claimed Event of Default. Following expiration of the stated cure period, the Authority may deliver a second notice stating either that the Event of Default has been adequately cured or that the Agreement is terminated.

**10.6 Action Upon Notice; Work Product.** If the termination is stated to be for convenience or for an Event of Default which is not reasonably subject to adequate cure, the Developer upon receipt of such notice shall (i) immediately discontinue all services affected (unless the notice directs otherwise), (ii) deliver to the Authority all information, reports, papers, and other materials accumulated or generated in performing under this Agreement, whether completed or in process, and (iii) deliver to the Authority a status report of all work completed and all work in progress under this Agreement. Each contract or subcontract between Developer or a Developer Affiliate and any non-related third party for work related to the Housing Plan (including, without limitation, any architect, engineer, or construction contractor or subcontractor) shall permit Developer or such Developer Affiliate, in the event of termination of this Agreement by the Authority for an Event of Default or for convenience, to assign all work product thereunder to the Authority solely for purposes of completing, using and maintaining the Development and to terminate such contract without compensation except for work performed and unpaid; provided, however, that the Developer shall be under no obligation to deliver any work products in its possession unless the Authority shall have reimbursed it for the cost thereof or shall have agreed to offset the cost thereof against any indebtedness owing from the Developer to the Authority.



**10.7 Contest.** If the parties are unable to resolve any dispute between themselves, each will in good faith consider (without obligation) the appropriateness of mediation, arbitration, or other alternative dispute resolution mechanism, prior to invoking unilateral remedies (except as necessary to avoid imminent loss or harm to self or others) or seeking judicial resolution. However, while the foregoing provision reflects merely the intention of both parties, in no event will such provision be enforceable nor will a breach of this provision be actionable.

**ARTICLE XI. HUD, NON-DISCRIMINATION AND OTHER FEDERAL REQUIREMENTS.**

**11.1 Transfer Not An Assignment.** The Authority and Developer acknowledge that any transfer of HUD funds by the Authority to Developer or an Affiliate of Developer shall not be or be deemed to be an assignment of such funds, and neither Developer nor its Affiliates shall succeed to any rights or benefits of the Authority under the ACC or the Choice Grant Agreement, or attain any privileges, authorities, interests or rights in or under the ACC or the Choice Grant Agreement.

**11.2 No Relationship Created.** Nothing contained in the ACC or this Agreement nor any act of HUD or the Authority, shall be deemed or construed to create any relationship of third-party beneficiary, principal and agent, limited or general partnership, joint venture, or any association or relationship involving HUD, except between HUD and the Authority as provided under the terms of the ACC.

**11.3 Certain Requirements.** Developer will comply with all applicable requirements of the following, as the same may be amended from time to time:

**11.3.1** The Fair Housing Act, 42 USC 3601-19, and regulations issued thereunder, 24 CFR Part 100; Executive Order 11063 (Equal Opportunity in Housing) and regulations issued thereunder, 24 CFR Part 107; and the fair housing poster regulations, 24 CFR Part 110.

**11.3.2** Title VI of the Civil Rights Act of 1964, 42 USC 2000d, and regulations issued thereunder relating to nondiscrimination in housing, 24 CFR Part 1.

**11.3.3** Age Discrimination Act of 1975, 42 USC 6101-07, and regulations issued thereunder, 24 CFR Part 146.

**11.3.4** Section 504 of the Rehabilitation Act of 1973, 29 USC 794, and regulations issued thereunder, 24 CFR Part 8; the Americans with Disabilities Act, 42 USC 12101et seq., and regulations issued thereunder, 28 CFR Part 36, and the Architectural Barriers Act of 1968, as amended (42 USC 4151) and regulations issued pursuant thereto, 24 CFR Part 40.

**11.3.5** Section 102 of the Department of Housing and Urban Development Reform Act of 1989, as implemented at 24 CFR Part 12, which contains provisions designed to ensure greater accountability and integrity in the provision of certain types of assistance administered by HUD.

**11.3.6** Section 3 and its implementing regulations at 24 CFR Part 135.

**11.3.7** Title 2 of the Code of Federal Regulations, Parts 180 and 2424, which applies to the employment, engagement of services, awarding of contracts, subgrants, or funding of any recipients, or contractors or subcontractors, during any period of debarment, suspension, or placement in ineligibility status.

**11.3.8** Executive Order 11246 of September 24, 1965 entitled, "Equal Employment Opportunity," as amended by Executive Order 11375 of October 13, 1967, and as supplemented in Department of Labor regulations (41 CFR chapter 60). (All construction contracts awarded in excess of \$10,000 by Federal grantees and their contractors or subcontractors.)

**11.3.9** Copeland "Anti-Kickback" Act (18 U.S.C. 874) as supplemented in Department of Labor regulations at 29 CFR part 3. (All contracts and subgrants for construction or repair.)

**11.3.10** Davis-Bacon Act (40 U.S.C. 276a to 276a-7), as supplemented by Department of Labor regulations at 29 CFR part 5, and HUD regulations at 24 CFR 905.308(b)(3)(i) (or successor provisions).

**11.3.11** Sections 103 and 107 of the Contract Work Hours and Safety Standards Act (40 U.S.C. 327-330), as supplemented by Department of Labor regulations at 29 CFR part 5.

**11.3.12** Mandatory standards and policies relating to energy efficiency which are contained in the State energy conservation plan issued in compliance with the Energy Policy and Conservation Act (Pub. L. 94-163, 89 Stat. 871).

**11.3.13** Section 1352 of Title 31 of the United States Code, which prohibits the use of Federal appropriated funds to pay any person for influencing or attempting to influence any officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a member of Congress in connection with any of the following covered Federal actions: the awarding of any Federal contract; the making of any Federal grant; the making of any Federal loan; the entering into of any cooperative agreement; or the modification of any Federal contract, loan, or cooperative agreement. The Developer further agrees to comply with the requirement of such legislation to furnish a disclosure (OMB Standard Form LLQ) if any funds other than Federal appropriated funds (including profit or fee received under a covered Federal transaction) have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, in connection with a Federal contract, grant, loan, or cooperative agreement, which payment would be prohibited if made from Federal appropriated funds.

**11.3.14** Section 306 of the Clean Air Act (42 U.S.C. 1857(h)), Section 508 of the Clean Water Act (33 U.S.C. 1368), Executive Order 11738 and Environmental Protection Agency regulations at 40 CFR Part 15, including all applicable standards, orders or requirements issued in connection with any of the foregoing authorities.

**11.4 Subgrantee/Subcontractor Certification.** Each of Developer and each Owner Entity will execute, and will require its Contractors and subcontractors to execute where applicable, the Subgrantee and Contractor Certification and Assurances form included as an exhibit in the Choice Grant Agreement.

**11.5 Access to Records.** The Authority, HUD, or the Comptroller General of the United States, or any of their duly authorized representatives, shall, until 3 years after final payment under the Choice Grant Agreement, have access to and the right to examine any of the Developer's pertinent books, documents, papers, or other records involving transactions related to this Agreement for the purpose of making audit, examination, excerpts, and transcriptions.

**11.5.1** The Developer agrees to include in first-tier subcontracts under this contract a clause substantially the same as Section 11.5. [The term "subcontract" as used in this clause excludes purchase orders not exceeding \$10,000.]

**11.5.2** The period of access and examination under Sections 11.5 and 11.5.1 for records relating to (1) litigation or settlements of disputes arising from the performance of this Agreement, or (2) costs and expenses of this Agreement to which the Authority, HUD or Comptroller General or any of their duly authorized representatives has taken exception shall continue until disposition of such appeals, litigation, claims, or exceptions.

**11.6 Interest of Members of Congress.** No Member of or delegate to the Congress of the United States or Resident Commissioner shall be admitted to any share or part of this Agreement or to any benefit to arise therefrom.

**11.7 Interest of Member, Officer, or Employee and Former Member, Officer, or Employee of Authority.** No member, officer, or employee of the Authority, no member of the governing body of the locality in which the Development is situated, no member of the governing body by which the Authority was activated, and no other public official of such locality or localities who exercises any functions or responsibilities with respect to the Development, shall, during his or her tenure, or for one year thereafter or such longer time as the Authority's Code of Ethics may require, have any interest, direct or indirect, in this Agreement or the proceeds thereof, unless the conflict of interest is waived by the Authority and by HUD.

**11.8 Lobbying Activities.** The Developer shall comply with 31 USC §1352 which prohibits the use of Federal appropriated funds to pay any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a member of Congress in connection with any of the following covered Federal actions: the awarding of any Federal contract; the making of any Federal grant; the making of any Federal loan; the entering into of any cooperative agreement; or the modification of any Federal contract, loan, or cooperative agreement. The Developer further agrees to comply with the requirement of such legislation to furnish a disclosure (OMB Standard Form LLL) if any funds other than Federal appropriated funds (including profit or fee received under a covered Federal transaction) have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress, in connection with a Federal contract, grant, loan, or cooperative agreement, which payment would be prohibited if made from Federal appropriated funds.

**ARTICLE XII. MISCELLANEOUS.**

**12.1 Term.** Subject to earlier termination pursuant to Article X, the term of this Agreement and of Developer's designation and status hereunder shall continue until the completion of all activities to be performed under the Housing Plan and closeout of the Choice Grant Agreement.

**12.2 Notices.** Any notice or other communication given or made pursuant to this Agreement shall be in writing and shall be (i) delivered personally or by courier, (ii) telecopied, (iii) sent by overnight express delivery, or (iv) mailed by registered or certified mail (return receipt requested), postage prepaid, to a party at its respective address set forth below (or at such other address as shall be specified by the party by like notice given to the other party):

If to Authority:                   Housing Authority of the County of Sacramento  
801 12<sup>th</sup> Street  
Sacramento, CA 95814  
Attn: David Levin

With a copy to:  
Ballard Spahr LLP

1909 K Street NW, 12<sup>th</sup> floor  
Washington, DC 20006  
Attn: Amy M. Glassman

If to Developer: McCormack Baron Salazar Inc.  
720 Olive Street, Suite 2500  
St. Louis, MO 63101  
Attn: Hillary Zimmerman

With a copy to:

McCormack Baron Salazar Inc.  
555 Mission Street, 14<sup>th</sup> Floor  
San Francisco, CA 94105  
Attn: Yusef Freeman

*And*

Klein Hornig LLP  
101 Arch Street, Suite 1104  
Boston, MA 02110  
Attn: Daniel M. Rosen.

All such notices and other communications shall be deemed given on the date of personal or local courier delivery, telecopy transmission, delivery to overnight courier or express delivery service, or deposit in the United States Mail, and shall be deemed to have been received (i) in the case of personal or local courier delivery, on the date of such delivery, and (ii) in the case of delivery by overnight courier or express delivery service, on the business day following dispatch, and (iii) in the case of mailing, on the date specified in the return receipt therefor.

**12.3 Further Assurances.** Each party shall execute such other and further documents as may be reasonably necessary or proper for the consummation of the transaction contemplated by this Agreement.

**12.4 Assignment.** Neither this Agreement nor any part or subpart of this Agreement shall be assignable by Developer, except upon written consent of the Authority.

**12.5 Counterparts.** This Agreement may be executed in counterparts, each of which shall be deemed original, but all of which, together, shall constitute one instrument.

**12.6 Interpretation and Governing Law.** This Agreement shall not be construed against the party who prepared it but shall be construed as though prepared by both parties. This Agreement shall be construed, interpreted, and governed by the laws of the State of California.

**12.7 Severability.** If any portion of this Agreement is declared by a court of competent jurisdiction to be invalid or unenforceable such portion shall be deemed severed from this Agreement and the remaining parts shall continue in full force as though such invalid or unenforceable provision had not been part of this Agreement.

**12.8 Final Agreement.** Unless otherwise expressly provided herein, this Agreement constitutes the final understanding and agreement between the parties with respect to the subject matter hereof and supersedes all prior negotiations, understandings and agreements between the parties, whether

written or oral. This Agreement may be amended, supplemented or changed only by a writing signed or authorized by or on behalf of the party to be bound thereby.

**12.9 Developer Employees and Liabilities.** It is understood that persons engaged or employed by Developer as employees, agents, or independent contractors shall be engaged or employed by Developer and not by the Authority. Developer alone is responsible for its work, direction, compensation and personal conduct. Neither Party shall substitute key employees assigned to the Development without prior consultation with the other Party. Nothing included in any provision of this Agreement shall impose any liability or duty upon the Authority to persons, firms, or corporations employed or engaged by Developer in any capacity whatsoever, or make the Authority liable to any such persons, firms, or corporations, or to any government, for the acts, omissions, liabilities, obligations, and taxes, of whatsoever nature, of Developer or of its employees, agents, or independent contractors. Developer's obligations under this Section shall survive any termination of this Agreement.

**12.10 Waivers.** The failure of either party to insist in any one or more cases upon the strict performance of any of the other party's obligations under this Agreement or to exercise any right or remedy herein contained shall not be construed as a waiver or a relinquishment for the future of such obligation, right or remedy. No waiver by either party of any provision of this Agreement shall be deemed to have been made unless set forth in writing and signed by that party.

**12.11 Successors.** The terms, covenants, agreements, provisions, and conditions contained herein shall bind and inure to the benefit of the parties hereto, their successors and assigns.

**12.12 Headings.** The headings in this Agreement are inserted for convenience only and shall not be used to define, limit or describe the scope of this Agreement or any of the obligations herein.

**12.13 Construction.** Whenever in this Agreement a pronoun is used, it shall be construed to represent either the singular or the plural, either the masculine or the feminine, as the case shall demand.

**12.14 Certain Approvals.** Unless otherwise expressly stated, all approvals or consents required of either party hereunder shall not be unreasonably withheld, conditioned or delayed, and shall be in writing.

**12.15 Developer's Warranty of Good Standing and Authority.** Developer represents and warrants to the Authority that Developer is duly organized and validly existing under the laws of the State of Missouri, and is qualified to do business in the State of California.

**12.16 Authority's Warranty of Good Standing and Authority.** The Authority represents and warrants to Developer that (i) the Authority is a duly organized, validly constituted and existing California municipal corporation and is in good standing under the laws of the State of California.

**12.17 Binding Effect.** This Agreement will inure to the benefit of, and will be binding upon, the Authority's successors and assigns except as otherwise provided in this Agreement. This Agreement will inure to the benefit of, and will be binding upon, Developer's successors and assigns so long as the succession or assignment is permitted pursuant to the terms of this Agreement.

**12.18 Cumulative Rights.** Except as expressly limited by the terms of this Agreement, all rights, powers and privileges conferred hereunder shall be cumulative and not restrictive of those provided at law or in equity.

**12.19 Conflict of Interest.** The Developer covenants that neither it nor any of its directors, officers, partners or employees has any interest, nor shall acquire any interest, directly or indirectly,

which would conflict in any manner or degree with the performance of the services hereunder, including the causing of the Authority to suffer a conflict of interest prohibited by applicable laws, regulations, or contracts with a funding entity.

**12.20 References to this Agreement.** All references to this Agreement shall include all documents and exhibits incorporated by reference.

**12.21 Authority to Execute.** The undersigned individuals represent and warrant that they are expressly and duly authorized by their respective entities or agencies to execute this Agreement and to legally bind their respective entities or agencies as set forth in this Agreement.

**[signatures appear on following page]**

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**IN WITNESS WHEREOF**, the parties have duly executed this Agreement by their duly authorized signatories on or as of the date first written above.

**AUTHORITY:**

HOUSING AUTHORITY OF THE COUNTY OF SACRAMENTO

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

**DEVELOPER:**

McCORMACK BARON SALAZAR, INC.

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

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**Exhibit A**  
**Existing Development**

The land situated in the City of Sacramento, County of Sacramento, State of California, and described as follows:

**PARCEL ONE:**

BEGINNING AT A CONCRETE MONUMENT MARKED RE 2675 SET AT THE INTERSECTION OF THE CENTER LINE OF 12TH STREET WITH THE CENTER LINE OF NORTH D STREET, AS SAID STREETS ARE SHOWN AND SO DESIGNATED ON THE OFFICIAL "MAP OF PART OF SACRAMENTO LYING BETWEEN 10TH AND 25TH STREETS, A STREET AND THE AMERICAN RIVER", RECORDED IN THE OFFICE OF THE COUNTY RECORDER OF SACRAMENTO COUNTY APRIL 24, 1850, IN BOOK 1 OF MAPS, MAP NO. 8; FROM WHICH POINT OR BEGINNING AN IRON PIPE MONUMENT SET BY THE CITY ENGINEER OF THE CITY OF SACRAMENTO AT THE INTER-SECTION OF THE CENTER LINE OF SAID 12TH STREET WITH THE CENTER LINE OF NORTH B STREET BEARING SOUTH 18° 48' 10" WEST 841.92 FEET; THENCE FROM SAID POINT OF BEGINNING NORTH 18° 48' 10" EAST 917.64 FEET ALONG THE CENTER LINE OF SAID 12<sup>TH</sup> STREET TO A POINT ON THE SOUTHERLY BOUNDARY OF THAT CERTAIN RIGHT-OF-WAY DESCRIBED IN DEED EXECUTED BY ALICE L. MACK, ET AL., TO PACIFIC GAS AND ELECTRIC COMPANY, DATED JANUARY 28, 1912, AND RECORDED IN THE OFFICE OF THE COUNTY RECORDER OF SACRAMENTO COUNTY, FEBRUARY 12, 1912, IN BOOK 34 OF DEEDS, PAGE 480; THENCE NORTH 84° 37' 10" EAST 969.90 FEET ALONG SAID SOUTHERLY BOUNDARY OF RIGHT-OF-WAY TO A POINT ON THE CENTER LINE OF 14TH STREET AS SHOWN ON SAID "MAP OF PART OF SACRAMENTO"; THENCE SOUTH 18° 50' 10" WEST 1083.05 FEET ALONG SAID CENTER LINE OF 14TH STREET TO A CONCRETE MONUMENT MARKED RE 2675 SET AT THE INTERSECTION OF THE CENTER LINE OF SAID 14TH STREET WITH THE NORTHERLY LINE OF 12TH STREET ROAD; THENCE CONTINUING SOUTH 18° 50' 10" WEST 46.05 FEET ALONG THE CENTER LINE OF SAID 14TH STREET TO POINT ON THE CENTER LINE OF 12TH STREET ROAD; THENCE SOUTH WESTERLY ALONG THE CENTER LINE OF 12TH STREET ROAD, CURVING TO THE LEFT ON AN ARC OF 1500.00 FEET RADIUS, SAID ARC BEING SUBTENDED BY A CHORD BEARING SOUTH 58° 08' 40" WEST 34.84 FEET; THENCE CONTINUING ALONG THE CENTER LINE OF 12TH STREET ROAD SOUTH 57° 29' 10" WEST 202.18 FEET TO THE INTERSECTION OF THE CENTER LINE OF 12TH STREET ROAD WITH THE CENTER LINE OF SAID NORTH D STREET; THENCE NORTH 71° 17' 00" WEST 38.48 FEET ALONG THE CENTER LINE OF NORTH D STREET TO A CONCRETE MONUMENT MARKED RE 2675 SET AT THE INTERSECTION OF SAID CENTER LINE OF NORTH D STREET WITH THE NORTHERLY LINE OF 12TH STREET ROAD; THENCE CONTINUING NORTH 71° 17' 00" WEST 697.21 FEET TO THE POINT OF BEGINNING.

**PARCEL TWO:**

BEGINNING AT THE SOUTHWEST CORNER OF THAT CERTAIN TRACT OF LAND DESCRIBED IN THAT CERTAIN DEED EXECUTED BY THE HOUSING AUTHORITY OF THE COUNTY OF SACRAMENTO TO THE NORTH SACRAMENTO SCHOOL DISTRICT OF SACRAMENTO COUNTY DATED NOVEMBER 7, 1941 AND RECORDED IN THE OFFICE OF THE COUNTY RECORDER OF SACRAMENTO COUNTY NOVEMBER 27, 1941 IN BOOK 921 OF OFFICIAL RECORDS AT PAGE 290; THENCE FROM SAID POINT OF BEGINNING NORTH 84° 37' 10" EAST 969.90 FEET TO THE SOUTHEAST CORNER OF THE SAID NORTH SACRAMENTO SCHOOL DISTRICT PROPERTY; THENCE NORTH 18° 50' 10" EAST 32.88; THENCE SOUTH 84° 37' 10" WEST 969.93 FEET, PARALLEL WITH THE SOUTHERLY BOUNDARY OF SAID NORTH



SACRAMENTO SCHOOL DISTRICT PROPERTY TO A POINT ON THE WEST BOUNDARY OF SAID NORTH SACRAMENTO SCHOOL DISTRICT PROPERTY; THENCE SOUTH 18° 48' 10" WEST 32.88 FEET TO THE POINT OF BEGINNING.

APN: 001-0090-003-0000

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**Exhibit B-1**  
**Description of Phasing**

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**Twin Rivers Project Phasing**  
**As of November 30, 2017**

Phase	Block	Area (Acres)	1BR	2BR	3BR (incl. TH)	4BR	5BR	Total	DU/Acre	Parking
1	A	2.92	39	48	19	1	0	107	36.6	77
2	B	1.66	24	31	10	1	0	66	39.8	50
3	C	2.75	49	19	8	6	0	82	29.8	64
4	D	3.25	28	38	14	4	1	85	26.2	82
5	E	1.15	18	30	10	6	1	65	56.5	47
6	F	2.68	27	43	12	0	0	82	30.6	100
<b>Total:</b>		<b>14.41</b>	<b>185</b>	<b>209</b>	<b>73</b>	<b>18</b>	<b>2</b>	<b>487</b>	<b>33.8</b>	<b>420</b>
		<b>% of Total:</b>	<b>38.0%</b>	<b>42.9%</b>	<b>15.0%</b>	<b>3.7%</b>	<b>0.4%</b>	<b>100.0%</b>		

**Site Plans:**

**Block A - Attached**

**Block B - Attached**

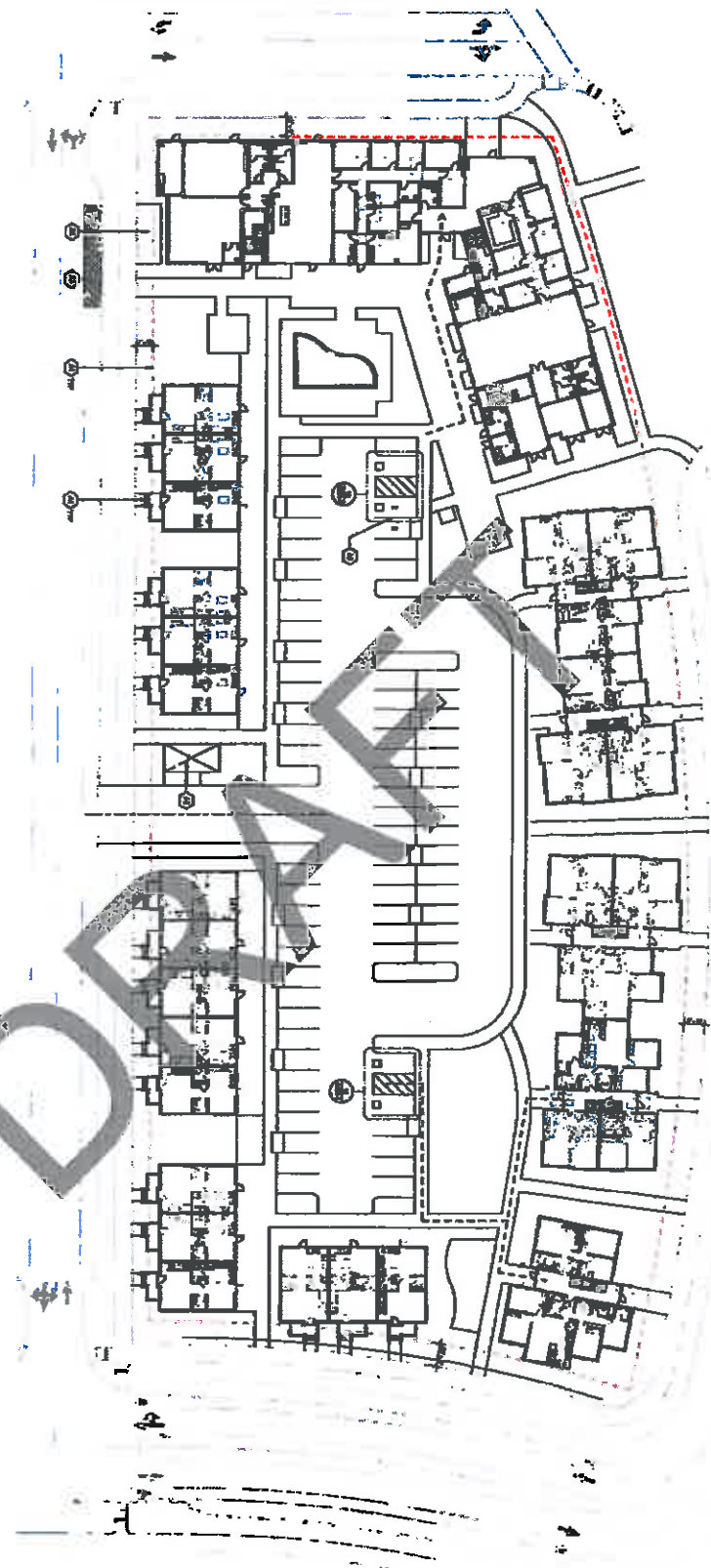
**Block C - To be Determined**

**Block D - To be Determined**

**Block E - To be Determined**

**Block F - To be Determined**

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BITE PLAN - BLOCK A 1/8" = 1'

- 1. GENERAL NOTES: SEE ALSO ARCHITECTURAL DRAWINGS AND SPECIFICATIONS FOR COMPLETE INFORMATION.
- 2. THIS PLAN SHOWS THE GENERAL LAYOUT OF THE PROPOSED DEVELOPMENT AND IS NOT TO BE CONSIDERED AS A CONSTRUCTION DOCUMENT.
- 3. ALL DIMENSIONS ARE IN FEET AND DECIMALS THEREOF. DIMENSIONS SHOWN ON THIS PLAN TAKE PRECEDENCE OVER DIMENSIONS SHOWN ON ANY OTHER DRAWING.
- 4. THE DEVELOPER SHALL BE RESPONSIBLE FOR OBTAINING ALL NECESSARY PERMITS AND APPROVALS FROM THE LOCAL AGENCIES.
- 5. THE DEVELOPER SHALL BE RESPONSIBLE FOR MAINTAINING ALL RECORDS AND PLANS FOR THE LIFE OF THE PROJECT.

BITE PLAN LIBRENO - BLOCA A

OWNER: MCCORMACK BARON SALAZAR

PROJECT NAME: TWIN RIVERS BLOCKS A+B

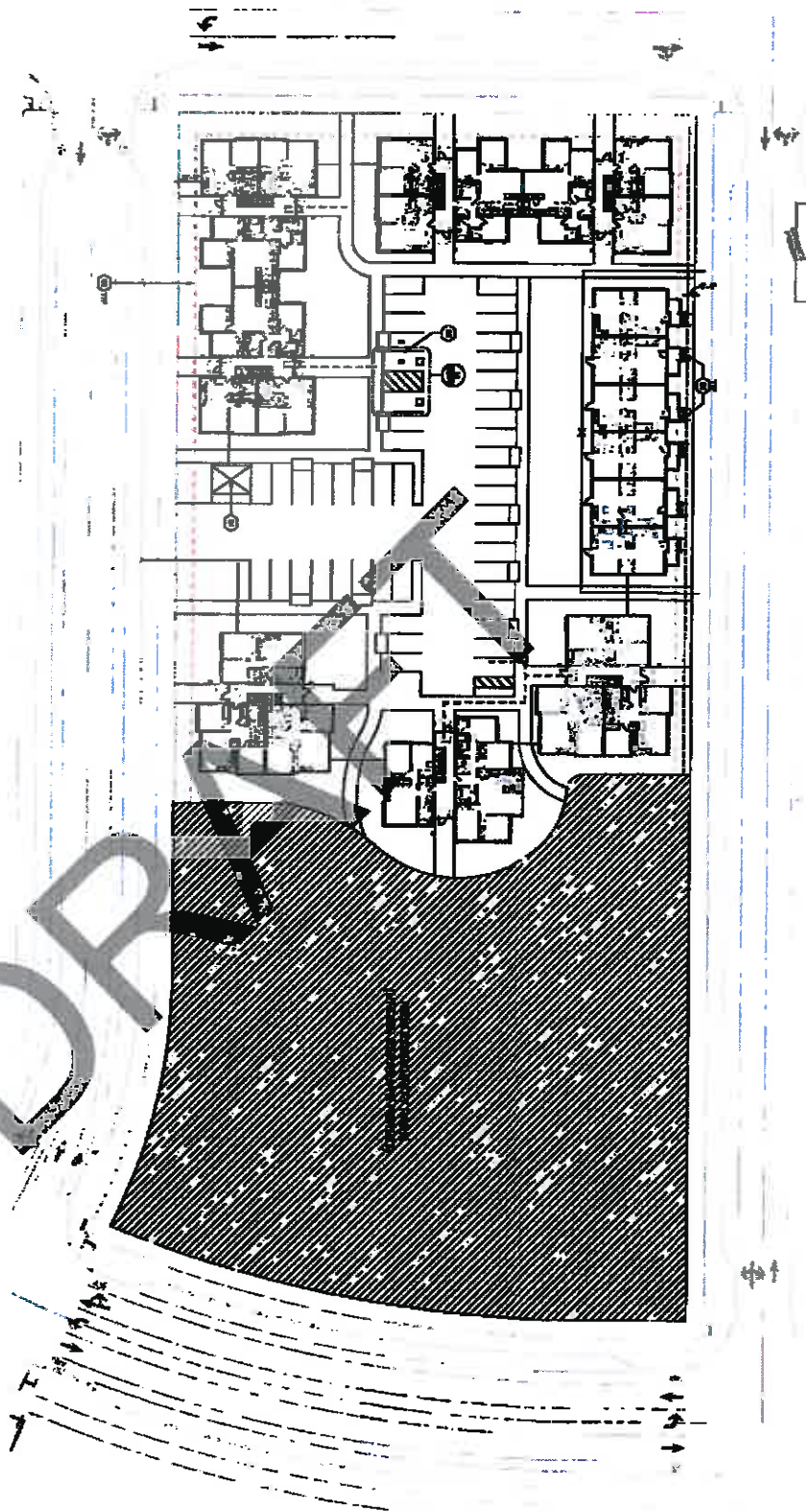
CLIENT/OWNER: SACRAMENTO, CA

NO.	DESCRIPTION	DATE
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		

NO. 001.1

BLOCK A SITE PLAN

**SVA**  
**ARCHITECTS**  
 1000 MARKET STREET, SUITE 1000  
 SACRAMENTO, CA 95811  
 (916) 441-0000  
 WWW.SVAARCHITECTS.COM



- 1. ALL DIMENSIONS AND LOCATIONS ARE SHOWN AS APPROXIMATE UNLESS SPECIFIED OTHERWISE.
- 2. ALL DIMENSIONS AND LOCATIONS ARE SHOWN AS APPROXIMATE UNLESS SPECIFIED OTHERWISE.
- 3. ALL DIMENSIONS AND LOCATIONS ARE SHOWN AS APPROXIMATE UNLESS SPECIFIED OTHERWISE.
- 4. ALL DIMENSIONS AND LOCATIONS ARE SHOWN AS APPROXIMATE UNLESS SPECIFIED OTHERWISE.

SITE PLAN - OVERALL THING 1

SITE PLAN LAYOUT - BLOCK B

OWNER: MCCORMACK BARON SALAZAR

PROJECT NAME: TWIN RIVERS BLOCKS A+B

SANIT NUMBER: SACREMENTO, CA

DATE	DESCRIPTION	BY

APP: A01.2

BLOCK B SITE PLAN



**Exhibit B-2**  
**Conceptual Site Plan**

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### UNIT COUNT BY TYPE

Block	Area (Acres)	1UP	2UR	3BR (Floor Plan)	4UR	5BR	Total	DU/acre	Value
A	2.92	39	48	19	1		107	36.6	77
B	1.66	24	31	10	1		66	39.8	50
C	2.75	49	19	8	6		82	29.8	64
D	3.25	28	38	14	4	1	85	26.2	82
E	1.15	18	30	10	6	1	65	56.5	47
F	2.68	27	43	12			82	30.6	100
<b>Total</b>	<b>14.41</b>	<b>185</b>	<b>209</b>	<b>73</b>	<b>18</b>	<b>2</b>	<b>487</b>	<b>33.8</b>	<b>420</b>

- Legend**
- 2-Story 3-Bedroom Townhouse
  - 3-Story Garden Apartment Building
  - 4-Story Multi-Family Apartment Building
  - Parking



Twin Rivers Transit-Oriented Development and Light Rail Station Project . 140202  
**Figure 2-4**  
 Conceptual Site Plan

**Exhibit C**  
**Master Schedule**

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**SACRAMENTO - TWIN RIVERS CHOICE NEIGHBORHOODS GRANT SCHEDULE OF ACTIVITIES**

<b>TASK</b>	<b>START</b>	<b>FINISH</b>	<b>RESPONSIBLE PARTY</b>	<b>COMMENTS</b>
<b>HOUSING</b>				
<b>Phase 1: Lot 1</b>				
Pre-Application to SHRA (gap financing lender)	Jan 2017	Jan -17	MBS	Done
Full Application to SHRA	May 2017	May -17	MBS	Done
Updated Application to SHRA	July 2017	Jul -17	MBS	Done
CEQA / NEPA Approval	Aug 2018	Aug -17	HACOS	Done
Begin Relocation	Sept 2017		HACOS/MBS	Began 9-15
SHRC/Council Approval of Commitment	Sept 2017		HACOS	Dec-17
AHSC Full Application	Nov 2017		MBS	Planned
Demolition and Site Preparation	Jan 2018		MBS	Planned
AHSC Award	Mar 2018		MBS	Planned
CDLAC Application (4% LIHTC)	Mar 2018		MBS	Planned
CDLAC Award	May 2018		MBS	Planned
Prepare Final Loan Documents	May 2018		MBS	Planned
SHRC/Council Approval of Loan & Bond Documents	June 2018		HACOS	Planned
Initial Financial Closing and Construction	July 2017		MBS	Planned
Construction Complete	Nov 2019		MBS	Planned
Lease Up	Spring 2020		MBS	Planned
<b>Phase 2: Lot 2</b>				
Pre-Application to SHRA (gap financing lender)	Aug 1 2017		MBS	Planned
Development Proposal to SHRA	Oct 3 2017		MBS	Planned
Demolition and Site Preparation	Jan 2018		HACOS/MBS	Planned
SHRC/Council Approval of Commitment	Feb 2018		HACOS	Planned
TCAC Application (9% LIHTC)	Mar 2018		MBS	Planned
TCAC Award	June 2018		MBS	Planned
Initial Financial Closing and Construction	July 2018		MBS	Planned
Construction Complete	Nov 2019		MBS	Planned
Lease Up	Spring 2020		MBS	Planned
<b>Phase 3: Lot 3</b>				
Pre-Application to SHRA (gap financing lender)	Jan 2018		MBS	Planned
Development Proposal to SHRA	Feb 2018		MBS	Planned
SHRC/Council Approval of Commitment	July 2018		HACOS	Planned
VHHP Application	July 2018		MBS	Planned
Demolition and Site Preparation	Sept 2018		HACOS/MBS	Planned
CDLAC Application (4% LIHTC)	Sept 2018		MBS	Planned
VHHP Award	Oct 2018		MBS	Planned
CDLAC Award	Nov 2018		MBS	Planned
Prepare Final Loan Documents	Nov 2018		MBS	Planned
SHRC/Council Approval of Loan & Bond Documents	Dec 2018		HACOS	Planned
Initial Financial Closing and Construction	Jan 2019		MBS	Planned
Construction Complete	May 2020		MBS	Planned
Lease Up	Fall 2020		MBS	Planned

**SACRAMENTO - TWIN RIVERS CHOICE NEIGHBORHOODS GRANT SCHEDULE OF ACTIVITIES**

<b>TASK</b>	<b>START</b>	<b>FINISH</b>	<b>RESPONSIBLE PARTY</b>	<b>COMMENTS</b>
<b>Phase 4: Lot 4</b>				
Pre-Application to SHRA (gap financing lender)	Aug 1 2018		MBS	Planned
Development Proposal to SHRA	Oct 3 2018		MBS	Planned
SHRC/Council Approval of Commitment	Feb 2019		HACOS	Planned
Demolition and Site Preparation	Sept 2018		HACOS/MBS	Planned
AHSC Full Application	Jun 2019		MBS	Planned
AHSC Award	Sept 2019		MBS	Planned
CDLAC Application (4% LIHTC)	Oct 2019		MBS	Planned
CDLAC Award	Dec 2019		MBS	Planned
Prepare Final Loan Documents	Dec 2019		MBS	Planned
SHRC/Council Approval of Loan & Bond Documents	Feb 2020		HACOS	Planned
Initial Financial Closing and Construction	Apr 2020		MBS	Planned
Construction Complete	Oct 2021		MBS	Planned
Lease Up	Spring 2022		MBS	Planned
<b>Phase 5: Lot 5</b>				
Pre-Application to SHRA (gap financing lender)	Aug 1 2019		MBS	Planned
Development Proposal to SHRA	Oct 3 2019		MBS	Planned
SHRC/Council Approval of Commitment	Feb 2020		HACOS	Planned
Demolition and Site Preparation	8/1/2018		HACOS/MBS	Planned
AHSC Full Application	June 2020		MBS	Planned
CDLAC Application (4% LIHTC)	July 2020		MBS	Planned
CDLAC Award	Sept 2020		MBS	Planned
AHSC Award	Sept 2020		MBS	Planned
Prepare Final Loan Documents	Sept 2020		MBS	Planned
SHRC/Council Approval of Loan & Bond Documents	Dec 2020 (early)		HACOS	Planned
Initial Financial Closing and Construction	Dec 2020 (late)		MBS	Planned
Construction Complete	Sept 2021		MBS	Planned
Lease Up	Spring 2022		MBS	Planned
<b>Phase 6: Lot 6 (Offsite)**</b>				
Pre-Application to SHRA (gap financing lender)	Aug 1 2020		MBS	Planned
Development Proposal to SHRA	Oct 3 2020		MBS	Planned
SHRC/Council Approval of Commitment	Feb 2021		HACOS	Planned
Site Preparation	May 2021		MBS	Planned
AHSC Full Application	June 2021		MBS	Planned
CDLAC Application (4% LIHTC)	July 2021		MBS	Planned
CDLAC Award	Sept 2021		MBS	Planned
AHSC Award	Sept 2021		MBS	Planned
Prepare Final Loan Documents	Sept 2021		MBS	Planned
SHRC/Council Approval of Loan & Bond Documents	Dec 2021 (early)		HACOS	Planned
Initial Financial Closing and Construction	Dec 2022 (late)		MBS	Planned
Construction Complete	Sept 2023		MBS	Planned
**Phase 6 may occur earlier and concurrent with another phase depending on completion of the new light rail station.				

**SACRAMENTO - TWIN RIVERS CHOICE NEIGHBORHOODS GRANT SCHEDULE OF ACTIVITIES**

<b>TASK</b>	<b>START</b>	<b>FINISH</b>	<b>RESPONSIBLE PARTY</b>	<b>COMMENTS</b>
Lease Up	Spring 2023		MBS	Planned

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**Exhibit D**  
**Development Budget**

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## Twin Rivers Transit Oriented Development and Light Rail Project

Estimated as of November 30, 2017

### Project Sources:

Private	\$	110,000,000	(Tax Credit Equity and Bank loans)
State		60,000,000	(AHSC, TCC, and/or IIG Grants)
Local		105,000,000	(Existing Sources and Future Gap Loans)
Federal		65,000,000	(CNI, CDBG, Other)
Total:	\$	<u>340,000,000</u>	

### Project Uses:

Development	\$	3,000,000
Resident Services		4,600,000
Relocation		4,500,000
Demolition		4,500,000
Infrastructure		23,000,000
Housing		270,000,000
Park		600,000
Light Rail Station		23,000,000
Community Improvements		4,000,000
Other		2,800,000
	\$	<u>340,000,000</u>

Note: Each phase of development will return to governing bodies for underwriting and approval.

**Exhibit E**  
**Approved Contractors, Consultants, Etc.**

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**Exhibit F**  
**Environmental Documentation**

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**Twin Rivers Transit Oriented Development and Light Rail Project  
Environmental Documentation**

<b>Initial Study/Environmental Assessment (IS/EA) Documents</b>	<b>Date</b>
Draft Final IS/EA	3/22/2017
Comments on Draft Final IS/EA	3/30/2107
Final IS/EA	7/18/2017
SHRC	7/19/2017
Planning Commission	7/27/2017
Board of Supervisors/City Council	8/22/2017

<b>Environmental Assessments</b>	<b>Date</b>
Initial Phase	6/28/2012
Initial Phase II	11/26/2012
Phase I	12/3/2013
Investigation - Phase I Supplemental	Jan. 2014
Phase I Update	5/3/2016
Phase I Investigation	5/6/2016
Phase II	9/22/2016

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**Exhibit G**  
**Insurance Requirements**

The Developer shall furnish to the Authority Certificates of Insurance that indicate that insurance coverage has been obtained by the Developer (or the architects hired by the Developer in the case of the professional liability coverage set forth below) which meets the requirements as outlined below:

**Design Stage**

1. Worker's Compensation Insurance for all employees of the Developer.
2. Public Liability Insurance on a comprehensive basis in an amount not less than \$1,000,000 combined single limit per occurrence for bodily injury and property damage, as well as \$2,000,000 aggregate and \$5,000,000 umbrella. Housing Authority of The County of Sacramento to be shown as an additional insured.
3. Automobile Liability Insurance covering all owned, non-owned, and hired vehicles used in connection with the Services, in an amount not less than \$1,000,000 combined single limit per occurrence for bodily injury and property damage.
4. Professional Liability Insurance by the Architect of Record in an amount not less than \$1,000,000.

**Construction Stage**

In addition to the coverage required in the Design Stage and any coverage that may be required as a part of Closing documents, the following will be provided prior to occupation of the site:

Completed Value Builder's Risk Insurance on an "All Risk" basis in an amount not less than 100% of the replacement cost of the structures, as well as materials in place and/or stored at the site(s), whether or not partial payment has been made. The policy shall be in the name of the Developer, the Owner Entity, and the Authority. Coverage shall remain in place until substantial completion of the construction.

**Operational Stage**

In addition to coverage required in the Design Stage Nos 1, 2 & 3 and as may be later determined in Closing documents, the following will be provided:

Property Insurance on an "All Risk" basis for 100% the replacement cost of the structures where the Authority owns title to the land. The Authority shall be named as a loss payee on this policy.

All insurance policies required above shall be issued by companies authorized to do business under the laws of the State of California with the following qualifications:

The company must be rated no less than "B" as to management, and no less than "Class V" as to financial strength, according to the latest edition of Best's Insurance Guide published by A.M. Best Company, Oldwick, New Jersey, or its equivalent.

**Exhibit H**  
**Housing Plan**

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**Sacramento - Twin Rivers**

10/26/2017

DEVELOPMENT PHASE	Start Date	Finish Date	PBV Choice Replacement Units	ADDITIONAL (non-replacement units)	Un-Restricted Units (market)	TOTAL UNITS	NOTES
<b>On-Site Phases</b>							
Phase 1 - Block A	Jul 2018	Nov 2019	42	38	27	107	
Phase 2 - Block B	Jul 2018	Nov 2019	29	24	13	66	
Phase 3 - Block C	Jan 2019	May 2020	40	18	23	81	
Phase 4 - Block D	Apr 2020	Oct 2021	40	18	29	87	
Phase 5 - Block E	Dec 2020	Sep 2022	30	18	14	62	
<b>Total On-Site Units</b>			181	116	106	403	
<b>Off-Site Phase</b>							
Phase 6 - Block F	Dec 2021	Dec 2022	37	18	29	84	
<b>TOTAL ON &amp; OFF SITE</b>			218	134	135	487	
<b>DEMOLITION</b>							
Phase 1	144	Jan 2018	Apr 2018	Phases 1 and 2			
Phase 2	74	Sep 2018	Dec 2018	Phases 3, 4, 5			
Phase 3 - N/A				Phase			
Phase 4 - N/A				Phase			
Phase 5 - N/A				Phase			
<b>TOTAL UNITS DEMOLISHED</b>	218						
<b>REPLACEMENT BEDROOMS</b>	<b>1 BED</b>	<b>2 BED</b>	<b>3 BED</b>	<b>4 BED</b>	<b>5 BED</b>	<b>TOTAL BEDS</b>	
Phase 1	39	48	19	1	0	107	
Phase 2	24	31	10	1	0	66	
Phase 3	51	20	8	2	0	81	
Phase 4	30	41	14	2	0	87	
Phase 5	20	30	10	2	0	62	
Phase 6	28	44	12	0	0	84	
<b>Total New Replacement Bedrooms</b>	192	214	73	8	0	487	
<b>Original # Bedrooms</b>	52	86	58	18	4	218	
<b>Difference: New vs Original</b>	140	128	15	-10	-4	269	

**OPTION TO LEASE**  
**Twin Rivers**  
**Block \_\_\_\_\_**

---

THIS OPTION TO LEASE (this "Option") is made and entered into as of \_\_\_\_\_, 2017, by and between the **HOUSING AUTHORITY OF THE COUNTY OF SACRAMENTO**, a public body corporate and politic organized under the laws of the State of California ("HACOS"), and **McCORMACK BARON SALAZAR, INC.**, a Missouri corporation ("Optionee"), who hereby agree as follows:

WITNESSETH:

WHEREAS, HACOS owns that certain parcel of land more particularly described on Exhibit A – Legal Description attached hereto and incorporated herein (the "Property"); and

WHEREAS, Optionee intends to form an ownership entity that will develop rental dwelling units on the Property comprising the # of ## phases of new construction of rental units of the Choice Neighborhoods Initiative redevelopment being pursued by the parties (the "Project"); and

WHEREAS, in order to facilitate the Project, HACOS wishes to provide Optionee with an Option to lease the Property under a long-term lease of the Property (the "Lease");

NOW THEREFORE, in consideration of Ten Dollars (\$10.00) and the mutual covenants of HACOS and Optionee and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, HACOS and the Optionee hereby agree as follows:

1. Option: At any time on or before month/day/year, Optionee shall have the right and option to lease the Property pursuant to the Lease. Optionee may exercise the option granted herein at any time during the time period set forth above by notifying HACOS in writing at least thirty (30) days prior to the date the Lease shall become effective; provided, however, that the form and substance of the Lease, the execution of the Lease, and disposition of the Property shall be subject to the approval of the U.S. Department of Housing and Urban Development ("HUD"). The parties may, upon mutual agreement, extend the term during which the Option may be exercised
2. Terms and Conditions of Lease: Subject to the approval of HUD, the material terms of the Lease shall include the following provisions:
  - a. The term shall be 99 years (or such shorter period of time, in no event less than 75 years, as the parties may establish with the approval of the Project's investor).

- b. The aggregate rent for the term shall be established by the parties in an amount equal to the appraised value of the land (as restricted), which rent payment shall be made through a combination of a single up-front payment due on or promptly after the commencement of the term and further payments, as applicable, to be paid from net cash flow of the tenant under the Lease.
- c. Title to the Property shall be good and marketable, and free and clear of all liens, charges, encumbrances, encroachments, easements, restrictions, leases, tenancies, occupancies or agreements or other matters unduly burdening the development of the Project other than any mortgages placed upon the Property in connection with the financing of the Project, and any other permitted exceptions agreed to by HACOS and Optionee; provided, however, that if the terms of this Section 2.c. are not satisfied, then the Optionee's sole recourse and remedy shall be to terminate this Option.
- d. The Optionee will be responsible for all operating expenses of the Property, including insurance.
- e. Except as expressly set forth in the Lease, neither HACOS nor the Optionee will have the right to transfer or assign its rights under the Lease, except with the consent of the other and, if applicable, of HUD.
- f. Other terms and conditions acceptable to the parties.

3. The Optionee shall be obligated to complete the transaction and to consummate the Lease only upon the satisfaction of each of the following conditions: a) the Optionee shall have obtained any and all government approvals, licenses, permits and other approvals necessary for the development of the Project; b) the Optionee shall have completed all real estate and environmental due diligence it deems appropriate in its sole and absolute discretion; c) HACOS shall have received, on or before entering into the Lease, HUD's approval, if required, of the disposition of the Property and the form of the Lease; and d) the parties' completion of all state and Federal environmental reviews, including without limitation the issuance of approval by HUD pursuant to the National Environmental Policy Act and 24 CFR Part 58.

4. The Optionee will be permitted to assign or encumber its leasehold interest under the Lease as security for debt financing for the Project. Such assignments or encumbrances will be subject to the prior written approval of HACOS and HUD, as applicable.

5. Neither this Agreement nor the Lease shall be recorded, but upon execution of the Lease a memorandum of the Lease shall be recorded or

memorialized in the appropriate office of public records. All costs of transfer and recordation will be borne by the Optionee as a project expense, and not by HACOS.

6. Notices: Any and all notices, elections, demands or communications permitted or required to be made under this Option shall be in writing, signed by the party giving such notice, and shall be delivered in person or sent by registered or certified mail to the other party hereto. The date of personal delivery or the date of such mailing, as the case may be, shall be the date that such notice or election shall be deemed to have been given. For the purpose of this Option:

The address of HACOS is:

Housing Authority of the County of Sacramento  
801 12<sup>th</sup> Street  
Sacramento, CA 95814  
Attn.: La Shelle Dozier, Executive Director

With a copy to:

Ballard Spahr LLP  
1909 K Street, NW 12<sup>th</sup> Floor  
Washington, DC 20006  
Attn.: Amy Glassman

The address of Optionee is:

McCormack Baron Salazar, Inc.  
720 Olive Street, Suite 2500  
St. Louis, MO 63101  
Attn.: Hillary Zimmerman, General Counsel

With a copy to:

Klein Hornig LLP  
101 Arch Street, Suite 1101  
Boston, MA 02110  
Attn: Daniel M. Rosen

7. Choice of Law: This Option shall be governed by and construed in accordance with the laws of California.

8. No Assignment: The Optionee shall not assign its interest in the Option without the prior written consent of HACOS, except that the Optionee may assign its interest to a single purpose entity formed to construct and own the Project provided that such entity has been approved by HACOS and, if applicable, by HUD.

8. Counterparts: This Option may be executed in multiple original counterparts, each of which shall constitute an original document binding upon the party or parties signing the same. It shall not be necessary that all parties sign all counterparts and this Option shall be binding if each party shall have executed at least one counterpart.

IN WITNESS WHEREOF, the parties have duly executed this Option by their duly authorized signatories on or as of the date first written above.

**HACOS:**

**HOUSING AUTHORITY OF THE COUNTY OF  
SACRAMENTO**

By: \_\_\_\_\_  
Name: La Shelle Dozier  
Its: Executive Director  
Hereunto duly authorized

**OPTIONEE:**

**McCORMACK BARON SALAZAR, INC.**

By: \_\_\_\_\_  
Name: Yusef Freeman  
Title: Vice President  
Hereunto duly authorized

Exhibit A  
Legal Description

The Property



**UNIT COUNT BY TYPE**

Block	Area (Acres)	1BR	2BR	3BR (incl. TH)	3BR	5BR	Total	DU/acre	Parking
A	2.92	39	48	19	1		107	36.6	77
B	1.66	24	31	10	1		66	39.8	50
C	2.75	49	19	8	6		82	29.8	64
D	3.25	28	38	14	4	1	85	26.2	82
E	1.15	18	30	10	6	1	65	56.5	47
F	2.68	27	43	12			82	30.6	100
<b>Total</b>	<b>14.41</b>	<b>185</b>	<b>209</b>	<b>73</b>	<b>18</b>	<b>2</b>	<b>487</b>	<b>33.8</b>	<b>420</b>



Twin Rivers Transit-Oriented Development and Light Rail Station Project . 140202  
**Figure 2-4**  
 Conceptual Site Plan



December 1, 2017

Sacramento Housing and  
Redevelopment Commission  
Sacramento, CA

Honorable Members in Session:

**SUBJECT:**

Twin Rivers Phase 1 Tax Equity and Fiscal Responsibility Act (TEFRA) Hearing, and  
Approval of Loan Commitment and Tax Exempt Bonds

**SUMMARY**

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

**RECOMMENDATION**

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

Respectfully submitted,

  
LA SHELLE DOZIER  
Executive Director

Attachment



**REPORT TO COUNCIL AND  
HOUSING AUTHORITY  
City of Sacramento  
915 I Street, Sacramento, CA 95814-2671  
[www.CityofSacramento.org](http://www.CityofSacramento.org)**

**Public Hearing  
January 9, 2018**

**Chair and Members of the Housing Authority Board  
Honorable Mayor and Members of the City Council**

**Title: Twin Rivers Phase 1 Tax Equity and Fiscal Responsibility Act (TEFRA)  
Hearing, and Approval of Loan Commitment and Tax Exempt Bonds**

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

**Recommendation:** Conduct a public hearing and upon conclusion adopt: 1) a **City Council Resolution** indicating the City Council has conducted a Tax Equity and Fiscal Responsibility Act (TEFRA) public hearing related to the proposed construction and financing of Twin Rivers Phase 1 (Project); 2) a **City Council Resolution** which a) approves a loan commitment of \$5,000,000 in City Housing Trust Funds (HTF) to the Project, b) authorizes the Sacramento Housing and Redevelopment Agency (Agency) to execute a Loan Commitment Letter with Twin Rivers Phase 1, L.P. (McCormack Baron Salazar, Inc.) or related entity, c) authorizes the Agency to execute all necessary documents associated with this transaction, d) authorizes the Agency to amend its budget, and e) makes related findings; 3) a **Housing Authority Resolution** which a) approves a loan commitment of \$2,000,000 in Housing Successor Funds and \$7,000,000 in Choice Neighborhoods Initiative (CNI) funds to the Project, b) authorizes the Sacramento Housing and Redevelopment Agency to execute a Loan Commitment Letter with Twin Rivers Phase 1, L.P. (McCormack Baron Salazar, Inc.) or related entity, c) authorizes the Agency to execute all necessary documents associated with this transaction, d) authorizes the Agency to amend its budget, and e) makes related findings; and 4) a **Housing Authority Resolution** which a) indicates the intention of the Housing Authority of the City of Sacramento to issue up to \$32,000,000 in tax-exempt mortgage revenue bonds to provide acquisition, construction and permanent financing for the Project, b) authorizes an application to the California Debt Limit Allocation Committee (CDLAC) for allocation authority to issue the bonds, and c) authorizes the Executive Director, or designee, to execute the necessary documents associated with the transaction.

**Contact:** Christine Weichert, Assistant Director, 440-1353; Tyrone Roderick Williams, Director of Development, 440-1316

**Presenters:** Terren Wing, Housing Finance Analyst, 916-440-1393

**Department:** Sacramento Housing and Redevelopment Agency

## Description/Analysis

**Issue Detail:** The proposed Project is a new construction, mixed-income housing development. The Project will be the redevelopment of the existing Twin Rivers public housing development, which currently contains 218 housing units originally constructed primarily between 1942 and 1946. As a result, many of the systems and infrastructure at Twin Rivers have reached the end of their useful lives. The Twin Rivers redevelopment will preserve a project that is currently publicly subsidized, but not at levels which allow for continued sustainable operations.

The Project is the first of six phases of development for the Twin Rivers public housing redevelopment. When complete, the entire Twin Rivers community will consist of approximately 487 units with an array of units at different affordability levels, including market rate and a minimum of 218 public housing replacement units.

In 2015, the Housing Authority was awarded a \$30 million Choice Neighborhoods Implementation Grant for the Twin Rivers Transit Oriented Development and Light Rail Station Project. This Grant will support the housing program and master plan for Twin Rivers and include one-for-one replacement of all 218 Twin Rivers public housing units within a newly constructed, mixed-income community. A portion of these funds will support the development of this first phase of the six phase Twin Rivers development.

The proposed Phase 1 Project will include townhomes, multifamily and garden-style walk-up buildings with a total of 11 buildings, 77 on-grade parking spaces, and 107 units comprised of 1-bedroom, 2-bedroom, 3-bedroom, and 4-bedroom units. Phase 1 will also contain a majority of the amenities for the entire 487 unit Twin Rivers community, including management offices, two resident community rooms, fitness center, business center with Wi-Fi, swimming pool, and barbeque area. A vicinity map is included as Attachment 2. A project rendering is included as Attachment 3.

Infrastructure: Required off-site infrastructure improvements for the entire Twin Rivers community redevelopment project are divided into two stages. The first stage of infrastructure work is anticipated to cost up to \$10,500,000 and will provide the necessary infrastructure for the first two phases of the residential development. A report with a funding recommendation for these improvements will be presented at a future meeting.

Developer: The limited partnership, Twin Rivers Phase 1, L.P. will develop the Project. A McCormack Baron Salazar, Inc. (MBS) affiliate, Twin Rivers Phase 1 MBS GP, Inc., as co-general partner of the limited partnership, is an experienced owner and manager of affordable rental housing projects. In 2012, the Housing Authority released a Request for Qualifications (RFQ) to determine the most qualified Master Developer to serve as Housing Lead to assist in developing the Twin Rivers public housing site. Four proposals were received. Based on the recommendation of the selection panel and Executive Director, the Housing Authority approved the selection of McCormack Baron Salazar as the Master Developer to serve as Housing Lead. MBS has more than 40 years of experience in affordable housing and has developed over 21,000 homes in 23 states across the U.S., including 13 communities in California. They have extensive

experience in financing projects with tax credits, tax exempt bonds, and other public and private funding sources.

The Master Development Agreement (MDA) between the Housing Authority of the County of Sacramento and McCormack Baron Salazar, Inc. was approved by the Board of Supervisors and City Council on December 12, 2017. The MDA provides the agreed upon terms, conditions, and operational framework required to take all action necessary to implement the Twin Rivers development. The MDA contains the ground lease option for this Phase 1 of the development. This ground lease option, which provides the required site control will be executed in advance of the Affordable Housing and Sustainable Communities application in mid-January 2018.

The Sacramento Housing Authority Repositioning Program, Inc. (SHARP) is the managing general partner of the limited partnership. It is a non-profit public benefit corporation formed by the Housing Authority to pursue projects as a strategic response to reductions in federal funding sources for public housing. SHARP can attract private development partners and financing sources not otherwise directly available to the Housing Authority. Three of the five SHARP Board members are Agency management staff. The remaining Board members include a former housing professional and an affordable housing developer.

Property Management: The Project will be managed by McCormack Baron Management, an experienced property management firm with over 40 years of experience operating affordable apartment communities. Agency staff has reviewed and approved the management plan, including daily operations, leasing procedures, maintenance, and eviction procedures to ensure the company meets Agency requirements for property management.

Resident Services: Resident services will be provided by Urban Strategies, which currently provides resident services to 11 affordable housing communities across the country. Urban Strategies will be required to provide at least 15 hours of services per week for Phase 1 residents. Programs will be tailored to resident needs. Agency staff has reviewed and approved Urban Strategies' resident services plan detailing the scope and schedule of services to be provided. Services will be provided by an on-site services coordinator and will include social services and enrichment programs. The Agency will approve subsequent providers of additional services.

Security Plan: Agency staff has reviewed and approved a security plan which includes security cameras, installation of exterior lighting, security patrols, and access controlled gates.

Project Financing: In addition to the Agency loan and Housing Authority ground lease, the Project is anticipated to be financed with four percent Low Income Housing Tax Credits (LIHTCs), tax-exempt bond financing, a bank loan, an Affordable Housing and Sustainable Communities (AHSC) loan from the California Department of Housing and Community Development (HCD), and a deferred developer fee. The law firm of Orrick, Herrington and Sutcliffe LLP, will serve as Bond Counsel to the Housing Authority.

Unit Affordability: As a condition of receiving tax credits and the benefits of tax-exempt bond financing, federal law requires that units be set aside for targeted income groups.

Income restrictions from LIHTC financing require that 20 percent of the units have rents that are affordable to households with income up to 50 percent of Area Median Income (AMI). In addition, 42 replacement Project Based Vouchers for the public housing replacement units have been approved by the United States Department of Housing and Urban Development (HUD) for the Phase 1 Project.

Project affordability restrictions will be specified in regulatory agreements with the Developer. These anticipated sources and their affordability requirements are summarized in the following table:

Unit Type	% of Units	Affordability Restrictions	Units	Regulatory Requirements
Low Income Housing Tax Credits, Tax-exempt Bonds, Project Based Vouchers and Agency loan	40%	Extremely Low (30% AMI)	42	55 years
Low Income Housing Tax Credits, Tax-exempt Bonds and Agency loan	35%	Low Income (60% AMI)	37	55 years
Market Rate	25%	None	27	None
<b>Total</b>	<b>100%</b>		<b>107</b>	

A project summary, including proposed sources and uses of funds, is included as Attachment 4. A project cash flow proforma and a schedule of maximum income and rents are included as Attachments 5 and 6.

**Policy Considerations:** The recommended actions are consistent with a) the Agency's previously approved Multifamily Lending and Mortgage Revenue Bond Policies, priority 1. Preservation (Resolution No. 2009-148). There is one exception to the Agency's policy on annual payment for monitoring the regulatory restrictions: The Agency will collect the monitoring fee based on 75 percent of the bond amount rather than the full bond amount, given that 75 percent of the units are affordable; b) the 2013-2021 Housing Element, which encourages the provision of a variety of quality housing types to encourage neighborhood stability, including options for extremely low-income households (Resolution No. 2013-415); c) the Sacramento Promise Zone Plans and Goals, Sustainably Built Community sub-goal to increase housing types and transit growth to promote livability and connectivity within the Promise Zone (Resolution No. 2015-263); and d) the Downtown Housing Initiative and Initiation of the Downtown Specific Plan, to bring 10,000 places to live to Downtown Sacramento by year 2025 (Resolution No. 2015-282).

**Economic Impacts:** This multifamily residential project is expected to create 426.27 total jobs (241.55 direct jobs and 184.72 jobs through indirect and induced activities) and create \$35,522,558 in total economic output (\$21,653,212 of direct output and another \$13,869,345 of output through indirect and induced activities). The Developer will be encouraged to use the First Source Program, or similar program, for employment opportunities. *The indicated economic impacts are estimates calculated using a calculation tool developed by the Center for Strategic Economic Research (CSER). CSER utilized the*

*IMPLAN input-output model (2009 coefficients) to quantify the economic impacts of a hypothetical \$1 million of spending in various construction categories within the City of Sacramento in an average one-year period. Actual impacts could differ significantly from the estimates and neither the City of Sacramento nor CSER shall be held responsible for consequences resulting from such differences.*

**Environmental Considerations:** California Environmental Quality Act (CEQA) and the National Environmental Policy Act (NEPA): A combined Initial Study/Environmental Assessment (IS/EA) was prepared for the Twin Rivers Transit-Oriented Development Project pursuant to CEQA requirements under Title 14, §15070 of the California Code of Regulations (CCR), and NEPA requirements under Title 24, Code of Federal Regulations (CFR) Part 58.36. Following a prescribed 30-day public comment period for the IS/EA, and after addressing public comments, the SHRC approved the final environmental document on behalf of the Agency at its meeting on July 19th. Along with site entitlements, the Planning and Design Commission for the City of Sacramento made findings pursuant to CEQA and adopted the Mitigated Negative Declaration (MND) and associated Mitigation Monitoring and Reporting Program (MMRP) on July 27, 2017, and subsequently issued a Notice of Determination (NOD) pursuant to CEQA and a Finding of No Significant Impact (FONSI) pursuant to NEPA. On August 22, 2017, The County Board of Supervisors adopted the MND and associated MMRP and approved the Project. On August 7, 2017, a NOD was filed pursuant to CEQA by the City of Sacramento as Lead Agency. On August 24th, a NOD was issued by the Agency as a Responsible Agency. No further environmental review is required for the proposed actions.

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

**Commission Action:** At its meeting on December 6, 2017, the Sacramento Housing and Redevelopment Commission adopted a motion recommending approval of the attached resolution. The votes were as follows:

AYES:

NOES:

ABSENT:

**Rationale for Recommendation:** The actions recommended in this report enable the Agency to continue to fulfill its mission to provide a range of affordable housing opportunities in the City and are consistent with the Agency's previously approved Multifamily Lending and Mortgage Revenue Bond Policies, the City of Sacramento's 2013-2021 Housing Element, Promise Zone plans and goals, and the Downtown Housing Initiative and Initiation of the Downtown Specific Plan.

**Financial Considerations:** The Agency will receive a one-time issuance fee of 0.25 percent of the bond amount, which is payable at bond closing, and annual payment for monitoring the regulatory restrictions and administration of the bonds, in the amount of 75 percent of 0.15 percent of the bond amount for the term of 55 years. The Developer will be responsible for payment of all costs, fees, and deposits relating to the bond application. Mortgage revenue bonds do not represent a financial obligation of the Agency, Housing Authority, or City of Sacramento. The Agency financing consists of an Agency loan of \$5,000,000 in City Housing Trust Funds, \$2,000,000 in Housing Successor Funds, and \$7,000,000 in Choice Neighborhoods Initiative funds. The Housing Authority will provide a ground lease option of \$704,575. The Loan Commitment is included as Exhibit A to the attached City Council Resolution.

**LBE - M/WBE and Section 3 requirements:** 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. Developer will be encouraged to work with the Sacramento Employment and Training Agency, the Greater Sacramento Urban League or similar programs, for employment opportunities.

Respectfully Submitted by: \_\_\_\_\_

  
LA SHELLE DOZIER  
Executive Director

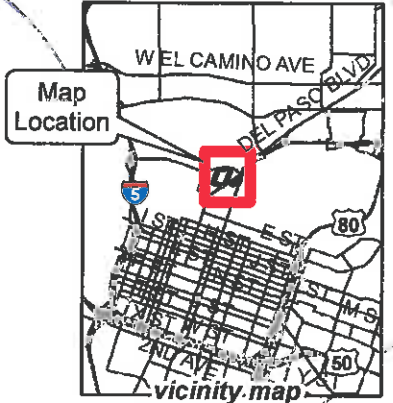
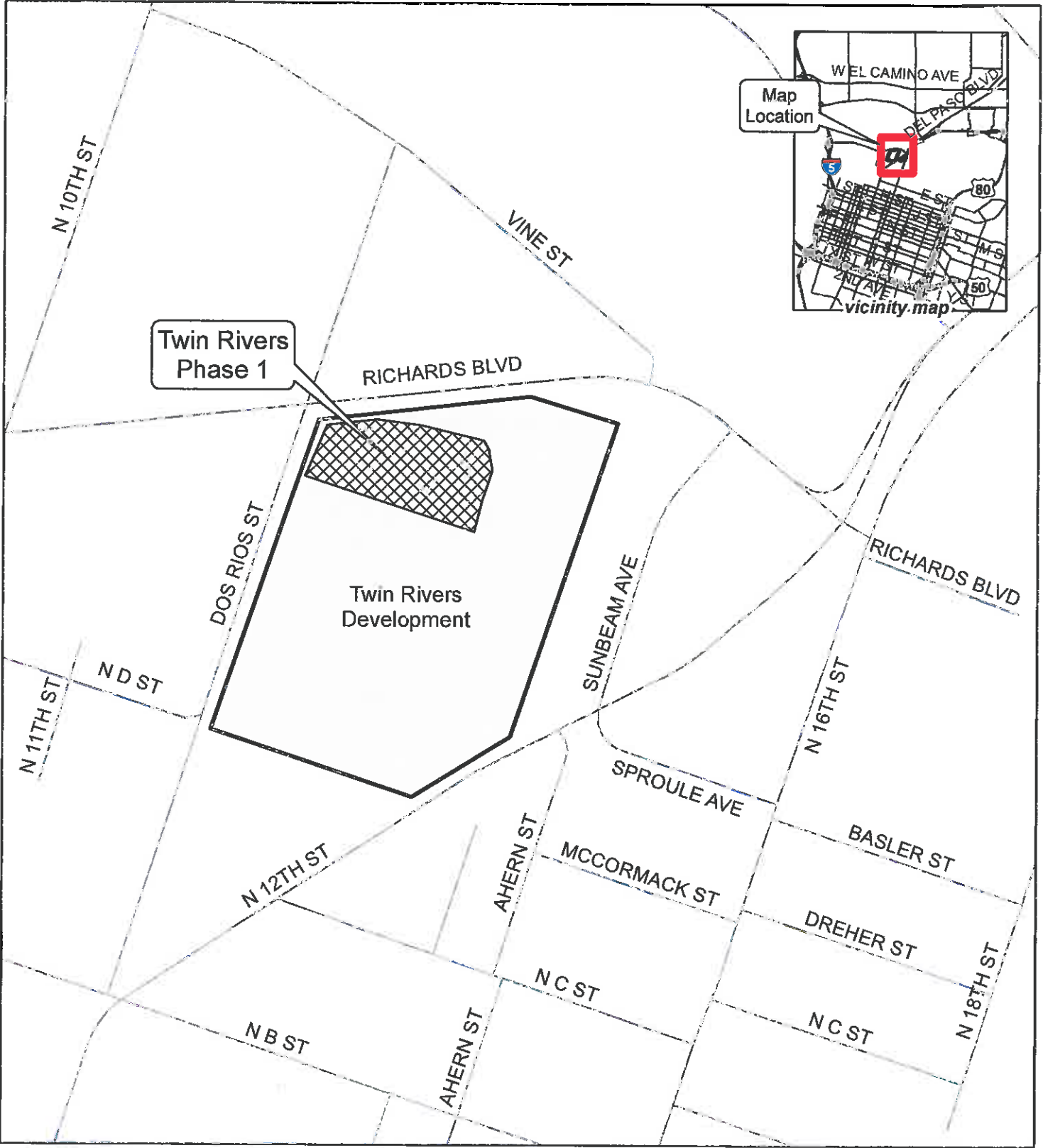
### Attachments

- 01 Description/Analysis and Background
- 02 Vicinity Map
- 03 Project Rendering
- 04 Project Summary
- 05 Cash Flow Proforma
- 06 Maximum Income and Rent Limits
- 07 City Council Tax Equity and Fiscal Responsibility Act Resolution
- 08 City Council Loan Commitment Resolution
- 09 Exhibit A to Resolution (Conditional Loan Commitment for Twin Rivers Phase 1)
- 10 Housing Authority Loan Commitment Resolution
- 11 Exhibit A to Resolution (Conditional Loan Commitment for Twin Rivers Phase 1)
- 12 Housing Authority Inducement Resolution





# Twin Rivers Phase 1



Twin Rivers
  Phase 1

0      Feet      400  
          200

SHRA GIS  
 November 20, 2017

Twin Rivers Phase 1  
Project Rendering



## Twin Rivers - Phase 1 Project Summary

<b>Address</b>	321 Eliza Street Sacramento, CA 95811			
<b>Number of Units</b>	107			
<b>Construction Type</b>	New Construction			
<b>Affordability</b>	42 units at or below 30% of AMI (PBV Public Housing Replacement) 37 LIHTC units at or below 60% of AMI 27 units at market rents 1 unregulated Manager's Unit			
<b>Unit Mix and Rents</b>	PBV (30% AMI)	LIHTC (60% AMI)	Market	Manager
1 Bedroom / 1 Bath	15	12	12	
2 Bedroom / 1 Bath	17	18	12	1
3 bedroom / 2 Bath	2	0	0	
3 Townhouse / 2.5 Bath	7	7	3	
4 bedroom / 2 Bath	1	0	0	
<b>TOTAL</b>	<b>42</b>	<b>37</b>	<b>27</b>	<b>1</b>
<b>Square Footage</b>	<i>Per Unit</i>	<i>Total</i>		
1 Bedroom / 1 Bath	567	22,113	square feet	
2 Bedroom / 1 Bath	794	38,112	square feet	
3 bedroom / 2 Bath	1,089	2,178	square feet	
3 Townhouse / 2.5 Bath	1,228	20,876	square feet	
4 bedroom / 2 Bath	1,293	1,293	square feet	
Common Areas		13,324	square feet	
<b>TOTAL</b>		<b>97,896</b>	<b>square feet</b>	
<b>Resident Facilities</b>	The project includes a community park, management offices, resident community space, a fitness center, swimming pool and BBQ area.			
<b>Permanent Sources</b>	<i>Current Total</i>	<i>Per Unit</i>	<i>Per Sq Ft</i>	
Senior Lender	\$ 6,013,970	\$ 56,205	\$ 61.43	
HCD AHSC Loan	\$ 14,000,000	\$ 130,841	\$ 143.01	
Agency Loan	\$ 7,000,000	\$ 65,421	\$ 71.50	
CNI HACOS	\$ 7,000,000	\$ 65,421	\$ 71.50	
Tax Credit Equity	\$ 14,880,000	\$ 139,065	\$ 152.00	
Capitalized Ground Lease	\$ 634,117	\$ 5,926	\$ 6.48	
Ground Lease Payment	\$ 70,458	\$ 658	\$ 0.72	
Deferred Developer Fee	\$ 900,000	\$ 8,411	\$ 9.19	
<b>TOTAL SOURCES</b>	<b>\$ 50,498,545</b>	<b>\$ 471,949</b>	<b>\$ 515.84</b>	
<b>Permanent Uses</b>				
Ground Lease	\$ 704,575	\$ 6,585	\$ 7.20	
Construction	\$ 35,522,558	\$ 331,987	\$ 362.86	
Permits	\$ 1,815,091	\$ 16,963	\$ 18.54	
Architecture and Engineering	\$ 1,935,800	\$ 18,092	\$ 19.77	
Soft Cost Contingency	\$ 277,354	\$ 2,592	\$ 2.83	
Hard Cost Contingency	\$ 1,776,128	\$ 16,599	\$ 18.14	
First Mortgage Interest	\$ 1,620,000	\$ 15,140	\$ 16.55	
Legal	\$ 375,000	\$ 3,505	\$ 3.83	
Financing Costs	\$ 981,975	\$ 9,177	\$ 10.03	
Operating Reserves	\$ 313,222	\$ 2,927	\$ 3.20	
Developer Fee	\$ 3,160,000	\$ 29,533	\$ 32.28	
Insurance, Third Party, Marketing, Other	\$ 2,016,842	\$ 18,849	\$ 20.60	
<b>TOTAL USES</b>	<b>\$ 50,498,545</b>	<b>\$ 471,949</b>	<b>\$ 515.84</b>	
<b>Management / Operations</b>				
Proposed Developer:	McCormack Baron Salazar			
Property Management Company:	McCormack Baron Management			
Operations Budget:	\$ 441,209			
Taxes:	\$ 131,049			
Security:	\$ 25,000			
Property Management	\$ 65,452			
Resident Services:	\$ 83,738			
Replacement Reserves:	\$ 32,100			



**MAXIMUM LIHTC INCOME AND RENT LEVELS 2017**  
*Rents at 30% and 60% of Area Median Income (AMI)*

**Maximum Income Limits:**

Family Size	30% AMI		60% AMI	
1 person	\$	15,600	\$	31,200
2 person	\$	17,820	\$	35,640
3 person	\$	20,040	\$	40,080
4 person	\$	22,260	\$	44,520
5 person	\$	24,060	\$	48,120
6 person	\$	25,830	\$	51,660
7 person	\$	27,630	\$	55,260

**Maximum Rent Limits:**

Low Income Housing Tax Credits (LIHTCs)

Unit Size	Gross Rent	
	30% AMI	60% AMI
1 Bedroom	\$ 417	\$ 835
2 Bedroom	\$ 501	\$ 1,002
3 Bedroom	\$ 579	\$ 1,158
4 Bedroom	\$ 645	\$ 1,291

# **RESOLUTION NO. 2018 -**

**Adopted by the Sacramento City Council**

On date of January 9, 2018

## **TWIN RIVERS PHASE 1: APPROVAL OF THE ISSUANCE OF OBLIGATIONS BY THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO ON BEHALF OF TWIN RIVERS PHASE 1, L.P., A CALIFORNIA LIMITED PARTNERSHIP**

### **BACKGROUND**

- A. The Housing Authority of the City of Sacramento, a housing authority organized and existing under the laws of the State of California (the "Authority"), proposes a plan of financing for the issuance of multifamily housing revenue obligations (the "Obligations") in an amount not to exceed \$32,000,000 and to lend the proceeds thereof to Twin Rivers Phase 1, L.P., (the "Borrower") to be used to provide funds for the acquisition, construction and development of a 107-unit multifamily housing residential facility to be located at 321 Eliza Street, Sacramento, California, to be owned by the Borrower and operated by McCormack Baron Management;
- B. Section 147(f) of the Internal Revenue Code of 1986 requires the execution and delivery of the Obligations to be approved by the City Council of the City (the "City Council"), as the elected representative of the City of Sacramento and the host jurisdiction of the subject multifamily housing residential facility, after a public hearing has been held following reasonable and proper notice;
- C. A public hearing was held by the City Council on January 9, 2018, following duly published notice thereof, and all persons desiring to be heard have been heard;
- D. It is in the public interest and for the public benefit that the City Council, as the elected representative of the City of Sacramento and the host jurisdiction of the subject multifamily housing residential facility, approve the execution and delivery by the Authority of the Obligations;

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

Section 1. The City Council of the City of Sacramento hereby finds, determines and declares that issuance by the Authority of the Obligations in the maximum principal amount of \$32,000,000 for the purposes described above is hereby approved.

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

# **RESOLUTION NO. 2018 -**

**Adopted by the Sacramento City Council**

On date of January 9, 2018

## **TWIN RIVERS PHASE 1: APPROVAL OF \$5,000,000 IN CITY HOUSING TRUST FUNDS; EXECUTION OF COMMITMENT AND RELATED DOCUMENTS WITH TWIN RIVERS PHASE 1, L.P. (MCCORMACK BARON SALAZAR, INC.) OR RELATED ENTITY; RELATED BUDGET AMENDMENT; AND ENVIRONMENTAL FINDINGS**

### **BACKGROUND**

- A. Twin Rivers Phase 1, L.P. (McCormack Baron Salazar, Inc.) (Developer) has applied for an allocation of \$5,000,000 in City Housing Trust Funds (HTF), \$2,000,000 in Housing Successor Funds, and \$7,000,000 in Choice Neighborhoods Initiative (CNI) funds from the Sacramento Housing and Redevelopment Agency (Agency) to assist in funding the construction and permanent financing of Twin Rivers Phase 1, which will be new construction of a mixed-use, mixed-income development located in the Twin Rivers district.
- B. The recommended actions are consistent with a) the Agency's previously approved Multifamily Lending and Mortgage Revenue Bond Policies, priority 1. Preservation (Resolution No. 2009-148); b) the 2013-2021 Housing Element, which encourages the provision of a variety of quality housing types to encourage neighborhood stability, including options for extremely low-income households (Resolution No. 2013-415); c) the Sacramento Promise Zone Plans and Goals, Sustainably Built Community sub-goal to increase housing types and transit growth to promote livability and connectivity within the Promise Zone (Resolution No. 2015-263); and d) the Downtown Housing Initiative and Initiation of the Downtown Specific Plan, to bring 10,000 places to live to Downtown Sacramento by year 2025 (Resolution No. 2015-282).
- C. 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) has been 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.
- D. In accordance with CEQA, a Mitigated Negative Declaration (MND) has been prepared and disseminated pursuant to 14 CCR §§15070-15073, and, in accordance with NEPA, a Finding of No Significant Impact (FONSI) has been prepared and disseminated pursuant to 24 CFR §§58.40-58.45 for the proposed project.
- E. On July 27, 2017, along with site entitlements, the City Planning and Design Commission made findings pursuant to CEQA and adopted the MND and associated Mitigation Monitoring and Reporting Program.

- F. On August 7, 2017, a Notice of Determination was filed by the City of Sacramento as Lead Agency.
- G. No further review under CEQA or NEPA is required for activities in furtherance of the Twin Rivers Transit-Oriented Development Project.

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

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

Section 2. The Loan Commitment, as attached (Exhibit A), for financing the Project with \$5,000,000 in HTF is approved, and the Agency is authorized to execute and transmit the Loan Commitment to Twin Rivers Phase 1, L.P. (McCormack Baron Salazar, Inc.) or related entity.

Section 3. The Agency is authorized to enter into and execute other documents, as approved to form by Agency Counsel, and perform other actions necessary to fulfill the intent of the Loan Commitment that accompanies this resolution, in accordance with its terms, and to ensure proper repayment of the Agency funds including without limitation, subordination, extensions consistent with Agency adopted policy and with this resolution.

Section 4. The Agency is authorized to amend its budget and allocate up to \$5,000,000 in HTF funds to Twin Rivers Phase 1.

**Table of Contents:**

Exhibit A: Twin Rivers Phase 1 Commitment Letter



Date: January 9, 2018

McCormack Baron Salazar, Inc.  
Yusef Freeman, Managing Director  
535 Mission Street, 14<sup>th</sup> Floor  
San Francisco, CA 94105

RE: Conditional Funding Commitment for Twin Rivers Phase 1

Dear Mr. Freeman:

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 \$5,000,000 in City Housing Trust Funds (HTF), \$2,000,000 in Housing Successor Funds, and \$7,000,000 in Choice Neighborhoods Initiative (CNI) Funds for the purpose of financing the development of that certain real property known as Twin Rivers Phase 1 located at 321 Eliza Way, Sacramento, California (Property). **The Agency's decision is based on your application, and all representations and information supplied by you to it. If these representations and information change in a material manner without written approval of the Agency, this commitment is void.** Agency's obligation to make the Loan is subject to the satisfaction of all the following terms and conditions and Borrower's execution of documentation that is in a form and in substance satisfactory to the Agency.

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

Unless otherwise agreed in writing by the Agency in exercise of its absolute discretion, the following shall be considered conditions to Agency approval of a

financing commitment. The Agency may, in exercise of its absolute discretion, modify its requirements upon written notice to Borrower given at least sixty (60) days prior to close of escrow for the Property.

This commitment will expire January 9, 2019.

1. **PROJECT DESCRIPTION:** Twin Rivers Phase 1(Project) is a new construction, mixed-income housing development. The Project is the first phase of development for the multiphase Twin Rivers public housing redevelopment. The Project will be composed of townhouses, multifamily and garden-style walk-up buildings. There are a total of 11 buildings in the Project, in addition to 77 on-grade parking spaces. There will be 107 units comprised of 1-bedroom, 2-bedroom, 3-bedroom, and 4-bedroom units. The Project will contain a majority of the amenities for the entire Twin Rivers community, including management offices, resident community room, a fitness center, a business center with Wi-Fi, swimming pool and barbeque area.
2. **BORROWER:** The name of the Borrower for the Loan is Twin Rivers Phase 1, L.P., a California limited partnership (McCormack Baron Salazar, Inc., or related entity).
3. **PURPOSE OF LOAN:** The Loan is to be used by Borrower solely to pay the costs of 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) \$14,000,000 (Fourteen Million Dollars), or (b) an amount to be determined prior to close of the Loan based on a project budget approved by Agency.
5. **TERM OF LOAN:** The Loan shall mature 57 years or 684 months from the date of closing, at which point any and all unpaid principal and interest on the loan will be due and payable.
6. **INTEREST RATE:** The Loan will bear simple interest at four percent (4%) per annum. Interest shall be calculated on the basis of a 365-day year and actual number of days elapsed.
7. **ANNUAL REPAYMENT:** Annual principal and interest payments shall be made according to the structured payment schedule contained in the final Loan Agreement, calculated to achieve annual 1.2 debt coverage ratio. Payments shall be applied first to outstanding interest accrued and unpaid and then to principal. All outstanding principal and interest is due and payable on the maturity date. Notwithstanding the preceding payment schedule, no payments shall be made on this Loan until the full balance of principal and interest on the capitalized ground lease seller carryback loan made by the Housing Authority of the County of Sacramento to the Borrower pursuant to the Master Development Agreement is paid in full.

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: \$5,000,000 in City Housing Trust Funds (HTF), \$2,000,000 in Housing Successor Funds, and \$7,000,000 in Choice Neighborhoods Initiative (CNI) 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 Wells Fargo Affordable Housing Community Development Corporation and US Bank Community Development Corporation and such other items as the Agency may approve in writing. The Loan shall also be secured by security agreements. The Agency may subordinate said deeds of trust in order to accommodate completion of construction of the Property.
11. **LEASE AND RENTAL SCHEDULE:** All leases of the Property and Improvements shall be subject to Agency's review and approval prior to execution. Borrower shall not deviate from the rental schedule presented in Borrower's application for the Loan without Agency's prior written approval; provided, however, that such approval shall not be required for annual adjustments to rental rates as permitted by the California Tax Credit Allocation Committee.
12. **PROOF OF EQUITY:** Borrower shall provide proof of equity for the Property and Improvements in the amount of no less than \$14,880,000 in Low Income Housing Tax Credit Equity and no less than \$900,000 in deferred developer fee. If LIHTC equity goes below \$14,880,000, the equity must be offset by an increase in deferred developer fee.
13. **OTHER FINANCING:** Borrower, as a requirement of the Loan, shall procure and deliver to Agency evidence satisfactory to Agency that Borrower has obtained the following described financing which may be secured by a lien upon the Property and Improvements superior or

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

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

(b) Commitments for permanent financing sufficient to "take out" all liens senior to the Agency's lien.

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

(d) Such commitments shall not be based upon sources and uses of Project funds that are different from those approved by Agency for the project or be subject to conditions which require amendment of the DDA, OPA or other agreements.

14. EVIDENCE OF FUNDS: Prior to the first disbursement of the Loan, Borrower must demonstrate evidence of adequate and assured funding to complete the development of the Project in accordance with the Agency's requirements. Borrower's evidence of available funds must include only one or more of the following: a) Borrower equity; b) firm and binding commitments for the Project from financial institution(s) or from other lender(s) approved by Agency in its absolute discretion; and c) Agency's contribution, provided, however, that Agency is not obligated by this letter to make any contribution not stated in the terms of the letter.
15. SOILS AND TOXIC REPORTS: Borrower has submitted to the Agency a hazardous substances report made in accordance with the American Society for Testing and Materials "Standard Practice for Environmental Site Assessments; Phase I Environmental Site Assessment Process" (Designation E1527-13) prepared by a licensed or registered environmental engineer or other qualified party prior to Loan closing. Borrower must, as a condition of disbursement of Loan funds, give assurances satisfactory to the Agency that hazardous materials are not present on the Property or that any hazardous materials on the Property will be remediated and that no further remediation is then required by the environmental agency having responsibility for monitoring such remediation.
16. LOAN IN BALANCE: Borrower will be required to maintain the Loan "in balance". The Loan is "in balance" whenever the amount of the undisbursed Loan funds, the remaining sums to be provided by the Borrower and the loan funds from other project lenders or the equity investor are sufficient, in the sole judgement of the Agency, to pay for the remainder of the work to be done on the project as required by written agreement with the Agency. Should the Agency determine that the Loan is not "in balance", the Agency may declare the Loan to be in default.

17. PLANS AND SPECIFICATION: Final plans and specifications, if any, for the project must be in accord with the proposal approved as part of the Loan application. Final plans and specifications will be subject to Agency's final approval prior to the 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 as required in the Mitigation Monitoring and Reporting Program of Twin Rivers Transit Oriented Development and Light Rail Station Project as may be applicable to Twin Rivers Phase 1, environmental conditions required, if any, for compliance with approvals under CEQA, and/or NEPA, or the U.S. Department of Housing and Urban Development as conditions of approval of the project.
18. ARCHITECTURAL AGREEMENT: The architectural agreement (Agreement), if any, for the preparation of the plans and specifications and other services shall be subject to Agency's approval. Agency may require an assignment of Borrower's interest in and to the Agreement as security for the Loan.
19. CONSTRUCTION CONTRACT: The construction contract (Contract), if any, and any change orders issued thereunder, and the contractor (Contractor) to be retained by Borrower to construct the Improvements shall be subject to Agency's approval. Agency may require an assignment of Borrower's interest in and to the Contract as security for the Loan. Agency may require Contractor to provide a performance and payment bond in a form acceptable to Agency for the amount of the Contract.
20. RETENTION AMOUNT: The Agency shall retain ten percent (10.0%) 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 commencement of work a detailed cost breakdown of the cost of constructing, financing and other costs of developing the Improvements, which breakdown conforms to the project plans and specification and the budget approved with this commitment. Borrower shall also deliver a list of all contractors and subcontractors to be employed in connection with the construction of the Improvements. If required by the Agency, Borrower shall also submit copies of all bids received for each item of work to be performed as well as copies of executed contracts and subcontracts with acceptable bidders.

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

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

expenditure. Agency shall conduct inspections of the Property to assure that the work was done before making a disbursement.

22. COST SAVINGS: At completion of construction, Borrower shall submit to Agency a cost certification prepared by a qualified, independent auditor acceptable to Agency, which cost certification shall indicate the amounts actually spent for each item in the cost breakdown and shall indicate the final sources of funding. If there is an aggregate savings, in the total of all such cost breakdown items from the cost breakdown items in the original budget approved by the Agency, after adjusting for any decrease in any funding source including any loss of any equity investment due to an adjustment in the allowable tax credits, the Agency shall withhold for itself as loan repayment, one-half of such savings from the amount of retention then held by the Agency, and the Loan balance shall be reduced by the amount so withheld. The Agency, in its sole discretion, shall determine any reduction and/or repayment of the Agency loan based upon this cost certification and the original approved budget for the project.
23. START OF CONSTRUCTION: Borrower shall commence construction at the earliest possible date subject to the conditions of this Agency and other involved lenders, but no later than sixty (60) days following the close of construction financing.
24. COMPLETION OF CONSTRUCTION: Borrower shall complete the construction of the Improvements no later than 24 months following the close of construction financing.
25. SECURITY CAMERAS AND OUTSIDE LIGHTING: Project shall include installation of a security camera system, exterior lighting, and security patrols, all as approved by the Agency.
26. INSURANCE PROVIDER: Each policy of insurance required under the Loan shall be obtained from a provider licensed to do business in California and having a current Best's Insurance Guide rating of A VII, which rating has been substantially the same or increasing for the last five (5) years, or such other equivalent rating, as may reasonably be approved by Lender's legal counsel.
27. HAZARD INSURANCE: Borrower shall procure and maintain fire and extended coverage insurance and during construction Builder's Risk completed value insurance in a form and substance approved by Agency. Coverage shall be for protection against loss of, or damage to the Improvements or materials for their construction to their full insurable value. Borrower shall also procure and maintain insurance against specific hazards affecting Agency's security for the Loan as may be required by Agency, governmental regulations, or any permanent lender. All such policies shall contain a standard mortgagee loss payable clause in favor of Agency. The insurance required shall be written with a deductible of not more than TEN THOUSAND DOLLARS (\$10,000.00).
28. PUBLIC LIABILITY AND OTHER INSURANCE: Borrower must procure and maintain public liability and property damage insurance (with Agency named as additional insured) in

a form approved by Agency. Coverage must be approved by Agency and must be in at least the following limits of liability: (1) Commercial General Liability insurance in Insurance Services Office (ISO) policy form CG 00 01 Commercial General Liability (Occurrence) or better with limits of liability, which are not less than \$1,000,000, per occurrence limit; \$5,000,000 general aggregate limit, and \$5,000,000 products and completed operations aggregate limit, all per location of the Project; (2) Property damage liability of \$1,000,000 each occurrence, \$1,000,000 single limit and \$1,000,000 aggregate; (3) Contractual liability for Bodily Injury of \$1,000,000 each occurrence, for Property Damage of \$1,000,000 each occurrence and \$1,000,000 aggregate, and Personal Injury with Employment Exclusion Deleted of \$1,000,000 aggregate; and (4) Comprehensive Automobile Liability for any vehicle used for or in connection with the Work of \$1,000,000. The insurance required shall be written with a deductible of not more than TEN THOUSAND DOLLARS (\$10,000). Borrower must also procure and maintain workers' compensation and all other insurance required under applicable law, as required by law and as approved by Agency.

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

must deliver to Agency a monthly rent-roll including household composition information and operating statements with respect to the Property and Improvements, as Agency may request.

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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 buildings but no less than 50% of the units must be smoke free. All indoor common areas must be smoke-free.
37. DOCUMENTATION: This letter is not intended to describe all of the requirements, terms, conditions and documents for the Loan, which shall also include customary provisions and documents for an Agency transaction of this type. All documents to be delivered to or approved by Agency must be satisfactory to Agency in all respects. Borrower must promptly deliver to Agency any further documentation that may be required by Agency.
38. CONSISTENCY OF DOCUMENTS: As a material obligation under this commitment letter, Borrower shall assure that the loan documents for the Project are consistent with lender's commitment approved by the Agency and comply, 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: January 9, 2018

**BORROWER:**

Twin Rivers Phase 1, a California limited partnership

By: \_\_\_\_\_  
Yusef Freeman, Managing Director

# **RESOLUTION NO. 2018 -**

**Adopted by the Housing Authority of the City of Sacramento**

On date of January 9, 2018

**TWIN RIVERS PHASE 1: APPROVAL OF \$2,000,000 IN HOUSING SUCCESSOR FUNDS, \$7,000,000 IN CHOICE NEIGHBORHOODS INITIATIVE FUNDS; EXECUTION OF COMMITMENT AND RELATED DOCUMENTS WITH TWIN RIVERS PHASE 1, L.P. (MCCORMACK BARON SALAZAR, INC.) OR RELATED ENTITY; RELATED BUDGET AMENDMENT; AND ENVIRONMENTAL FINDINGS**

## **BACKGROUND**

- A. Twin Rivers Phase 1, L.P. (McCormack Baron Salazar, Inc.) (Developer) has applied for an allocation of \$5,000,000 in City Housing Trust Funds (HTF), \$2,000,000 in Housing Successor Funds, and \$7,000,000 in Choice Neighborhoods Initiative (CNI) funds from the Sacramento Housing and Redevelopment Agency (Agency) to assist in funding the construction and permanent financing of Twin Rivers Phase 1, which will be new construction of a mixed-use, mixed-income development located in the Twin Rivers district.
- B. The recommended actions are consistent with a) the Agency's previously approved Multifamily Lending and Mortgage Revenue Bond Policies, priority 1. Preservation (Resolution No. 2009-148); b) the 2013-2021 Housing Element, which encourages the provision of a variety of quality housing types to encourage neighborhood stability, including options for extremely low-income households (Resolution No. 2013-415); c) the Sacramento Promise Zone Plans and Goals, Sustainably Built Community sub-goal to increase housing types and transit growth to promote livability and connectivity within the Promise Zone (Resolution No. 2015-263); and d) the Downtown Housing Initiative and Initiation of the Downtown Specific Plan, to bring 10,000 places to live to Downtown Sacramento by 2025 (Resolution No. 2015-282).
- C. 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) has been 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.
- D. In accordance with CEQA, a Mitigated Negative Declaration (MND) has been prepared and disseminated pursuant to 14 CCR §§15070-15073, and, in accordance with NEPA, a Finding of No Significant Impact (FONSI) has been prepared and disseminated pursuant to 24 CFR §§58.40-58.45 for the proposed project.
- E. On July 27, 2017, along with site entitlements, the City Planning and Design Commission made findings pursuant to CEQA and adopted the MND and associated Mitigation Monitoring and Reporting Program.

- F. On August 7, 2017, a Notice of Determination was filed by the City of Sacramento as Lead Agency.
- G. No further review under CEQA or NEPA is required for activities in furtherance of the Twin Rivers Transit-Oriented Development Project.

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

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

Section 2. The Loan Commitment, attached to the City Council resolution, for financing the Project with \$2,000,000 in Housing Successor Funds and \$7,000,000 in CNI funds is approved, and the Agency is authorized to execute and transmit the Loan Commitment to Twin Rivers Phase 1, L.P. (McCormack Baron Salazar, Inc.) or related entity.

Section 3. The Agency is authorized to enter into and execute other documents, as approved to form by Agency Counsel, and perform other actions necessary to fulfill the intent of the Loan Commitment that accompanies the City Council resolution, in accordance with its terms, and to ensure proper repayment of the Agency funds including without limitation, subordination, extensions consistent with Agency adopted policy and this resolution.

Section 4. The Agency is authorized to amend its budget and allocate up to \$2,000,000 in Housing Successor Funds and \$7,000,000 in CNI funds to Twin Rivers Phase 1.

**Table of Contents:**

Exhibit A: Twin Rivers Phase 1 Commitment Letter

Date: January 9, 2018

McCormack Baron Salazar, Inc.  
Yusef Freeman, Managing Director  
535 Mission Street, 14<sup>th</sup> Floor  
San Francisco, CA 94105

RE: Conditional Funding Commitment for Twin Rivers Phase 1

Dear Mr. Freeman:

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 \$5,000,000 in City Housing Trust Funds (HTF), \$2,000,000 in Housing Successor Funds, and \$7,000,000 in Choice Neighborhoods Initiative (CNI) Funds for the purpose of financing the development of that certain real property known as Twin Rivers Phase 1 located at 321 Eliza Way, Sacramento, California (Property). **The Agency's decision is based on your application, and all representations and information supplied by you to it. If these representations and information change in a material manner without written approval of the Agency, this commitment is void.** Agency's obligation to make the Loan is subject to the satisfaction of all the following terms and conditions and Borrower's execution of documentation that is in a form and in substance satisfactory to the Agency.

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

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

This commitment will expire January 9, 2019.

1. **PROJECT DESCRIPTION:** Twin Rivers Phase 1(Project) is a new construction, mixed-income housing development. The Project is the first phase of development for the multiphase Twin Rivers public housing redevelopment. The Project will be composed of townhouses, multifamily and garden-style walk-up buildings. There are a total of 11 buildings in the Project, in addition to 77 on-grade parking spaces. There will be 107 units comprised of 1-bedroom, 2-bedroom, 3-bedroom, and 4-bedroom units. The Project will contain a majority of the amenities for the entire Twin Rivers community, including management offices, resident community room, a fitness center, a business center with Wi-Fi, swimming pool and barbeque area.
2. **BORROWER:** The name of the Borrower for the Loan is Twin Rivers Phase 1, L.P., a California limited partnership (McCormack Baron Salazar, Inc., or related entity).
3. **PURPOSE OF LOAN:** The Loan is to be used by Borrower solely to pay the costs of 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) \$14,000,000 (Fourteen Million Dollars), or (b) an amount to be determined prior to close of the Loan based on a project budget approved by Agency.
5. **TERM OF LOAN:** The Loan shall mature 57 years or 684 months from the date of closing, at which point any and all unpaid principal and interest on the loan will be due and payable.
6. **INTEREST RATE:** The Loan will bear simple interest at four percent (4%) per annum. Interest shall be calculated on the basis of a 365-day year and actual number of days elapsed.
7. **ANNUAL REPAYMENT:** Annual principal and interest payments shall be made according to the structured payment schedule contained in the final Loan Agreement, calculated to achieve annual 1.2 debt coverage ratio. Payments shall be applied first to outstanding interest accrued and unpaid and then to principal. All outstanding principal and interest is due and payable on the maturity date. Notwithstanding the preceding payment schedule, no payments shall be made on this Loan until the full balance of principal and interest on the capitalized ground lease seller carryback loan made by the Housing Authority of the County of Sacramento to the Borrower pursuant to the Master Development Agreement is paid in full.

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: \$5,000,000 in City Housing Trust Funds (HTF), \$2,000,000 in Housing Successor Funds, and \$7,000,000 in Choice Neighborhoods Initiative (CNI) 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 Wells Fargo Affordable Housing Community Development Corporation and US Bank Community Development Corporation and such other items as the Agency may approve in writing. The Loan shall also be secured by security agreements. The Agency may subordinate said deeds of trust in order to accommodate completion of construction of the Property.
11. LEASE AND RENTAL SCHEDULE: All leases of the Property and Improvements shall be subject to Agency's review and approval prior to execution. Borrower shall not deviate from the rental schedule presented in Borrower's application for the Loan without Agency's prior written approval; provided, however, that such approval shall not be required for annual adjustments to rental rates as permitted by the California Tax Credit Allocation Committee.
12. PROOF OF EQUITY: Borrower shall provide proof of equity for the Property and Improvements in the amount of no less than \$14,880,000 in Low Income Housing Tax Credit Equity and no less than \$900,000 in deferred developer fee. If LIHTC equity goes below \$14,880,000, the equity must be offset by an increase in deferred developer fee.

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

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

17. **PLANS AND SPECIFICATION**: Final plans and specifications, if any, for the project must be in accord with the proposal approved as part of the Loan application. Final plans and specifications will be subject to Agency's final approval prior to the 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 as required in the Mitigation Monitoring and Reporting Program of Twin Rivers Transit Oriented Development and Light Rail Station Project as may applicable to Twin Rivers Phase 1, environmental conditions required, if any, for compliance with approvals under CEQA, and/or NEPA, or the U.S. Department of Housing and Urban Development as conditions of approval of the project.
18. **ARCHITECTURAL AGREEMENT**: The architectural agreement (Agreement), if any, for the preparation of the plans and specifications and other services shall be subject to Agency's approval. Agency may require an assignment of Borrower's interest in and to the Agreement as security for the Loan.
19. **CONSTRUCTION CONTRACT**: The construction contract (Contract), if any, and any change orders issued thereunder, and the contractor (Contractor) to be retained by Borrower to construct the Improvements shall be subject to Agency's approval. Agency may require an assignment of Borrower's interest in and to the Contract as security for the Loan. Agency may require Contractor to provide a performance and payment bond in a form acceptable to Agency for the amount of the Contract.
20. **RETENTION AMOUNT**: The Agency shall retain ten percent (10.0%) 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 commencement of work a detailed cost breakdown of the cost of constructing, financing and other costs of developing the Improvements, which breakdown conforms to the project plans and specification and the budget approved with this commitment. Borrower shall also deliver a list of all contractors and subcontractors to be employed in connection with the construction of the Improvements. If required by the Agency, Borrower shall also submit copies of all bids received for each item of work to be performed as well as copies of executed contracts and subcontracts with acceptable bidders.

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



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

22. COST SAVINGS: At completion of construction, Borrower shall submit to Agency a cost certification prepared by a qualified, independent auditor acceptable to Agency, which cost certification shall indicate the amounts actually spent for each item in the cost breakdown and shall indicate the final sources of funding. If there is an aggregate savings, in the total of all such cost breakdown items from the cost breakdown items in the original budget approved by the Agency, after adjusting for any decrease in any funding source including any loss of any equity investment due to an adjustment in the allowable tax credits, the Agency shall withhold for itself as loan repayment, one-half of such savings from the amount of retention then held by the Agency, and the Loan balance shall be reduced by the amount so withheld. The Agency, in its sole discretion, shall determine any reduction and/or repayment of the Agency loan based upon this cost certification and the original approved budget for the project.
23. START OF CONSTRUCTION: Borrower shall commence construction at the earliest possible date subject to the conditions of this Agency and other involved lenders, but no later than sixty (60) days following the close of construction financing.
24. COMPLETION OF CONSTRUCTION: Borrower shall complete the construction of the Improvements no later than 24 months following the close of construction financing.
25. SECURITY CAMERAS AND OUTSIDE LIGHTING: Project shall include installation of a security camera system, exterior lighting, and security patrols, all as approved by the Agency.
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- 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.
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  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: January 9, 2018

**BORROWER:**

Twin Rivers Phase 1, a California limited partnership

By: \_\_\_\_\_  
Yusef Freeman, Managing Director

# **RESOLUTION NO. 2018 -**

**Adopted by the Housing Authority of the City of Sacramento**

on date of January 9, 2018

## **TWIN RIVERS PHASE 1: A RESOLUTION OF THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO DECLARING INTENTION TO REIMBURSE EXPENDITURES FROM THE PROCEEDS OF TAX-EXEMPT OBLIGATIONS AND DIRECTING CERTAIN ACTIONS**

### **BACKGROUND**

- A. The Housing Authority of the City of Sacramento (the "Authority") intends to issue tax-exempt obligations (the "Obligations") for the purpose, among other things, of making a loan to Twin Rivers Phase 1, L.P. (the "Borrower"), the proceeds of which shall be used by the Borrower to finance the acquisition, construction and development of a 107-unit multifamily housing residential facility to be located at 321 Eliza Street, Sacramento, California (the "Project").
- B. United States Income Tax Regulations section 1.150-2 provides generally that proceeds of tax-exempt debt are not deemed to be expended when such proceeds are used for reimbursement of expenditures made prior to the date of issuance of such debt unless certain procedures are followed, among which is a requirement that (with certain exceptions), prior to the payment of any such expenditure, the issuer must declare an intention to reimburse such expenditure.
- C. It is in the public interest and for the public benefit that the Authority declare its official intent to reimburse the expenditures referenced herein.

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

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

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

Section 3. The maximum amount of proceeds of the Obligations to be used for reimbursement of expenditures for the acquisition, construction and development of the Project that are paid before the date of initial execution and delivery of the Obligations is not to exceed \$32,000,000.

Section 4. The foregoing declaration is consistent with the budgetary and financial circumstances of the Authority in that there are no funds (other than proceeds of the Obligations) that are reasonably expected to be (i) reserved, (ii) allocated or (iii)

otherwise set aside, on a long-term basis, by or on behalf of the Authority, or any public entity controlled by the Authority, for the expenditures for the acquisition, construction and development of the Project that are expected to be reimbursed from the proceeds of the Obligations.

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

Section 6. The appropriate officers or the staff of the Authority are hereby authorized, for and in the name of and on behalf of the Authority, to make an application to the California Debt Limit Allocation Committee for an allocation of private activity bonds for the financing of the Project.

Section 7. The adoption of this Resolution shall not obligate (i) the Authority to provide financing to the Borrower for the acquisition, construction and development of the Project or to issue the Obligations for purposes of such financing; or (ii) the Authority, or any department of the Authority or the City of Sacramento to approve any application or request for, or take any other action in connection with, any environmental, General Plan, zoning or any other permit or other action necessary for the acquisition, construction, development or operation of the Project.

Section 8. This resolution shall take effect immediately upon its adoption.

## RESOLUTION NO. SHRC-\_\_\_\_\_

ADOPTED BY THE SACRAMENTO HOUSING AND REDEVELOPMENT COMMISSION UNDER THE AUTHORITY DELEGATED TO THE COMMISSION PURSUANT TO CALIFORNIA HEALTH AND SAFETY CODE, SECTION 33202 BY RESOLUTION NO. RA 81-083 ADOPTED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO ON OCTOBER 20, 1981, AND BY RESOLUTION NO. RA-83 ADOPTED BY THE REDEVELOPMENT AGENCY OF THE COUNTY OF SACRAMENTO ON OCTOBER 27, 1981, AND PURSUANT TO CALIFORNIA HEALTH AND SAFETY CODE SECTION 34292 BY RESOLUTION NO. HA 81-098 ADOPTED BY THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO ON OCTOBER 20, 1981, AND BY RESOLUTION NO. HA-1497 ADOPTED BY THE HOUSING AUTHORITY OF THE COUNTY OF SACRAMENTO ON OCTOBER 27, 1981.

ON DATE OF  
**December 6, 2017**

### **TWIN RIVERS PHASE 1: AUTHORIZING A LOAN COMMITMENT CONSISTING OF \$5,000,000 IN CITY HOUSING TRUST FUNDS, \$2,000,000 IN HOUSING SUCCESSOR FUNDS AND \$7,000,000 IN CHOICE NEIGHBORHOODS INITIATIVE FUNDS; EXECUTION OF LOAN COMMITMENT AND RELATED DOCUMENTS WITH TWIN RIVERS PHASE 1, L.P. (MCCORMACK BARON SALAZAR, INC.) OR RELATED ENTITY; RELATED BUDGET AMENDMENT; AND ENVIRONMENTAL FINDINGS**

BE IT RESOLVED BY THE SACRAMENTO HOUSING AND REDEVELOPMENT COMMISSION:

Section 1: 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) has been 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.

Section 2: In accordance with CEQA, a Mitigated Negative Declaration (MND) has been prepared and disseminated pursuant to 14 CCR §§15070-15073, and, in accordance with NEPA, a Finding of No Significant Impact (FONSI) has been prepared and disseminated pursuant to 24 CFR §§58.40-58.45 for the proposed project.

Section 3: Following a prescribed 30-day public comment period, and after addressing public comments, the SHRC certified the MND and adopted the Mitigation Monitoring Plan for the project on July 19, 2017.

Section 4: On August 24, 2017, a Notice of Determination was filed by Sacramento Housing and Redevelopment Agency (Agency).

Section 5: No further review under CEQA or NEPA is required for activities in furtherance of the Twin Rivers Transit-Oriented Development Project.

Section 6: Subject to approval by the City Council, the Loan Commitment attached to an incorporated in this resolution by this reference for the financing Twin Rivers Phase 1 (Loan Commitment) is approved and the Executive Director, or designee, is authorized to execute the Loan Commitment and related documents and transmit to Twin Rivers Phase 1, L.P. (McCormack Baron Salazar, Inc.) or related entity.

Section 7: The Executive Director, or designee, is authorized to amend the Agency budget to transfer \$5,000,000 in City Housing Trust Funds, \$2,000,000 in Housing Successor Funds, and \$7,000,000 in Choice Neighborhoods Initiative funds to Twin Rivers Phase 1, L.P.

Section 8: Subject to approval by the City Council, the Executive Director, or designee, is authorized to execute the Loan Commitment and related documents with Twin Rivers Phase 1, L.P., and perform other actions necessary to fulfill the intent of repayment of funds, including without limitation, subordination, extensions, and restricting of payments, all as approved by agency counsel.

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CHAIR

ATTEST:

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CLERK