



October 12, 2012

Sacramento Housing and
Redevelopment Commission
Sacramento, CA

Honorable Members in Session:

SUBJECT:

Approval of Disposition and Development Agreement, Loan Modification, and
Assignment for Quinn Cottages

SUMMARY

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

RECOMMENDATION

The staff recommends approval of the recommendations outlined in this report.

Respectfully submitted,

A blue ink signature of LaShelle Dozier.
LA SHELLE DOZIER
Executive Director

Attachment

**REPORT TO COUNCIL AND
HOUSING AUTHORITY as
Successor Housing Agency
City of Sacramento
915 I Street, Sacramento, CA 95814-2671
www.CityofSacramento.org**

**Consent
October 30, 2012**



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

**Title: Approval of Disposition and Development Agreement, Loan Modification
and Assignment for Quinn Cottages**

Location/Council District: 1500 North A Street, Council District 3

Recommendation: Adopt 1) a **Housing Authority Resolution** (a) finding that the Property is not required for the Housing Authority's foreseeable needs and it is being transferred to a nonprofit for the continued operation of housing for low income individuals and families; (b) as Successor Housing Agency i) authorizing the Executive Director or her designee to execute a Disposition and Development Agreement with Mercy Housing California 60, a California limited partnership, or related entity for Quinn Cottages (Project) and, ii) authorizing the Executive Director or her designee to execute all necessary documents associated with the transaction; 2) a **Council Resolution** a) authorizing the Sacramento Housing and Redevelopment Agency (Agency) to consent to the loan assignment and execute a loan modification with Mercy Housing California 60, LP, or related entity, whereby accrued interest of approximately \$650,000 is forgiven, the interest rate is reduced to zero percent and the loan is extended with a new term of 55 years, b) authorizing the Agency to execute all necessary documents associated with the modification; and c) consenting to the disposition of the Property.

Contact: Christine Weichert, Assistant Director, Development Finance, 440-1353;
Jerree Glasser-Hedrick, Program Manager, 440-1302

Presenters: NA

Department: Sacramento Housing and Redevelopment Agency

Description/Analysis

Issue: The Quinn Cottages (Project), located in the former River District Redevelopment Area, is a community of 60 one-bedroom cottage units that provides supportive housing for formerly homeless individuals and families. In 1995 the Redevelopment Agency of the City of Sacramento approved a ground

Approval of Disposition and Development Agreement, Loan Modification and Assignment for Quinn Cottages

lease and a \$1,404,000 loan for the Project, making it possible to leverage tax credit equity necessary to fund rehabilitation and recapitalization of the reserve fund. Mercy Housing (Developer) has been operating the project since 1997, and Cottage Housing, Inc. (Service Provider) provides comprehensive resident services to the residents and together they currently own the Project. Due to lower than projected tenant paid rents, Quinn Cottages has been facing an operating deficit as the reserves initially capitalized for ongoing operations have been exhausted. In March of 2011, while the Developer and Service Provider pursued a long term solution to the imbalance, the former Redevelopment Agency of the City (RDA) established the Affordable Rental Assistance Program and entered into an interim two-year Rental Subsidy Agreement with them. This enabled the project to continue to operate as a supportive housing project during the interim of securing new financing. Additionally, the former RDA approved an extension of the existing Ground Lease for a term of 95 years to allow the Project's financial structure to be consistent with the Multifamily Housing Program (MHP).

Since 2011, Mercy Housing has secured additional funding awards through the Multifamily Housing Program-Supportive Housing (MHPSH), the Affordable Housing Program (AHP), and in July of 2012 Mercy Housing received an award for nine percent federal Low Income Housing Tax Credits (LIHTC). Together these additional funding sources will provide for the rehabilitation of the Project and the establishment of a long term capitalized operating reserve. Due to the existing land lease and Agency loan terms there is a threat to the long-term feasibility of the project when combined with the new tax credit financing. Mercy Housing is requesting a land conveyance and a loan restructuring. Additional background is provided as Attachment 1, a Vicinity Map is provided as Attachment 2, a Project Summary is included as Attachment 3, a Cash Flow Proforma is included as Attachment 4, and a DDA without exhibits is included as Exhibit A to Attachment 5.

Policy Considerations: The recommended action furthers the goals outlined in the Agency's Multifamily Guidelines to specifically the preservation and rehabilitation of existing low and moderate income housing opportunities. The disposition of the land under Quinn Cottages to Mercy Housing California 60, LP or a related entity, will further the preservation of the community's supply of low-income housing available at an affordable cost to individuals and families that are extremely low income and very low income.

The Quinn Cottages land site is a former Redevelopment housing asset currently under the control of the Housing Authority. Pursuant to Health and Safety Code Section 34176(a)(2), the City of Sacramento has submitted the required information to the State Department of Finance (DoF) for approval of the housing asset transfer from the former Redevelopment Agency to the Housing Authority. Correspondence received from the DoF confirms that there is no objection to the Quinn site remaining a housing asset under control of the Housing Authority. However, until the Agency receives a finding of completion pursuant to Health

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and Safety Code 34179.7, the transfer of housing assets acquired with proceeds from the low and moderate income housing fund is vulnerable to additional challenges by the State.

Economic Impacts: This residential rehabilitation project is expected to create 32.6 total jobs (18.5 direct jobs and 14.1 jobs through indirect and induced activities) and create \$4,378,676 in total economic output (\$2,669,076 of direct output and another \$1,709,600 of output through indirect and induced activities). The indicated economic impacts are estimates calculated using a calculation tool developed by the Center for Strategic Economic Research (CSER). CSER utilized the IMPLAN input-output model (2009 coefficients) to quantify the economic impacts of a hypothetical \$1 million of spending in various construction categories within the City of Sacramento in an average one-year period. Actual impacts could differ significantly from the estimates and neither the City of Sacramento nor CSER shall be held responsible for consequences resulting from such differences.

Environmental Considerations:

California Environmental Quality Act (CEQA): The proposed actions include a modification to a loan, the disposition of property, and various other actions associated with existing facilities, which will not include any change in use or expansion of facilities. Therefore, the proposed actions are Categorical Exempt pursuant to CEQA Guidelines Sections 15312 (sale of surplus government property) and 15310 (loan modification with no new construction).

Sustainability Considerations: The Quinn Cottages Project has been reviewed for consistency with the goals, policies, and targets of the Sustainability Master Plan and the 2030 General Plan. If approved, the contents of this report will advance the following goals, policies and targets: the project supports Goal number five – Public health and Nutrition, specifically Target number five which calls for the redevelopment or rehabilitation of areas within the city or aged city facilities that were constructed based on old, wasteful, and/or dysfunctional designs to achieve better results for people and the environment.

Other: The proposed actions, including the disposition of the property and modifications to an existing loan, consist of facilitation of existing financing and other supportive services associated with existing affordable housing developments. Therefore, the proposed actions are Categorical Excluded under the National Environmental Policy Act (NEPA) pursuant to 24 CFR 58.35 (b)(1) and (b)(2). The transfer of this property is categorically excluded pursuant to NEPA regulation 24 CFR 58.34(a)(12) and 58.35(a)(5) where the land disposed of will be retained for the same use.

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Commission Action: *Sacramento Housing and Redevelopment Commission*
Action: At its meeting on October 17, 2012, the Sacramento Housing and Redevelopment Commission considered the staff recommendation for this item. The votes were as follows:

AYES:

NOES:

ABSENT:

Rationale for Recommendation: The actions recommended in this report enable the Agency to extend the affordability of 60 one-bedroom units to individuals and households with extremely low incomes for an additional period. The existing land lease will be terminated and the Agency regulatory agreement on the property will be extended and amended to coincide with other funding restrictions for a period of 55 years.

Financial Considerations: Staff recommends approval of the disposition of Quinn Cottages land site, forgiveness of approximately \$650,000 in accrued interest, a reduction of the current interest rate from three percent to zero percent on the principal balance and an extension to the term of the \$1,404,000 loan with a new term of 55 years consistent with the additional financing. The proposed actions will enable Mercy Housing to utilize the new MHPSH and AHP funding together with the federal LIHTC's for the rehabilitation of the existing facilities and a recapitalization of the operating reserves.

M/WBE Considerations: The activities recommended in this staff report do not involve federal funding; therefore, there are no M/WBE requirements.

Respectfully Submitted by:

LA SHELLE DOZIER
Executive Director

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**Approval of Disposition and Development Agreement, Loan Modification
and Assignment for Quinn Cottages**

Attachment 1

Background

Project Description

The Quinn Cottages project (Project) is located on a parcel of approximately 2.7 acres within the former River District Redevelopment Project Area. The Project consists of 60 one-bedroom cottage units. There is one administration building, one laundry building, one community building, and one maintenance/storage building.

The property's buildings are single story, wood framed, slab on grade construction with the exception of the community building which is partially constructed of concrete block.

History

Quinn Cottages is a community that houses formerly homeless individuals and families. The Project was the first of its kind in many ways. Well before the City and County of Sacramento adopted the Ten Year Plan to End Chronic Homelessness, a consortium of community members and organizations came together to raise capital and resources to address housing and other services to address homelessness in the central city. Furthermore, the Project was the first project serving formerly homeless households in the Sacramento Region to be funded with federal Low Income Housing Tax Credits. In 1995, the Redevelopment Agency of the City of Sacramento approved a ground lease of Agency-owned land and \$1,404,000 in funding, thereby leveraging millions in tax credit equity. As a result of the concerted efforts of a variety of stakeholders and funders, Quinn Cottages has been providing housing to hundreds of residents since it first opened its doors in 1997.

The Project's original financial structure included homeless individuals and families in need of housing and a variety of resident services. After the project was completed, Cottage Housing secured funding from the Continuum of Care program through the U.S. Department of Housing and Urban Development (HUD) to support comprehensive resident services. This funding contained mandates that required the program serve extremely low income populations and additionally that rents charged not exceed 30% of household income. Currently, residents, on average, pay less than \$100 per month in rent. Although the Project was always intended to be service enriched, the initial operating assumptions did not account for such limited rent collection. These changes caused the capitalized operating reserve to be depleted more rapidly than initially projected.

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Interim Funding

In March of 2011, the Owner requested and received from the Redevelopment Agency a \$390,000 interim rental subsidy for two years due to the limited rental income generated from the property and the depletion of reserves. The intent of the interim funding was to cover the operating deficit to allow the Developer to secure long-term financing and recapitalize the project.

Recapitalization

In January of 2012, the Developer secured \$3,510,000 in Multifamily Housing Program-Supportive Housing (MHPSH) funds from the California State Housing and Community Development Department and in March of 2012 secured an award of \$600,000 from the Federal Home Loan Bank. Additionally, in June of 2012 the developer was awarded 9% Low Income Housing Tax Credits. The combination of these funding sources will facilitate the recapitalization to occur and will require the project be designated for permanent supportive housing. The resulting improvements to the project will include: the replacement of water heaters, wall air conditioners, and windows with energy efficient features and upgrade kitchens and bathroom throughout. The exteriors of the cottages require dry rot repair, front door replacements, repairing or replacing the front porch trellises, and reroofing. The exterior and interior of the buildings will be painted and common areas improved. Site work will include asphalt repair, upgrades or replacement of the security system, repair of the perimeter fencing entry gate, and site lighting. Additional proceeds from the recapitalization will be utilized to capitalize a significant operating reserve adequate to cover the operating deficit over the next 15 years of operation.

Although the Developer is not requesting any additional Agency resources they are requesting disposition of the land and restructuring of the Agency debt including forgiveness of accrued interest and reduction in the interest rate. These requests are consistent with the underwriting requirements of the MHPSH program, the AHP and the requirements for a successful Low Income Housing Tax Credit structure and are required to ensure project feasibility. Absent approval, the project is structured with too much debt to demonstrate long term viability.

Developer

Mercy Housing (Developer) coordinated the facility's original financing and construction and will serve as the lead organization in the current effort to recapitalize and rehabilitate the property.

Mercy Housing California was formed through the merger of Rural California Housing Corporation and Mercy Charities Housing California in July 2000. Mercy

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Housing is a non-profit corporation dedicated to providing quality affordable housing with supportive programs to low-income persons in California. A limited partnership has been established to own the project. Mercy Housing California has been responsible for the construction of more than 2,900 affordable single-family self-help homeownership units and 124 multifamily rental properties with a total of more than seven thousand units. Their portfolio includes 18 properties in Sacramento County alone.

Property Management

The project will be managed by Mercy Services Management Group (MSG), an affiliate of Mercy Housing. MSG manages 216 properties nationally (more than 11,000 affordable housing units), including 100 properties in California.

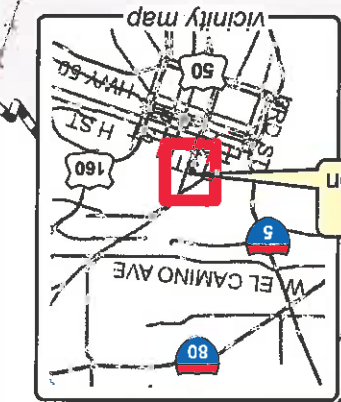
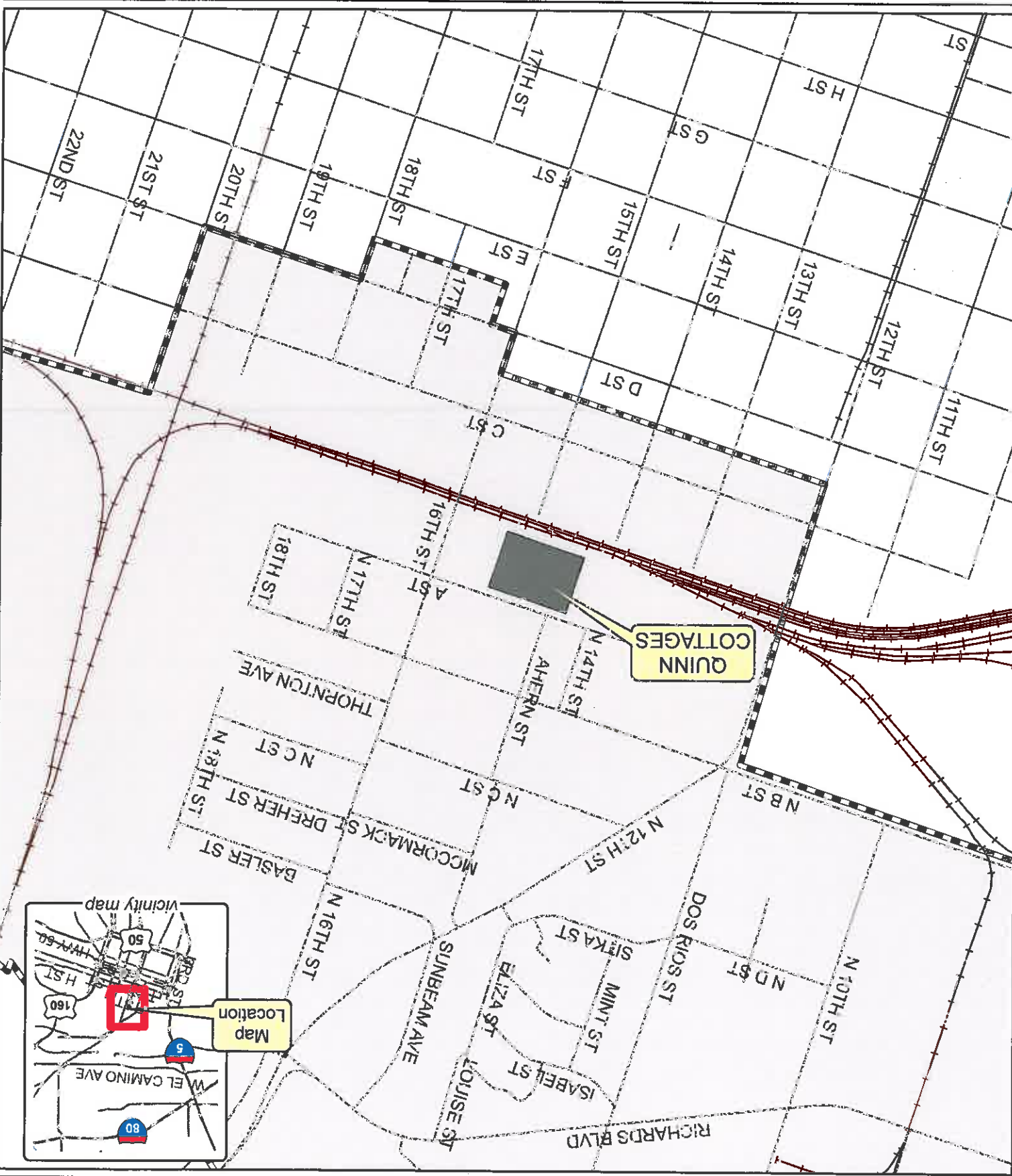
Resident Services

Cottage Housing, Inc. (Resident Services Provider) operates the comprehensive supportive services program. The program is funded through a grant received specifically for this project through the U.S. Department of Housing and Urban Development's (HUD) Continuum of Care which it has been received since the early inception of the Project. Although renewed every year, ongoing funding for Continuum of Care funding for existing projects is extremely secure. The Developer contracts with Cottage Housing to provide this program at Quinn.

Applicants to Quinn Cottages are homeless individuals, couples or single parent with one child. Applicants commit to maintain sobriety, actively pursue personal development goals and render voluntary community service. The support service program's Personal Development Coaches work on a one-to-one basis with program participants who hold themselves accountable by self-tracking progress toward self-defined health/wellness, financial and vocational objectives using a *Passport to Self-Reliance* which documents the residents' involvement in personal/professional development activities and community volunteerism. The project has an onsite computer lab and a weekly schedule of over thirty onsite skills development workshops and/or self-help groups. The program also has referral relationships to career development centers and a number of adult education, community college and vocational training programs. A variety of service partners also come to the property to offer services that promote health/wellness, job readiness, financial stability and other capabilities that contribute to self-sustainability.

In the event Cottage was to cease to operate the program, another service provider could step into Cottage's place and continue to secure the Continuum of Care funding. If funding for this program were discontinued, Mercy has outlined a significantly reduced service program to fulfill the requirements of MHPSP and tax credit programs. The program includes 1 full time equivalent that will serve as a caseworker and provide resident services.

Quinn Cottages



Project Summary

Address Number of Units Acreage	60 2.7 Quinn Cottages	Affordability	60 units (100%) at or below 30% of median income	Unit Square Footage 1 Bedroom 1 Bedroom (ADA)	320 sq. ft. 394 sq. ft.	Resident Facilities	The site contains an administrative building, a laundry building, a community building, and a maintenance and storage building.	Permanent Sources Tax Credit Equity Existing SHRA Loan MHP SH Loan AHP Loan	\$ 5,229,715 \$ 1,404,000 \$ 2,056,860 \$ 840,000	\$ 87,162 \$ 23,400 \$ 34,281 \$ 14,000	\$ 15,993 \$ 4,294 \$ 6,290 \$ 2,569	\$ 29,145 \$ 29,145	Permanent Uses Acquisition Costs Construction Costs Architecture, Engineering, Survey Permits Relocation Contingency Financing Costs TCAC Reserves Operating Deficit Reserve Legal Fees Developer Fee Insurance, Third Party Fees, Other	\$ - \$ 2,718,027 \$ 100,000 \$ 55,000 \$ 60,000 \$ 410,785 \$ 308,622 \$ 203,817 \$ 4,530,000 \$ 70,000 \$ 591,783 \$ 482,541	\$ - \$ 45,300 \$ 1,667 \$ 917 \$ 1,000 \$ 6,846 \$ 5,144 \$ 3,397 \$ 75,500 \$ 1,167 \$ 9,863 \$ 8,042	\$ - \$ 8,312 \$ 306 \$ 168 \$ 183 \$ 1,256 \$ 944 \$ 623 \$ 13,853 \$ 214 \$ 1,810 \$ 1,476	\$ 29,145 \$ 29,145	Management and Operations Current Owner: Developer: Resident Service Provider: Property Management: Operations Budget: Replacement Reserves:	Quinn Cottages, L.P. Mercy Housing, Inc. Cottage Housing, Inc. Mercy Services Corporation \$ 302,730 \$ 16,000	5,046 267	Management and Operations Proposed Owner: Developer: Resident Service Provider: Property Management: Operations Budget: Replacement Reserves:	Quinn Cottages, L.P. Mercy Housing, Inc. Cottage Housing, Inc. Mercy Services Corporation \$ 365,010 \$ 30,900	6,084 515
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Quinn Cottages
Project Cash Flow Proforma

Unit Type	Number	Apprx Sq Feet	Total Sq Feet	Gross Rent	Utility Allowance	Net Rent	Rent per Sq Foot	Total Mo. Rent	Annual Rent
Studio @ 30% AMI	60	385	23,100	\$ 247	\$ -	\$ 247	\$ 0.64	\$ 14,820	\$ 177,840
Studio Manager's Unit @ 60% AMI	80	385	30,800	\$ -	\$ -	\$ -	\$ -	\$ 14,820	\$ 177,840
Totals								\$ 14,820	\$ 177,840

	Income	rate	annual increase	per unit	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
Potential Gross Income	2.50%				177,840	182,286	186,843	191,514	196,302	201,210	222,088	227,650	233,341	239,175	245,154	251,283
Resident Service Income	2.50%				297,000	304,425	312,036	319,827	327,832	336,028	370,912	380,185	389,690	399,432	409,418	419,653
Other Income	2.50%				3,420	3,508	3,593	3,683	3,775	3,869	4,271	4,378	4,487	4,600	4,715	4,832
Less Vacancy	10.00%				17,784	18,229	18,684	19,151	19,630	20,121	22,210	22,765	23,334	23,918	24,515	25,128
Effective Gross Income					\$460,476	\$471,988	\$483,788	\$495,882	\$508,279	\$520,986	\$575,071	\$589,448	\$604,184	\$619,289	\$634,771	\$650,647
Operating Expenses					4,029	241,710	250,170	258,926	267,988	277,368	287,076	329,426	340,956	352,889	365,240	378,024
Utilities	3.50%			1,515	90,900	94,082	97,374	100,782	104,310	107,961	123,887	128,223	132,711	137,356	142,164	147,139
Property Management	3.50%			540	32,400	33,534	34,708	35,922	37,180	38,481	44,158	45,703	47,303	48,959	50,672	52,446
Residential Services	3.00%			4,950	297,000	305,910	315,067	324,540	334,276	344,304	387,518	399,143	411,117	423,451	436,155	449,239
Replacement Reserves				515	30,900	30,900	30,900	30,900	30,900	30,900	30,900	30,900	30,900	30,900	30,900	30,900
Total Expenses				11,549	\$682,810	\$714,585	\$736,985	\$760,133	\$784,033	\$808,722	\$875,889	\$894,926	\$914,821	\$934,621	\$954,314	\$973,914
Net Operating Income					(\$232,434)	(\$242,607)	(\$253,208)	(\$264,251)	(\$275,754)	(\$287,739)	(\$340,817)	(\$355,478)	(\$370,737)	(\$386,617)	(\$403,143)	(\$420,338)

Debt Service	amount	rate	amort	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
HCD MHP-S	14,742	14,742	14,742	14,742	14,742	14,742	14,742	14,742	14,742	14,742	14,742	14,742	14,742	14,742	14,742
Housing Authority Monitoring Fee		0.00%		\$14,742	\$14,742	\$14,742	\$14,742	\$14,742	\$14,742	\$14,742	\$14,742	\$14,742	\$14,742	\$14,742	\$14,742
Debt Service Subtotal		0.00%		\$14,742	\$14,742	\$14,742	\$14,742	\$14,742	\$14,742	\$14,742	\$14,742	\$14,742	\$14,742	\$14,742	\$14,742
DCR on Senior Bonds				-15.77	-16.46	-17.18	-17.93	-18.71	-19.52	-23.12	-24.11	-25.15	-26.23	-27.35	-28.51

Other Operating Expenses	amount	rate	amort	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
SHRA Annual Monitoring Fee		0.15%		0	0	0	0	0	0	0	0	0	0	0	0
Other Operating Expenses Subtotal		0.15%		0	0	0	0	0	0	0	0	0	0	0	0

Priority Distributions	amount	rate	amort	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
Asset Management Fee (GP)	3,000	3.50%	3,105	3,214	3,326	3,443	3,563	3,689	3,814	4,089	4,232	4,380	4,533	4,692	4,856
Partnership Management Fee (LP)	5,000	3.50%	5,175	5,356	5,544	5,738	5,938	6,144	6,354	6,814	7,053	7,300	7,555	7,820	8,093
Priority Distributions Subtotal	8,000		8,280	8,570	8,870	9,180	9,501	9,858	10,203	11,285	11,285	11,680	12,089	12,512	12,950

Net Cash after Deferred Developer Fee	amount	rate	amort	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
SHRA Loan	\$1,404,000	0.00%		1,404,000	1,404,000	1,404,000	1,404,000	1,404,000	1,404,000	1,404,000	1,404,000	1,404,000	1,404,000	1,404,000	1,404,000
Principal Balance				0	0	0	0	0	0	0	0	0	0	0	0
Interest for Period				0	0	0	0	0	0	0	0	0	0	0	0
Accumulated Interest				0	0	0	0	0	0	0	0	0	0	0	0
Payment				0	0	0	0	0	0	0	0	0	0	0	0
Balance	\$1,404,000			\$1,404,000	\$1,404,000	\$1,404,000	\$1,404,000	\$1,404,000	\$1,404,000	\$1,404,000	\$1,404,000	\$1,404,000	\$1,404,000	\$1,404,000	\$1,404,000

Net Operating Loss	amount	rate	amort	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
Capitalized Operating Reserve	\$4,530,000	2.0000%		4,530,000	4,274,824	4,094,691	3,900,066	3,690,204	3,464,332	2,384,020	2,085,238	1,725,039	1,362,381	976,181	565,308
Balance Operating Deficit Reserve				85,496	81,894	78,001	73,804	69,287	64,305	47,680	41,305	34,501	27,248	19,524	11,306
Interest Earned				(255,176)	(265,629)	(276,519)	(287,862)	(299,676)	(311,979)	(366,463)	(381,504)	(397,158)	(413,448)	(430,397)	(448,030)
Withdrawal from Operating Deficit Reserve				4,274,824	4,094,691	3,900,066	3,690,204	3,464,332	3,221,640	2,085,238	1,725,039	1,362,381	976,181	565,308	128,584
Accumulated Balance of Reserve															

RESOLUTION NO. 2012 –

Adopted by the Housing Authority of the City of Sacramento
Acting as the Housing Successor Entity for the Redevelopment Agency
of the City of Sacramento

on the date of

**QUINN COTTAGES: AUTHORIZING A DISPOSITION AND DEVELOPMENT
AGREEMENT WITH MERCY HOUSING CALIFORNIA 60 LP, OR RELATED ENTITY
FOR HOUSING AUTHORITY OWNED PROPERTY LOCATED AT 1500 NORTH A
STREET AND DETERMINATION THAT PROPERTY IS NOT REQUIRED FOR THE
HOUSING AUTHORITIES FORESEEABLE NEEDS**

BACKGROUND

A. In 2011 the California Legislature enacted AB 1x 26, which coupled with a subsequent decision of the State Supreme Court, resulted in the dissolution of redevelopment agencies as of February 1, 2012.

B. The City of Sacramento, by Resolution Number 2012-018 (adopted on January 31, 2012), designated the Housing Authority of the City of Sacramento as the local authority to retain the housing assets and functions previously performed by the Redevelopment Agency of the City of Sacramento.

C. The Housing Authority of the City of Sacramento, Resolution Number 2012-01 (adopted on January 31, 2010) affirmatively elected pursuant to Health and Safety Code Section 34176 that it will serve as the "Successor Housing Agency" and will accept the housing assets and functions previously performed by the Redevelopment Agency of the City of Sacramento.

D. The Property upon which the existing project is situated was originally purchased with Low/Moderate fund proceeds and is, therefore, a housing asset as approved by the Oversight Board and reported as such to the California State Department of Finance.

E. Quinn Cottages (Project) is an existing 60-unit supportive housing project located in the former River District Redevelopment Project Area.

F. In 1995, the Redevelopment Agency entered into a Ground Lease for a term of 55 years. In 2011, the Redevelopment Agency extended the term of the original Ground Lease for a term of 95 years.

G. Quinn Cottages, L.P., has maintained and operated the Project since initial occupancy in 1997. However, the Project faces an operating deficit because the previously capitalized reserves have been depleted.

H. A program is necessary to consolidate efforts to assist extremely low-income renters in units designated as permanent housing by providing financial assistance to enable them to afford safe, decent, affordable housing that is not affordable on the open market.

I. Mercy Housing of California has received a reservation of nine percent low income housing tax credits in June 2012 for the rehabilitation and capitalized operating reserve for the Project.

J. The Housing Authority has determined that the Quinn Cottages property located at 1500 A Street is not required for its foreseeable needs and is being disposed of in accordance with Health and Safety Code Section 34315.7.

K. The Housing Authority finds that disposition of the property to Mercy Housing California, or related entity shall be used to assist housing projects for persons of low-income consistent with Sections 34212 and 34312.3 (c), and/or 33334.2 of the Health & Safety Code.

L. This action is categorically exempt from environmental review pursuant to California Environmental Quality Act (CEQA) Guideline 15310 as this action is limited to loan modification and no new construction will occur as a result of the contemplated modifications.

M. The specific actions herein are exempt under National Environmental Policy Act (NEPA) regulations at 24 CFR Section 58.34(a)(2) and (3), which exempt information and financial services, and administrative and management activities respectively. The transfer of property is categorically excluded pursuant to NEPA regulation 24 CFR 58.34(a)(12) and 58.35(a)(5) where the land disposed of will be retained for the same use.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO ACTING AS THE HOUSING SUCCESSOR ENTITY FOR THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO RESOLVES AS FOLLOWS:

Section 1. After a properly noticed public hearing, held at a regular meeting of the Sacramento Housing and Redevelopment Commission on October 17, 2012, the above statements, including but not limited to the environmental statements, are found to be true and correct.

Section 2. The Executive Director, or her designee, is authorized to execute a Disposition and Development Agreement (DDA) with Mercy Housing California 60, L.P., or related entity, attached hereto as Exhibit A in the name of the Housing Authority.

Section 3. The Executive Director, or her designee, is authorized to enter into and execute other documents and perform other actions necessary to fulfill the DDA that accompanies this resolution. The current ground lease shall be terminated upon the recordation of the conveyance pursuant to the DDA.

Section 4. In the event that the transfer of this particular housing asset of the former redevelopment agency is ultimately disapproved by the State, the Executive Director is authorized to enter into a lease to continue Mercy Housing California 60, L.P.'s continued possession of the land for a sufficient time period as commercially reasonable for the financial investment structure as contemplated.

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Exhibit A- Disposition and Development Agreement

EXHIBIT A

NO FEE DOCUMENT:
Entitled to free recording
per Government Code 27383.
When recorded, return to:
SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY
ATTN: STEVE LIERLY
801 12th Street
Sacramento, CA 95814

DISPOSITION AND DEVELOPMENT AGREEMENT
1500 NORTH A STREET, SACRAMENTO, CALIFORNIA

HOUSING AUTHORITY OF THE CITY OF SACRAMENTO
MERCY

November 1, 2012

DISPOSITION AND DEVELOPMENT AGREEMENT

1500 North A Street, Sacramento, California

THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO, and MERCY HOUSING CALIFORNIA 60, LP, A CALIFORNIA L.P., also called Agency and Developer, respectively, enter into this Disposition and Development Agreement, also called DDA, as of November 1, 2012. For purposes of this Agreement, the capitalized terms shall have the meanings assigned in Section 15.

RECITALS

- A. Agency is the owner of real property located at 1500 North A Street, Sacramento, California in the City of Sacramento, State of California, more particularly described in the Property Description.
- B. The Property is located in the former River District Redevelopment Project Area and is subject to the redevelopment plan for the Project Area. This DDA is consistent with, and furthers, the former Redevelopment Plan and the "Implementation Plan" adopted for the Project Area in that it meets the following implementation plan goals: preservation of affordable housing and expansion of social services.
- C. The Housing Authority of the City of Sacramento has determined that the Property is not required for its foreseeable needs and disposition contemplated herein to Developer to rehabilitate and preserve affordable housing for individuals and families to a is consistent with the policies and goals of said Housing Authority (California Health and Safety Code Section 34315.7).
- D. In 2011 the California Legislature enacted AB 1x 26, which coupled with a subsequent decision of the State Supreme Court, resulted in the dissolution of redevelopment agencies as of February 1, 2012.
- E. The City of Sacramento, by Resolution Number 2012-018 (adopted on January 31, 2012), designated the Housing Authority of the City of Sacramento as the local authority to retain the housing assets and functions previously performed by the Redevelopment Agency of the City of Sacramento.
- F. The Housing Authority of the City of Sacramento, by Resolution Number 2012-001 (adopted on January 31, 2012) elected to serve as the designated local authority to retain housing assets and functions previously performed by the Redevelopment Agency of the City of Sacramento.

G. The primary purpose of this DDA is the preservation of affordable, supportive housing for extremely low income individuals and families who were formerly homeless. In order to accomplish such purpose, the DDA provides that the Agency will transfer the Agency's interests in the Property to Developer upon the express condition that Developer will redevelop the Property for the uses described in this DDA. This DDA is intended to assure that the Developer will redevelop the Property and that the Developer is not merely speculating in land.

H. Developer desires to purchase and develop the Property, and Agency desires to sell the Property for development, on the terms and conditions in this DDA.

AGREEMENT

NOW THEREFORE, the parties acknowledge that the foregoing Recitals are true and correct, and based upon such Recitals and in consideration of the following mutual covenants, obligations and agreements and for other good and valuable consideration, the receipt and adequacy of which are acknowledged, the parties agree as follows:

1. **PERFORMANCE.** The parties shall perform their obligations at the times and in the manner specified in this DDA. The time for performance is stated in this DDA and in the Schedule of Performances; provided, however that such times shall be extended for periods of Unavoidable Delay.

2. **PROJECT DESCRIPTION.** Agency is entering into this DDA and conveying the Property to Developer solely for the purposes of developing the Project. The Project shall be the following: The Project is intended to stabilize and expand the supportive housing at Quinn Cottages, a community of 60 one-bedroom cottage units for formerly homeless individuals and families. Conveyance of the Property (currently a Ground Lease occupied and operated by Developer or its affiliates) and modification of the existing Agency loan will allow for the rehabilitation of the Project and establishment of a long term capitalized operating reserve fund.

3. **PURCHASE AND SALE.** Agency agrees to sell and Developer agrees to purchase the Property subject to the terms and conditions in this DDA. This DDA, if executed by Developer only, constitutes Developer's offer to purchase the Property on the terms and conditions contained in this DDA and subject to the covenants, conditions and restrictions contained in the Regulatory Agreement to be executed by the Agency and Developer and recorded on the Property upon conveyance of the Property to Developer.

3.1. **PURCHASE PRICE.** The Purchase Price or consideration for the Property shall be longer term affordability requirements. Developer shall execute, in a manner suitable for recordation, an acknowledgment, acceptance and amendment of an (extending the term) of the existing HOME Regulatory Agreement.

3.2. **ESCROW.** Developer and Agency have opened, or within ten (10) days after the Effective Date, shall open, the Escrow account subject to the provisions of the Escrow Instructions.

Agency and Developer shall execute and deliver the Escrow Instructions to Title Company within ten (10) days after the Effective Date.

3.3. CONDITIONS TO AGENCY'S PERFORMANCE. Agency's obligation to perform under this DDA is subject to all of the following conditions:

3.3.1. Developer has performed all of the obligations that it is required to perform pursuant to this DDA, including without limitation, obtaining all required approvals of the Plans; obtaining building permits sufficient to commence Project construction; providing all required budgets, reports and evidence of funding and insurance; and providing required construction contracts.

3.3.2. The closing conditions as defined in the Escrow Instructions are fulfilled as of Close of Escrow.

3.3.3. Developer's representations and warranties in this DDA are true and correct as of the date of this DDA and as of the Close of Escrow.

3.3.4. The DDA is in full force and effect, no default on the part of Developer having occurred under the DDA, and no event having occurred, which, with the giving of notice or the passage of time, will constitute default by Developer under the DDA.

3.4. CONDITIONS TO DEVELOPER'S PERFORMANCE. Developer's obligation to perform under this DDA is subject to satisfaction of all of the following conditions:

3.4.1. Agency has performed all of the obligations that it is required to perform pursuant to this DDA.

3.4.2. The closing conditions as defined in the Escrow Instructions are fulfilled as of Close of Escrow.

3.4.3. Agency's representations and warranties in this DDA are true and correct as of the date of this DDA and as of the Close of Escrow.

3.4.4. The DDA is in full force and effect, no default on the part of Agency having occurred under the DDA, and no event having occurred, which, with the giving of notice or the passage of time, will constitute default by Agency under the DDA.

3.5. GENERAL COVENANTS AND REPRESENTATIONS AND WARRANTIES. The parties make the following covenants, representations and warranties regarding the Property and the Project.

3.5.1. **AGENCY'S REPRESENTATIONS AND WARRANTIES.** Agency represents and warrants to Developer that as of the date of this DDA and as of the Close of Escrow, the date for which is set forth on the Schedule of Performances, to the knowledge of Agency's legal

department, its Executive Director, and its staff with responsibility for development of the Property:

a) Agency has received no notice, warning, notice of violation, administrative complaint, judicial complaint, or other formal or informal notice alleging that conditions on the Property are in violation of any applicable laws regarding Hazardous Substances, or informing Agency that the Property is subject to investigation or inquiry regarding Hazardous Substances on the Property.

To the best of Agency's knowledge, there is no pending or threatened litigation, administrative proceeding, or other legal or governmental action with respect to the Property or with respect to Agency that would affect the Property.

b) This DDA and all other documents delivered for the Close of Escrow have been duly authorized, executed, and delivered by Agency; are binding obligations of Agency; and do not violate the provisions of any agreements to which Agency is a party.

3.5.2. AGENCY DISCLOSURE. While the California Department of Finance has approved the housing asset transfers of the former Redevelopment Agency to the Housing Authority, including the Quinn Cottage site, the asset transfers of the former Redevelopment Agency are still not valid until the Successor Agency receives a finding of completion pursuant to Health and Safety Code Section 34179.7. In order to receive the finding of completion the Successor Agency must employ a licensed accountant to perform a due diligence review pursuant to Health and Safety Code Section 34179.5 and the State Controller's Office must complete an asset transfer review pursuant to Health and Safety code 34167.5. Until these reviews are completed and a finding of completion is issued by the State, the transfer of housing assets acquired with proceeds from the low and moderate income housing fund is vulnerable to additional challenges by the State.

3.5.3. AGENCY'S COVENANTS. Commencing with the full execution of this DDA by both parties and until the Close of Escrow:

a) Agency shall promptly notify Developer of any facts that would cause any of the representations contained in this DDA to be untrue as of the Close of Escrow.

b) Agency shall not permit any liens, encumbrances, or easements to be placed on the Property, other than the approved exceptions named as acceptable in the Escrow Instructions or as identified and approved in this DDA.

c) Agency shall not, without Developer's written consent, enter into any agreement regarding the sale, rental, management, repair, improvement, or any other matter affecting the Property that would be binding on Developer or the Property after the Close of Escrow without the prior written consent of Developer, except as otherwise agreed in this DDA.

d) Agency shall not permit any act of waste or act that would tend to diminish the value of the Property for any reason, other than ordinary wear and tear.

Agency shall convey the Property to Developer pursuant to the terms and conditions contained in this DDA. Should this transfer of the former redevelopment agency housing asset be disapproved by the State, the Agency shall work with Developer to continue Developer's possession with such terms and conditions as reasonably required in the financial investment structure as contemplated.

3.5.4. DEVELOPER'S REPRESENTATIONS AND WARRANTIES. Developer, for itself and its principals, represents and warrants to Agency that as of the date of this DDA and as of the Close of Escrow:

a) Developer or Developer's predecessor has been in possession of the Property and has managed the Property for 15 years. Developer or Developer's predecessor, constructed the improvements upon the Property pursuant to a ground lease and various other agreements with the Agency. Developer has reviewed the condition of the Property, including without limitation, the physical condition of the Property (above and below the surface) and issues regarding land use and development of the Property, and if Developer closes Escrow for the acquisition of the Property, Developer shall be deemed to be satisfied that the Property is suitable in all respects for its intended development and uses.

b) Developer's agreement to close the Escrow for the acquisition of the Property serves as Developer's representation that Developer has obtained all additional information regarding the Property that Developer considers necessary for its due diligence in acquiring the Property.

c) To the best of Developer's knowledge, there is no pending or threatened litigation, administrative proceeding or other legal or governmental action with respect to Developer which would affect its ability to fulfill its obligations under this DDA and acquire the Property or which may constitute a lien against Developer's equity or Developer's interests in the Property, now or in the future.

d) Any information that Developer has delivered to Agency, either directly or through Developer's agents, is, to the best of Developer's knowledge, accurate, and Developer has disclosed all material facts concerning the operation, development, or condition of the Property.

e) Developer has the financial capacity, the equity and the financing necessary to fulfill its obligations under this DDA and acquire the Property. Developer represents that any equity and funding commitments represented by Developer to Agency as available to the Project are unencumbered and that Developer has not represented to any other party that it will use such funds for any purpose other than the Project (and covenants that it will not use them for any other purpose) without prior written Agency consent.

f) This DDA and all other documents delivered for the Close of Escrow have been duly authorized, executed, and delivered by Developer, are binding obligations of Developer, and do not violate the provisions of any agreements to which Developer is a party.

3.5.5. DEVELOPER'S COVENANTS. Commencing with the full execution of this DDA by both parties and until the Close of Escrow:

a) Developer covenants by and for itself and assigns, and all persons claiming under or through it, that it shall not discriminate on the basis of race, color, ancestry, religion, creed, sexual orientation or gender, marital status, age or national origin in the sale, lease or rental or in the use or occupancy of the Property and the Project.

b) Developer shall promptly notify Agency of any facts that would cause any of the representations contained in this DDA to be untrue as of the Close of Escrow.

c) Developer shall not cause any liens, encumbrances, or easements to be placed on the Property prior to Close of Escrow, except as otherwise permitted by this DDA or approved in writing by Agency.

d) Developer shall not cause any act of waste or act that would tend to diminish the value of the Property for any reason, except that caused by ordinary wear and tear.

e) Developer shall be solely responsible for the cost and acquisition of the remaining parcels of the Project Site.

f) Developer shall complete the development of the Project at Developer's cost and without requesting or receiving additional Agency or City contributions to the Project other than as provided in this DDA.

g) Developer shall comply with all provisions of the Regulatory Agreement, and cause any subsequent purchaser of the property to so comply.

3.8.5. CLOSE OF ESCROW. The Escrow shall not close, and the Property shall not be conveyed to Developer unless the preceding conditions have been satisfied together with all other conditions stated in the Escrow Instructions for Close of Escrow. The Escrow shall close on or about the date shown on the Schedule of Performances.

3.6. DAMAGE, DESTRUCTION AND CONDEMNATION BEFORE CLOSE OF ESCROW. If, prior to the Close of Escrow: (a) damage occurs to any portion of the Property by earthquake, mudslide, fire, release of or exposure to any Hazardous Substances, or any other casualty (other than any damage caused by Developer or its employees, agents, Contractor or subcontractors) resulting in repairs or remediation costs that will exceed twenty percent (20%) of the Purchase Price; or (b) any portion of the Property is taken by eminent domain or otherwise, or is the subject of a threatened or pending taking action resulting in a twenty percent (20%) or more decrease in the after-taking value of the Property, Agency shall notify Developer in writing of the damage,

destruction or condemnation. Developer may, within fifteen (15) days after such notice, elect to terminate this DDA by written notice to Agency.

3.6.1. If this DDA is to continue in full force and effect after any such damage or destruction, Agency shall do one of the following:

a) Agency shall pay or assign to Developer any amount due from or paid by any insurance company or any other party as a result of the damage; and the amount of any deductible under Agency's insurance policy; or

b) Agency shall pay to Developer through credit in Escrow against the cash portion of the Purchase Price for the cost of repairing or correcting such damage not covered by insurance, provided, however, that the amount of any payment of such credit against the Purchase Price pursuant to this clause shall not exceed thirty percent (30%) of the Purchase Price. If this DDA is to continue in full force and effect after such condemnation action, Agency shall pay any amounts received on account of, and assign to Developer all of Agency's rights regarding, any awards for such taking.

3.6.2. COMMISSIONS. Agency is not responsible, by this DDA or otherwise, to pay commissions on this transaction or any related transaction.

4. AGENCY FUNDING. The Agency has not provided additional funding for the Project in conjunction with this DDA. Agency funding as previously provided shall be modified and amended for the Project as provided in the Funding Agreement. All terms regarding Agency funding are in the Funding Agreement, including without limitation, the source and use of funds.

5. PREPARATION AND APPROVAL OF PLANS AND RELATED DOCUMENTS. The Agency shall have the right, but not the obligation, to review Plans to assure their conformity with the provisions of this DDA. Based upon such review the Agency shall have the right to approve or reject the Plans for reasonable cause.

5.1. EXTENT AND CHARACTER OF PLAN REVIEW. Agency's right of review includes, without limitation, the right to review architectural and engineering plans and specifications, off-site plans and specifications, and landscaping designs and specifications. Agency's approval of Plans is neither a representation of nor an assurance of their adequacy or correctness. Agency has reserved approval rights solely (a) to assure that the Final Plans conform to the Plans; and (b) to assure that Agency's purposes are fulfilled and that the Property conveyed under this DDA is used as intended by the Agency. This DDA is a financing document and not a land use or planning document. Approval of the Project and Plans under this DDA is only an approval by Agency of the Project design "concept" as presented in this DDA. Such approval by Agency is not and shall not be considered an approval of land use entitlements, structural design of the Project, or the aesthetic design of the Project. Developer shall comply with all applicable land use, planning and design laws, rules and regulations of each governmental agency acting in proper exercise of its respective jurisdiction, including without limitation, departments, staff, boards and commissions of the City.

5.2. CONCURRENT REVIEW. Agency agrees that its review of the Final Plans shall occur before or concurrently with City's review of such plans, so as not to delay the commencement and progress of Project development.

5.3. PLANS. Developer has provided Agency with Plans, and the Agency has approved the Plans concurrently with this DDA. The Agency has been induced to undertake its obligations under this DDA by Developer's promise to develop the Project in accordance with the Plans, the Scope of Development and the provisions of this DDA.

5.4. PREPARATION OF FINAL PLANS AND RELATED DOCUMENTS. Developer shall prepare the Final Plans that shall include all construction plans, drawings, specifications and other documents necessary to obtain all required building permits for the construction of the Project. Developer shall submit the Final Plans to the Agency for Agency's review. The Final Plans shall conform in all material respects to this DDA, including without limitation, Plans and the Scope of Development. To the extent that the DDA has insufficient detail or is unclear, the DDA shall be deemed to provide that the Project shall contain high-quality materials, and shall conform to all applicable laws, regulations, zoning, design and usage guidelines. The Final Plans shall be considered to include all changes or corrections approved as provided in this DDA. The Final Plans shall incorporate all related mitigation measures required for compliance with approvals under CEQA and any conditions of City approval of the project, unless otherwise fulfilled. Developer agrees that it will comply with the requirements of the City of Sacramento Design Review/Preservation Board to the extent of its jurisdiction.

5.5. DELIVERY. Developer shall deliver the Final Plans or changes to the Final Plans for Agency review as soon as available. Said delivery shall be made to the office of the Sacramento Housing and Redevelopment Agency, Housing Finance Department, which is staff to the Agency for the Project at the address for notices and shall have clearly marked on its exterior "URGENT: Quinn Cottages PROJECT PLAN REVIEW" or the equivalent.

5.5.1. DEEMED APPROVAL. If duly marked and delivered, the Final Plans or changes to the Final Plans shall be deemed approved unless disapproved in whole or in part, in writing, within thirty (30) days after their proper delivery to Agency.

5.5.2. AGENCY DISAPPROVAL. If Agency disapproves, in whole or in part, the Final Plans or any change to the Final Plans, Agency shall state, specifically and in writing, at the time of disapproval, the reasons for disapproval and the changes that the Agency requests to be made. Agency's reasons for disapproval and such Agency-requested changes shall be consistent with this DDA, including without limitation, the Plans, the Final Plans, the Scope of Development and with any items previously approved in accordance with this DDA. If the Agency rejects the proposed Final Plans, Developer shall obtain no rights to develop the Property under this DDA and Agency shall have no obligations regarding the Project until such time as Developer has modified the proposed Final Plans and received the Agency's approval of the Final Plans as modified.

5.6. GOVERNMENTAL CHANGES. If any revisions or corrections of the Final Plans shall be required by any government official, agency, department or bureau in exercise of its proper jurisdiction, the Developer shall inform the Agency. If Agency and Developer concur in writing with the required change, Developer shall incorporate the change and it shall be deemed approved by Agency. If Agency or Developer reasonably disagrees with the required change, they shall reasonably cooperate with the agency requiring the change in efforts to develop a mutually acceptable alternative.

5.7. APPROVAL OF SUBSTANTIAL CHANGES TO FINAL PLANS. If the Developer desires to make any substantial changes in the Final Plans, Developer shall submit such proposed changes, in writing, to the Agency for its approval. The Agency shall approve or disapprove the proposed change as soon as practicable. The Final Plans shall be construed to include any changes approved in the same manner as for approval of the original Final Plans under this section. The Final Plans shall be construed to include any such changes. Nothing in this Section shall be construed to relieve Developer of its obligations under all applicable laws regarding such changes.

5.7.1. SUBSTANTIAL CHANGE. A substantial change in the Final Plans shall include, without limitation, the following changes, excluding those items generally considered to be tenant improvements:

- a) Material changes in the layout, elevation design, functional utility or square footage.
- b) Material changes in use of exterior finishing materials substantially affecting architectural appearance or functional use and operation.
- c) Any change that reduces the effectiveness of any mitigation measure required for CEQA approval of the Project.

d) Material changes in site development items for the Property that are specified in the Final Plans.

Material changes in the type, location, visibility, accessibility, size, design or artist for any artwork shown in the Final Plans or otherwise accepted by the Agency under the Art in Public Places Program.

e) Material changes in quality of project or landscaping materials.

f) Any change in public amenities specified in the Final Plans.

g) Any changes requiring approval of, or any change required by, any city, county or state board, body, commission or officer.

h) Any change that would preclude or materially reduce the ability to use the Project as intended by this DDA.

5.7.2. MISREPRESENTATION. If the Agency's approval of the Final Plans is reasonably based upon a material misrepresentation to Agency by Developer or by anyone on Developer's behalf, the Agency may, within a reasonable time after discovery of the misrepresentation, take any action permitted by law with regard to any such misrepresentation, notwithstanding Agency's prior approval, including without limitation, rescission of the approval or such other equitable remedies as may then be appropriate to such rescission.

6. DEVELOPMENT PROVISIONS. As stated in detail in this Section 6, Developer shall construct and manage the Project according to the requirements established in this DDA, which includes, without limitation, the Scope of Development, the Schedule of Performances and the Plans. Developer shall promptly begin, diligently prosecute and timely complete the construction of the Project.

6.1. NOTICE TO PROCEED. Developer shall not begin work on the Project until the Agency has issued to Developer a written notice to proceed with the work. Agency will issue a notice to proceed after Agency approval of the Final Plans, Developer's compliance with all governmental requirements for start of construction, Developer's provision of required policies of insurance, and Developer's provision of proof of construction financing in an amount adequate to begin the Project work.

6.2. CONSTRUCTION CONTRACTS. Developer shall submit to Agency the construction contract or contracts for the Project. Agency's review of the construction contract shall be only for determining its compliance with this DDA. If the cost of construction of the Project or any part of the Project exceeds the costs projected by Developer, Developer shall, nevertheless, bear the responsibility to complete, at Developer's cost, the construction of the Project in accordance with this DDA.

6.3. GOVERNMENTAL REVIEW PROCESS. Notwithstanding any other provision of this DDA, Developer is subject to all building, planning, design and other plan review requirements that are otherwise applicable to the project, including without limitation those of the City of Sacramento. To assure proper review by the City, Developer shall, within thirty (30) days of the date of this DDA, make an initial deposit toward "plan check fees" with the City's Planning Department. In addition, Developer shall, as applicable, take designs before the City's Design Review/Preservation Board or its appropriate subcommittee for comment as soon as practicable. Conditions to the project imposed by the City shall be considered obligations of the Developer under this DDA. If a dispute with City staff arises regarding such City conditions, Developer shall accept the decision of the City's Planning Commission interpreting, imposing and enforcing such City conditions, subject to any applicable appeals process of the Planning Commission.

6.4. ART IN PUBLIC PLACES EXEMPTION. The Project improves and increases the stock of affordable housing in the community. Imposition of the Art in Public Places Program would increase the cost of the Project substantially and reduce either the number of affordable units

available in the Project or the affordability of those units. Therefore, the Aesthetic Improvement Policy requirements are not applicable.

6.5. PAYMENT AND PERFORMANCE BONDS. Intentionally omitted.

6.6. SUBSTANTIAL CHANGES. Developer covenants and agrees that Developer shall not make or permit to be made any construction of the Project which incorporates a substantial change in the Final Plans, as described in Section 5.7, without Agency approval of such changes as provided in Section 5.7.

6.7. LOCAL, STATE AND FEDERAL LAWS. The Developer shall assure that the construction of the Project is carried out in conformity with all applicable laws and regulations, including all applicable federal and state labor standards. Before commencement of construction or development of any buildings, structures or other work of improvement upon the Property, Developer shall at its own expense secure any and all certifications and permits which may be required by any governmental agency having jurisdiction over such construction, development or work. Agency shall cooperate in securing certifications and permits which require consent of the owner of the property. Developer shall permit only persons or entities which are duly licensed in the State of California, County of Sacramento and City of Sacramento, as applicable, to perform work on or for the Project.

6.8. PREVAILING WAGES. In accordance with Labor Code Section 1720(c)(6)(E)), so long as the public subsidy for the Project consists of below market rate loans, and the Project restricts occupancy on at least 40% of the units for at least 20 years to individuals or families earning no more than 80% of the area median income, the Project is not subject to prevailing wages. Developer represents to the Agency that Developer has obtained no public subsidy for the Project that does not meet such criteria. If Developer obtains another non-qualifying public subsidy, Developer shall pay prevailing wages for the Project. Therefore, Developer indemnifies, holds harmless and defends the Agency from all additional wages, benefits, fees, penalties, fines, legal fees, court costs, arbitration costs, and other costs arising from the improper application of California prevailing wage laws to the Project by Developer or Contractor or both of them.

6.9. PUBLIC SAFETY PROTECTIONS. Developer shall assure that all necessary steps are taken (including the erection of fences, barricades and warning devices) to protect private contractors and their employees and the public from the risk of injury arising out of the condition of the Property or Developer's activities in connection with the Property, including without limitation, fire, or the failure, collapse or deterioration of any improvements or buildings.

6.10. NO DISCRIMINATION DURING CONSTRUCTION. Developer for itself, the general contractor and their respective successors and assigns, agrees that the following provisions shall apply to, and be contained in all contracts and sub-contracts for the construction of the Project.

6.10.1. EMPLOYMENT. Developer shall not discriminate against any employee or applicant for employment because of sex, race, color, religion, ancestry, national origin,

disability, medical condition, marital status, or sexual orientation. The Developer will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their sex, race, color, religion, ancestry, national origin, disability, medical condition, marital status, or sexual orientation. Such action shall include, but not limited to, the following: employment, upgrading, demotion or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. Developer agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the Agency setting forth the provisions of this nondiscrimination clause.

6.10.2. ADVERTISING. Developer will, in all solicitations or advertisements for employees placed by or on behalf of the Developer, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, creed, sex, marital status, national origin, ancestry, familial status, or disability.

6.10.3. MONITORING PROVISIONS. Developer, Contractor and subcontractors shall comply with the requirements of the Agency for monitoring the anti-discrimination and all applicable labor requirements.

6.11. PUBLIC IMPROVEMENTS. Developer shall, at Developer's expense, undertake and complete any modification, construction, relocation or improvement of public facilities, improvements and utilities for the development of the Property.

6.12. AGENCY ACCESS TO THE PROPERTY. Developer shall permit Agency representatives access, without charge, to the entire Property at any time and for any purpose which Agency reasonably considers necessary to carry out its obligations and protect its interests under the DDA. Purposes for Agency entry may include, without limitation, inspection of all work being performed in connection with the construction of the Project.

6.13. PROJECT SIGN. If Developer places a sign on the Property during construction stating the names of the Project participants, it shall also name "Housing Authority of the City of Sacramento" as a participant in the Project. The Agency name on the sign shall be in letters not less than the size of letters used to name any of the other participants.

6.14. CERTIFICATE OF COMPLETION. After the Agency has determined that Developer has completed the construction of the Project in accordance with the Final Plans and Developer's obligations under this DDA, the Agency will furnish the Developer with the Certificate of Completion certifying such completion. The Agency's issuance of the Certificate of Completion shall be a conclusive determination of satisfaction and termination of the agreements and covenants in the DDA with respect to the obligations of the Developer to construct the Project as of the Completion Date specified in the Schedules of Performances, subject to any qualifications or limitations stated in such certification. Agency shall prepare and execute the Certificate of Completion in a form suitable for recording in the Official Records of Sacramento County.

6.14.1. The Certificate of Completion shall not constitute evidence of compliance with any governmental requirements regarding the Project other than those of Agency or satisfaction of any obligation of the Developer to any holder of a mortgage, or any insurer of a mortgage, securing money loaned to finance all or any part of the Project. The Certificate of Completion shall not constitute evidence of compliance with or satisfaction of any provision of this DDA that is not related to construction of the Project.

6.14.2. If the Agency fails to provide a Certificate of Completion within fifteen (15) days after written request by Developer, the Agency shall, within an additional fifteen (15) days after indicating in adequate detail in what respects the Developer has failed to complete the Project in accordance with the provisions of the DDA, or is otherwise in default, and what measure or acts it will be necessary, in the opinion of the Agency, for the Developer to take or perform in order to obtain such certification.

6.15. **REPORTS.** During the period of construction, the Developer shall submit to the Agency a written report of the progress of the work as and when reasonably requested by the Agency, but not more often than once each month.

6.16. **NOTIFICATION OF GENERAL CONTRACTORS, ARCHITECTS AND ENGINEERS.** Developer shall assure notification of the Project contractors, architects and engineers for the Project of the requirements of this DDA. Developer shall include, where applicable, the provisions of this DDA in construction contracts, subcontracts, materials and supplies contracts and services and consulting contracts for the Project, and Developer shall undertake the enforcement of such provisions.

6.17. **PROPERTY CONDITION.** Developer or Developer's predecessor, has been in possession of the Property and has managed the Property since 1997. Developer, at Developer's expense, shall conduct any Property investigation beyond those provided by Agency under this DDA and which Developer may consider necessary to determine the condition of the Property for the development, rehabilitation or continuation of the Project. As between the Agency and Developer, Developer shall be solely responsible for the adequacy of such investigations. Except as provided in this DDA, if the condition of the Property is not in all respects entirely suitable for the use or uses to which the Property will be put, it is the sole responsibility and obligation of the Developer to take such reasonable actions as may be necessary to place the condition of the Property in a condition which is entirely suitable for its development in accordance with the construction plans and drawings approved by Agency. Agency shall not be responsible for removing any surface or subsurface obstructions, or structures of any kind on or under the Property.

6.18. **ZONING OF THE PROPERTY.** Agency exercises no authority with regard to zoning of the Property. Developer shall assure that zoning of the Property at the time of development shall be such as to permit the development and construction, use, operation and maintenance of the Project in accordance with the provisions of this DDA.

6.19. **HAZARDOUS SUBSTANCES.** Developer shall obtain such Hazardous Substances assessments as Developer deems reasonably necessary to assure the development of the Project in accordance with all applicable laws, rules and regulations; provided, however that such assessments are prepared by a qualified environmental specialist in accordance with nationally recognized standards to determine the existence of and to quantify the extent of Hazardous Substances on the Property. As between the Agency and Developer, Developer shall be solely responsible for the adequacy of any Hazardous Substances investigations obtained by Developer. If Hazardous Substances are known to be on the Property, Developer shall remediate such Hazardous Substances on the Property as and to the extent required by any federal, state or local agency having jurisdiction regarding Hazardous Substances standards and as may be necessary to avoid incurring liability under any federal, state and local law or regulation. If Hazardous Substances are discovered on the Property after conveyance to Developer and have not been released on the Property after conveyance to Developer and the cost to remediate such Hazardous Substances is reasonably estimated to exceed Ten Thousand Dollars (\$10,000), Developer may elect to terminate this DDA, upon reconveyance of the Property to Agency and return of all monies and properties delivered pursuant to or in furtherance of this DDA. Developer shall bear One Hundred percent of the costs related to such remediation.

7. **RELOCATION.** Agency is required by law to provide relocation services and make relocation payments to eligible tenants that are displaced, if any, as a result of the Project. Developer shall comply fully with all relocation laws that are the obligation of Agency or are otherwise applicable to the Project. Developer's compliance with the relocation requirements as stated in this Section 7 is a material element of this DDA. Developer's failure to comply with the relocation requirements as stated in this Section 7 is an Event of Default, subject to Developer's opportunity to cure in accordance with applicable law.

7.1. **RELOCATION COSTS.** Any amounts paid for relocation costs and services shall be obligations of the Developer.

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

7.3. **DEVELOPER AS RELOCATION AGENT.** With the approval of Agency, Developer may act as Agency's agent in accomplishing such relocation. Agency and Developer by memorandum in

writing shall establish their respective duties related to such relocation. If Agency and Developer agree that Developer will act as Agency's agent for purposes of this DDA, Developer may enter into agreements for the provision of relocation services, or Developer may perform such services directly. Developer shall, by provisions in its agreements or by direction to its staff, assure that the entity performing the relocation services: (a) complies with all applicable laws; (b) fully informs Agency of all relocation activities; (c) makes all requests for direction or clarification to Agency; and (d) responds to and follow the Agency's instruction and direction.

8. DEVELOPMENT FINANCING. Except as specifically provided in this DDA, Developer shall be responsible for and shall pay all costs of developing the Project in accordance with this DDA. As a condition precedent to Agency's conveyance of the site to Developer, Developer shall provide the Agency with a complete and firm Project budget including all proposed sources and uses of funds, all "hard" and "soft" costs and contingencies and reflecting, as possible, firm bids or accepted contracts and with evidence of sufficient funds to meet all budget requirements. To the extent that funds specified in this DDA for the Project are insufficient to fully fund the Project, the Developer shall provide evidence, satisfactory to the Agency, of the additional required construction and permanent financing. Except as expressly provided in this DDA, no party shall have the right of reimbursement for any funds expended by them for the Project, whether prior to execution of this DDA or otherwise. Agency is not obligated by this DDA or otherwise to make any contribution beyond its obligations stated in this DDA.

8.1. EVIDENCE OF AVAILABLE FUNDS. Unless otherwise approved by the Agency, Developer's evidence of available funds, as required in the preceding section, must include only the following: (a) Developer equity (as provided in Section 8.3); (b) firm and binding loan commitments (as provided in Section 8.2) from each Lender, in form and content acceptable to Agency; and (c) Agency contribution, if any, as specified in this DDA. Within ten (10) days after Agency's request, Developer shall provide all additional information requested by the Agency for evaluation of the actual availability of funds included in such evidence, including without limitation, requests for clarification, further evidence or audited financial reports.

8.2. COMMITMENT AND LOAN REQUIREMENTS. As a material obligation under this DDA, Developer shall assure that the loan documents for the Project are consistent with the Lender's commitment approved by the Agency and comply, in all respects, with this DDA. The Agency may reject a loan commitment unless such commitment: (a) is subject only to Lender's reasonable conditions of title and Developer's execution of standard loan documents (copies of which have been previously provided to and approved by the Agency); (b) contains only usual, customary, and commercially reasonable loan terms; (c) continues in effect until a time when subject financing is reasonably expected to be required; and (d) for construction financing, provides for a construction loan term not less than that specified in the Schedule of Performances for completion of construction and any additional time necessary to fulfill all conditions precedent to funding of permanent financing. The Agency may also reject any commitment if it is based upon sources and uses of Project funds that are different from those approved by Agency for the Project. The Agency may also reject any commitment that requires changes to the Project which conflict with this DDA, that require amendment of this DDA or that require the

Agency to enter into agreements with any Lender, guarantor, equity partner or any other third-party.

8.3. EVIDENCE OF DEVELOPER EQUITY. Unless otherwise agreed in writing by the Agency, Developer may provide evidence of equity in the amount of Five Million Two Hundred Thousand Dollars and No Cents (\$5,200,000.00) by any one of the following actions: (a) deposit of the required equity in a joint account with the Agency, which funds shall be released only upon the joint signatures of the Agency and the Developer; (b) delivery to Agency of an unconditional, irrevocable letter of credit in the amount of the required equity, in form and content as provided by the Agency, which letter of credit shall provide that the Agency may draw to fulfill any Developer obligation related to the development of the Project and necessary to assure its timely and proper completion; or (c) Developer's provision of financial statements prepared by a certified public accountant which show liquid assets available to the Project (and not subject to other existing or contingent claims) in the amount of One Hundred and Fifty Percent (150%) of the amount of the required equity; or (d) delivery to the Agency of a tax credit reservation letter for the project and an executed copy of the Partnership Agreement at close of Escrow. Developer shall not provide evidence of equity that includes funds not available at the commencement of construction or that claims as equity any funds to be generated by development of the Project, including without limitation, anticipated Developer profit or fees or Developer contribution of services to the Project. The Agency may reject any submitted evidence of equity if the Agency has any reason to believe that such funds may not be available to the Project.

9. INDEMNIFICATION FOR HAZARDOUS SUBSTANCES. Developer shall indemnify, protect and defend Agency, its officers, directors, council members and supervisors, employees, advisory committee members, and agents, and hold them harmless from any and all liability, costs, fees, fines, penalties and claims (including without limitation court, mediation or arbitration costs, attorneys' fees, witnesses' fees, and investigation fees) related to the existence of Hazardous Substances on the Property that were not on the Property prior to Agency's transfer of possession of the Property to Developer or that were related to the removal or discharge of Hazardous Substances by Developer, or its employees, agents or contractors, during Developer's remediation of the Property pursuant to this Section.

10. INDEMNIFICATION. Developer shall indemnify, protect, defend and hold harmless Agency, its officers, directors, commission members, employees, advisory committee members, and agents from any and all liability from bodily injury, death and property damage caused by or resulting from the acts or omissions of Developer, its officers, employees, agents or independent contractors and for any and all costs incurred by Agency in defending against such liability claims, including attorney's fees, except for injury, death or property damage caused by the negligent act or willful misconduct of Agency.

This indemnification provision shall survive the termination of this Agreement.

10. LIABILITY INSURANCE. With regard to this DDA, the Developer shall obtain and maintain for the life of the Regulatory Agreements, and require the Contractor and subcontractors for the

Project to obtain and maintain for the term of the development of the Project, such insurance as will protect them, respectively, from the following claims which may result from the operations of the Developer, Contractor, subcontractor or anyone directly or indirectly employed by any of them, or by anyone for whose acts any of them may be liable: (a) claims under workers' compensation benefit acts; (b) claims for damages because of bodily injury, occupational sickness or disease, or death of its employees; (c) claims for damages because of bodily injury, sickness or disease, or death of any person other than its employees; (d) claims for damages insured by usual personal injury liability coverage which are sustained (1) by any person as a result of an offense directly or indirectly related to the employment of such person by the Developer, or (2) by any other person, claims for damages, other than to the construction itself, because of injury to or destruction of tangible property, including resulting loss of use; (e) claims for damages because of bodily injury or death of any person or property damage arising out of the ownership, maintenance or use of any motor vehicle; and (f) claims for contractual liability arising from the Developer's obligations under this DDA.

10.1. LIABILITY INSURANCE POLICY LIMITS. Developer shall obtain all insurance under this Section 10 written with a deductible of not more than ONE HUNDRED THOUSAND DOLLARS (\$100,000) or an amount approved by Agency, and for limits of liability which shall not be less than the following:

10.2. WORKER'S COMPENSATION. Developer shall obtain and maintain worker's compensation coverage shall be written for the statutory limits as required by Article 1 (commencing with Section 3700) of Chapter 4 of Part 1 of Division 4 of the California Labor Code (as it may, from time to time, be amended) and having an employer's liability of not less than \$1,000,000, or statutory limits, whichever are greater.

10.3. COMMERCIAL GENERAL LIABILITY. Developer shall obtain and maintain Commercial General Liability insurance in Insurance Services Office ("ISO") policy form CG 00 01 Commercial General Liability (Occurrence) or better. Such insurance shall have limits of liability, which are not less than \$1,000,000, per occurrence limit; \$5,000,000 general aggregate limit, and \$5,000,000 products and completed operations aggregate limit, all per location of the Project.

10.4. COMPREHENSIVE AUTOMOBILE LIABILITY. Developer shall obtain and maintain comprehensive automobile liability coverage for any vehicle used for, or in connection with, the Project (owned, nonowned, hired, leased) having a combined single limit of not less than \$1,000,000.

10.5. PROPERTY INSURANCE. For the duration of the Regulatory Agreements, Developer shall obtain and maintain property insurance in ISO policy form CP 10 30 - Building and Personal Property Coverage - Causes of Loss - Special Form, to the full insurable value of the Property with no coinsurance penalty (and with endorsements of Builder's Risk until completion of construction of the Project), Boiler and Machine to the extent necessary to obtain full insurance coverage, and with such other endorsements and in such amounts as the Agency may reasonably require to protect the Project and the Property. In the event of damage to the Project

and subject to the requirements of Lender, Developer shall use the proceeds of such insurance to reconstruct the Project and the public improvements.

10.6. INSURANCE PROVISIONS. Each policy of insurance required under this DDA shall be obtained from a provider licensed to do business in California and having a current Best's Insurance Guide rating of A+ VII, which rating has been substantially the same or increasing for the last five (5) years, or such other equivalent rating, as may reasonably be approved by Agency's legal counsel. Each policy shall contain the following provisions as applicable, unless otherwise approved by Agency's legal counsel in writing in advance:

10.6.1. ADDITIONAL INSURED. Developer shall obtain a policy in ISO form CG 20 33 or better, naming Agency as additional insured under the Commercial General Liability Policy.

10.6.2. SINGLE PROJECT INSURANCE. It is the intent of the parties that the Project have available all the specified insurance coverages. Developer shall not provide insurance coverages that are considered in aggregate with other Projects which Developer or its Contractor might have concurrently under construction. The Agency may at its discretion permit an aggregate policy if and only if Developer or the respective Contractor or subcontractor has fully disclosed to Agency other projects which will or may be considered in aggregate with the Project, and thereafter, Developer shall immediately inform Agency of the change in or addition to any such projects. Nevertheless, Agency may at any time require that the insurance coverage be provided solely for the Project.

10.6.3. CERTIFIED POLICY COPY. Developer shall provide Agency with a certified copy of each required policy of insurance. Pending delivery of the certified policy, Developer shall provide Agency with a Certificate of Insurance for each policy on the applicable ACORD form. The ACORD form shall not substitute for the policy. ACORD 25-S "Certificate of Liability Insurance shall be used for liability insurance deleting the sentence in the top right-hand block immediately below the title (commencing "This certificate is issued as a matter of information and in the bottom right-hand box above the authorized representative signature, deleting the words "endeavor to" and "but failure to do so shall impose not obligation or liability of any kind upon the insurer, its agents or representatives."

10.6.4. CANCELLATION. Each policy shall bear an endorsement precluding cancellation or termination of the policy or reduction in coverage unless the Agency has been given written notice of such intended action at least thirty (30) days prior to its effective date.

10.6.5. FAILURE TO MAINTAIN. If Developer fails to obtain or maintain, or cause to be obtained and maintained, any insurance required by this DDA, the Agency shall have the right, but not the obligation, to purchase the insurance on Developer's behalf, and Developer shall promptly reimburse the full cost of such insurance to the Agency. If Developer fails to reimburse the Agency for insurance, the amount of unpaid reimbursement shall bear interest at the maximum rate permissible under the law until paid. Failure to maintain the insurance required by this Section 10 shall be a default under this DDA (see Section 11.3, below).

10.6.6. BLANKET COVERAGE. Developer's obligation to carry insurance as required under this Section 10 may be satisfied by coverage under a "blanket" policy or policies of insurance (as the term is customarily used in the insurance industry); provided, however, that the Agency shall nevertheless be named as an additional insured under such blanket policy or policies to the extent required by this Section, the coverage afforded the Agency will not be reduced or diminished thereby, and all of the other requirements of this Section 10 with respect to such insurance shall otherwise be satisfied by such blanket policy.

11. DEFAULTS AND REMEDIES. Except as otherwise provided in the DDA, if either party defaults in its obligations under this DDA, the defaulting party shall immediately commence and diligently proceed to cure the default within thirty (30) days after written notice of default from the other party or, if reasonable, such longer time as is reasonably necessary to remedy such default if such default cannot reasonably be cured within thirty (30) days for reasons beyond the control of the defaulting party, provided that the defaulting party shall promptly begin and diligently pursue such cure to completion. If the defaulting party does not promptly begin and cure the default, including without limitation, proceedings to compel specific performance by the defaulting party. Subject to any extension of time permitted by this DDA, a failure or delay by a party to perform any term or provision of this DDA constitutes a default of this DDA. As a condition precedent to termination of the DDA under this Section, each party shall first tender the return of all property or funds received from or on behalf of the other party, other than funds properly retained as liquidated damages. After such return of property and funds and termination of the DDA, neither Agency nor Developer shall have any further rights against or liability to the other under the DDA except as expressly set forth in this DDA to the contrary.

11.1. RIGHTS AND REMEDIES. Upon the occurrence of any default not subject to the preceding liquidated damages provision, and the expiration of any applicable notice and cure period without a cure having occurred within the specified cure period, the non-defaulting party shall have the right to institute such actions as it may deem desirable to remedy a default of this DDA as allowed under this DDA, at law or in equity.

11.2. NONLIABILITY OF AGENCY OFFICIALS AND EMPLOYEES. No member, official or employee of Agency shall be personally liable under this DDA to Developer, or any successor in interest, in the event of any default or breach by Agency or for any amount which may become due to Developer or its successors, or on any obligations under the terms of this DDA.

11.3. FEES AND COSTS ARISING FROM DISPUTE. If an action is commenced between the parties, the Prevailing Party in that action shall be entitled to recover from the nonprevailing party all reasonable attorney fees and costs, witness fees, arbitrator's fees, and court and arbitration costs. "Prevailing Party" shall include without limitation a party who dismisses an action in exchange for sums allegedly due; the party who receives performance from the other party for an alleged breach of contract or a desired remedy where the performance is substantially equal to the relief sought in an action; the party who receives any award for relief through arbitration; or the party determined to be the prevailing party by a court of law.

12. ENCUMBRANCE OF PROPERTY AND LENDER PROTECTIONS. Before issuance of a Certificate of Completion, if Developer has obtained Agency's prior written approval, which approval Agency may withhold in exercise of its reasonable discretion and in consideration of the commercially reasonable protection of its interests under this DDA, the Developer may obtain a Loan and encumber the Property as security for the Loan, provided either that the proceeds of the Loan are used solely for construction of the Project improvements upon usual and customary and commercially reasonable terms or that the Loan is permanent project financing made upon usual and customary and commercially reasonable terms. Each lender shall be a federal or state chartered financial institution, a pension fund, an insurance company or such other lender which Agency may approve in writing in advance. After issuance of a Certificate of Completion, the Agency shall have no rights of approval regarding financing secured by the Property. As a condition to Agency's approval of a Loan, Developer shall provide the Agency with a conformed copy of all documents related to the Loan. Agency acknowledges that a Lender will rely upon this DDA in making the Loan and that Agency's obligations under this DDA are inducements to Lender's making of the Loan.

12.1. NOTICES. If the Agency gives any notice of default to Developer under this DDA, the Agency shall contemporaneously give a copy of such notice to each Lender who has requested such notice in the following form of request for notice at the address stated in such request for notice. Any such default notice that is not so delivered to Lender shall not be effective or binding with regard to Lender or otherwise affect Lender, but failure to deliver such default notice to Lender shall not affect its validity with respect to Developer. Lender shall use the following form for requesting notice:

[Date]

The undersigned, whose address for notices is stated immediately below its signature, does hereby certify that it is the Lender as such term is defined in that certain Disposition and Development Agreement dated _____ between the Housing Authority of the City of Sacramento and Mercy ("DDA"). Lender requests, in accordance with the DDA, that if any default notice shall be given to Developer under the DDA, a copy of such default notice shall be given to Lender.

[Lender Name and Address for Notice]

12.2. ASSIGNMENTS AND TRANSFERS OF THE LOAN. Agency shall not be bound to recognize any assignment of Lender's Loan or related encumbrance of the Property unless and until Lender has given Agency written notice of the name and address of the assignee (and if more than one person is an assignee, the designated name and address for notices) and such assignee qualifies as a Lender under this DDA. Thereafter, such assignee shall be considered a Lender with respect to the Loan and the related encumbrance on the Property.

12.3. LENDER NOT OBLIGATED TO CONSTRUCT. Notwithstanding any of the provisions of the DDA, Lender shall not be obligated by the provisions of the DDA to construct or complete the Project. Nothing in this Section or any other provision of the DDA shall be construed to permit or authorize Lender to devote the Property to any uses, or to construct any improvements on the Property, other than those uses or improvements provided or permitted in the DDA.

12.4. LENDER'S OPTION TO CURE DEFAULTS. After any default of Developer's obligations under the DDA, each Lender shall have the right, at its option, to cure or remedy such default, within the time for cure allowed to Developer, and to add the cost of such cure to the debt and the lien secured by the Property. The Agency shall accept such performance as if it had been performed by Developer; provided, however, that such Lender shall not be subrogated to the rights of the Agency by undertaking such performance. If the breach or default relates to construction of the Project, however, Lender shall not undertake or continue the construction of the Project (beyond the extent necessary to conserve or protect Project or construction already made) unless Lender assumes, in writing satisfactory to the Agency, Developer's obligations to complete the Project on the Property in the manner provided in the DDA. Any Lender who properly completes the Project as provided in the DDA shall be entitled, upon written request made to the Agency, to a Certificate of Completion from the Agency in a manner provided in the DDA. Such certification shall mean that any remedies or rights with respect to the Property that the Agency may have because of Developer's failure to cure any default with respect to the construction of the Project on other parts of the Property, or because of any other default of the DDA by the Developer shall not apply to the part of the Property to which such Certification relates. Nothing in this Section shall be deemed to limit, modify or release any claim or remedy that the Agency may have against the Developer for such default.

12.5. DEFAULT BY DEVELOPER. In the event of a default by Developer, Agency shall not terminate this DDA unless and until the Agency has given notice to Lender of such default, and Lender has failed to cure such default.

12.5.1. If such default cannot practicably be cured by the Lender without taking possession of the Property, then the Schedule of Performances (and, therefore, the Agency's right to terminate this DDA) shall be tolled if and so long as, all of the following are true: (a) Lender has delivered to the Agency, prior to the date on which Agency is entitled to give notice of termination of this DDA, a written instrument satisfactory to Agency in which Lender or its designee unconditionally agrees that it will commence the cure of such default immediately upon Lender or its designee taking possession of the Property and will thereafter diligently pursue such cure to completion; provided, however, that neither the Lender nor its designee shall be obligated to pay damages to the Agency on account of such default, except to the extent of any monies due and unpaid from Developer; (b) Lender or its designee has rights to obtain possession of the Property (including possession by receiver) through foreclosure, deed in lieu of foreclosure or otherwise, and Lender or its designee promptly commences and diligently proceeds to obtain possession of the Property; (c) if Lender is prevented by court action or by any statutory stay from prosecuting foreclosure proceedings, that Lender is diligently seeking relief from such action or stay; and (d) upon receiving possession of the Property, Lender or its designee promptly commences and diligently proceeds to cure such default in accordance with this DDA.

12.5.2. From and after the cure of such Developer default, Lender or its designee is not required to obtain possession or to continue in possession of the Property. Nothing in this Section shall preclude the Agency from exercising any of its rights or remedies with respect to Developer during any period of such forbearance.

12.6. FORECLOSURE. Foreclosure of any encumbrance securing the loan of Lender, or any sale under such encumbrance, whether by judicial proceedings or by virtue of any power contained in such encumbrance, or any conveyance of the Property from the Developer to the Lender or its designee through, or in lieu of, foreclosure or other appropriate proceedings in the nature of foreclosure, shall not require the consent of the Agency. Upon such foreclosure, sale or conveyance, the Agency shall recognize the resulting purchaser or other transferee as the Developer under this DDA, provided that such purchaser or transferee expressly assumes each and every obligation of the Developer under this DDA (except for the obligation to pay damages except to the extent of any monies due and unpaid from Developer under this DDA) by assumption agreement satisfactory to the Agency. If any Lender or its designee acquires Developer's right, title and interest under this DDA as a result of a judicial or nonjudicial foreclosure under any power contained in such encumbrance, or any conveyance of the Property from the Developer to the Lender or its designee through, or in lieu of, foreclosure or other appropriate proceedings in the nature of foreclosure, such Lender or its designee shall have the right to assign or transfer Developer's right, title and interest under this DDA to an assignee; provided, however, that the assignee or transferee shall thereafter be subject to all of the terms and conditions of this DDA.

12.7. MODIFICATIONS. No modification or amendment to the DDA which materially and adversely affects the Lender's interest in the Property shall be valid and effective unless the Lender's written consent to such modification or amendment has first been obtained, which consent shall not be unreasonably withheld.

12.8. FURTHER ASSURANCES TO LENDERS. Agency and Developer shall in good faith consider making such reasonable modifications to this DDA and executing such further instruments and agreements between them as a Lender may reasonably request, provided such modifications, instruments and agreements do not materially, adversely affect any party's expectations or benefit, rights or obligations under this DDA and provided such modifications, instruments, and agreements serve a material economic purpose.

12.9. ESTOPPEL CERTIFICATE. Any party may, at any time, request in writing of any other party to certify in writing that, to the knowledge of the certifying party, (i) this DDA is in full force and effect and a binding obligation of the parties; (ii) this DDA has not been amended or modified, or, if so amended, identifying the amendments; and (iii) the requesting party is not in default in the performance of its obligations under this DDA, or, if in default, describing the nature and extent of any such defaults. A party receiving such a request shall execute and return such certificate to the requesting party, or give a detailed written response explaining why it will not do so, within ten (10) days following its receipt. The Agency's designee shall be authorized to execute any such certificate requested by Developer from the Agency.

12.10. PROHIBITIONS AGAINST ASSIGNMENT AND TRANSFER. In reliance on the financial capability and experience of Developer, substantial public financing and other public aids have been made available by law and by the federal and local governments to make development of the Property possible. Developer shall not, prior to issuance of a Certificate of Completion,

assign Developer's interests or obligations under this DDA or undertake any act or transaction resulting in a significant change in the interests of the principals of Developer or the degree of their control of Developer without the prior written consent of Agency. The transfer or assignment, pursuant to this Section, requires the transferee or assignee to execute and deliver to Agency a valid, binding, written assumption of all obligations of Developer. Such a transfer as permitted in this Section shall not relieve Developer, or any other party bound in any way by the DDA, from any of its obligations under the DDA. With respect to this provision, the Developer and the parties signing the DDA on behalf of the Developer represent that they have the authority of all of Developer's principals to agree to and bind them to this provision.

13. CONCURRENT AGREEMENTS. The following agreements are to be executed and delivered to each party at Close of Escrow:

13.1. REGULATORY AGREEMENT-PROJECT. The HOME Regulatory Agreement dated February 15, 1995 and recorded on October 27, 1995 in Book 19951027, Page 1180 of the Official Records of the County Recorder for the County of Sacramento. Developer agrees execute the _____. The Regulatory Agreement sets out certain provisions of this DDA which shall survive the completion of the Improvements.

14. DOCUMENT INTERPRETATION. This DDA shall be interpreted in accordance with the following rules.

14.1. ENTIRE DDA; SEVERABILITY. This DDA integrates all of the terms and conditions related or incidental to its subject matter, and supersedes all negotiations or previous agreements between the parties with respect to its subject matter. If any term or provision of this DDA shall, to any extent, be held invalid or unenforceable, the remainder of this DDA shall not be affected; provided that the intent of the DDA may then be reasonably fulfilled.

14.2. WAIVERS AND AMENDMENTS. All waivers of the provisions of this DDA must be in writing and signed by Agency or Developer, as applicable, and all amendments to this DDA must be in writing under this Section shall not operate as a waiver of such rights or to deprive Agency of or limit such rights in any way. Any waiver in fact made by Agency with respect to any specific default by Developer under this Section shall not be considered as a waiver of the rights of Agency with respect to any other defaults by Developer under this Section or with respect to the particular default except to the extent specifically waived in writing.

14.3. CAPTIONS, GENDER AND NUMBER. The section headings, captions and arrangement of this DDA are for the convenience of the parties to this DDA. The section headings, captions and arrangement of this instrument do not in any way affect, limit, amplify or modify the terms and provisions of this DDA. The singular form shall include plural, and vice versa, and gender references shall be construed to include all genders.

14.4. DRAFTER. This DDA shall not be construed as if it had been prepared by one of the parties, but rather as if both parties have prepared it. Unless otherwise indicated, all references to sections are to this DDA. All exhibits referred to in this DDA are attached to it and incorporated in it by this reference.

14.5. MERGER. All of the terms, provisions, representations, warranties, and covenants of the parties under this DDA shall survive the Close of Escrow and shall not be merged in the Grant Deed or other documents.

14.6. TIME FOR PERFORMANCE. In determining time for performance, it shall be construed that Agency and Developer shall each do the actions required of them, promptly and when specified in this DDA, and that each action specified in the Schedule of Performances shall be performed by the responsible party on or before the date scheduled for its completion.

14.7. GOVERNING LAW. This DDA shall be governed and construed in accordance with California law.

14.8. NO JOINT VENTURE, PARTNERSHIP, OR OTHER RELATIONSHIP. Nothing contained in this DDA or in any other document executed in connection with this DDA shall be construed as creating a joint venture or partnership between Agency and Developer. Each Party is acting as an independent entity and not as an agent of the other in any respect. No relationship exists as between Agency and Developer other than that of a governmental entity regulating the development of private property, and the owner of such private property.

14.9. NO THIRD PARTIES BENEFITED. This DDA is made and entered into for the sole protection and benefit of the parties and their permitted successors and assigns, and no other Person will have any right of action or any rights to any property, benefits or funds at any time on deposit in the Construction Account or the Impound Account, if established.

14.10. INSPECTION OF BOOKS AND RECORDS. Agency has the right, at all reasonable times, to inspect the books and records of Developer regarding the Property as reasonably necessary to carry out its purposes under this DDA.

14.11. OWNERSHIP OF DATA. If this DDA is terminated, for any reason, prior to the completion of the Project, Developer shall deliver to Agency any and all data acquired for development of the Property. Agency shall have full ownership and rights to use such data.

14.12. NOTICES. All notices to be given under this DDA shall be in writing and sent to the following addresses by one or more of the following methods:

14.12.1. Addresses for notices are as follows:

a) Agency: Housing Authority of the City of Sacramento, 801 12th Street, Sacramento, California 95814, Attention: Steve Lierly.

b) Developer: Mercy Housing California 60, LP, 3120 Freeboard Drive, Suite 202, West Sacramento, CA 95691, Attention: Stephan Daves.

14.12.2. Notices may be delivered by one of the following methods:

- a) Certified mail, return receipt requested, in which case notice shall be deemed delivered three (3) business days after deposit, postage prepaid in the United States Mail;
- b) A nationally recognized overnight courier, by priority overnight service, in which case notice shall be deemed delivered one (1) business day after deposit with that courier;
- c) Hand delivery with signed receipt for delivery from a person at the place of business of the receiving party and authorized to accept delivery for the receiving party, in which case notice shall be deemed delivered upon receipt, or

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

14.13. SUCCESSIONS. This DDA shall inure to the benefit of and shall be binding upon the parties to this DDA and their respective successors, and assigns.

15. DEFINITIONS. The following definitions shall apply for the purposes of this DDA:

15.1. "Acknowledgement and Acceptance Agreement" is the acknowledgement, acceptance and amendment of the existing Regulatory Agreement recorded against the property.

15.2. "Agency" is the Housing Authority of the City of Sacramento. The Agency is a public body, corporate and politic, exercising governmental functions and powers, and organized and existing pursuant to the Health and Safety Code Section 34000 et seq. The principal office of the Agency is located at 801 12th Street, Sacramento, California 95814. Agency as used in this DDA includes the Housing Authority of the City of Sacramento and any assignee of or successor to its rights, powers and responsibilities. The Sacramento Housing and Redevelopment Agency is a joint powers agency which provides staffing for the operation of the Agency.

15.3. "Art in Public Places Program" is the commonly used name for the program implementing Agency's Aesthetic Improvement Policy. Aesthetic Improvement Policy is Agency's policy for the creation and display of artwork in public areas. The policy was adopted by Agency Resolution Number 2865, October 16, 1979. The policy as implemented is known as the Art in Public Places Program.

15.4. "Certificate of Completion" is the certificate issued by the Agency certifying Developer's completion of the Project.

15.5. "City" is the City of Sacramento in the State of California.

15.6. "Close of Escrow" is the time for the close of the Escrow as provided in the Escrow Instructions.

15.7. "Contractor" is the contractor or contractors with whom Developer has contracted for the construction of the Project.

15.8. "Completion Date" is the date for completion of construction of the Project to the satisfaction of the Agency, which date shall be not sooner than the issuance of a certificate of occupancy for the entire Project. The Completion Date is stated in the Schedule of Performances.

15.9. "DDA" is this Disposition and Development Agreement including the attachments to this DDA consisting of the exhibits named in and attached to this DDA, the Preliminary Plans the Final Plans and any other item expressly incorporated in this DDA, all of which are incorporated in this DDA as if included in full as provisions in the body of this DDA. A default of any of the items incorporated in the DDA by reference is a default of this DDA.

15.10. "Developer" is Mercy Housing California 60, LP, a California limited partnership. The principal office of the Developer is located at 3120 Freeboard Drive, Suite 202, West Sacramento, CA 95691.

15.11. "Escrow" is the escrow for the transfer of the Property and for all requirements related to the transfer. The Title Company is the holder of the Escrow.

15.12. "Escrow Instructions" are the escrow instructions for the close of the Escrow for this DDA.

15.13. "Final Plans" are the full and final plans, drawings and specifications for the Project as described in, and approved by the Agency under this DDA. The Final Plans include all construction plans, drawings, specifications and other documents required to obtain all required building permits for the construction of the Project. The Final Plans may refer, as the context may indicate, to partial Final Plans prepared and submitted in accordance with this DDA. The Final Plans shall incorporate all applicable mitigation measures which may be required for compliance with approvals under the California Environmental Quality Act (commencing at Public Resources Code Section 21000) and the rules and regulations promulgated under such act. The Final Plans shall specifically include changes or corrections of the Final Plans approved as provided in this DDA. The Final Plans shall include all landscaping, on- and off-site work and artwork related to the Project. Except as approved by the Agency, the Final Plans shall conform in all material respects to all provisions of this DDA.

15.14. "Funding Agreement" is the document that states the terms of Agency Funding.

15.15. "Grant Deed" is the grant deed for the transfer of the Property to Developer under this DDA. The Grant Deed contains covenants that run with the land and easements.

15.16. "Hazardous Substances" as used in this DDA shall include, without limitation to, all substances, wastes and materials designated or defined as hazardous or toxic pursuant to any of the following statutes, as they may be amended or superseded, from time to time: the Clean Water Act (33 U.S.C. 1321 et. seq.); the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (42 U.S.C. 9601 et seq.); the Resource Conservation and Recovery Act (42 U.S.C. 6901 et seq.); the United States Department of Transportation Hazardous Materials Table (49 CFR 172.101); the Environmental Protection Agency list of hazardous materials (40 CFR Part 302) and California Health and Safety Code Sections 25115, 25117, 25122.7, 25140 (Hazardous Waste Control Law), 25316 (Carpenter-Presley-Tanner Hazardous Substances Account Act), 25501 (Hazardous Materials Release Response Final Plans and Inventory) and 25281 (Underground Storage of Hazardous Substances); all applicable local regulations; and all rules and regulations promulgated pursuant to said laws.

15.17. "Lender" shall mean all holders of any lien or encumbrance as security for a loan on all or any part of the Property which loan is made in accordance with this DDA or otherwise approved by Agency in writing.

15.18. "Plans" are the Project designs and elevations, prepared by the Project architect David Anders. Agency has approved the Plans concurrently with the approval of this DDA.

15.19. "Project" is the development of the Property as described in this DDA for the uses stated in this DDA. The Project includes all improvements rehabilitated and constructed on the Property in accordance with this DDA.

15.20. "Project Area" is the former River District Redevelopment Area, as defined in the Redevelopment Plan.

15.21. "Property" is the real property to be developed under this DDA by Developer, as more particularly described in the Property Description. The Property includes all improvements contained within the Property.

15.22. "Property Description" is the legal description of the various parcels of real property affected by this DDA. The Property Description is attached as **Exhibit I: Property Description**.

15.23. "Purchase Price" is the purchase price for the Property as set out in Section 3.

15.24. "Redevelopment Plan" is the redevelopment plan for the Project Area (as it may be amended from time to time)

15.25. "Regulatory Agreement" is the agreement, which sets out the certain provisions of this DDA that shall survive the completion of the Project.

15.26. "Schedule of Performances" is the schedule that establishes the dates by which obligations of the parties under this DDA must be performed and on which conditions must be satisfied. The Schedule of Performances is attached as Exhibit 2: Schedule of Performances.

15.27. "Scope of Development" is the detailed description of the construction parameters for the Project. The Scope of Development is attached as Exhibit 3: Scope of Development.

15.28. "Title Company" is Old Republic Title. Title Company is the insurer of title under this DDA and the Escrow holder.

15.29. "Unavoidable Delay" is a delay in the performance by a party of any obligation which delay is unforeseeable and beyond the control of such party and without its fault or negligence. Unavoidable Delay shall include acts of God, acts of the public enemy, acts of the Federal Government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, and unusually severe weather (as for example, floods, tornadoes, or hurricanes) or delays of subcontractors due to such causes. In the event of the occurrence of any such enforced delay, the time or times for performance of such obligations of the parties shall be extended for the period of the enforced delay, as determined by the Agency, provided that the party seeking the benefit of the provisions of this Section shall, within thirty (30) days after it has or should have knowledge of any such enforced delay, have first notified the other party, in writing, of the delay and its cause, and requested an extension for the period of the enforced delay.

THE PARTIES HAVE EXECUTED THIS DDA in Sacramento, California, on the following dates, effective as of the date first written above.

DEVELOPER : MERCY HOUSING
CALIFORNIA 60, A California LP.
AGENCY: THE HOUSING AUTHORITY OF
THE CITY OF SACRAMENTO, a public body
corporate and politic

By: MERCY HOUSING CALWEST, INC. ITS
SOLE GENERAL PARTNER.

By:
LaShelle Dozier, Executive Director

By: _____

Date: _____
Approved as to form:

By: _____
Agency Counsel

Date: _____
Approved as to form:

By: _____
Developer Counsel

RESOLUTION NO. 2012 -

Adopted by the Sacramento City Council

On date of

QUINN COTTAGES: CONSENT TO ASSIGNMENT OF LOAN TO MERCY HOUSING CALIFORNIA 60 LP, OR RELATED ENTITY, AND APPROVAL OF LOAN MODIFICATIONS

BACKGROUND

A. Quinn Cottages (Project) is an existing 60-unit supportive housing project located in the former River District Redevelopment Project Area.

B. On September 21, 1994, Sacramento Cottage Housing, Inc. (SCH), a non-profit public benefit corporation, received a Sacramento Housing and Redevelopment Agency (SHRA) Home Investment Partnership (HOME) Program predevelopment loan in the amount of \$136,000 for the development of Quinn Cottages. The note was for a term of 55 years with a 0 percent interest rate on the principal balance.

C. On February 15, 1995 SCH received a SHRA HOME Program loan in the total amount of \$1,404,000 (including the previous \$136,000) for construction and permanent financing of Quinn Cottages. The note was restated for a term of 55 years with a 3 percent interest rate on the principal balance.

D. On September 26, 1996 the promissory note (Note) and Deed of Trust was mutually modified to provide for deferred payments; and an assignment dated October 27, 1995 by SCH as Co-General Partner to Quinn Cottages, L.P., was accepted by SHRA

E. On September 30, 1997 the Note was mutually modified to become non-recourse to the borrower.

F. Quinn Cottages, L.P., has maintained and operated the Project since initial occupancy in 1997. However, the Project faces an operating deficit because the previously capitalized reserves have been depleted.

G. In January of 2012 Mercy Housing of California was awarded a Multifamily Housing Program-Supportive Housing (MHPSH) loan in the amount of \$3,510,000 for use in the rehabilitation of rental housing at Quinn Cottages.

Approval of Disposition and Development Agreement, Loan Modification and Assignment for Quinn Cottages

H. In June of 2012 Mercy Housing of California was awarded an Affordable Housing Program (AHP) loan in the amount of \$600,000 from the Federal HOME Loan Bank of San Francisco for the rehabilitation of Quinn Cottages.

I. In June of 2012 Mercy Housing of California received a reservation for 9 percent Low Income Housing Tax Credits (LIHTC) for the rehabilitation and establishment of a capitalized operating reserve for Quinn Cottages.

J. Mercy Housing California has requested that the term of SHRA loan be extended, the interest rate reduced from 3% to 0%, and that the accrued interest of approximately \$650,000 be forgiven and the loan assigned to Mercy Housing California 60, LP or related entity.

K. A further modification of the SHRA loan is necessary to consolidate efforts to assist extremely low-income renters in units designated as permanent housing by providing financial assistance to enable them to afford safe, decent, affordable housing that is not affordable on the open market.

L. Due to the fact that the existing land lease and terms of the SHRA loan threaten the long-term feasibility of the project when combined with the new tax credit financing, Mercy Housing is requesting a land conveyance.

M. This action is categorically exempt from environmental review pursuant to California Environmental Quality Act (CEQA) Guideline 15310 as this action is limited to loan modification and no new construction will occur as a result of the contemplated modifications.

N. The specific actions herein are exempt under National Environmental Policy Act (NEPA) regulations at 24 CFR Section 58.34(a)(2) and (3), which exempt information and financial services, and administrative and management activities respectively. The transfer of property is categorically excluded pursuant to NEPA regulation 24 CFR 58.34(a)(12) and 58.35(a)(5) where the land disposed of will be retained for the same use.

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

Section 1. After consideration of all of the evidence presented, the above statements, including but not limited to the environmental statements, are found to be true and correct.

Section 2. The City Council consents to the conveyance of land located at 1500 North A Street in Sacramento CA to Mercy Housing California 60, L.P.

Approval of Disposition and Development Agreement, Loan Modification and Assignment for Quinn Cottages

Section 3. The City Council consents to the assignment of the existing Construction and Permanent Loan for Quinn Cottages to Mercy Housing California 60, L.P.

Section 4. The following modifications of the Construction and Permanent Loan Agreement for Quinn Cottages are approved:

- a) forgive interest accrued;
- b) change the interest to zero percent; and
- c) extend the term of the loan to 55 years to be consistent with low income housing tax credit financing.

Section 5. The Sacramento Housing and Redevelopment Agency is authorized to execute the modifications of the Loan Agreement, Deed of Trust, Promissory Note, and Regulatory Agreement for the Project (collectively, "Loan Documents"), with Mercy Housing California 60, LP that are incorporated in this resolution by this reference, and to enter into other agreements, subordinations, execute other documents, and perform other actions necessary in relation to the Loan Documents to provide said funding assistance to the Project, consistent with the Loan Documents and as may be necessary to ensure proper repayment of Agency funds in accordance with the Loan Documents, all as approved by Agency Counsel.

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

QUINN COTTAGES: AUTHORIZATION TO CONSENT TO ASSIGNMENT OF EXISTING LOAN AND TO EXECUTE LOAN MODIFICATION TO BE USED IN CONJUNCTION WITH HOUSING AUTHORITY'S DISPOSITION AND DEVELOPMENT AGREEMENT AND RELATED DOCUMENTS WITH MERCY HOUSING CALIFORNIA 60 LP, OR RELATED ENTITY FOR THE DEVELOPMENT OF THE QUINN COTTAGES SUPPORTIVE HOUSING PROJECT

BE IT RESOLVED BY THE SACRAMENTO HOUSING AND REDEVELOPMENT COMMISSION:

Section 1: After due consideration of the facts presented, the findings, including the environmental findings regarding this action, as stated in the staff report that accompanies this resolution, are approved.

Section 2: The project is categorically exempt pursuant to California Environmental Quality Act (CEQA) Guidelines section 15310 as this action is a loan modification and no new construction will occur because of this modification.

Section 3: The specific actions herein are exempt under National Environmental Policy Act (NEPA) regulations at 24 CFR Section 58.34(a)(2) and (3), which exempt information and financial services, and administrative and management activities respectively.

Section 4: Subject to approval by the City Council the consent is given to the assignment of the Loan to Mercy Housing California 60, LP, and the Loan Modifications, attached to and incorporated in this resolution by this reference, for the financing of the Quinn Cottages project ("Loan Modification") is approved. As stated in the Staff Report which accompanies this resolution, the loan amount shall remain \$1,404,000. The modified loan terms shall be limited to (i) interest at the rate of zero percent and include the forgiveness of approximately \$650,000 in accrued interest; (ii) the term of the loan shall be extended and the term shall be for a period of 55 years commencing on the new Effective Date to coincide with the provisions of new additional third party financing. Subject to the satisfaction of conditions in the Disposition and Development Agreement, the Executive Director, or her designee, is authorized to execute and transmit the Loan Modifications to Mercy Housing California 60, LP, or related entity (Developer).

- (a) Agency Counsel shall prepare the Loan documents on standard agency loan document forms in accordance with the Loan Commitment and the staff report accompanying this resolution, and in accordance with all applicable laws, regulations, and policies regarding the making of the Loan and the use of the allocated funds.
- Section 5: The Executive Director, or her designee, is authorized to execute the Loan Modification, execute other documents, and perform other actions necessary to fulfill the intent of repayment of agency funds, including without limitation, subordination, extensions and restructuring of payments, all as approved by Agency Counsel.

CHAIR

ATTEST:

CLERK



October 12, 2012

Sacramento Housing and
Redevelopment Commission
Sacramento, CA

Honorable Members in Session:

SUBJECT:

Approval of Grant Agreement with the Sacramento County Tobacco Securitization
Corporation for the 4th Avenue Community Center

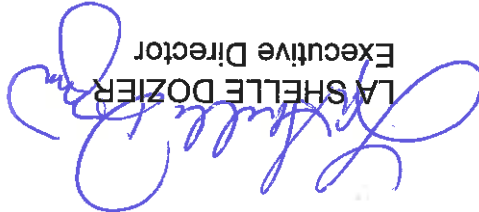
SUMMARY

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

RECOMMENDATION

The staff recommends approval of the recommendations outlined in this report.

Respectfully submitted,


LA SHELLE DOZIER
Executive Director

Attachment

**COUNTY OF SACRAMENTO
CALIFORNIA**

For the Agenda of:
November 6, 2012

To: Board of Supervisors of the County of Sacramento

From: Sacramento Housing and Redevelopment Agency

Subject: Approval Of Grant Agreement With The Sacramento County Tobacco
Securitization Corporation For The 41st Avenue Community Center

Supervisory Yee
District:

Contact: La Shelle Dozier, Executive Director, 440-1319
Chris Pahule, Program Manager, 440-1350

Overview

Approval of this report authorizes the Sacramento Housing and Redevelopment Agency to enter into agreements with both the Sacramento County Tobacco Securitization Corporation and the Community Resource Project to complete the financing for the construction of the 41st Avenue Community Center project.

Recommendations

1. Authorizing the Sacramento Housing and Redevelopment Agency to enter into a Grant Agreement with the Sacramento County Tobacco Securitization Corporation for \$297,398 in bond proceeds for use as funding for the 41st Avenue Community Center.
2. Authorizes the Sacramento Housing and Redevelopment Agency to execute a forgivable loan agreement, regulatory agreement and associated documents to provide \$947,398 in combined funding to the Community Resource Project. The funding sources for the loan include \$297,398 in bonds and \$650,000 in previously approved Community Development Block Grant funds.

Measures/Evaluation

Approval of this report provides the final piece of funding necessary for the construction of the 41st Avenue Community Center. Once constructed, the 41st Avenue Community Center will allow for the provision of much needed social services in this challenged South Sacramento neighborhood.

Fiscal Impact

In 2007, the Sacramento Housing and Redevelopment Agency (SHRA) allocated the Community Resource Project \$200,000 in Community Development Block Grant (CDBG) funding to acquire a 38,697 square foot parcel at 41st Avenue and Martin Luther King Junior Boulevard for the 41st Avenue Community Center. Since then, SHRA has allocated an additional \$650,000 in CDBG as construction financing. It is proposed that the Sacramento County Tobacco Securitization Corporation will provide the last piece of funding to begin construction on the project.

BACKGROUND

This report recommends authorizing the Sacramento Housing and Redevelopment Agency (SHRA) to enter into a Grant Agreement with the Sacramento County Tobacco Securitization Corporation for the purposes of receiving \$297,398 for construction of the 41st Avenue Community Center. If approved, SHRA will enter into forgivable loan and regulatory agreements for \$947,398 in funds to the Community Resource Project (CRP) utilizing previously approved Community Development Block Grant funding along with the funds being allocated in this report. The Tobacco Securitization Corporation cannot allocate their bond proceeds to a non-profit entity which is why SHRA is proposed to be the recipient.

DISCUSSION

The proposed 41st Avenue Community Center (Center) is a collaborative project championed by the Community Resource Project (CRP), a community-based organization providing housing, health and education services to lower income families. The Center will be located on a vacant site in unincorporated area of Sacramento County at 41st Avenue and Martin Luther King, Jr. Boulevard, in a socio-economically challenged neighborhood known as 'The Avenues'.

In 2008, with financial assistance from SHRA, CRP purchased the land necessary to build the Community Center. Since then, CRP has completed the demolition of an existing fire-damaged building on one of the parcels and has drawn up plans for the construction of the proposed Community Center. CRP has also secured a private loan from Clearinghouse CDFI for the project and is prepared to invest significant equity to ensure its completion. Despite these funding sources and an additional commitment of \$650,000 in Community Development Block Grant funds from SHRA for construction of the project, a financial gap remains.

The final piece of gap funding for construction is proposed to come from the Sacramento County Tobacco Securitization Corporation. On August 15, 2000, the Sacramento County Tobacco Securitization Corporation (Corporation) was formed as a California non-profit public benefit corporation governing the County's rights relating to the national tobacco litigation settlement payments. The Corporation borrowed proceeds from the Tobacco Securitization Authority of Northern California Tobacco Settlement Asset-Backed Bonds allowing the County to create an Endowment Fund for capital projects including \$297,398 allocated to SHRA for the 41st Avenue Community Center Project.

The CRP is proposing to construct a 10,000 square foot Community Center which will include meeting rooms, offices, a kitchen and upstairs storage. The site will include landscaping, trees, shrubs and green space with a picnic area behind the building. The lot will include 33 parking spaces with ingress and egress off of 41st Avenue.

Local non-profit organizations will offer the core services at the Community Center. Asian Resources, Inc. and CRP will provide money management, microenterprise, and pre-

employment / career development workshops. These classes will engage members of the community who wish to improve their money management skills, start or grow a small business, or re-enter the workforce. CRP will run a day laborer center with a focus on improved health and safety, as well as leadership training. CRP will also provide health and nutrition services through Women Infant and Children (WIC) programs, as well as free medical and dental screenings.

The area near the proposed 41st Avenue Community Center, known as "the Avenues" is in dire need of community facilities of this type. Crime rates are high in the neighborhood where drug dealing, gang activity and prostitution are commonplace. In addition, the immediate area near the Community Center's proposed location has been a congregation point for day laborers. Their presence has negatively affected area businesses prompting the Sacramento County Sheriff's Department to approach CRP to participate in a community effort to address the issue.

Once all of the funding is in place and all agreements are executed, construction will commence on the Center. It is anticipated that construction of the Community Center will be complete in 2014.

COMMISSION ACTION

At its meeting of October 17, 2012, the Sacramento Housing and Redevelopment Commission considered the staff recommendation for this item. The votes were as follows:

AYES:

NOES:

ABSENT:

MEASURES/EVALUATIONS

Approval of this report will provide the gap funding necessary to begin construction of the 41st Avenue Community Center. Completion of the Center will allow for the provision of much needed services by non-profit providers in this socio-economically distressed area.

FINANCIAL ANALYSIS

The table below illustrates the sources and uses for the proposed 41st Avenue Community Center:

Land Acquisition		
- SHRA: CDBG	\$	200,000
- CRP: Equity	\$	278,946
Land Subtotal	\$	478,946
Construction		
- Clearinghouse CDFI	\$	862,500
- SHRA: CDBG	\$	650,000
- County Tobacco Securitization Corporation Bond Proceeds	\$	297,398
- Opportunity Finance Network Grant	\$	100,000
- CRP: Equity	\$	280,000
Construction Subtotal	\$	2,189,898
Total		\$ 2,668,844

POLICY CONSIDERATIONS

Approval of this report and resolution accepting Sacramento County Tobacco Securitization Corporation Bond Proceeds for use as a partial funding source for the 41st Avenue Community Center Project is consistent with the Sacramento County approved Five-Year Consolidated Plan for 2008-2012.

ENVIRONMENTAL REVIEW

National Environmental Policy Act (NEPA): An Environmental Assessment was prepared by the Ervin Consulting Group for the 41st Avenue Community Center Project in May of 2009. The Environmental Assessment resulted in a NEPA Finding of No Significant Impact on the quality of the human environment. There have been no substantial changes to the immediate vicinity since May 2009 which would change this conclusion. California Environmental Quality Act (CEQA): CEQA only applies to projects which have the potential for causing a significant effect on the environment. Based upon the Environmental Assessment and the conclusion leading to the Finding of No Significant Impact, the proposed activity will not have a significant effect on the environment, therefore the activity is not subject to CEQA review (CEQA Guideline 15061(b)(3)).

M/WBE CONSIDERATIONS

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

APPROVED

BRADLEY J. HUDSON
County Executive

Sacramento Housing and Redevelopment Agency

Executive Director

LA SHELLE DOZIER

Respectfully submitted,

Attachments:
RES – County BOS Resolution
ATT I – Map - 41st Avenue Community Center
ATT II – Grant Agreement Between the Sacramento County Tobacco Securitization Corporation and the Sacramento Housing and Redevelopment Agency
ATT III – Form of Regulatory Agreement For Non-residential Development

RESOLUTION NO. _____

ON DATE OF

ACCEPTANCE OF SACRAMENTO COUNTY TOBACCO SECURITIZATION CORPORATION BOND PROCEEDS FOR THE 41ST AVENUE COMMUNITY RESOURCE PROJECT

WHEREAS, the Board of Supervisors have allocated \$850,000 in Community Development Block Grant (CDBG) funding to the Community Resource Project in prior actions (Resolution # 2007-1289 allocated \$200,000 for acquisition and \$230,000 for construction, Resolution # 2007-1290 allocated \$220,000 for construction, and Resolution # 2011-0800 allocated for \$200,000 Construction);

WHEREAS, the Sacramento County Tobacco Securitization Corporation has made available Tobacco Bond proceeds in support of the 41st Ave Community Resource Project (CRP);

WHEREAS, the Sacramento Housing and Redevelopment Agency (SHRA) commissioned an Environmental Assessment, under the National Environmental Policy Act (NEPA) for Housing and Urban Development (HUD) funded projects, completed by the Ervin Consulting Group in May 2009;

WHEREAS, the Environmental Assessment considered all impacts and alternatives and made a Finding of No Significant Impact on the quality of the human environment resulting from the project;

WHEREAS, there have been no intervening changes to the immediate vicinity since May 2009 which would negate this conclusion;

WHEREAS, based upon the NEPA Environmental Assessment and the conclusion leading to the Finding of No Significant Impact, the proposed activity will not have a significant effect on the environment and, therefore, the activity is not subject to the California Environmental Quality Act review (CEQA Guideline 15061(b)(3)).

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

Section 1: The above recitals, including but not limited to the environmental recitals, are found to be true and correct.

Section 2: SHRA is authorized to execute a grant agreement with Sacramento County Tobacco Securitization Corporation to accept \$297,398 of Tobacco Bond Proceeds/interest earnings for use as a partial funding source for the 41st Ave Community Resource Project. Section 3: SHRA is authorized to amend its budget to accept the funds, execute a forgivable loan agreement, regulatory agreement, and associated documents and contracts, with Community Resource Project (CRP) as necessary to distribute \$947,398 (\$650,000 of previously allocated CDBG and up to \$297,398 of Tobacco Bond Proceeds/interest earnings) for use as partial funding for the capitol construction costs of the 41st Ave Community Resource Project;

On a motion by Supervisor _____, seconded by Supervisor _____, the foregoing Resolution was passed and adopted by the Board of Supervisors of the County of Sacramento, State of California this 6th day of November, 2012, by the following vote, to wit:

AYES: Supervisors,

NOES: Supervisors,

ABSENT: Supervisors,

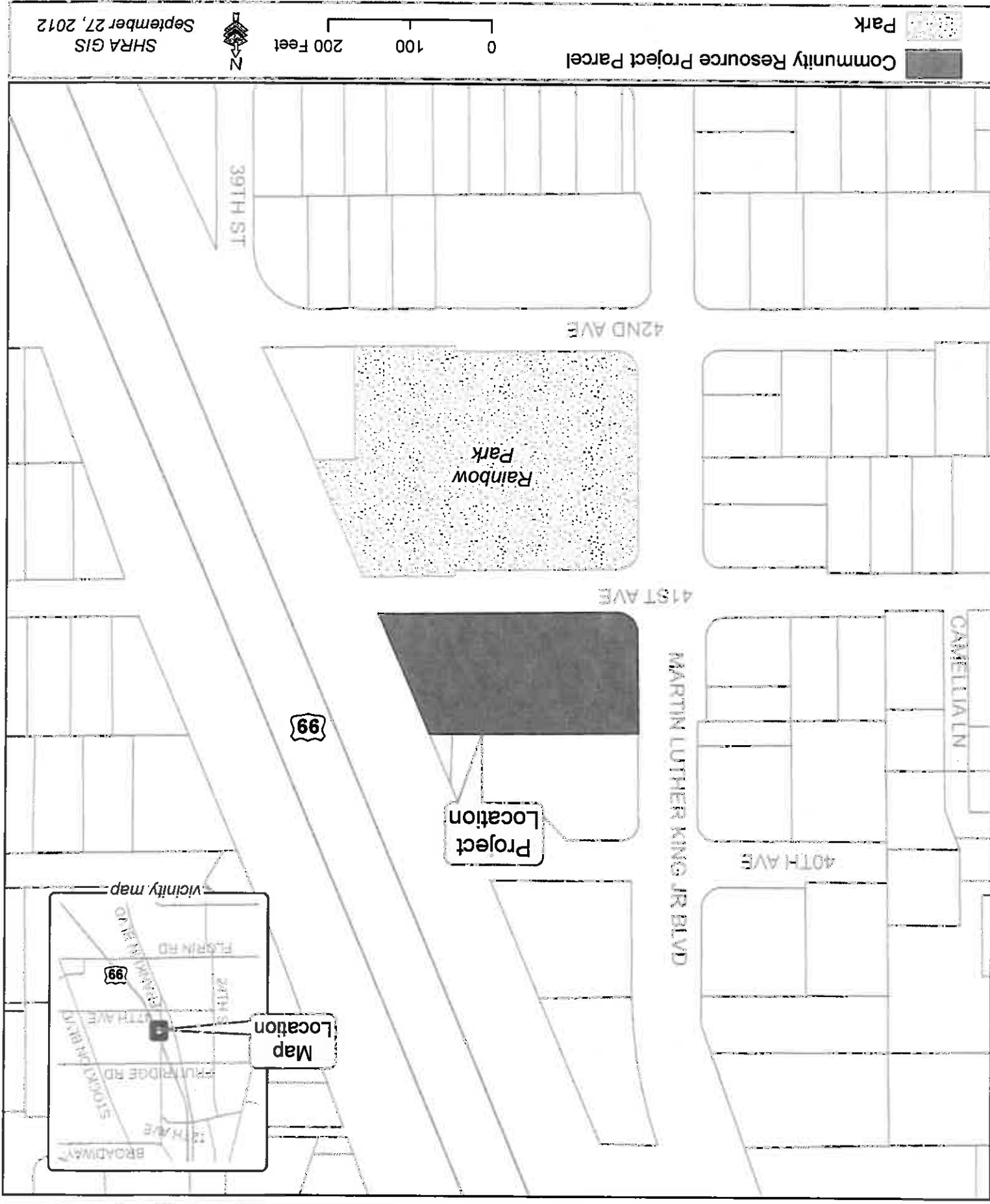
ABSTAIN: Supervisors,

(SEAL)

ATTEST:

Clerk, Board of Supervisors

Chair of the Board of Supervisors
of Sacramento County, California



ATTACHMENT II

GRANT AGREEMENT BETWEEN COUNTY OF SACRAMENTO AND SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

This GRANT AGREEMENT (this "Agreement") is made as of this ____ day of ____, 201_ (the "Effective Date") between COUNTY OF SACRAMENTO (hereinafter referred to as the "Grantor"), and SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY (hereinafter referred to as the "Grantee").

WITNESSETH THAT:

WHEREAS, the Grantee intends to assist in the funding of the construction of the 41st Avenue Community Center (the "Project") located on the corner of Martin Luther King, Jr. Boulevard and 41st Avenue (the "Site");

WHEREAS, the Grantee will enter into a regulatory agreement (the "Regulatory Agreement") with Community Resource Project, Inc. (CRP) requiring the Project be operated as a community center for a period of fifteen years;

WHEREAS, in order to provide funding for the Project, the Grantor has agreed to provide a grant to Grantee in the amount of \$297,398.00 (the "Grant Funds");

WHEREAS, the Grantee acknowledges that the Grant Funds constitute the original proceeds of tax-exempt bonds of the Tobacco Securitization Authority of Northern California (specifically, the Tobacco Securitization Authority of Northern California Tobacco Settlement Asset-Backed Bonds (Sacramento County Tobacco Securitization Corporation) Series 2005 (the "Bonds"), which were received by the Grantor, and that the Grantor has covenanted in connection with the issuance of the Bonds to take all actions necessary to maintain the tax exemption of such bonds;

WHEREAS, as a condition precedent to the grant of the Grant Funds to the Grantee, the Grantor has required Grantee to enter into an agreement setting forth the terms and conditions for the provision and use of the Grant Funds, including any interest accrued thereon (together, the "Total Grant Funds");

NOW, THEREFORE, in consideration of the mutual promises of the Grantor and the Grantee (collectively referred to herein as the "Parties"), the Parties hereby agree as follows:

Section I. Period of Agreement

This Agreement shall be effective as of the Effective Date and shall remain in effect until the Grantors review and acceptance of the Close Out Report in Section IV B, below, unless earlier terminated by the Grantor (the "End of Grant Period").

Section II. Grant of Funds

A. The Grantor shall provide to the Grantee the Grant Funds solely for use on capital costs of the Project.

B. The provision of the Grant Funds by the Grantor shall be subject to the terms of Section VI of this Agreement related to the suspension or termination of grant funding and the reversion of Grant Funds, the provisions of Section IX of this Agreement related to default and the provisions of Section VII related to unspent Grant Funds.

Section III. Expenditure of Total Grant Funds

A. The Grantee shall expend the Total Grant Funds solely on capital costs of the Project in accordance with this Agreement. In no event shall any of the Total Grant Funds be expended for any other purpose.

Section IV. Reporting Requirements**A. Closeout Report**

1. The Grantee shall submit a report (the "Closeout Report") no later than thirty (30) days after the final completion of the Project.

2. The Closeout Report shall cover the period beginning on the Effective Date and ending on the date of the Closeout Report.

3. The Closeout Report shall include copies of any construction contracts for the Project and an expense report containing a listing of and documentation, including invoices, for each expenditure of the Total Grant Funds.

4. A copy of the executed regulatory agreement with evidence of recordation.

B. Review and Approval of Reports

The Closeout Report shall be subject to the review and acceptance of the Grantor.

Section V. Accounting Requirements

B. In the event of a default, the Grantor may provide to the Grantee written notice of the default, along with a demand to cure by a date established in the Grantor's sole and reasonable discretion, but in no event less than ten (10) Business Days. If the default is not cured or remedied according to the time limit established in the notice and demand, the Grantee shall return to the Grantor any remaining Grant Funds in the possession of the Grantee, the Grantor shall not be obligated to provide any additional Grant Funds to the Grantee, the Grantor may exercise any additional right to reversion under Section VI of this Agreement, and the Grantor may exercise any other legal or equitable remedies available to the Grantor.

A. Any failure by the Grantee or its agents to comply with any of the terms or conditions of this Agreement, as such failure is determined in the sole and reasonable discretion of the Grantor, shall constitute a default under this Agreement.

Section IX. Default; Remedy; Non-Waiver

The Grant Administrator for this Grant is [Chris Marx]. The telephone number of the Grantor is [916-874-5239]. The Grantee shall contact the Grant Administrator with any questions or concerns regarding the technical implementation or interpretation of this Grant.

Section VIII. Grant Administrator

At the End of Grant Period, or upon final completion of the Project, whichever is earlier, should the Grantor have advanced Grant Funds to the Grantee which have not been spent by Grantee, then the Grantee shall immediately return such unspent Grant Funds to the Grantor.

Section VII. Unspent Grant Funds

B. The Grantee shall repay all funds demanded by the Grantor under paragraph A of this Section VI to the Grantor upon receipt of the Grantor's written demand and in accordance with the Grantor's written instructions.

A. If the Grantee performs its obligations under this Agreement in accordance with the terms of this Agreement, the Grantee is not obligated to repay the Grant Funds to the Grantor. In the event that the Grantee is in default, as described in Section IX of this Agreement, the Grantor may, at its sole discretion, suspend or terminate funding to the Grantee and may demand in writing the repayment or return of some or all of the Grant Funds, whether or not such Grant Funds have been previously obligated or committed by the Grantee, and any income generated by the Grant Funds.

Section VI. Suspension or Termination of Grant Funding; Reversion of Funds

B. The Grantee shall maintain complete and accurate records and documentation of the expenditure of the Total Grant Funds and make those available to the Grantor upon request.

A. The Grantee shall establish a separate bank account independent of other accounts of the Grantee for the Total Grant Funds.

In executing this Agreement, the Grantee is acknowledging that the Project is being financed with proceeds of the Bonds. The Grantee hereby covenants that the Project will not be sold unless it receives prior written consent of the Grantor. In addition, the Grantee will

Section XIII. Tax-Exempt Funds

B. The Grantee shall not change the Project without the prior written approval of the Grantor. All such requests shall be signed and dated.

A. The terms and conditions of this Agreement may not be modified, waived, or terminated, in whole or in part, unless agreed to in writing by the Parties.

Section XII. Modification

This Agreement may not be assigned by the Grantee to any person, corporation, partnership, or any other entity, including any assignment caused by a change in the corporate structure of the Grantee, unless the Grantor agrees in writing to the assignment.

Section XI. Nonassignability

COUNTY OF SACRAMENTO
700 H Street, Suite 7650
Sacramento, CA 95814
Attn: Chris Marx

As to Grantor:

SACRAMENTO HOUSING AND REDEVELOPMENT
AGENCY
801 12th Street
Sacramento, CA 95814
Attn : Chris Pahuie

As to Grantee:

All notices required under this Agreement shall be in writing to the following addresses:

Section X. Notices

C. No delay or omission of the Grantor to exercise any right, power, or remedy accruing upon the happening of a default shall impair any such right, power, or remedy be construed to be a waiver of, or acquiescence to, any such default.

not allow more than 10% of the Project to be used directly or indirectly by any nongovernmental person in any trade or business, other than as a member of the general public. For purposes of the preceding sentence, "10%" is reduced to "5%" for nongovernmental use of the Project that is disproportionate to or not related to the current purpose of the Project. A nongovernmental person is treated as "using" the Project if it is or it serves as the owner, a lessee, a service provider, operator or manager of the Project.

Section XIV. Non-Waiver

None of the terms and conditions contained in this Agreement shall be considered abrogated or waived by reason of any failure, delay or refusal by the Grantor to enforce the same.

Section XV. Applicable Law

The provisions of this Agreement shall be governed and construed under the laws of the State of California.

Section XVI. Severability

In the event that any provision of this Agreement is held to be unenforceable by a court of competent jurisdiction, all remaining provisions of this Agreement shall be valid, binding, and enforceable against the parties hereto.

Section XVII. Total Agreement

This Agreement constitutes the total and entire agreement between the Parties. All previous discussions, writings, and agreements are merged herein.

[Signatures Follow On Next Page.]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be signed, acknowledged, and delivered in their names by their duly authorized representatives.

COUNTY OF SACRAMENTO

By: _____
Name: _____
Title: _____

**SACRAMENTO HOUSING
REDEVELOPMENT AGENCY
AND**

By: _____
Name: _____
Title: _____

NO FEE DOCUMENT:
 Entitled to free recording
 per Government Code 27383.
 When recorded, return to:
 SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY
 801 12th Street
 Sacramento, CA 95814

**REGULATORY AGREEMENT
 FOR NON-RESIDENTIAL DEVELOPMENT
 INCLUDING COVENANTS, CONDITIONS AND RESTRICTIONS RUNNING WITH THE LAND**

PROJECT NAME:	The 41st Avenue Community Center
PROJECT ADDRESS:	Corner of 41st Avenue and Martin Luther King, Jr. Blvd. in the County of Sacramento
EFFECTIVE DATE:	
APN:	037-0027-0052-0000

NOTICE: THIS REGULATORY AGREEMENT IMPOSES COVENANTS, CONDITIONS AND RESTRICTION ON THE PROPERTY WHICH STAY WITH THE PROPERTY FOR MANY YEARS, INCLUDING RESTRICTIONS ON THE USE AND MAINTENANCE OF THE PROPERTY.

TERMS AND DEFINITIONS.

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

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

2. **DEFINITIONS.** The capitalized terms in this Regulatory Agreement shall have the meanings assigned in the following definitions table and in the body of the Regulatory Agreement. (Terms being defined are indicated by quotation marks.)

TERM		DEFINITION
"Effective Date"	This Regulatory Agreement shall be effective as of the following date:	
"Agency"	The Agency is a joint powers agency	
"Owner" and "Developer"	Community Resources Project	
"Agency Address"	Agency's business address is 801 12th Street, Sacramento, California 95814	
"Owner Address"	Owner's business address is as follows:	
	250 Harris Avenue, Sacramento, CA 95838	County of Sacramento
"Jurisdiction"	County of Sacramento	
"Property"	That certain real property which is subject to this Regulatory Agreement as further described in the legal description, attached as Exhibit 1 – Legal Description of the Property.	
"Funding Agreement"	Conditional Grant Agreement between Agency and Owner, dated as follows:	
		Dated:
"Agency Funding"	The Agency Funding made by Agency to Owner under the Funding Agreement for development of the Property	

The amount of the Agency Funding, as follows:	Amount of Funding	\$947,398.00
		Source of Funding
The Term of each of the respective covenants, conditions and restrictions contained in this Regulatory Agreement is the term stated in the Funding Agreement and this Regulatory Agreement.	The Agency Funding Amount	\$650,000 is CDBG funding and \$297,398 consists of proceeds from a grant to the Agency by the Sacramento County Tobacco Securitization Corporation.
"Term"	The Term of each of the respective covenants, conditions and restrictions contained in this Regulatory Agreement is the term stated in the Funding Agreement and this Regulatory Agreement.	
"Special Provisions"	None.	
"Approved Use"	Owner shall assure that the property is used only for the following Approved Uses:	
	The property shall be used as a community resources center wherein local non-profit organizations will offer core services, including but not limited to the Asian Resources, Inc., and the Community Resources Project (CRP). Services will include workshops on money management, micro enterprise, and pre-employment/career development skills for members of the community. Health and nutrition such as provided through the WIC program and medical and dental screenings are to be provided as well as other community services consistent with the Conditional Grant Agreement by and between the Agency and the Owner.	
"Disapproved Uses"	Owner shall assure that the property is not used, in whole or in part, for any of the following Disapproved Uses:	
	Uses are than such uses which are typical to a neighborhood community center are prohibited including but not limited to liquor store/bar, Adult store/film; Manufacturing; Repair facility; Vehicle related; Service stations; Hazardous materials; Storage or warehousing facilities; tattoo and or piercing establishment; store subject to multiple vendors; second-hand or thrift store; pawn shop; check cashing or paycheck advance business; passive activity (switching station); and Nuisances	

3. **RECAPTURE.** If Developer fails or refuses to comply with the Regulatory Agreement, and fails to cure such breach within thirty (30) days after notice from Agency to Developer of such breach, Developer shall repay to Agency and the Sacramento County Tobacco Securitization Corporation, on demand a proportionate share of the Agency Funding. Said proportionate share shall be in the same ratio that the term of the Regulatory Agreement remaining (from the date of the Agency's notice) bears to the full term of the Regulatory Agreement.

- a. CDBG (the Community Development Block Grant Program) requires this recapture and treats it as program income.
- b. Bond funding, through the Sacramento County Tobacco Securitization Corporation (SCTSC) requires recapture.

1) Any amount repayment amount recaptured pursuant to this agreement shall be distributed as follows: sixty-nine percent (69%) to Agency; thirty-one percent (31%) to the SCTSC.

a) The following equation is for illustration purposes only:

$$\begin{aligned} & (\text{Agency Funding}) - (\text{Number of Years of Owner Compliance}) * (1/15) = \text{Recapture Amount} \\ & \text{Agency} = (\text{Recapture Amount}) * (69\%) \\ & \text{SCTSC} = (\text{Recapture Amount}) * (31\%) \end{aligned}$$

4. **TERMINATION OF COVENANTS.** If the Agency is paid the Recapture, the covenants, conditions and restrictions contained in this Regulatory Agreement shall terminate, except as to covenants which provide otherwise, including without limitation, the covenant against discrimination, all of which continue in effect.

5. **REPRESENTATIONS.** Agency has provided good and valuable consideration. The funds used by Agency for the Project are funds from public funding sources administered by Agency and their use is subject to certain requirements some of which are embodied in this Regulatory Agreement. This Regulatory Agreement represents a portion of a larger transaction,

and is an inextricable part of the larger transaction. Therefore, Agency has undertaken its obligations conditioned upon Owner's agreement, for itself and its successors and assigns, to comply with all provisions of this Regulatory Agreement. Owner has had full opportunity to make itself independently familiar with such limitations and restrictions, and Owner accepts them and agrees to comply fully with them.

6. **COVENANTS.** Owner makes the following covenants. Unless Owner has received the prior written consent of Agency otherwise, Owner shall fully comply with each and every covenant. Except as otherwise stated in this Regulatory Agreement, the following covenants shall have a term that is the same as this Agreement except for subsection "d", below, which shall continue in perpetuity.

Owner shall use and shall permit others to use the Property only for the Approved Uses.

a. Owner shall not use and shall not permit others to use the Property for any of the Disapproved Uses.

b. Owner shall assure full compliance with the Special Provisions, if any.

c. Owner shall maintain the Property and the building improvements, grounds and equipment of the Property in good repair and condition and in compliance with all applicable standards and local code requirements. Owner shall maintain the Property in good condition and shall keep the Property reasonably free from graffiti and unrepaired vandalism and from accumulation of abandoned property, inoperable vehicles, unenclosed storage, debris, and waste materials. In the event of a casualty loss, Owner shall cause the restoration or replacement of the Property, in a timely manner and provided that such restoration or replacement is then economically feasible.

d. Owner shall not cause and shall not permit discrimination based on race, color, national origin, religion, sexual orientation, gender, familial status, age or disability in the sale, lease, or rental or in the use or occupancy of the Property. Owner covenants by and for him/her/itself, his/her/its heirs, executors, administrators, and assigns, and all persons claiming under or through them that there shall be no discrimination against or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the Property. This covenant against discrimination shall continue in perpetuity.

e. Owner shall assure compliance with the federal Personal Responsibility and Work Opportunity Act (Public Law 104-193, commonly known as the Welfare Reform Act) prohibiting the Agency funding of federal, state or local benefits to persons who are not citizens or qualified aliens as defined in the act.

7. **RESTRICTION ON SALES AND LEASES.** Developer is prohibited from selling or leasing the Property unless and until the buyer or lessee has executed and the parties have recorded an acknowledgment and acceptance of this Regulatory Agreement. In any event, any and all successors in interest to the Property are subject to this Regulatory Agreement.

8. **NATURE OF COVENANTS.** The provisions contained in this Regulatory Agreement are covenants which subject and burden the Property, as covenants running with the land. It is intended and agreed that the agreements and covenants provided in the Agreement shall be covenants running with the land and equitable servitudes on the land and that they shall, in any event, and without regard to technical classifications or designation, be binding, to the fullest extent permitted by law and equity, for the benefit and in favor of, and enforceable by, the Agency, the Agency's successors and assigns, any other governmental entity acting within its authority and any successor in interest to Agency's interest under this Regulatory Agreement against the Owner, its successors and assigns and every successor in interest to all or any part of the Property.

9. **TERM.** The term of this Regulatory Agreement shall commence on the Effective Date and continue until the terms of all of the covenants, including without limitation, the terms stated in the Funding Requirements, have expired or otherwise been terminated. In the absence of a term in the Funding Requirements, the term shall be fifteen (15) years from the Effective Date.

10. **RECORDKEEPING AND REPORTING.** Upon written request of Agency, Owner shall promptly provide any additional information or documentation to verify Owner's compliance with the provisions of this Regulatory Agreement. At the written request of the Agency, Owner shall, within a reasonable time following receipt of such request, furnish reports and

shall give specific answers to questions regarding the income, assets, liabilities, contracts, operations, and condition of the property and their compliance with the Funding Agreement and this Regulatory Agreement.

11. AUDIT AND INSPECTION. The Property and all related equipment, buildings, plans, offices, books, contracts, records, documents and other related items shall at all times be maintained in reasonable condition for audit and shall be subject to examination by the Agency or its agents during reasonable hours solely for the purpose of reviewing Owner's compliance with this Regulatory Agreement. The books and accounts of the operations of the Property and of the Property shall be kept in accordance with generally accepted accounting principles.

12. INDEMNITY FOR OWNER'S FAILURE TO MEET LEGAL REQUIREMENTS. Owner shall indemnify and hold Agency, its officers, directors, and employees harmless from any and all liability arising from Owner's failure to comply with the covenants, conditions and restrictions contained in this Regulatory Agreement and its failure to comply with all other laws, rules, regulations and restrictions related to the use of any Agency funds. Without limitation, such indemnity shall include repayment to the Agency of the costs of funds and the value of lost opportunities resulting from the required repayment by Agency to the funding source of funds improperly used.

13. CHANGES WITHOUT CONSENT OF TENANTS, LESSEES, OR OTHERS. Only Agency and its successors and assigns, and Owner and its successors and assigns (subject to the reasonable approval of Owner's lender) shall have the right to consent and agree to changes in, or to eliminate in whole or in part, any of the covenants or restrictions contained in this Agreement. Such changes or termination shall not require the consent of any easement holder, licensee, other mortgagee, trustee, beneficiary under a deed of trust or any other person or entity having any interest less than a fee in the Property.

14. DEFAULT. Upon a breach of any of the provisions of this Regulatory Agreement by Owner, the Agency may give written notice of such breach to Owner by registered or certified mail. To the extent reasonable under the circumstance, in the event of any breach, the Agency and Owner shall reasonably endeavor to identify a remedy for such breach by conference and conciliation. If such violation is not corrected to the satisfaction of Agency within thirty (30) days after the date such notice is mailed or within such further time as the Agency may reasonably determine is necessary to correct the breach, and without further notice to Owner, the Agency may declare a default under the Agreement, effective on the date of such declaration of default, and upon such default the Agency may: (a) take any action then available under the Funding Agreement for a default under the Funding Agreement and (b) apply to any court for specific performance of this Regulatory Agreement, for an injunction against any violation of the Agreement, for the appointment of a receiver to take over and operate the Property in accordance with the terms of this Regulatory Agreement, for money damages or for such other relief as may be appropriate. The injury to the Agency arising from a default under any of the terms in this Regulatory Agreement would be irreparable, and the amount of damage would be difficult to ascertain.

a. Agency may institute or prosecute in its own name, any suit Agency may consider advisable in order to compel performance of any obligation of any owner to develop and maintain the subject property in conformity with this Regulatory Agreement and to remedy any default of this Regulatory Agreement. Agency may also seek a decree requiring removal of any improvements constructed on the Property which improvements are designed for uses not permitted under this Regulatory Agreement and which improvements are suitable only for uses not permitted under this Regulatory Agreement.

b. The remedies of the Agency under this Regulatory Agreement are cumulative. The exercise of one or more of such remedies, including, without limitation, remedies under the Funding Agreement shall not be deemed an election of remedies and shall not preclude the exercise by the Agency of any one or more of its other remedies.

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

16. CONTRADICTORY AGREEMENTS. Owner warrants that he has not, and will not, execute any other agreement with provisions in contradiction or opposition to the provisions of this Regulatory Agreement, and that, in any event, the requirements of this Regulatory Agreement are paramount and controlling as to the rights and obligations stated and supersede any other requirements in conflict with this Regulatory Agreement.

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

18. **SEVERABILITY.** If any term or provision of this Regulatory Agreement shall, to any extent, be held invalid or unenforceable, the remainder of this Regulatory Agreement shall not be affected; provided that the intent of the Regulatory Agreement may then be reasonably fulfilled. In any event, the term or provisions shall be deemed to be invalid only as to the entity and circumstance for which it was held to be invalid.

19. **NO WAIVER.** No waiver by the Agency of any breach of or default under this Regulatory Agreement shall be deemed to be a waiver of any other or subsequent breach or default.

20. **NOTICES.** Written notices and other written communications by and between the parties shall be addressed to the Owner at the Owner Address and to the Agency at the Agency Address or such other address as each respective party has designated by written notice to the other party.

THE PARTIES HAVE EXECUTED THIS REGULATORY AGREEMENT in Sacramento, California as of the _____, 2012.

OWNER : COMMUNITY RESOURCES PROJECT

AGENCY: SACRAMENTO HOUSING AND
REDEVELOPMENT AGENCY

By: _____
Developer signatory
Developer signatory title

By: _____
LaShelle Dozier, Executive Director
Approved as to form:

Developer Counsel

Agency Counsel

[NOTARIZED ACKNOWLEDGEMENTS]

**EXHIBIT A
LEGAL DESCRIPTION**

All that certain real property situate in the County of California, State of California, described as follows:

Unincorporated Area

Lot 23, as shown on the "Plat of Camellia Park", recorded in the office of the County Recorder of Sacramento County, November 12, 1910, in Book 11 of Maps, Map No. 15

EXCEPTING THEREFROM:

The Easterly 110 feet.