



NOTICE OF REGULAR MEETING
**Sacramento Housing and
Redevelopment Commission**
Wednesday, September 5, 2018 – 6:00 pm
801 12th Street, 2nd Floor Commission Room
Sacramento CA

ROLL CALL

APPROVAL OF AGENDA

CITIZENS COMMENTS

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

APPROVAL OF MINUTES – August 15, 2018

PUBLIC HEARING

1. 2019 Annual Plan for the Housing Authority of the City of Sacramento (HACS) and the Housing Authority of the County of Sacramento (HACOS); Submission of the 2019 Annual Plan to the U.S. Department of Housing and Urban Development (HUD)

DISCUSSION/BUSINESS

2. Twin Rivers Transit Oriented Development And Light Rail Station Project: Approval To Request Bid Proposals For Infrastructure Construction And Enter Into Contracts; Amendment of the Choice Neighborhoods Implementation Grant Budget For Housing And Predevelopment; Related Loan Agreements

INFORMATIONAL PRESENTATIONS

3. Public Housing Asset Repositioning Strategy update
4. 2019 Sacramento Housing and Redevelopment Agency Budget Overview

EXECUTIVE DIRECTOR REPORT

COMMISSION CHAIR REPORT

ITEMS AND QUESTIONS OF COMMISSION MEMBERS

ADJOURNMENT

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

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



MINUTES

Sacramento Housing and Redevelopment Commission (SHRC)

Meeting of August 15, 2018

Meeting noticed on August 10, 2018

ROLL CALL

The Sacramento Housing and Redevelopment Commission meeting was called to order at 6:00 p.m. by Chair Macedo

MEMBERS PRESENT: Griffin, Johnson, Macedo, Morgan, Staajabu, Starks, Wedding

MEMBERS ABSENT: Alcalay, Creswell (two vacancies)

STAFF PRESENT: La Shelle Dozier, David Levin, Vickie Smith, Tyrone R. Williams, Sarah O 'Daniel, Celia Yniguez, Susan Veazey, Jim Shields, Angela Jones, Cecette Hawkins, LaTanna Jones

APPROVAL OF AGENDA – agenda approved as submitted.

CITIZENS COMMENTS

Jeffery Tardaguila provided comments.

Donald Clark provided comments.

APPROVAL OF MINUTES – August 1, 2018 minutes were approved.

DISCUSSION/BUSINESS

1. Authorization to Submit a Rental Assistance Demonstration (RAD) Program Application for properties owned by the Housing Authority of the City of Sacramento and the Housing Authority of the County of Sacramento

LaTanna Jones presented the item.

Commissioner Morgan motioned to approve the staff recommendation in the reports. Commissioner Griffin seconded the motion. The votes were as follows:

AYES: Griffin, Johnson, Macedo, Morgan, Staajabu, Starks, Wedding

NOES: None

ABSENT: Alcalay, Creswell (two vacancies)

ABSTAIN: None

INFORMATIONAL PRESENTATIONS

2. Status of SHRA Communication Strategy Recommendations

Angela Jones and Scott Crocker presented the item.

Chair Macedo recommended that a link to the communication strategy be placed on the website.

Commissioner Johnson requested information on the number of website visitors from 2017.

3. Twin Rivers - 12th Street Critical Community Improvements update

Rachel Hazelwood from the City of Sacramento presented the item.

EXECUTIVE DIRECTOR REPORT

Executive Director La Shelle Dozier made the following announcements:

- Next meeting will be on September 5th
- City Council held a housing workshop on August 14th that SHRA staff participated in. A second housing workshop is scheduled for September 18th and Commissioners will be invited and sent additional information about this workshop.

COMMISSION CHAIR REPORT

Chair Macedo requested that staff send out copies of the presentations to all members.

ITEMS AND QUESTIONS OF COMMISSION MEMBERS

Commissioner Griffin requested information on the status of vacant single family homes owned by SHRA in Rio Linda.

Commissioner Starks announced that he would like to have SMUD staff attend a future meeting to give a presentation about their programs to the commission.

ADJOURNMENT

As there was no further business to be conducted, Chair Macedo adjourned the meeting at 7:20 pm.

Clerk



September 5, 2018

Sacramento Housing and Redevelopment Commission
Sacramento, California

Honorable Members in Session:

SUBJECT 2019 Annual Plan for the Housing Authority of the City of Sacramento (HACS) and the Housing Authority of the County of Sacramento (HACOS); Submission of the 2019 Annual Plan to the U.S. Department of Housing and Urban Development (HUD)

RECOMMENDATION

Staff will recommend, at the September 19, 2018, meeting adoption of the attached resolution which: 1) certifies that the required public hearing has been held and comments have been received and considered, 2) approves the *2019 Public Housing Agency (PHA) Annual Plan* consisting of the *Public Housing Admissions and Continued Occupancy Policy* for both HACS and HACOS, and the *Administrative Plan* for the Housing Choice Voucher (HCV) program for HACOS only, 3) authorizes the Executive Director or her designee to make non-substantive changes to the *Plan* based on additional public comments, 4) authorizes the Executive Director or her designee to make changes to the *PHA Plan* as directed by HUD or required for compliance with the Quality Housing and Work Responsibility Act of 1998, 5) certifies that the plan is consistent with the *Consolidated Plan* per 24 Code of Federal Regulations (CFR) §903.15, and 6) authorizes the Executive Director or her designee to execute and submit all required documents for the submission and certification of compliance of the *2019 PHA Annual Plan* to HUD or to comply with the Quality Housing and Work Responsibility Act of 1998.

CONTACT PERSONS

LaTanna Jones, Assistant Director, Conventional Housing Program, 916-440-1334
Sarah O'Daniel, Assistant Director, Housing Choice Voucher Program, 916-440-1397
Cecette Hawkins, Management Analyst, Conventional Housing Program, 916-440-1658
MaryLiz Paulson, Management Analyst, Housing Choice Voucher Program, 916-449-6201

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SUMMARY

This report recommends consideration of the *2019 PHA Annual Plan (Plan)* for the Housing Authorities of the City (Attachment 1) and County (Attachment 2) of Sacramento (collectively "Housing Authority") that are consistent with the *Five-Year Consolidated Plan (2013-2019)*.

The *2019 PHA Plan* also consists of:

- *Public Housing Admissions and Continued Occupancy Policy (ACOP)* for the Housing Authority of the City of Sacramento (Attachment 3) ;
- *Public Housing Admissions and Continued Occupancy Policy (ACOP)* for the Housing Authority of the County of Sacramento (Attachment 4);
- *Administrative Plan for the Housing Choice Voucher program (Administrative Plan)* for the Housing Authority of the County of Sacramento (Attachment 5);
- *Capital Fund Plan Five-Year Action Plan* for the Housing Authority of the City of Sacramento (Attachment 6); and
- *Capital Fund Plan Five-Year Action Plan* for the Housing Authority of the County of Sacramento (Attachment 7).

These documents provide a comprehensive guide to the Housing Authority's policies, programs, operations, and strategies for meeting local housing needs and goals consistent with the Housing Authority's overall goals to improve operating efficiencies and services to residents. These documents can be found on the Sacramento Housing and Redevelopment Agency (SHRA) website at www.shra.org (click on "Transparency," then "Financial, Performance and Planning Documents," then "Public Housing Agency Plans and Reports" to access draft documents for 2019).

BACKGROUND

Applicable federal law and HUD regulations require that each Housing Authority develop and adopt a *Plan* and update it on an annual basis. The 2019 PHA Plan is an annual update to the Five-Year PHA Plan. The Housing Authority submitted its last Five-Year Plan to HUD in 2014 for 2015-2019. The next Five-Year Plan is due in 2019 for the 2020-2024 period.

Staff updated the programs' guiding policy documents after reviewing internal procedures, available funding and new HUD regulations. There are 14 changes proposed for 2019 (Attachment 8). They are organized as follows:

- 10 changes proposed by the Public Housing program; and
- 4 changes proposed by the Housing Choice Voucher (HCV) program.

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These proposed changes were presented to the Sacramento Resident Advisory Board (SRAB), which then solicited resident input about proposed changes to the policy documents and proposed changes at their public housing sites.

Notices announcing the 45-day public comment period and the location of the draft documents were published in local newspapers and posted on the website at www.shra.org.

The Annual Plan contains summaries of the proposed changes for 2019. The following policy documents have been revised to incorporate these changes:

- The Conventional Public Housing program's policies are contained in policy document called the *Admissions and Continued Occupancy Plan (ACOP)*.
- The Conventional Public Housing program's plan for the current year's utilization of Capital Grant funds are included in the *Capital Fund Five-Year Action Plan*, and
- The Housing Choice Voucher (HCV) program's policies are contained in the *Administrative Plan*.

Proposed changes to the 2019 ACOP include:

- 1) Individuals applying for housing assistance who are in the midst of legal processes due to criminal behavior will have their eligibility process delayed until a decision is made on the criminal charges.
- 2) Requests for medical deductions for unreimbursed medical expenses will be considered based on the documentation provided and verified prior to the recertification. Additional documentation can be presented and a deduction may be granted through the interim recertification process.
- 3) Addition of language about the process that the PHA will follow when a rental unit is believed to be abandoned and language related to charges that will be applied when keys are not surrendered in a timely manner.
- 4) Addition of clarifying language about the tenant's responsibility for gardening around their home (when approved).
- 5) Guidance regarding the storage of combustible items is addressed.
- 6) Addition of language requiring that families must request a translator for an informal hearing at least five business days in advance of the hearing date.
- 7) Increase in the minimum payment for repayment agreements from \$10 per month to \$25 per month.
- 8) Addition of language regarding the time frame for termination of tenancy for families not in compliance with the community service requirement.
- 9) Addition of language stating that families or individuals cannot be discriminated against due to genetic information.
- 10) Update to the Marijuana Policy.

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Information on all changes can be found in the attached *Proposed Changes to the 2019 ACOP and HCV Administrative Plan* document (see Attachment 8).

Proposed changes to the 2019 HCV Administrative Plan include adding:

- 1) A “lease in place” preference. This preference will give priority to families on the wait list whose landlords provide certification that they will accept the voucher subsidy and allow the resident to remain in the unit. This preference will only be utilized when the HCV leasing rate falls below 97%. This will allow families to utilize the voucher more quickly by allowing the Housing Authority to increase the voucher utilization rate and preserve funding.
- 2) Language defining the maximum term of homeownership allowed by regulation.
- 3) Information about the Family Self-Sufficiency Program.
- 4) Language applying 218 PBV to newly constructed housing units at Twin Rivers to replace the 218 units of public housing to be demolished without engaging in a competitive process.

Information on all *proposed* changes can be found in the attached *Proposed Changes to the 2019 HCV Administrative Plan and ACOP* document.

FINANCIAL CONSIDERATIONS

The *Capital Fund Program (CFP) Five-Year Action Plan* identifies the anticipated annual allocations from HUD and the proposed uses for those funds. The 2019 Annual Plan (CFP) updates the Five-Year Action Plan and makes annual adjustments for funding realities. The recommended action before the Commission requires no additional funding consideration.

POLICY CONSIDERATIONS

The Public Housing Authority complies with applicable federal laws and regulations, including the *Quality Housing and Work Responsibility Act of 1998 (QHWRA)*.

ENVIRONMENTAL REVIEW

The *Capital Fund Program Five-Year Action Plan (2015-2019)* was previously analyzed in accordance with CEQA and NEPA. All programs included in the *Five-Year Action Plan* were found to be Exempt under CEQA Guidelines and Exempt or Categorically Excluded under NEPA Guidelines. The actions proposed in this *2019 Annual Plan* are in support of the Five-Year Plan.

California Environmental Quality Act (CEQA): The recommended actions are considered administrative and therefore determined not to be a project subject to provisions of CEQA per 14 California Code of Regulations (CCR) §15378(b)

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Changes to the *PHA Annual Plans* are administrative and are therefore determined not to be a project subject to provisions of CEQA per 14 CCR §15378(b).

Changes to the Capital Fund Program involve adjustments for funding realities only, and do not propose any new projects. The Capital Fund Program identifies projects which are “contemplated actions,” and does not demonstrate a commitment of funds. Prior to implementation of any particular activity (or aggregated activities) identified in the Annual Plan that has not previously undergone environmental review, environmental clearance will be conducted in accordance with CEQA Guidelines.

National Environmental Policy Act (NEPA): The recommended actions are considered administrative and therefore determined to be Exempt from NEPA per 24 CFR §58.34(a)(3), “administrative and management activities”. Changes to the Capital Fund Program involve adjustments for funding realities only, and do not propose any new projects. The Capital Fund Program identifies projects which are “contemplated actions,” and does not demonstrate a commitment of funds. Therefore, the activities contemplated in the *Annual Plan* are considered Exempt according to 24 CFR §58.34(a)(1), “environmental and other studies, resource identification, and the development of plans and strategies.” Prior to implementation of any particular activity identified in the *Annual Plan* that has not previously undergone environmental review environmental clearance will be conducted in accordance with NEPA regulations.

M/WBE AND SECTION 3 CONSIDERATIONS

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

Respectfully submitted,

LA SHELLE DOZIER
Executive Director

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Attachments (Available www.shra.org)

Attachments 1 - 7 are on file with the Clerk. Attachments 9, 10, 11 and 12 will be included with the Staff Report of September 19, 2018.

1. City of Sacramento 2019 Annual PHA Plan
2. County of Sacramento 2019 Annual PHA Plan
3. Public Housing Admissions and Continued Occupancy Policy (ACOP)-City
4. Public Housing Admissions and Continued Occupancy Policy (ACOP)-
County
5. Housing Choice Voucher Program Administrative Plan
6. Capital Fund Program Five-Year Action Plan - City
7. Capital Fund Program Five-Year Action Plan – County
8. Proposed Changes to the 2019 ACOP and HCV Administrative Plan
9. *Sacramento Resident Advisory Board Comments*
10. *Legal Services of Northern California (LSNC) Comments*
11. *SHRA's response to LSNC Comments*
12. *Resolution*

PROPOSED CHANGES 2019 Public Housing Authority Plan (ACOP and Administrative Plans)

The Public Housing Authority (PHA) must define any significant changes to its policies or plans. The PHA defines a “substantial deviation” and “significant amendment/modification” as any change in policy which significantly and substantially alters the Authority’s stated mission and the persons the Authority serves. Some of the proposed changes below have not been deemed “significant”.

New language is indicated in red. Deleted language is shown in ~~strikeout~~.

There are 13 proposed changes to the 2019 PHA Plan described below: there are 10 changes in the ACOP and 3 changes in the Administrative Plan.

ADMISSIONS AND CONTINUED OCCUPANCY POLICY (ACOP)

1. Chapter 2 – Eligibility for Admission, Page 4

A. Factors Affecting Admissions

Criminal Screening Criteria

Admission of applicants with any current criminal charges may be delayed pending a final court decision on the charges or other disposition of the case (e.g. by plea bargain). After the final court decision, the applicant’s case will be reviewed to determine whether the applicant meets all admission criteria.

All families must meet or exceed the tenant selection and suitability criteria set forth in this chapter. The PHA will not consider any convictions that are more than three years old, provided no other criminal activity has taken place in the interim.

~~The PHA will not consider any convictions that are over three years old provided no other criminal activity has taken place in the interim. The PHA will consider mitigating circumstances.~~

Explanation of Change: This language was added to be consistent with the Housing Choice Voucher Program’s Administrative Plan.

2. Chapter 7 – Verification Procedures, Page 13

G. Verification of Allowable Deductions from Income

Unreimbursed Medical Expenses (24 CFR§ 5.611(a)(ii))

Families who claim unreimbursed medical expenses will be required to submit a certification as to whether such expenses have been, or will be, reimbursed by an outside source (e.g. medical insurance). **All documentation required to grant the medical expense deduction(s) must be presented to the PHA prior to the deduction being granted. If the documentation is not presented to the PHA prior to the effective date of recertification, any unverifiable medical expense deductions will not be granted and the recertification will be deemed complete. The family may produce additional information regarding their medical expenses so that a deduction may be granted through an interim recertification.**

Explanation of Change: This language was added at the request of the PHA's Legal Counsel.

3. Chapter 8 – Transfer Policy, Page 5

TRANSFER VACATE CHARGES

Residents with approved transfers are allowed three days of overlap between the unit transferred from and the unit transferred to. The resident will sign an agreement that will specify that the keys to the former unit must be returned within three (3) days or he or she will pay a \$25.00 daily **storage fee charge**, ~~for a maximum of 7 days. On the 8th day, the PHA will consider the unit surrendered and any personal property or belongings remaining in the former unit will be disposed of in accordance with state law.~~ **On the fourth (4th) day following the transfer date, PHA will issue a Notice of Belief of Abandonment and will continue charging a \$25.00 daily fee until unit keys are surrendered and/or the notice expires, whichever occurs first.**

Explanation of Change: Removed maximum number of days that charges can be levied, 7 days was considered to be short. Notice of Belief of Abandonment issuance will allow the removal, or proper disposal, of any items left behind after resident has taken possession of their new unit and has shown no interest in the items left behind in their former unit.

4. Chapter 9 – Leasing, Page 7

S. Gardening

If After receiving written approval, the resident ~~fails to~~ **will** water and keep **the garden** weed free. ~~they will be charged for clean up of any debris and the use privilege will be withdrawn.~~ **In addition, the resident must ensure that their garden plants or trees do not touch any part of the PHA's buildings or structures.** All watering must be supervised by the resident and no free flowing hoses allowing water to run across sidewalks and into street gutters will be allowed. **Failure to maintain their garden spaces may result in charges to have any debris cleaned, and the potential revocation of their garden privileges.** Residents that have been given written approval for gardening in planter areas may be provided a placard stating "Maintained by Tenant" to be placed in the planter area.

Explanation of Change: Gardening language was added for clarity to our residents, upon the request of the Resident Advisory Board. Added language from REAC standards in regards to building clearances and vegetation. Added language for the Agency to have recourse in the event that a garden is not maintained.

5. Chapter 9 – Leasing, Page 7

Y. OPEN FLAME COOKING DEVICES

The PHA will follow the regulation enforced by the local fire departments in the Sacramento region - California Fire Code, Section 308.3.1

Charcoal burners and other open-flame cooking devices shall not be operated on any balconies or within 10 feet of any PHA building. Exceptions include an electric barbecue and propane fueled cooking device not greater than one (1) pound gas liquid propane capacity.

Tanks, charcoals and charcoal fluid cannot be stored on the inside of a dwelling unit or on the balcony, or within 10 feet of combustible construction or inside of any enclosed structure.

Explanation of Change: This language was added to clarify housekeeping standards for residents.

6. Chapter 13 – Complaints, Grievances, and Appeals, Page 3

PROCEDURE FOR REVIEW FOR APPLICANTS

Except where applicants can demonstrate good cause for delay, a written request for an informal review must be received by the PHA no later than 15 days (by the close of the business on the 15th day) from the date of the PHA's notification of denial. The informal review will be held within sixty (60) days from the date the request is received.

The informal review will not be conducted by the person who made or approved the decision under review.

The applicant will be given the option of presenting oral or written objections to the PHA's decision. The PHA will provide a translator to assist with the informal review upon request, **the family must make the request to the PHA at least five (5) business days prior to the hearing.** Both the PHA and the family may present evidence and witnesses. The family may use an attorney or other representative to assist them at their own expense; however, the family must notify the PHA at least five business days prior to the hearing if the family plans to be represented by an attorney.

Explanation of Change: There previously was not a specified timeframe for the family to make the request for a translator. The contractor that the Agency works with requires 5 business days of advance notice in order to provide the required translation services.

7. Chapter 14 – Family Debts to the PHA, Page 1

A. REPAYMENT AGREEMENTS FOR FAMILIES

The maximum length of time the PHA will enter into a repayment agreement with a family is twelve (12) months unless otherwise specified and approved by the PHA.

The minimum monthly amount of monthly payment for any repayment agreement is ~~ten dollars (\$10)~~ **twenty five dollars (\$25)**.

Explanation of Change: A \$10 minimum charge would result in numerous repayment agreements with a duration of more than 12 months, which is contrary to the maximum length policy.

8. Chapter 15 – Community Service and Self-Sufficiency, Page 3

D. NON-COMPLIANCE OF FAMILY MEMBERS

If the PHA determines that a family member is required to fulfill a service requirement, but the family member has failed to do so, the PHA will send the family a notice describing the noncompliance at least 30 days prior to the end of the lease.

In the event of noncompliance, the lease will end unless:

- The family provides proof that the non-compliant resident is no longer in the unit or
- The non-compliant family member and the Head of Household sign an agreement with the PHA to make up the deficient hours over the next twelve- (12) month period. The agreement will stipulate the number of hours the family member is required to perform each month. Staff will monitor these agreements to ensure that the family member is complying with the agreement. Non-compliance with the make-up agreement will result in termination **of tenancy at the end of the current 12-month lease**. The PHA will issue a 30-day notice **of termination** based on violation of this agreement.

Explanation of Change: Provided clarity of when the termination would happen in the event of non-compliance. It was not specified previously.

9. Chapter 20 – Reasonable Accommodation Policy and Procedures, Page 1 and 2

A. FAIR HOUSING POLICY

The PHA will not deny any family or individual the opportunity to apply for or receive assistance under the public housing program on the basis of race, color, sex, religion, creed, national or ethnic origin, age, familial or marital status, disability, **genetic information**, sexual orientation or gender identity.

Explanation of Change: This language was added to be consistent with the Federal Fair Housing Act of 2008.

10. Chapter 22 – Marijuana Policy, Page 3

Chapter 22: MARIJUANA POLICY

(Effective September 1, 2019)

While **use and** possession of marijuana is no longer a crime under California law (~~with the proper permit~~), its possession is still illegal under federal law. When a state law is in conflict with a federal law, the federal law prevails. Thus, under federal law, **use and** possession of marijuana ~~for medical and/or non-medical purposes~~ constitutes a crime.¹

The Sacramento Housing and Redevelopment Agency (SHRA) utilize leases that prohibit any criminal activity that threatens the health, safety, or right to peaceful enjoyment of the premises by other tenants. Furthermore, any drug-related criminal activity on or off such premises, engaged in by a public housing resident, any member of the resident's household, or any guest or other person under the resident's control, shall be cause for termination of tenancy. The ~~possession, use, cultivation, growing, sale, barter, purchase or exchange of marijuana~~ is a serious violation of the lease ~~between the PHA and the resident~~.

Admissions:

All forms of marijuana use, ~~including the use of "medical marijuana"~~ are illegal under federal law even if it is permitted under state law.² SHRA will deny admission to any household with a member who is, at the time of application for admission, illegally using a controlled substance as that term is defined by the federal *Controlled Substance Act* (CSA).

¹ The Controlled Substances Act (CSA), 21 USC Section 801 et. seq. categorizes marijuana as a Schedule 1 substance and therefore the manufacture, distribution or possession of marijuana is a federal criminal offense.

² The Controlled Substances Act (CSA), 21 U.S.C. Section 801 et. seq.

Reasonable Accommodation:

SHRA will not ~~grant~~ accommodate a resident's ~~request to use and/or possession of~~ medical marijuana as a reasonable accommodation, as it would not be reasonable for the PHA to allow a resident with disabilities to violate the law as a reasonable accommodation. As such, the PHA will not tolerate illegal drug use in or on its residential units or allow Housing Choice Voucher (HCV) participants to engage in such illegal drug units on or around their assisted units. **It is illegal for a person to use or possess marijuana under federal law. Reasonable Accommodations do not include requiring SHRA to tolerate illegal drug use or risk losing its HUD funding for doing so.**

Medical Expense Deduction:

HUD regulations require that when calculating a disabled tenant's adjusted income, a PHA must deduct from annual income the "un-reimbursed medical expenses of any elderly or disabled family" that exceed three percent (3%) of annual income.³

Because the use, possession, ~~trafficking,~~ and sale of ~~medical~~ marijuana are violations of federal law, a disabled resident cannot deduct from his/her annual income monies used to purchase medical marijuana, ~~regardless of whether they have a state permit to use or purchase medical marijuana~~. However, the IRS specifically states that a person "cannot include in medical expenses amounts [paid] for controlled substances (such as marijuana, laetrile, etc.), in violation of federal law."

Non-Smoking Facility Policy (ACOP):

PHA policy prohibits residents, or other occupants, and their guests from smoking **pipes, cigars, cigarettes or marijuana** in their ~~public housing~~ units. In addition, the PHA will not allow smoking in internal common areas **or marijuana smoking in designated smoking areas** within its Public and Affordable Housing properties. As a responsible landlord, SHRA has ~~designated~~ **identified the** internal common areas as smoke-free zones **to take into** consideration of ~~the health and safety rights~~ of residents, visitors, staff, and vendors who enter private residential dwellings and enclosed common areas. Compliance with smoke-free housing rules by all residents and their visitors, including staff and vendors, will benefit everyone who accesses these areas.

Smoking is prohibited inside residential units, any common interior areas, including but not limited to hallways, laundry rooms, stairways, elevators, and within 25 feet of building(s) including entry ways, porches, balconies, windows, and patios. This policy applies to all staff, tenants, guests, visitors, and contractors.

³ 24 CFR 5.611(a)(3)

Explanation of Change: Updated Medical Marijuana Policy. Most of the changes were removing medical from the marijuana policy to include all Marijuana whether medicinal or recreational.

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Administrative Plan 2018

1. Chapter 4, Establishing Preferences and Maintaining the Tenant Based Voucher Wait List, page 4-3

The PHA reserves the right to verify the authenticity of any document it deems to be questionable.

- 1) (5 points) Residency preference for families who live, work, or have been hired to work in Sacramento County, or any political subdivision thereof. The PHA will verify residency accepting one of the following:
 - a) Lease agreement in the applicant's name showing an address in the city or county of Sacramento and proof that they still reside there.
 - b) Copy of current utility bill in applicant's name.
 - c) Proof of employment in the City or County of Sacramento.
 - d) Written documentation from a government agency such as the Department of Human Assistance, DMV or Social Security Administration certifying to the applicant's residency and address in the city and county of Sacramento. Must have two of these letters.
 - e) If homeless, a referral from a homeless provider in the City or County of Sacramento verifying residency or a self-certification indicating specific current nighttime sleeping location and one piece of mail from number d) above issued to the applicant.

- 2) (3points) Veteran preference to a household containing a veteran, a person who has served in the active military, reserves, or National Guard who was called to active duty by a federal order of the United States at any time and who has been other than dishonorably discharged or released from service.

- 3) (2 points) Permanently disabled preference for families who have a member with a permanent disability. The applicant family must supply one of the following:
 - a) A Social Security Disability (SSD) or Supplemental Security Income (SSI) letter from the Social Security Administration verifying the disability status. The SSD or SSI printout must state the person is disabled or have the SSD or DI mark which is typically located at the top right of the SSA or SSI print out next to the person's name. A person may receive SSD or SSI simply because they are elderly which would not qualify them for the Disabled Preference.
 - b) *Certification of Disability* form completed by a medical professional.

- 4) **(2 points) Lease In-Place**
In the event the HCV leasing rate falls below 97%, preference will be given to families on the waiting list who are willing and able to lease in place. Families

who are considered to be living in-place are those who reside in a unit where the landlord will certify they will accept the HCV program. They must have resided in unit for the past three months and must remain in the unit for a period of no less than one year after assistance starts. The unit must meet all other program requirements in order to qualify for the preference.

Explanation of Change: This is a newly added preference that will allow the PHA to house families more quickly and better utilize funding.

2. Chapter 19 Special Housing Types, page 19-14

Maximum Term of homeownership assistance/ Time Limits CFR 982.634

The maximum terms during which a family can receive homeownership assistance are:

- 15 years if the initial mortgage has a term of 20 years or longer.
- 10 years in all other cases.

Time limit applies from the initial purchase, regardless of whether the family moves to a new unit.

Time limits do not apply to elderly and disabled families. The family must be considered an elderly family at the start of homeownership assistance. In the case of a disabled family, the exception applies at any time during receipt of homeownership assistance the family qualifies as a disabled family.

Explanation of Change: This added information matches federal regulations.

3. ADDENDUM #1- THE FAMILY SELF-SUFFICIENCY (FSS) PROGRAM

Explanation of Change: This section was added to the Administrative Plan to mirror the FSS program in Public Housing. The consistency in programs and policies enables participants to be subject to the same annual review process in both departments.

4. Chapter 21 Project-based Housing Choice Voucher Program, page 21-2

B. PROPOSAL SELECTION PROCEDURES

Non-Competitive Process

A PHA may provide PBV assistance to improve, develop, or replace a public housing property or property that it controls or has an ownership interest in without using a competitive process (H.R. 3700 Housing Opportunities Through Modernization Act

of 2016, Section 106). The PHA is involved in two such projects: Bainbridge and Twin Rivers.

~~Additionally, the PHA may add units to a PBV HAP Contract without engaging in a competitive process in order to preserve funding or provide additional resources to serve homeless families.~~

The PHA is disposing of one public housing property that it owns and is under a public housing Annual Contributions Contract. Per HUD regulations, the disposed unit must be replaced on a one-for-one basis in the community. The PHA intends to apply a project-based voucher to a unit of housing owned by the PHA but not receiving HUD assistance without using a competitive process (per PIH 2017-21, page 48). Specifically, the unit at 3380 Taylor Street, Sacramento will receive a project based voucher contract without following a competition so that the unit at 3867 Bainbridge Drive, North Highlands, a unit under a public housing Annual Contributions Contract, can undergo disposition.

~~Additionally, the PHA is replacing public housing located at Twin Rivers with mixed income housing and plans to apply 218 PBV to the newly constructed housing at this site in order to preserve affordable housing. The Choice Neighborhood Initiative (CNI) at Twin Rivers is a large effort to transform obsolete public housing to rebuild mixed income housing to create a vibrant service-rich community that is well integrated with the surrounding neighborhood.~~

~~The PHA may also add units to a PBV HAP Contract without engaging in a competitive process in order to preserve funding or provide additional resources to serve homeless families.~~

Explanation of Change: This section was added to include the demolition and new construction and subsequent application of project-based vouchers to the newly constructed units located at the Twin Rivers site based on the Choice Neighborhoods Initiative (CNI).



August 30, 2018

Sacramento Housing and
Redevelopment Commission
Sacramento, CA

Honorable Members in Session:

SUBJECT:

Twin Rivers Transit Oriented Development and Light Rail Station Project: Infrastructure
Construction and Amendment to Choice Neighborhoods Implementation Grant

SUMMARY

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

Respectfully submitted,


LA SHELLE DOZIER
Executive Director

Attachment

**COUNTY OF SACRAMENTO
CALIFORNIA**

For the Agenda of:
September 11, 2018
10:00 a.m.

To: Housing Authority of the County of Sacramento

From: Sacramento Housing and Redevelopment Agency

Subject: Twin Rivers Transit Oriented Development And Light Rail Station Project: Approval To Request Bid Proposals For Infrastructure Construction And Enter Into Contracts; Amendment of the Choice Neighborhoods Implementation Grant Budget For Housing And Predevelopment; Related Loan Agreements

Supervisory District(s): Serna

Contact: Tyrone Roderick Williams, Director, 916-440-1316
Susan Salley Veazey, Assistant Director, 916-440-1311

RECOMMENDED ACTION

Adopt a Housing Authority of the County of Sacramento Resolution:

1. Authorizing Sacramento Housing and Redevelopment Agency (SHRA) as previously approved project manager to act on behalf of the Housing Authority of the County of Sacramento (HACOS) to issue a bid proposal for the demolition of existing public improvements and construction of new infrastructure for the Project.
2. Approving the allocation of Twin River Choice Neighborhood Implementation (CNI) grant funds including (a) \$7,000,000 for Phase 1 Housing to be loaned to Twin Rivers Phase 1, L.P. for eligible housing development and construction purposes, (b) utilize up to \$1,907,000 of the \$7,000,000 Phase 1 Housing funds as a Predevelopment Loan for remaining Phase 1 Housing predevelopment costs to be disbursed as needed prior to closing on other debt and equity sources, and (c) up to \$3,818,000 as a Predevelopment Loan to Twin Rivers Phase 2, L.P. for eligible Phase 2 Housing predevelopment costs. Funds to be disbursed as needed prior to closing on other debt and equity sources.
3. The Executive Director or her designee is authorized to make any budget adjustments, and execute related documents and agreements as necessary to carry out the proposed projects as described in this resolution and accompanying staff in compliance with applicable federal laws and regulations.
4. Subject to approval from HUD, authorizing HACOS to enter into and execute (a) Predevelopment Loan documents with Twin Rivers Phase 1,

L.P. to use up to \$1,907,000 of CNI grant funds for eligible predevelopment costs of Phase 1 Housing as needed prior to closing on other debt and equity sources for this phase; (b) Predevelopment Loan documents with Twin Rivers Phase 2, L.P. to use up to \$3,818,000 of CNI grant funds for eligible predevelopment costs for Phase 2 Housing as needed prior to closing on other debt and equity sources for this phase.

BACKGROUND

The Twin Rivers public housing development is located in the City of Sacramento (Attachment 4 – Vicinity Map) but is owned by the Housing Authority of the County (HACOS). It consists of 218 public housing units and has existed as an isolated and disconnected community, cut off from the surrounding area by railroad tracks, levees, and rivers, with limited connections via rail, road, or other means of transit to other parts of the community. Constructed primarily between 1942 and 1946, many of the systems and infrastructure at Twin Rivers have reached the end of their useful lives.

In 2015, HACOS as lead applicant and the City of Sacramento as co-grantee were awarded a \$30 million Choice Neighborhoods Implementation Grant (Grant) for the Twin Rivers Transit Oriented Development and Light Rail Station Project (Project). This Grant supports the implementation of a new housing program and master plan for Twin Rivers (Attachment 5 – Conceptual Site Plan) which among other things includes one-for-one replacement of all 218 Twin Rivers public housing units within a newly constructed, mixed-income community. When complete, the Project will include a minimum of 487 mixed-income rental housing units with supporting amenities, a new public park, and a new light rail station.

Actions necessary to implement the Project include ongoing resident services, relocation of residents, demolition and abatement of all buildings and existing infrastructure, construction of new infrastructure, construction of a dual-use community park, and construction of new mixed-income rental housing units with all related amenities. The housing units will offer a mix of housing types with replacement housing units for public housing residents being indistinguishable from and intermixed with affordable and market rate units. The new housing will feature energy-efficient design, accessibility for people of all abilities, and will give residents an unprecedented opportunity to re-engage not only with the local neighborhood but also with all parts of the City and region.

In December 2017, HACOS and the City of Sacramento approved the Master Development Agreement (MDA) for the Project between HACOS and McCormack Baron Salazar, Inc. (MBS) as the Master Developer (Resolution HA-2416). HACOS responsibilities under the MDA include but are not limited to relocation of existing residents, demolition and abatement of the existing buildings, as well as the demolition and replacement of all existing infrastructure at the Project.

Infrastructure Construction

Infrastructure work on the existing Twin Rivers public housing development is currently planned to take place in two over-lapping phases. The first phase of infrastructure-related work includes demolishing approximately 67 percent of the existing public improvements and the construction of three new streets (currently referred to as B Street, C Street and W Street), including all new infrastructure necessary to support the first two phases of new residential development (255 new housing units encompassing three blocks). This first phase of infrastructure is anticipated to begin as early as November of 2018 and will take approximately 10 months to complete.

The second phase of infrastructure construction will take approximately four months to complete and is anticipated to begin as early as March of 2019 after residents in phase two of the Project have been relocated and the 32 existing structures in that phase abated and demolished. The second phase includes demolition of the remaining public improvements and the construction of the remaining stretches of C and W Streets at the southern Project boundary. The second phase of infrastructure work is needed to support the remaining two blocks of new housing and additional amenities for the Project.

Onsite (within the boundary of the existing development) infrastructure includes constructing three new streets. Improvements within these streets will include curbs, gutters, sidewalks, driveways, landscaping, parallel parking, and traffic lanes. Additionally, Streets C and W will include bike lanes. Street W will include a center turn lane. An emergency vehicle access road will be constructed between Street W and Richards Boulevard. Street lights will be installed throughout the project area. Wet and dry utilities will be installed under roads to provide the increased capacity needed for the larger Project. These utility improvements will include public water main, storm water and sanitary sewer improvements. An underground storm water detention system will be installed within the public park to mitigate for increased storm drain flows directed to the separated storm drain system.

Storm water quality for storm drain runoff will be treated through the use of storm water planters installed within the public right of way.

Offsite infrastructure required to support the Project includes widening Dos Rios Street adjacent to the Project frontage to provide a striped center turn lane, on-street parking and future Class II bike lanes. A portion of the existing combined storm-sewer public main line within Dos Rios will be increased from a 10" public main line to a 15" public mainline. Existing Richards Boulevard street improvements adjacent to the Project frontage will be improved with a new public bus pull out, as well as new curb, gutter, sidewalk and related landscaping improvements.

Infrastructure Financing

The total cost of infrastructure needed for the Project is currently estimated at \$19.5 million. Approximately \$14.1 million of the total will be needed for the first phase of infrastructure with the balance needed to complete the second phase.

SHRA approved \$2.34 million of City housing successor funds for infrastructure. SHRA and MBS have been working jointly to identify sources of funds for the remaining \$17.2 million needed for infrastructure. Typical infrastructure financing programs that require repayment from property assessments were not deemed feasible for the Project as a majority of the units will be designated low-income housing and will not generate sufficient cash flow to pay property assessments typically used to repay these funding sources.

To date, four competitive financing applications have been submitted by SHRA and MBS for sources appropriate for the Project. These sources include the Transformative Climate Communities (TCC), Affordable Housing and Sustainable Communities (AHSC), Infill Infrastructure Grant (IIG), and Urban Greening Grant (UGG) competitive financing programs. Unfortunately, notifications have been received from all indicating the Project was not successful in the current funding rounds.

To ensure a non-competitive source of funds is readily available for infrastructure when needed, in May of 2018 SHRA received approval from the Housing Authority of the City of Sacramento (HACS) and the Sacramento City Council (Housing Authority Resolution No. 2018-0005 and City Council Resolution No.2018-0207) to submit a \$16.49 million loan application to HUD under its Section 108 loan program to finance the infrastructure. Pursuant to HUD regulations the Section 108 loan is an obligation against

the City's annual Community Development Block Grant (CDBG) entitlement. The loan amount requested is the maximum amount that HACS can currently borrow under the program.

The completed Section 108 application was submitted to HUD in June and formal written approval from HUD for the full amount requested was received on July 31, 2018. To reduce the impact of loan payments on future allocations of City CDBG, SHRA and MBS intend to continue to identify and apply for other sources of financing for the infrastructure work of the Project. The amount of the \$16.49 million Section 108 loan funds actually utilized (borrowed) will be limited to the amount actually needed to complete infrastructure construction that cannot be obtained from other sources.

Infrastructure Contract

Subject to governing board approval SHRA, as designated Project Manager, is proposing to act on behalf of HACOS to issue a request for bid proposals for one or more contracts for the demolition of existing public utilities and construction of all new infrastructure for the Project. Under its procurement policy and federal procurement regulations, SHRA is required to accept the qualifying low bid. Once the bid proposal(s) has(have) been accepted, SHRA is proposing to enter into one or more contracts with the qualifying low bidder(s) to complete the infrastructure demolition and construction of new infrastructure for the lowest possible cost.

Subject to governing approval, SHRA is also proposing to act on behalf of HACOS to manage the infrastructure construction contracts. SHRA, currently managing the building demolition contract at the Project, has extensive experience in managing construction contracts and overseeing large construction projects. SHRA has experienced/licensed construction management staff, including but not limited to a licensed architect, licensed engineer, and an experienced team of construction managers that will be specifically assigned to the Project. SHRA construction management staff has an extensive history of managing both multifamily housing rehabilitation and public improvement construction projects ranging in size from \$500,000 to \$13.9 million. Infrastructure projects managed by SHRA range in contract value from \$593,000 to \$5 million and include the design and construction of all new infrastructure in Del Pas Nuevo Phase 6, a 10.5 acre, 72 home subdivision which was completed at a cost of \$5 million on time and within budget.

Choice Neighborhoods Grant Allocation to Phase 1 Housing

This report also requests approval to allocate \$7 million of CNI grant funds in the form of a loan to Twin Rivers Phase 1, L.P. to assist with financing the first phase of housing development and construction (Phase 1 Housing). See Attachment 6 – Detailed Site Plan.

In conformance with the CNI grant and Twin Rivers Neighborhood Transformation Plan design requirements, Phase 1 Housing (Block A) will include a mixture of townhomes, multi-story multifamily and garden-style walk-up buildings with a total of eight buildings, 77 on-grade parking spaces, and 104 mixed-income units ranging in sizes from 1-4 bedrooms with 1-2.5 bathrooms. This housing phase will also contain a majority of the large amenities intended for use by the entire 487-unit Twin Rivers community, including property management and resident services offices, two resident community rooms, a fitness center, a business center with WiFi, swimming pools, electric car share and barbeque areas.

As with all phases of housing in the Twin Rivers transformation project, this phase will be a mixed-income community with public housing replacement and low-income tax credit units indistinguishable from and intermixed with the market rate units planned for the Project. Phase 1 Housing will have a total of 42 public housing replacement units using project-based vouchers approved by HUD to ensure the units remain affordable to residents with incomes at or below 30 percent of Area Median Income (AMI). In addition, this phase will include 50 tax credit units including 24 restricted to households up to 80 percent AMI and 26 units restricted to 60 percent AMI. This phase will also include 11 of the 25 total Veterans Administration Supportive Housing vouchers allocated to the Project, as well as one unrestricted manager's unit.

Financing for Phase 1 Housing primarily includes a gap financing loan from SHRA in the amount of \$7.0 million, \$26.0 million in tax-exempt mortgage revenue bond financing during construction which will convert to a \$5.0 million permanent first mortgage. The developer is also applying for up to a \$10.0 million loan from the California Department of Housing and Community Development (HCD) under the National Housing Trust Fund program for this phase. As co-grantee, on January 9, 2018 the City of Sacramento also approved the use of \$7.0 million in CNI grant funds for this phase. The equity contribution from the limited partner investor is estimated at approximately \$19.0 million.

Choice Neighborhoods Grant Allocation to Predevelopment

This report requests approval to allocate CNI funds for eligible predevelopment purposes for Phase 1 and Phase 2 housing development in the form of predevelopment loans to the low-income housing tax credit partnerships formed for each phase. Of the \$7 million of CNI funds requested for allocation to Twin Rivers Phase 1, L.P., this report requests that up to \$1.9 million be allocated for use to pay the remaining eligible predevelopment expenses prior to closing. The total predevelopment budget for this phase is estimated at \$3.6 million of which \$1.7 million of MBS funds has been expended to date. Approving the use of up to \$1.9 million of CNI funds for predevelopment purposes will cover the estimated remaining balance of the predevelopment costs and ensure closing on this phase so housing construction can commence.

In addition, the report also requests approval to allocate up to \$3.8 million in CNI Housing Funds in the form of a predevelopment loan to Twin Rivers Phase 2, L.P. for the second phase of housing development (Blocks B and C). MBS has expended \$1.3 million to date as master developer on housing-related predevelopment expenses in relation to Phase 2 Housing but will need additional funds to complete predevelopment activities related to this second phase. Although Block B of this phase is fully entitled, Block C has since been added to this construction phase to accelerate the construction schedule and gain some additional construction efficiencies. The additional predevelopment funds requested for Phase 2 primarily relate to the addition of Block C to this phase, which is not yet fully developed or entitled.

The additional predevelopment funds requested for the first two phases of housing (includes 255 housing units covering three blocks, as well as community amenities and management offices for the entire Twin Rivers project) will enable these two phases to close so that housing construction can commence. With multiple phases of housing, all new infrastructure, and a new public park all being developed concurrently, existing sources of predevelopment funds have been exhausted. The CNI Housing predevelopment funds will be loaned by HACOS to the tax credit partnerships established for each of the first two housing phases through Predevelopment Loan Agreements (Attachments 2 and 3) and will allow the project to continue to move forward without additional delay.

COMMISSION ACTION

It is anticipated that, at its meeting of September 5, 2018, the Sacramento Housing and Redevelopment Commission will approve the staff recommendation for this item. Staff will notify the Board in the event this does not occur.

POLICY CONSIDERATIONS

HUD has approved a five-year Public Housing Authority Plan affirming Twin Rivers as a public housing development designated for demolition and disposition. The recommended actions in this report are also consistent with the County's commitment to the Housing Authority Asset Repositioning Guidelines and the County's executed CNI Grant Agreement for the Twin Rivers/River District-Railyards Initiative. The proposed Project will not only preserve 218 affordable housing units, it will also create a minimum of an additional 269 affordable and market rate units, new amenities, improved access to services, as well as new mobility options to include bike share, electric car share, car charging stations, and the construction of a new light rail station on 12th Street in Block F of the Project. The recommended actions are also consistent with SHRA's Multifamily Lending and Mortgage Revenue Bond Policies, Priority 1 – Preservation.

ENVIRONMENTAL REVIEW

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

M/WBE/SECTION 3 CONSIDERATIONS

Minority and Women's Business Enterprise requirements will be applied to all activities to the greatest extent possible and as required by federal funding to maintain that federal funding. Section 3 requirements will be applied to the extent applicable. Developer and General Contractor will work with the Sacramento Employment and Training Agency, the Greater Sacramento Urban League or similar programs, for employment opportunities. To date 14 residents of Twin Rivers have participated in and completed three different construction-related training courses including CalOSHA 10, CalOSHA 30, and Multi Craft Core Curriculum courses. These courses provide basic construction-related training that help these residents prepare for job opportunities that become available both onsite at the Project and elsewhere as the residents gain additional hands-on experience in construction.

FINANCIAL ANALYSIS

There is little direct fiscal or budgetary impact to HACOS or the County of Sacramento in relation to the requested actions.

Infrastructure:

The estimated \$19.5 million needed to complete the infrastructure portion of the Project will be obtained and funded by SHRA. Sources currently include \$2.34 million in City housing bond funds previously allocated to the Project, and up to \$16.49 million of HUD Section 108 loan funds. This represents 97 percent of the total estimated funds needed for both phases of infrastructure to support the project. However, it is adequate to cover the full cost for infrastructure needed for the first block of housing. SHRA and MBS intend to continue to identify and apply for other sources of financing for the infrastructure work of the Project. The amount of the \$16.49 million Section 108 loan funds actually utilized (borrowed) will be limited to the amount actually needed to complete infrastructure construction that cannot be obtained from other sources.

CNI Grant Allocation of Funds:

Consent to allocate \$7.0 million of CNI grant funds to Phase 1 Housing was obtained from the City of Sacramento as co-grantee on January 9, 2018. Allocating this amount of CNI grant funds to Phase 1 Housing will ensure Phase 1 Housing is fully funded subject to receipt of the \$10 million NHTF loan to the tax credit partnership, or other replacement funds as may be identified. HUD has approved the allocation of \$7 million to Phase 1 Housing in concept subject to approval by the HACOS Board.

As bond issuer SHRA will receive a one-time issuance fee of 0.25 percent of the bond amount, which is payable at bond closing, and then annual payments of 0.11 percent of the bond amount for the 55-year bond term for monitoring the regulatory restrictions and administration of the bonds. The Phase 1 Housing tax credit partnership is responsible for payment of all costs, fees, and deposits relating to the bond application. Mortgage revenue bonds are only financial obligations of the borrowing entity, not SHRA, the Housing Authorities, or the City and County of Sacramento.

Gap financing consists of a SHRA loan that includes \$5.0 million in City Housing Trust Funds and \$2.0 million in City Housing Successor Funds. Per the HACOS-approved MDA, HACOS will also retain ownership of the land and provide a capitalized ground lease to the tax credit partnership valued at the current market value of the land (estimated at \$704,575) with up to 10 percent of the capitalized value paid to HACOS at closing and the remainder financed over 55-years at the Applicable Federal Rate. In addition, MBS as developer has agreed to defer up to \$1.25 million of its total developer fee as an additional source of project financing.

Respectfully Submitted,

APPROVED
NAVDEEP S. GILL,
County Executive



LA SHELLE DOZIER, Executive Director
Sacramento Housing and
Redevelopment Agency

By: _____
ROBERT B. LEONARD
Deputy County Executive

Attachments:

- RES – HACOS Resolution
- ATT 1 – Background
- ATT 2 – Predevelopment Loan Agreement – Phase 1
- ATT 3 – Predevelopment Loan Agreement – Phase 2
- ATT 4 – Vicinity Map
- ATT 5 – Conceptual Site Map
- ATT 6 – Detailed Site Plan

RESOLUTION NO.

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

**TWIN RIVERS TRANSIT ORIENTED DEVELOPMENT AND LIGHT RAIL
STATION PROJECT**

AUTHORIZING SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY (SHRA) TO ACT ON BEHALF OF THE HOUSING AUTHORITY OF THE COUNTY OF SACRAMENTO (HACOS) TO ISSUE BID PROPOSAL(S) FOR DEMOLITION OF EXISTING PUBLIC IMPROVEMENTS AND CONSTRUCTION OF NEW INFRASTRUCTURE FOR THE PROJECT; AUTHORIZING SHRA ON BEHALF OF HACOS TO ENTER INTO ONE OR MORE QUALIFYING LOW-BID CONTRACT(S) FOR THE DEMOLITION OF EXISTING PUBLIC IMPROVEMENTS AND CONSTRUCTION OF NEW INFRASTRUCTURE FOR THE PROJECT; APPROVAL TO AMEND THE CHOICE NEIGHBORHOODS IMPLEMENTATION GRANT TO ALLOCATE FUNDS FOR PHASE 1 HOUSING, PHASE 1 HOUSING PREDEVELOPMENT COSTS, PHASE 2 HOUSING PREDEVELOPMENT COSTS; APPROVAL OF PREDEVELOPMENT LOAN AGREEMENTS; AND RELATED FINDINGS

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

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

WHEREAS, a combined Initial Study/Environmental Assessment (IS/EA) was prepared for the Twin Rivers Transit-Oriented Development Project pursuant to California Environmental Quality Act (CEQA) requirements under Title 14, §15070 of the California Code of Regulations (CCR), and National Environmental Policy Act (NEPA) requirements under Title 24, Code of Federal Regulations (CFR) Part 58.36; and

WHEREAS, on August 22, 2017, in a duly noticed public hearing and after considering the findings made pursuant to CEQA the Board of Supervisors adopted the Mitigated Negative Declaration and associated Mitigation Monitoring and Reporting Program and approved the Twin Rivers Transit Oriented Development and Light Rail Station Project (Project); and

WHEREAS, on August 24, 2017, a Notice of Determination was filed by the Sacramento Housing and Redevelopment Agency (SHRA); and

WHEREAS, on December 12, 2017, HACOS received approval to enter into a Master Development Agreement (MDA) with McCormack Baron Salazar Inc. (MBS) in order to set forth the specific rights and responsibilities of each party in connection with further planning and implementation of the Housing Plan and Project, which was agreed to and executed by both parties on January 9, 2018; and

WHEREAS, under the terms of the MDA the HACOS is, among other things, responsible for funding and carrying out the demolition of existing public improvements and construction of new infrastructure at the Project; and

WHEREAS, the HACOS is seeking approval to issue a request for bid proposals and to enter into contracts for the demolition existing public improvements and construction of new infrastructure at the Project; and

WHEREAS, the HACOS is seeking approval to amend the CNI grant budget to allocate \$7,000,000 of grant funds for the specific purpose of assisting with funding Phase 1 Housing through a Construction and Permanent loan agreement to Twin Rivers Phase 1, L.P.;

WHEREAS, the HACOS is seeking approval to amend the CNI grant budget to use up to \$1,907,000 of the \$7,000,000 specifically allocated to Phase 1 Housing and to execute a Predevelopment Loan Agreement for that amount with Twin Rivers Phase 1, L.P. to prior to closing fund the remaining predevelopment costs associated with Housing Phase 1;

WHEREAS, the HACOS is seeking approval to amend the CNI grant budget to use up to \$3,818,000 currently budgeted for housing specifically for Phase 2 Housing and to execute a Predevelopment Loan Agreement for that amount with Twin Rivers Phase 2, L.P to fund the remaining predevelopment costs associated with Housing Phase 2 prior to closing;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF THE HOUSING AUTHORITY OF THE COUNTY OF SACRAMENTO AS FOLLOWS:

Section 1: All evidence presented having been duly considered, the above Recitals, including but not limited to the environmental facts, are found to be true and accurate and are hereby adopted.

Section 2: Authorization is approved for HACOS to have SHRA act on its behalf as the designated project manager to issue a request for bid proposals for demolition of existing public improvements and construction of new infrastructure for the Project.

Section 3: An amendment is approved to the \$30,000,000 CNI grant budget to allocate up to \$7,000,000 of CNI grant funds for Phase 1 Housing of which up to \$1,907,000 may be funded for eligible Phase 1 Housing Predevelopment expenses prior to closing.

Section 4: An amendment is approved to the \$30,000,000 CNI grant budget to allocate up to \$3,818,000 of CNI grant funds may be funded for eligible Phase 2 Housing Predevelopment expenses prior to closing.

Section 5: The Executive Director or her designee is authorized to make any budget adjustments, and execute related documents and agreements as necessary to carry out the proposed projects as described in this resolution and accompanying staff in compliance with applicable federal laws and regulations.

Section 6: The Predevelopment Loan Agreements between HACOS and Twin Rivers Phase 1, L.P. in the amount of \$1,907,000 and the Predevelopment Loan Agreement for HACOS and Twin Rivers Phase 2, L.P. in the amount of \$3,818,000 (both attached hereto) are approved and the Executive Director or designee is authorized to execute the agreements.

On a motion by Supervisor _____, seconded by Supervisor _____, the foregoing Resolution was passed and adopted by the Board of Supervisors of the County of Sacramento this 11th day of September, 2018, by the following vote, to wit:

AYES: Supervisors,

NOES: Supervisors,

ABSENT: Supervisors,

ABSTAIN: Supervisors,

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

Chair of the Board of Supervisors
of Sacramento County, California

(SEAL)

ATTEST: _____
Clerk, Board of Supervisors

PREDEVELOPMENT LOAN AGREEMENT

TWIN RIVERS Housing Phase 1

This Predevelopment Loan Agreement for Twin Rivers Housing Phase 1 (the "Agreement"), effective as of _____, 2018, is entered into by and between the **HOUSING AUTHORITY OF THE COUNTY OF SACRAMENTO**, a public body corporate and politic ("HACOS" or the "Authority") and **TWIN RIVERS PHASE 1, L.P.**, a California limited partnership ("Borrower"), with reference to the following facts:

A. HACOS is the owner of certain real property comprising of approximately 22.29 acres in Sacramento, California, on which a 218-unit public housing development known as Twin Rivers is located, as more particularly described in Exhibit A (the "Property").

B. HACOS competitively selected McCormack Baron Salazar, Inc. a Missouri corporation ("MBS") as its exclusive development partner at the Property.

C. HACOS and MBS have entered into a Master Development Agreement dated as of January 9, 2018 (the "Master Development Agreement" or the "MDA"), providing for MBS to serve as the master developer for the redevelopment and construction of a new, mixed-income development over multiple phases at the Property (the "Master Development"). The Borrower is an Affiliate of MBS and is the "Owner Entity" for the first "Phase" of the Master Development, as defined in the Master Development Agreement (the "Development" or "Housing Phase 1"). Unless expressly defined in this Agreement, all capitalized terms used herein shall have the meanings ascribed to such terms in the Master Development Agreement.

D. HACOS along with the City of Sacramento, California received a Choice Neighborhoods Implementation Grant from the United States Department of Housing and Urban Development ("HUD") in the amount of \$30,000,000 (the "Choice Grant" or the "CNI Grant"), which grant is governed by the Choice Implementation Agreement and Choice Grant Agreement (collectively, the "Choice Grant Agreement").

E. In accordance with Section 4.3.1 of the Master Development Agreement, HACOS desires to provide to the Borrower a predevelopment loan from Choice Grant funds for certain "Phase Predevelopment Expenses" for Housing Phase 1, pursuant to the Predevelopment Budget attached as Exhibit B hereto.

F. Borrower has requested that HACOS provide financial assistance in an amount not to exceed One Million Nine Hundred Seven Thousand Dollars (\$1,907,000) (the "Loan"), subject to the conditions provided herein, to assist Borrower in performing certain predevelopment tasks associated with the Development.

G. The Loan is exempt from the requirements of the California Environmental Quality Act ("CEQA") pursuant to Section 15262 of the CEQA Guidelines and from the requirements of the National Environmental Policy Act ("NEPA") under 24 Code of Federal Regulations Sections 58.34 and 58.35.

NOW, THEREFORE, in consideration of the recitals hereof and the mutual promises and covenants set forth in this Agreement, the Parties agree as follows:

ARTICLE 1. DEFINITIONS AND EXHIBITS

Section 1.1. Definitions.

The following capitalized terms have the meanings set forth in this Section 1.1 wherever used in this Agreement, unless otherwise provided:

(a) "Affiliate" means an entity that is Controlling of or Controlled by Borrower. For the purposes of this definition, "Control" means (i) direct or indirect management or control of the managing member or members in the case of a limited liability company; (ii) direct or indirect management or control of the managing general partner or general partners in the case of a partnership; and (iii) direct or indirect control of a majority of the directors in the case of a corporation.

(b) "Agreement" means this Predevelopment Loan Agreement.

(c) "Assignment" means the assignment of Collateral Documents securing Borrower's obligations under this Agreement, in the form attached to this Agreement as Exhibit D.

(d) "Authority" means the Housing Authority of the County of Sacramento, organized pursuant to Section 34200, et seq. of the California Health and Safety Code, as amended, including any successor in interest or assigns by act of the Authority, or by operation of law, or otherwise.

(e) "Borrower" means Twin Rivers Phase 1, L.P., a California limited partnership.

(f) "City" means the City of Sacramento, California.

(g) "Collateral" means and includes all right, title, interest, claims and demands of Borrower in and to the Collateral Documents, including contract rights and general intangibles, now existing or hereafter arising; and all amendments, substitutions for, and proceeds thereof, including, without limitation, insurance and similar payments.

(h) "Collateral Documents" means all Development Reports, Development Contracts, Land Use Approvals, architectural and engineering plans and specifications, and any other information related to the development of the Development obtained by Borrower, as further defined in Section 1 of the Assignment.

(i) "Construction Closing" means the date upon which all financing necessary for the construction of the Development will close, and any deeds of trust related to such financing, are recorded against the Borrower's leasehold interest in the Property.

- (j) "Default" is defined in Section 6.1 below.
- (k) "Development" has the meaning set forth in Recital C.
- (l) "Development Budget" is defined in Section 3.7(a) below.
- (m) "Development Contracts" is defined in Section 3.11(a) below.
- (n) "Development Report" means any due diligence reports concerning the Property.
- (o) "Financing Plan" is defined in Section 3.7 below.
- (p) "Financing Proposal" is defined in Section 3.2(b) below.
- (q) "Land Use Approvals" means all discretionary permits and approvals (other than a building permit) including environmental approvals, necessary for the construction of the Development.
- (r) "Loan" means the Authority loan to Borrower in the total principal amount not to exceed One Million Nine Hundred Seven Thousand Dollars (\$1,907,000).
- (s) "Loan Documents" means this Agreement, the Note and the Assignment.
- (t) "Note" means the promissory note that will evidence Borrower's obligation to repay the Loan, in the form attached to this Agreement as Exhibit C.
- (u) "Parties" means the Authority and Borrower, each of which may also be referred to individually as the "Party".
- (v) "Predevelopment Activities" means the activities to be performed by Borrower during the Term, to be partially financed by the Loan, as further described in Article 3 below.
- (w) "Predevelopment Budget" means the pro-forma predevelopment budget, including sources and uses of funds, and showing the amount of each line item to be funded by the Loan, attached hereto and incorporated herein as Exhibit B, which may be amended with the approval of the Authority as set forth in this Agreement.
- (x) "Predevelopment Costs" means the cost of performing the Predevelopment Activities as shown in the Predevelopment Budget.
- (y) "SHRA" means the Sacramento Housing and Redevelopment Agency.
- (z) "TCAC" means the California Tax Credit Allocation Committee.

(aa) "Term" means the term of the Loan, commencing on the date of this Agreement and continuing for the period described in Section 2.4(a).

(bb) "Transfer" has the meaning set forth in Section 4.3 below.

Section 1.2. Exhibits.

The following exhibits are attached to this Agreement and incorporated into this Agreement by this reference:

- Exhibit A: Legal Description of the Property
- Exhibit B: Predevelopment Budget
- Exhibit C: Promissory Note
- Exhibit D: Assignment Agreement

ARTICLE 2. LOAN PROVISIONS

Section 2.1. Loan.

(a) On and subject to the terms and conditions of this Agreement, the Authority agrees to make and the Borrower agrees to accept the Loan to finance approved Predevelopment Activities for the Development in a principal amount not to exceed One Million Nine Hundred Seven Thousand Dollars (\$1,907,000).

(b) The Loan will be evidenced by the Note and the Assignment which shall be executed by the Borrower concurrently herewith.

(c) This Agreement is subject to the terms and conditions of the Choice Grant Agreement, including, but not limited to, the HUD Cost Guidelines. The Authority has received HUD approval of an amendment to the CNI Grant budget approving the use of CNI Grant funds for the purposes of this Agreement. In the event of any conflict between this Agreement and the Choice Grant Agreement, the Choice Grant Agreement shall control.

(d) The Parties intend this Agreement to be consistent with the terms of the MDA and shall interpret the two agreements to give effect to each of them to the greatest extent possible. Notwithstanding the foregoing, the Parties acknowledge that the Borrower is a separate legal entity from MBS as Developer under the MDA and that the Loan Documents are separately enforceable from the MDA. In the event of any direct conflict between the Loan Documents and the MDA with respect to the Loan, the Loan Documents shall govern.

Section 2.2. Interest.

(a) The Loan will accrue no interest during the Term of the Loan, except upon Default as specified in the following subparagraph.

(b) In the event of Default by Borrower, as described in Section 6.1, that remains uncured after the expiration of the applicable notice and cure period, at the Authority's option, the principal amount of the Loan will be immediately due and payable, and will bear interest at the lesser of ten percent (10%) per annum or the maximum rate permitted by law, which will accrue, as of the date of Default and continue until such time as the Loan funds are repaid in full or the Default is cured. In this regard, payments received from the Borrower will be applied first to interest accrued and the remaining balance, if any, to principal.

Section 2.3. Use of Loan Funds.

(a) The Borrower shall use the Loan funds to pay the remaining portion of the Predevelopment Costs of the Development as set forth in the attached Predevelopment Budget, as such costs are incurred or as otherwise specified in the Predevelopment Budget. The Borrower shall not use the Loan funds for any other purpose without the prior written consent of the Authority.

(b) Pursuant to that certain Promissory Note and Assignment of Collateral Documents by and between MBS and Sacramento Housing Authority Repositioning Program, Inc. ("SHARP"), SHARP agreed to loan to MBS predevelopment funding in an amount up to \$1,500,000 (the "SHARP Loan"). As of the date hereof, MBS has drawn [\$399,145.56] of the SHARP Loan to pay for Phase Predevelopment Expenses for Housing Phase 1. In the first payment request for Predevelopment Loan funds under this Agreement, Borrower shall use [\$399,145.56] of such Predevelopment Loan funds to repay the part of the SHARP Loan used for Housing Phase 1 costs. Borrower shall not fund any overhead expenses through the Predevelopment Budget or otherwise with the proceeds of the Loan.

(c) Any work product produced with the Loan funds will become security for the Note, as provided in Section 2.5, and will be subject to the Assignment.

(d) The Borrower may request revisions to the line items in the Predevelopment Budget from time to time. The Borrower shall submit any revisions of ten percent (10%) or more to any line item shown on the Predevelopment Budget to the Authority for approval within fifteen (15) days of the date the Borrower receives definitive information indicating that actual Predevelopment Costs vary or will vary from the Predevelopment Costs shown on the Predevelopment Budget. The Authority's approval of changes in the Predevelopment Budget may not be unreasonably withheld, conditioned or delayed.

(e) In the event that the Borrower reasonably determines that the Predevelopment Budget requires an increase in order to meet all Phase Predevelopment Expenses for the Development through Closing, the Borrower may submit a detailed request to the Authority, with supporting documentation, for approval of an increased Predevelopment Budget and a corresponding increase in the amount of the Loan. The Authority's approval of any increase in the amount of the Loan shall be subject to the approval of the City, as co-grantee under the CNI Grant, and a corresponding CNI budget approval from HUD in accordance with Section 4.3.3 of the MDA.

Section 2.4. Repayment of the Loan.

The Loan shall be repaid as follows:

(a) Term. The Loan will have a term (the "Term") which commences on the date of this Agreement and expires on the earlier of: (i) the date of the Construction Closing or (ii) the date of any termination of the MDA, unless earlier terminated as provided herein.

(b) Payment in Full. Subject to subsection (c) below, all principal and interest, if any, on the Loan will, at the option of the Authority, be due and payable upon the earlier to occur of: (i) the expiration of the Term or, (ii) the occurrence of a Default as defined in Section 6.1 which remains uncured after any applicable notice and cure period. However, in the event the Authority elects to provide construction and/or permanent financing to the Project in accordance with the MDA, then the outstanding balance of the Loan shall be included in the principal balance of any such future financing and governed by such future loan documents and the Loan Documents shall be terminated and of no further force or effect; provided that in no event shall this Agreement constitute a commitment by the Authority to provide any such future financing.

(c) Effect of MDA Termination. Upon any termination of this Agreement resulting from a termination of the MDA for infeasibility or convenience under Sections 10.3 or 10.4 of the MDA, the Authority shall, to the extent set forth in such provisions of the MDA, deem all amounts currently outstanding under the Loan to be satisfied in full by assignment and deliver of the Collateral Documents provided that Borrower takes all actions reasonably necessary and within its control to implement the Assignment and deposits all Collateral Documents with the Authority.

Section 2.5. Security.

Borrower grants to the Authority a valid, first priority, continuing security interest in all presently existing and hereafter acquired or arising Collateral in order to secure prompt, full and complete payment of any and all obligations to the Authority under this Agreement and in order to secure prompt, full and complete performance by Borrower of each of its covenants and duties under each of the Loan Documents. The Assignment will become effective upon an uncured event of Default of the Borrower as defined in Section 6.1, below, or upon the termination of this Agreement. The Authority will not have any obligation under any Collateral Documents assigned pursuant to the Assignment until it expressly agrees in writing to be bound by such contracts or agreements. Upon an event of Default that has not been cured pursuant to this Agreement or the termination of this Agreement, the Authority may use any of the foregoing assigned Collateral Documents for any purpose for which the Borrower could have used them for development of the Development, and the Borrower shall cooperate with the Authority to implement the Assignment and immediately deposit with the Authority, for the Authority's use, all the Collateral Documents.

Section 2.6. Conditions Precedent to Disbursement.

The Authority is not obligated to make any disbursements of Loan proceeds or take any other action under the Loan Documents unless the Authority has received prior written approval from HUD to use CNI Grant funds for the Loan and the following conditions precedent are satisfied as of the initial disbursement and remain satisfied prior to each disbursement of the Loan:

- (a) There exists no Default nor any act, failure, omission or condition that would constitute an event of Default under this Agreement, or under any other agreement between the Authority and the Borrower or its Affiliates.
- (b) Borrower has executed and/or delivered to Authority all documents and instruments required under the Loan Documents, including the Note and the Assignment and, if required by the Authority, a UCC-1 financing statement.
- (c) Borrower has furnished the Authority with evidence of the insurance coverage meeting the requirements of Section 4.4 below.
- (d) The Authority has received copies of all of the organizational documents of Borrower and its general partner and all resolutions authorizing Borrower and its general partner to execute this Agreement and the other agreements related to the Loan.

Section 2.7. Disbursement of Proceeds.

- (a) The proceeds of the Loan will be disbursed as the work to be paid for by the Loan proceeds is performed. The Borrower shall submit draw requests to the Authority not more frequently than one time each calendar month. The draw requests are to be in a form containing sufficient detail and with sufficient supporting documentation to permit the Authority to confirm that the work to be funded by the draw request has been performed. Each draw request may not request payment in excess of the percentage of the costs attributable to the Authority pursuant to the Predevelopment Budget.
- (b) The Authority will make a good faith effort to disburse the Loan proceeds under each draw request within ten (10) calendar days after receipt of a properly completed draw request with all necessary supporting documentation, except to the extent of any portion thereof as to which the Authority shall provide written notice to Borrower of its reasonable objection within five (5) days after the date of submission of the draw request to the Authority. If the Borrower fails to respond to the Authority's objection or to make any necessary corrections to the invoice, the Authority shall have the right to suspend payment of the questioned portion of such invoice only until such time as the Borrower's response or correction of the invoice to the reasonable satisfaction of the Authority has been provided, at which time the Authority shall pay the Borrower for such invoice within ten (10) days after the date of the Borrower's response or correction.
- (c) Notwithstanding any other provisions of this Agreement, the Authority will have no further obligation to disburse any portion of the Loan to the Borrower following: (i)

the Construction Closing; (ii) termination of this Agreement; or (iii) notification by the Authority to the Borrower of a Default under the terms of this Agreement, until such time as the Default has been cured.

Section 2.8. Prepayment of Loan.

The Borrower may prepay the Loan at any time, without penalty.

ARTICLE 3. PREDEVELOPMENT ACTIVITIES

Section 3.1. Predevelopment Activities.

(a) This Article 3 and the line items of the Predevelopment Budget set forth various tasks that the Borrower will diligently seek to perform and achieve in good faith under the terms of this Agreement (collectively, the "Predevelopment Activities"). The Parties acknowledge, however, that in order for the Borrower to perform certain of the Predevelopment Activities, certain actions first must be taken by the Authority, as provided in the MDA, and that such actions are subject to the identification and commitment of outside funding and other conditions as established in the MDA. The Borrower shall endeavor to complete the Predevelopment Activities by November 30, 2018, the currently projected date of the Construction Closing. Schedule changes shall be subject to Section 4.1 of the MDA.

(b) SHRA has reviewed or is reviewing the Predevelopment Activities in connection with SHRA's underwriting process as referenced in Section 2.1.2 of the MDA. However, because the Authority is a separate legal entity from SHRA and because the Loan is funding such activities, the Authority retains the right below to review and approve the Predevelopment Activities as provided in Section 7.1.2 and in the other applicable sections of the MDA. Nevertheless, Authority may waive the submittal of any item required below. To the extent that SHRA has approved an item in writing, the Authority agrees to be bound by such approval.

(c) The Borrower shall have a permit to enter the Property for the purpose of conducting the Predevelopment Activities upon reasonable notice to the Authority, provided that no construction activities of any kind shall be undertaken under this Agreement and that the Borrower shall restore the Property to its original condition following any testing or investigation of the Property. The Borrower shall indemnify the Authority in accordance with Section 7.4 of this Agreement for any damage, harm or liability caused by the Borrower.

Section 3.2. Financing Proposal.

(a) During the Term, Borrower shall be responsible for applying for funding and the Authority shall be responsible for supporting such applications in accordance with Article II and other applicable provisions of the MDA.

(b) The Borrower's Affiliate, MBS, has previously submitted to the Authority, an initial Financing Proposal for the Development, consisting of the then current estimate of

costs for financing the Development (the "Financing Proposal"). The Borrower shall submit any material revision to the Financing Proposal to the Authority for its review in accordance with Article 2 and other applicable provisions of the MDA.

Section 3.3. Conceptual Site Plan.

The Project Architect has prepared and the Authority has approved the conceptual drawings for the Development (the "Conceptual Site Plan"). The Conceptual Site Plan and elevations are to serve, or have served, as the basis for the Borrower's application for Land Use Approvals and for the preparation of the Design Development Documents and the Construction Plans.

Section 3.4. Design Development Documents.

(a) The Borrower has prepared, and the Authority has approved, design development documents for the Development (the "Design Development Documents").

Section 3.5. Land Use Approvals.

Borrower shall pursue, with the support of the Authority, further Land Use Approvals in accordance with Section 7.1 and other applicable provisions of the MDA. The Borrower acknowledges that execution of this Agreement by the Authority does not constitute approval by the City of any required permits, applications, or allocations, and in no way limits the discretion of the City in the permit, allocation and approval process.

Section 3.6. Tax Credit Applications and Other Financing.

(a) Borrower shall pursue applications for tax credits with the support of the Authority and both parties shall pursue other financing for the Development in accordance with Article 2 and other applicable provisions of the MDA.

(b) If Borrower is not successful in obtaining a reservation of tax credits from TCAC in its first application, Borrower shall submit a second application within such time as may be mutually agreed by the Parties.

Section 3.7. Financing Plan.

The Borrower has submitted, and the Authority has approved, a Financing Plan constituting the Phase Development Budget for Housing Phase 1 as required by the MDA. Further updates to the Phase Development Budget shall be made in accordance with Section 4.2 and other applicable provisions of the MDA.

Section 3.8. Construction Plans.

Borrower has submitted, and the Authority has approved, a copy of the Construction Plans for the Development. As used in this Agreement, "Construction Plans" means all construction documentation upon which Borrower shall rely on for the construction of the Development (including landscaping, parking, and common areas) and are to include, but not

necessarily be limited to, final architectural drawings, landscaping plans and specifications, final elevations, building plans and specifications (also known as "working drawings"). Further updates to the Construction Plans shall be made in accordance with Section 7.1 and other applicable provisions of the MDA.

Section 3.9. Construction Contract.

Borrower shall submit for Authority approval a construction contract for construction of the Development in accordance with Section 7.3.2 and other applicable provisions of the MDA.

Section 3.10. Building Permit.

The Borrower shall apply for a building permit for the construction of the Development and shall exercise diligent, good faith efforts to obtain the permit in accordance with applicable provisions of the MDA. The Borrower shall deliver evidence of receipt of such application and, if given, such permit to the Authority.

Section 3.11. Development Contracts.

(a) Prior to the commencement of any Predevelopment Activity to be performed by a third party consultant, the Borrower shall provide the Authority a copy of each contract for the performance of the work (the "Development Contract") for review. The Authority shall have ten (10) business days to review each Development Contract for the purposes of confirming consistency with the terms of this Agreement or the MDA, as applicable, and to give its written approval, which approval may not be unreasonably conditioned, delayed or withheld, provided that the Authority's failure to respond within such time shall be deemed approval. In the event the Borrower deems it necessary to execute a Development Contract immediately due to urgent circumstances, the Borrower shall notify the Authority of such circumstances and provide a copy of the contract at the earliest possible time following execution.

(b) Upon the reasonable request of the Authority, Borrower shall provide the Authority with reproducible copies of all Collateral Documents produced pursuant to this Agreement. Borrower shall not use the Collateral Documents produced pursuant to this Agreement for any purpose other than the development of the Development.

Section 3.12. Periodic Reports.

The Borrower shall provide, or cause MBS to provide, reports on the Predevelopment Activities, in accordance with Section 4.4 and other applicable provisions of the MDA.

Section 3.13. Nondiscrimination.

The Borrower shall not discriminate or segregate in the performance of the Predevelopment Activities on the basis of race, color, ancestry, national origin, religion, sex, sexual orientation, age, marital status, family status, physical or mental disability, or any other

arbitrary basis. The Borrower shall otherwise comply with all applicable local, state, and federal laws concerning discrimination.

Section 3.14. Mechanics Liens, Stop Notices, and Notices of Completion.

(a) The Borrower shall not allow any liens to be placed upon the Property in connection with the performance of the Predevelopment Activities. If any claim of lien is filed against the Property or if a stop notice is served on the Authority or any other third party in connection with the Predevelopment Activities, and if neither the filing of such lien nor the serving of such stop notice is due to the failure of the Authority to provide funding to Borrower on a timely basis, then Borrower shall, within ninety (90) days after such filing or service: (i) pay and fully discharge the lien or stop notice; (ii) effect the release of such lien or stop notice by delivering to the Authority a surety bond in sufficient form and amount; or (iii) provide the Authority with other assurance satisfactory to the Authority that the claim of lien or stop notice will be paid or discharged; provided, however, that the Authority provides written notice of such claim of lien or stop notice to Borrower promptly upon receipt by the Authority.

(b) If Borrower fails to discharge any lien, encumbrance, charge, or claim in the manner required in this Section, then in addition to any other right or remedy, the Authority may (but shall be under no obligation to) discharge such lien, encumbrance, charge, or claim at Borrower's expense. Alternatively, the Authority may require Borrower to immediately deposit with the Authority the amount necessary to satisfy such lien or claim and any costs, pending resolution thereof, unless the Borrower is able to provide reasonable evidence to the Authority that either (a) the Borrower will prevail in its dispute of said lien, encumbrance, charge or claim, or (b) that Borrower has and maintains sufficient capital to pay or discharge the same upon final resolution of the matter. The Authority may use such deposit to satisfy any claim or lien that is adversely determined against Borrower.

Section 3.15. Compliance with Laws.

(a) Borrower shall comply with all applicable laws, ordinances, rules and regulations of federal, state, county or municipal governments or agencies now in force or that may be enacted hereafter, including (without limitation and where applicable) the prevailing wage provisions of Sections 1770 et seq., of the California Labor Code and implementing rules and regulations as set forth below, in performing the Predevelopment Activities.

(b) Borrower shall pay, and shall cause any consultants or contractors to pay, prevailing wages in the performance of the Predevelopment Activities as those wages are determined pursuant to Labor Code Sections 1720 et seq., and to employ apprentices as required by Labor Code Sections 1777.5 et seq., and the implementing regulations of the Department of Industrial Relations (the "DIR"). The Borrower shall, and shall cause the consultants and contractors to, comply with the other applicable provisions of Labor Code Sections 1720 et seq., 1777.5 et seq., and implementing regulations of the DIR. The Borrower shall, and shall cause the consultants and contractors to, keep and retain such records as are necessary to determine whether: (i) prevailing wages have been paid as required pursuant to Labor Code Sections 1720 et seq.; and (ii) apprentices have been employed as required by Labor Code Sections 1777.5 et

seq. Copies of the currently applicable current per diem prevailing wages are available from DIR.

(c) The Borrower shall indemnify, hold harmless and defend (with counsel reasonably acceptable to the Authority) the Authority against any claim for damages, compensation, fines, penalties or other amounts arising out of the failure or alleged failure of any person or entity (including Borrower, its consultants and contractors) to: (i) pay prevailing wages as determined pursuant to Labor Code Sections 1720 et seq.; (ii) employ apprentices pursuant to Labor Code Sections 1777.5 et seq. and implementing regulations of the DIR; or (iii) comply with the other applicable provisions of Labor Code Sections 1720 et seq., 1777.5 et seq., and the implementing regulations of the DIR in connection with the performance of the Predevelopment Activities. The requirements of this Subsection survive the expiration of the Term.

ARTICLE 4. LOAN REQUIREMENTS

Section 4.1. Information.

Borrower shall provide any information reasonably requested by the Authority in connection with the performance of the Predevelopment Activities and use of the Loan funds.

Section 4.2. Books and Records.

(a) The Borrower shall maintain and keep complete, accurate, and current records pertaining to the Loan for a period of five (5) years after the creation of such records and shall permit any duly authorized representative of the Authority to inspect and copy such records. Such records must include all invoices, receipts, and other documents related to expenditures from the Loan funds.

(b) The Authority shall notify the Borrower of any records it deems insufficient. The Borrower shall have twenty-one (21) calendar days after the receipt of such a notice to correct any deficiency in the records specified by the Authority in such notice, or if a period longer than twenty-one (21) days is reasonably necessary to correct the deficiency, then the Borrower shall begin to correct the deficiency within twenty-one (21) days and correct the deficiency as soon as reasonably possible.

Section 4.3. Transfer.

(a) For purposes of this Agreement, "Transfer" means any sale, assignment, or transfer, whether voluntary or involuntary, of (i) any rights and/or duties of Borrower under this Agreement, and/or (ii) any interest in Borrower.

(b) No Transfer shall be permitted without the prior written consent of the Authority, which the Authority may withhold in its reasonable discretion. The Loan will automatically accelerate and be due in full upon any unauthorized Transfer.

Section 4.4. Insurance Requirements.

The Borrower shall maintain, in its own name, the insurance coverage required of MBS under Exhibit H of the MDA throughout the Term of the Loan.

Section 4.5. HUD Requirements.

(a) Borrower shall comply with all applicable laws, regulations and administrative requirements governing the use of the Loan funds as set forth in the Choice Grant Agreement. In the event of any conflict between this Agreement and applicable laws, regulations and administrative requirements governing the use of the Loan funds, the applicable laws, regulations and administrative requirements will govern.

(b) The laws, regulations and administrative requirements governing the use of the Loan funds include (but are not limited to) those set forth in Section 11.3 of the MDA.

ARTICLE 5. REPRESENTATIONS AND WARRANTIES OF BORROWER

Section 5.1. Representations and Warranties.

Borrower hereby represents and warrants to the Authority as follows, and acknowledges, understands, and agrees that the representations and warranties set forth in this Article 5 are deemed to be continuing during all times when any or all of the Loan remains outstanding:

(a) Organization. Borrower is duly organized, validly existing, and in good standing under the laws of the State of California and has the power and authority to own its property and carry on its business as now being conducted.

(b) Authority of Borrower. Borrower has full power and authority to execute and deliver this Agreement and to make and accept the borrowings contemplated hereunder, to execute and deliver the Loan Documents and all other documents or instruments executed and delivered, or to be executed and delivered, pursuant to this Agreement, and to perform and observe the terms and provisions of all of the above.

(c) Authority of Persons Executing Documents. This Agreement and the Loan Documents and all other documents or instruments executed and delivered, or to be executed and delivered, pursuant to this Agreement have been executed and delivered by persons who are duly authorized to execute and deliver the same for and on behalf of Borrower, and all actions required under Borrower's organizational documents and applicable governing law for the authorization, execution, delivery and performance of this Agreement and the Loan Documents and all other documents or instruments executed and delivered, or to be executed and delivered, pursuant to this Agreement, have been duly taken.

(d) Valid Binding Agreements. This Agreement and the Loan Documents and all other documents or instruments which have been executed and delivered pursuant to or in connection with this Agreement constitute or, if not yet executed or delivered, will when so

executed and delivered constitute, legal, valid and binding obligations of Borrower enforceable against it in accordance with their respective terms.

(e) No Breach of Law or Agreement. To the best knowledge of Borrower, neither the execution nor delivery of this Agreement and the Loan Documents or of any other documents or instruments executed and delivered, or to be executed or delivered, pursuant to this Agreement, nor the performance of any provision, condition, covenant or other term hereof or thereof, will conflict with or result in a breach of any statute, rule or regulation, or any judgment, decree or order of any court, board, commission or agency whatsoever binding on Borrower, or any provision of the organizational documents of Borrower, or will conflict with or constitute a breach of or a default under any agreement to which Borrower is a party, or will result in the creation or imposition of any lien upon any assets or property of Borrower, other than liens established pursuant hereto.

(f) Compliance with Laws; Consents and Approvals. To the best knowledge of Borrower, the development of the Property, as applicable, will comply with all applicable laws, ordinances, rules and regulations of federal, state and local governments and agencies and with all applicable directions, rules and regulations of the fire marshal, health officer, building inspector and other officers of any such government or agency.

(g) Pending Proceedings. Borrower is not in default under any law or regulation or under any order of any court, board, commission or agency whatsoever. There are no claims, actions, suits or proceedings pending or, to the knowledge of Borrower, threatened against or affecting Borrower or the Property, at law or in equity, before or by any court, board, commission or agency whatsoever which might, if determined adversely to Borrower, materially affect Borrower's ability to repay the Loan or impair the security to be given to the Authority pursuant hereto.

ARTICLE 6. DEFAULT, TERMINATION, AND REMEDIES

Section 6.1. Events of Default.

Each of the following constitutes a "Default" by Borrower under this Agreement:

(a) Failure to Make Payment. Failure to repay the principal and any interest on the Loan within ten (10) days of receipt of written notice from the Authority that such payment is due pursuant to the Loan Documents.

(b) Breach of Covenants. Failure by Borrower to duly perform, comply with, or observe any of the conditions, terms, or covenants of any of the Loan Documents or any other agreement between the Authority and the Borrower or, prior to the Closing of an applicable Phase, any Affiliate of the Borrower (including any uncured default under Section 10.1 of the MDA) and such failure having continued uncured for thirty (30) days after receipt of written notice thereof from the Authority to the Borrower or its Affiliates or, if the breach cannot be cured within thirty (30) days, the Borrower will not be in breach so long as Borrower is diligently undertaking to cure such breach and such breach is cured within ninety (90) days after

receipt of written notice from the Authority to Borrower; provided, however, that if a different period or notice requirement is specified under any other section of this Article 6, the specific provisions will control.

(c) Assignments. Failure by the Borrower to take all actions necessary to implement the Assignment and deposit the Collateral Documents with the Authority when required under this Agreement.

(d) Unauthorized Transfer. Any Transfer other than as permitted by Section 4.3.

(e) Representation or Warranty Incorrect. Any Borrower representation or warranty contained in this Agreement or in any application, financial statement, certificate, or report submitted to the Authority in connection with any of the Loan Documents, proving to have been incorrect in any material and adverse respect when made.

(f) Insolvency. A court having jurisdiction shall have made or entered any decree or order (i) adjudging Borrower to be bankrupt or insolvent, (ii) approving as properly filed a petition seeking reorganization of Borrower or seeking any arrangement for Borrower under the bankruptcy law or any other applicable debtor's relief law or statute of the United States or any state or other jurisdiction, (iii) appointing a receiver, trustee, liquidator, or assignee of Borrower in bankruptcy or insolvency or for any of their properties, or (iv) directing the winding up or liquidation of Borrower, if any such decree or order described in clauses (i) to (iv), inclusive, shall have continued unstayed or undischarged for a period of ninety (90) days; or Borrower shall have admitted in writing its inability to pay its debts as they fall due or shall have voluntarily submitted to or filed a petition seeking any decree or order of the nature described in clauses (i) to (iv), inclusive. The occurrence of any of the events of Default in this paragraph will act to accelerate automatically, without the need for any action by the Authority, the indebtedness evidenced by the Note.

(g) Assignment; Attachment. Borrower shall have assigned its assets for the benefit of its creditors or suffered a sequestration or attachment of or execution on any substantial part of its property, unless the property so assigned, sequestered, attached or executed upon shall have been returned or released within ninety (90) days after such event or, if sooner, prior to sale pursuant to such sequestration, attachment, or execution. The occurrence of any of the events of default in this paragraph shall act to accelerate automatically, without the need for any action by the Authority, the indebtedness evidenced by the Note.

(h) Suspension; Termination. Borrower shall have voluntarily suspended its business, or shall have been dissolved or terminated.

Section 6.2. Remedies.

The occurrence of any Default hereunder following the expiration of all applicable notice and cure periods will, either at the option of the Authority or automatically where so specified, relieve the Authority of any obligation to make or continue the Loan and will give the Authority the right to proceed with any and all remedies set forth in this Agreement and the Loan

Documents, including, but not limited to, the following; provided, however, that notwithstanding any provision to the contrary in this Agreement, the Loan shall be nonrecourse to the Borrower and its partners, members, managers or officers as provided in Section 7.5:

(a) Acceleration of Note. The Authority may cause all indebtedness of the Borrower to the Authority under this Agreement and the Note, together with any accrued interest thereon, to become immediately due and payable. The Borrower waives all right to presentment, demand, protest or notice of protest or dishonor. The Authority may proceed to enforce payment of the indebtedness and to exercise any or all rights afforded to the Authority as a creditor and secured party under the law, including the Uniform Commercial Code. The Borrower will be liable to pay the Authority on demand all reasonable expenses, costs and fees (including, without limitation, reasonable attorney's fees and expenses) paid or incurred by the Authority in connection with the collection of the Loan and the preservation, maintenance, protection, sale, or other disposition of the security given for the Loan.

(b) Assignment Agreement. The Authority may exercise all rights under the Assignment. To the extent it has not already done so, Borrower shall upon request deliver to the Authority copies of all Collateral Documents, all permits and approvals obtained in connection with the Development, and all applications for permits and approvals not yet obtained but needed in connection with the Development.

Section 6.3. Right of Contest.

Borrower may contest, in good faith, any claim, demand, levy, or assessment the assertion of which would constitute a Default hereunder. Any such contest shall be prosecuted diligently and in a manner not prejudicial to the Authority or the rights of the Authority hereunder.

Section 6.4. Remedies Cumulative.

No right, power, or remedy given to the Authority by the terms of this Agreement or the Loan Documents is intended to be exclusive of any other right, power, or remedy; and each and every such right, power, or remedy is to be cumulative and in addition to every other right, power, or remedy given to the Authority by the terms of any such instrument, or by any statute or otherwise against Borrower and any other person. Neither the failure nor any delay on the part of the Authority to exercise any such rights and remedies will operate as a waiver thereof, nor will any single or partial exercise by the Authority of any such right or remedy preclude any other or further exercise of such right or remedy, or any other right or remedy.

Section 6.5. Termination for Infeasibility.

(a) MDA. The Authority acknowledges that Borrower's ability to proceed with the Development and to fulfill the terms and conditions of this Agreement is contingent upon certain Development Contingencies as defined in the MDA. The termination of this Agreement for the failure of a Development Contingency to occur shall be governed by Section 10.3 of the MDA.

(b) No Liability. In the event the Borrower or the Authority terminates this Agreement as provided in Section 6.5(a), the Borrower shall not be obligated to repay the Loan as set forth in Section 2.4(c), and neither Party shall have any liability to the other except under any separate contracts entered pursuant to this Agreement and except for continuing indemnities provided elsewhere in this Agreement. The Authority's remedy for such a termination is limited to its rights to the Borrower's Collateral Documents under the Assignment.

Section 6.6. Termination for Convenience.

The Authority may terminate this Agreement for convenience, either in whole or in part in accordance with Section 6.4 of the MDA. If this Agreement is terminated for convenience, either in whole or in part, the Borrower shall not be obligated to repay principal or interest on the Loan.

ARTICLE 7. GENERAL PROVISIONS

Section 7.1. Relationship of Parties.

Nothing contained in this Agreement may be interpreted or understood by any of the Parties, or by any third persons, as creating the relationship of employer and employee, principal and agent, limited or general partnership, or joint venture between the Authority and Borrower or its agents, employees or contractors, and Borrower, will, at all times, be deemed an independent contractor and will be wholly responsible for the manner in which it or its agents, or both, perform the services required of it by the terms of this Agreement. Borrower has and retains the right to exercise full control of employment, direction, compensation, and discharge of all persons assisting in the performance of services under the Agreement. Borrower is solely responsible for its own acts and those of its agents and employees.

Section 7.2. No Claims.

Nothing contained in this Agreement may serve to create or justify any claim brought against the Authority by any person that Borrower may have employed or with whom Borrower may have contracted relative to the purchase of materials, supplies or equipment, or the furnishing or the performance of any work or services with respect to the Development, and Borrower shall include requirements similar to the foregoing language of this Section 7.2 in any contracts entered into with respect to the Development.

Section 7.3. Amendments.

No alteration or variation of the terms of this Agreement will be valid unless made in writing by the Parties.

Section 7.4. Indemnification.

Except where caused by the active negligence, sole negligence, or willful misconduct of the Indemnified Parties (as hereafter defined), to the fullest extent permitted by law, the Borrower shall indemnify, defend and hold harmless the Housing Authority of the City of

Sacramento, the Housing Authority of the County of Sacramento, the City of Sacramento, and the Sacramento Housing and Redevelopment Agency, their subsidiaries and their affiliates and their respective officers, directors, commission members, advisory committee members, agents and employees (collectively and individually, the “Indemnified Parties”) from and against all claims, damages, losses and expenses, including, but not limited to, attorneys’ fees, arising out of or resulting from the performance or non-performance of Borrower’s obligations under this Agreement, but only if and to the extent caused directly by any negligent acts or omissions of the Borrower or any third-parties with whom the Borrower contracts under this Agreement. The indemnification obligation of Borrower hereunder shall not be limited in any way by any limitation on the amount or type of damages, compensation or benefits payable by Borrower or any consultant of Borrower or any other person or entity under workers’ or workmen’s compensation acts, disability benefit acts or other employee benefit acts. The agreements, representations and warranties in this Section 7.4 shall survive the expiration or early termination of this Agreement,

Section 7.5. Non-Liability of Employees or Partners of Borrower.

The Loan is made without recourse to the Borrower and secured solely by the Assignment and the Collateral Documents. No individual member, partner or employee of the Borrower may be personally liable to the Authority in the event of any default or breach by the Borrower or for any amount which may become due to the Authority or its successor or on any obligation under the terms of this Agreement.

Section 7.6. Non-Liability of Authority and Authority Officials, Employees and Agents.

No member, official, employee or agent of the Authority may be personally liable to Borrower in the event of any default or breach by the Authority or for any amount which may become due to Borrower or its successor or on any obligation under the terms of this Agreement.

Section 7.7. No Third-Party Beneficiaries.

There are no third-party beneficiaries to this Agreement.

Section 7.8. Future Authority and City Actions.

The Parties acknowledge and agree that:

- (a) This Agreement does not constitute Authority or City approval of the Land Use Approvals, or approval of the construction of the Development;
- (b) The City retains full discretion to approve or disapprove any Land Use Approvals; and
- (c) Prior to consideration of any Land Use Approvals, the Authority and the City must first perform all applicable statutory preconditions to such consideration.

Section 7.9. Conflict of Interest.

(a) Except for approved eligible administrative or personnel costs, no person described in Section 7.9(b), below, who exercises or has exercised any functions or responsibilities with respect to the activities funded pursuant to this Agreement or who is in a position to participate in a decision-making process or gain inside information with regard to such activities, may obtain a personal or financial interest or benefit from the activity, or have an interest in any contract, subcontract or agreement with respect thereto, or the proceeds thereunder, either for themselves or those with whom they have family or business ties, during, or at any time after, such person's tenure. Borrower shall exercise due diligence to ensure that the prohibition in this Section 7.9(a) is followed.

(b) The conflict of interest provisions of Section 7.9(a), above, apply to any person who is an employee, agent, consultant, officer, or any immediate family member of such person, or any elected or appointed official of the Authority, or any person related within the third (3rd) degree of such person.

Section 7.10. Notices, Demands and Communications.

Formal notices, demands, and communications between the Parties must be sufficiently given, and may not be deemed given unless dispatched by registered or certified mail, postage prepaid, return receipt requested, or delivered by express delivery service, return receipt requested, or delivered personally, to the principal office of the Parties as follows:

Authority:	Housing Authority of the County of Sacramento 801 12th Street Sacramento, CA 95814 Attention: David Levin
with a copy to:	Goldfarb & Lipman LLP 1300 Clay Street, 11th Floor Oakland, CA 94612 Attention: Michelle D. Brewer
Borrower:	Twin Rivers Phase 1, L.P. c/o McCormack Baron Salazar _____ Attention: _____

With a copy to:

Such written notices, demands and communications may be sent in the same manner to such other addresses as the affected Party may from time to time designate by mail as provided in this

Section. Receipt will be deemed to have occurred on the date shown on a written receipt as the date of delivery or refusal of delivery (or attempted delivery if undeliverable).

Section 7.11. Applicable Law.

This Agreement is to be governed by and interpreted in accordance with the laws of the State of California. The venue for any legal action or proceeding concerning this Agreement will be in the County of Sacramento, California.

Section 7.12. Parties Bound.

Except as otherwise limited herein, the provisions of this Agreement will be binding upon and inure to the benefit of the Parties and their heirs, executors, administrators, legal representatives, successors, and assigns.

Section 7.13. Attorneys' Fees.

If any lawsuit is commenced to enforce any of the terms of this Agreement, the prevailing Party will have the right to recover its reasonable attorneys' fees and costs of suit from the other Party.

Section 7.14. Severability.

If any term of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the provisions will continue in full force and effect unless the rights and obligations of the Parties have been materially altered or abridged by such invalidation, voiding or unenforceability.

Section 7.15. Force Majeure.

In addition to the specific provisions of this Agreement, performance by either Party will not be deemed to be in default where delays or defaults are due to circumstances referenced in Section 10.2 of the MDA. An extension of time for such causes may be available in accordance with Section 10.3 of the MDA or other applicable provisions.

Section 7.16. Reserved.

Section 7.17. Waivers.

Any waiver by the Authority of any obligation or condition in this Agreement must be in writing. No waiver may be implied from any delay or failure of the Authority to take action on any breach or default of Borrower or to pursue any remedy allowed under this Agreement or applicable law. Any extension of time granted to Borrower to perform any obligation under this Agreement may not operate as a waiver or release from any of its obligations under this Agreement. Consent by the Authority to any act or omission by the Borrower may not be construed as consent to any other or subsequent act or omission or to waive the requirement for the Authority's written consent.

Section 7.18. Title of Parts and Sections.

Titles of the sections and subsections of this Agreement are inserted for convenience only and are to be disregarded in interpreting any part of the Agreement's provisions.

Section 7.19. Entire Understanding of the Parties.

This Agreement constitutes the entire understanding and agreement of the Parties with respect to the Loan.

Section 7.20. Multiple Originals; Counterpart.

This Agreement may be executed in multiple originals, each of which is deemed to be an original, and may be signed in counterparts.

[Signature page follows]

WHEREAS, this Predevelopment Loan Agreement for Twin Rivers Housing Phase 1 is effective as of the date first written above.

AUTHORITY:

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

By: _____
La Shelle Dozier, Executive Director

BORROWER:

TWIN RIVERS PHASE 1, L.P., a California limited partnership

By: Twin Rivers Phase 1 MBS GP, Inc., a California corporation, its general partner

By: _____
Name: _____
Title: _____

EXHIBIT A

LEGAL DESCRIPTION OF PROPERTY

Land situated in the City of Sacramento, County of Sacramento, State of California, as follows:

PARCEL ONE:

BEGINNING AT A CONCRETE MONUMENT MARKED RE 2675 SET AT THE INTERSECTION OF THE CENTER LINE OF 12TH STREET WITH THE CENTER LINE OF NORTH D STREET, AS SAID STREETS ARE SHOWN AND SO DESIGNATED ON THE OFFICIAL "MAP OF PART OF SACRAMENTO LYING BETWEEN 10TH AND 25TH STREETS, A STREET AND THE AMERICAN RIVER", RECORDED IN THE OFFICE OF THE COUNTY RECORDER OF SACRAMENTO COUNTY APRIL 24, 1850, IN BOOK 1 OF MAPS, MAP NO. 8; FROM WHICH POINT OR BEGINNING AN IRON PIPE MONUMENT SET BY THE CITY ENGINEER OF THE CITY OF SACRAMENTO AT THE INTERSECTION OF THE CENTER LINE OF SAID 12TH STREET WITH THE CENTER LINE OF NORTH B STREET BEARS SOUTH 18° 48' 10" WEST 841.92 FEET; THENCE FROM SAID POINT OF BEGINNING NORTH 18° 48' 10" EAST 917.64 FEET ALONG THE CENTER LINE OF SAID 12TH STREET TO A POINT ON THE SOUTHERLY BOUNDARY OF THAT CERTAIN RIGHT-OF-WAY DESCRIBED IN DEED EXECUTED BY ALICE L. MACK, ET AL., TO PACIFIC GAS AND ELECTRIC COMPANY, DATED JANUARY 28, 1912, AND RECORDED IN THE OFFICE OF THE COUNTY RECORDER OF SACRAMENTO COUNTY, FEBRUARY 12, 1912, IN BOOK 349 OF DEEDS, PAGE 480; THENCE NORTH 84° 37' 10" EAST 969.90 FEET ALONG SAID SOUTHERLY BOUNDARY OF RIGHT-OF-WAY TO A POINT ON THE CENTER LINE OF 14TH STREET AS SHOWN ON SAID "MAP OF PART OF SACRAMENTO"; THENCE SOUTH 18° 50' 10" WEST 1083.05 FEET ALONG SAID CENTER LINE OF 14TH STREET TO A CONCRETE MONUMENT MARKED RE 2675 SET AT THE INTERSECTION OF THE CENTER LINE OF SAID 14TH STREET WITH THE NORTHERLY LINE OF 12TH STREET ROAD; THENCE CONTINUING SOUTH 18° 50' 10" WEST 46.05 FEET ALONG THE CENTER LINE OF SAID 14TH STREET TO POINT ON THE CENTER LINE OF 12TH STREET ROAD; THENCE SOUTHWESTERLY ALONG THE CENTER LINE OF 12TH STREET ROAD, CURVING TO THE LEFT ON AN ARC OF 1500.00 FEET RADIUS, SAID ARC BEING SUBTENDED BY A CHORD BEARING SOUTH 58° 08' 40" WEST 34.84 FEET; THENCE CONTINUING ALONG THE CENTER LINE OF 12TH STREET ROAD SOUTH 57° 29' 10" WEST 202.18 FEET TO THE INTERSECTION OF THE CENTER LINE OF 12TH STREET ROAD WITH THE CENTER LINE OF SAID NORTH D STREET; THENCE NORTH 71° 17' 00" WEST 38.48 FEET ALONG THE CENTER LINE OF NORTH D STREET TO A CONCRETE MONUMENT MARKED RE 2675 SET AT THE INTERSECTION OF SAID CENTER LINE OF NORTH D STREET WITH THE NORTHERLY LINE OF 12TH STREET ROAD; THENCE CONTINUING NORTH 71° 17' 00" WEST 697.21 FEET TO THE POINT OF BEGINNING.

PARCEL TWO:

BEGINNING AT THE SOUTHWEST CORNER OF THAT CERTAIN TRACT OF LAND DESCRIBED IN THAT CERTAIN DEED EXECUTED BY THE HOUSING AUTHORITY OF THE COUNTY OF SACRAMENTO TO THE NORTH SACRAMENTO SCHOOL DISTRICT OF SACRAMENTO COUNTY DATED NOVEMBER 7, 1941 AND RECORDED IN THE OFFICE OF THE COUNTY RECORDER OF SACRAMENTO COUNTY NOVEMBER 27, 1941 IN BOOK 921 OF OFFICIAL RECORDS AT PAGE 290; THENCE FROM SAID POINT OF BEGINNING NORTH 84° 37' 10" EAST 969.90 FEET TO THE SOUTHEAST CORNER OF THE SAID NORTH SACRAMENTO SCHOOL DISTRICT PROPERTY; THENCE NORTH 18° 50' 10" EAST 32.88; THENCE SOUTH 84° 37' 10" WEST 969.93 FEET, PARALLEL WITH THE SOUTHERLY BOUNDARY OF SAID NORTH SACRAMENTO SCHOOL DISTRICT PROPERTY TO A POINT ON THE WEST BOUNDARY OF SAID NORTH SACRAMENTO SCHOOL DISTRICT PROPERTY; THENCE SOUTH 18° 48' 10" WEST 32.88 FEET TO THE POINT OF BEGINNING.

APN: 001-0090-003-0000

EXHIBIT B

**HOUSING PHASE 1
PREDEVELOPMENT BUDGET**

<u>Line Item</u>	<u>Housing Phase 1 Predevelopment Total</u>	<u>Housing Phase 1 Predevelopment Paid by MBS</u>	<u>CNI Predevelopment Loan</u>
Master Planning	\$31,115	\$0	\$31,115
Architecture Design & Permitting	\$1,757,000	\$1,052,034	\$704,966
Engineering / Survey	\$95,000	\$19,138	\$75,862
Environmental Reports	\$75,000	\$58,451	\$16,549
Professional Fees / Reports	\$131,000	\$29,372	\$101,628
Title & Recording	\$5,000	\$0	\$5,000
Tax Credit Fees	\$23,000	\$0	\$23,000
Miscellaneous	\$33,000	\$20,297	\$12,703
Building Permit Fees	\$1,000,000	\$154,957	\$845,043
PreDev Financing Fees / Interest	\$128,634	\$37,500	\$91,134
Administrative Costs	\$353,251	\$353,251	\$0.00
TOTAL	\$3,632,000	\$1,725,000	\$1,907,000

EXHIBIT C

PROMISSORY NOTE

**PROMISSORY NOTE
Twin Rivers Housing Phase 1**

\$1,907,000

Sacramento, California
_____, 2018

FOR VALUE RECEIVED, **TWIN RIVERS PHASE 1, L.P.**, a California limited partnership (the "Borrower"), promises to pay to the **HOUSING AUTHORITY OF THE COUNTY OF SACRAMENTO, CALIFORNIA**, a public body corporate and politic (the "HACOS" or the "Authority"), or order, the principal sum of One Million Nine Hundred Seven Thousand Dollars (\$1,907,000), plus interest thereon pursuant to Section 2 below.

1. **Borrower's Obligation.** This promissory note (the "Note") evidences the Borrower's obligation to pay the Authority the principal amount of One Million Nine Hundred Seven Thousand Dollars (\$1,907,000) for the funds loaned to the Borrower by Authority to finance predevelopment expenses in connection with the Twin Rivers Housing Phase 1 pursuant to the Predevelopment Loan Agreement between the Borrower and the Authority of even date herewith (the "Loan Agreement"). All capitalized terms used but not defined in this Note have the meanings set forth in the Loan Agreement.

2. **Interest.** No interest will accrue on this Note; provided, however, if a Default occurs, interest on the principal balance will begin to accrue as of the date of Default (following expiration of applicable notice and cure periods) and continuing until such time as the Loan funds are repaid in full or the Default is cured, at the default rate of the lesser of ten percent (10%), compounded annually, or the highest rate permitted by law.

3. **Term and Repayment Requirements.** The term of this Note (the "Term"), shall commence with the date of this Note and shall expire on the earlier of: (i) the date of the Construction Closing on Twin Rivers Housing Phase 1 or (ii) the termination of the MDA. Payments due under this Note are due in accordance with this Note and as set forth in Section 2.4 of the Loan Agreement.

4. **No Assumption.** This Note is not assumable by the successors and assigns of Borrower without the prior written consent of the Authority or as set forth in Section 4.3 of the Loan Agreement.

5. **Security.** This Note is secured by an Assignment, dated concurrently with this Note.

6. Terms of Payment.

(a) Borrower shall make all payments due under this Note in currency of the United States of America, which at the time of payment is lawful for the payment of public and private debts.

(b) All payments on this Note are to be paid to the Housing Authority of the County of Sacramento, 801 12th Street, Sacramento, CA 95814, Attention: Executive Director or to such other place as the Authority may from time to time designate in writing.

(c) Payment in Full. Subject to Section 2.4(c) of the Loan Agreement, all principal and interest, if any, on the Loan will, at the option of the Authority, be due and payable upon the earlier to occur of: (i) the expiration of the Term or, (ii) the occurrence of a Default as defined in Section 7 which remains uncured after any applicable notice and cure period. However, in the event the Authority elects to provide construction and/or permanent financing to the Project in accordance with the MDA, then the outstanding balance of the Loan shall be included in the principal balance of any such future financing and governed by such future loan documents and the Loan Documents shall be terminated and of no further force or effect; provided that in no event shall this Agreement constitute a commitment by the Authority to provide any such future financing.

(d) All payments on this Note will be without expense to the Authority. Borrower shall pay all costs and expenses, and reasonable attorney's fees of the Authority, incurred in connection with the payment of this Note and the release of any security hereof.

(e) Notwithstanding any other provision of this Note, or any instrument securing the obligations of the Borrower under this Note, if, for any reason whatsoever, the payment of any sums by the Borrower pursuant to the terms of this Note would result in the payment of interest which would exceed the amount that the Authority may legally charge under the laws of the State of California, then the amount by which payments exceed the lawful interest rate will automatically be deducted from the principal balance owing on this Note, so that in no event will the Borrower be obligated under the terms of this Note to pay any interest which would exceed the lawful interest rate.

7. Default.

(a) Upon the occurrence of a Default, the entire unpaid principal balance, together with all interest thereon, and together with all other sums then payable under this Note, will, at the option of the Authority, become immediately due and payable upon written notice by the Authority to the Borrower without further demand.

(b) The Authority's failure to exercise the remedy set forth in Subsection 7(a) above or any other remedy provided by law upon the occurrence of a Default will not constitute a waiver of the right to exercise any remedy at any subsequent time in respect to the same or any other Default. The acceptance by Authority hereof of any payment which is less than the total of all amounts due and payable at the time of such payment will not constitute a waiver of the right to exercise any of the foregoing remedies or options at that time or at any subsequent time, or

nullify any prior exercise of any such remedy or option, without the express consent of the Authority, except as and to the extent otherwise provided by law.

8. Waivers.

(a) The Borrower hereby waives diligence, presentment, protest and demand, and notice of protest, notice of demand, and notice of dishonor of this Note. The Borrower expressly agrees that this Note or any payment hereunder may be extended from time to time and that the Authority may accept further security or release any security for this Note, all without, in any way, affecting the liability of the Borrower.

(b) No extension of time for payment of this Note or any installment hereof made by agreement by the Authority with any person now or hereafter liable for payment of this note will operate to release, discharge, modify, change or affect the original liability of the Borrower under this Note, either in whole or in part.

(c) The obligations of the Borrower under this Note are absolute, and the Borrower waives any and all rights to offset, deduct or withhold any payments or charges due under this Note for any reason whatsoever.

9. Miscellaneous Provisions.

(a) All notices to the Authority or the Borrower must be given in the manner and at the addresses set forth in the Loan Agreement or to such addresses as the Authority and the Borrower may hereinafter designate.

(b) The Borrower promises to pay all costs and expenses, including reasonable attorney's fees incurred by the Authority in the enforcement of the provision of this Note, regardless of whether suit is filed to seek enforcement.

(c) This Note may not be changed orally, but only by an agreement in writing, signed by the party against whom enforcement of any waiver, change, modification or discharge is sought.

(d) This Note is governed by and construed in accordance with the laws of the State of California.

(e) The times for the performance of any obligations hereunder will be strictly construed, time being of the essence.

(f) This Note, together with the Loan Documents, contains the entire agreement between the parties as to the Loan. This Note may not be modified except upon written consent of the parties.

(g) This Note is made without recourse to the Borrower and secured solely by the Assignment and the Collateral Documents. No individual member, partner or employee of the Borrower may be personally liable to the Authority in the event of any default or breach by

the Borrower or for any amount which may become due to the Authority or its successor or for any obligation under the terms of this Note.

IN WITNESS WHEREOF, this Promissory Note is executed by Borrower, effective as of the date first written above.

BORROWER:

TWIN RIVERS PHASE 1, L.P., a California limited partnership

By: Twin Rivers Phase 1 MBS GP, Inc., a California corporation, its general partner

By: _____

Name: _____

Title: _____

EXHIBIT D

ASSIGNMENT AGREEMENT

ASSIGNMENT OF COLLATERAL DOCUMENTS Twin Rivers Housing Phase I

This Assignment of Collateral Documents (the "Assignment") is entered into as of _____, 2018, by and between the **HOUSING AUTHORITY OF THE COUNTY OF SACRAMENTO, CALIFORNIA**, a public body, corporate and politic (the "Assignor") and **TWIN RIVERS PHASE 1, L.P.**, a limited partnership ("Assignee") with reference to the following facts:

RECITALS

A. Pursuant to the terms of that certain Predevelopment Loan Agreement dated of even date herewith, by and between Assignor and Assignee (the "Predevelopment Loan Agreement"), Assignor desires to assign to Assignee, and Assignee desires to accept from Assignor, the assignment of Assignor's right, title, and interest in and under those agreements, contracts and other work product described below and incurred by Assignor in connection with the Development, as listed in Schedule I attached hereto, as the same may be amended from time to time.

B. The consent to such assignments by various third parties may be required in the form of consent attached hereto as Schedule II.

NOW, THEREFORE, in consideration of the foregoing, of the mutual promises of the parties hereto and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties mutually agree as follows:

TERMS

1. Assignment by Assignor. Pursuant to Section 2.5 of the Predevelopment Loan Agreement, Assignor hereby assigns and delegates to Assignee, and Assignee hereby accepts from Assignor, all of Assignor's right, title, and interest in and obligations under the following, to the extent paid for from Loan funds:

(a) all architectural designs, construction, engineering and consulting contracts (including Development Contracts as defined in the Loan Agreement) and development agreements, and any and all amendments, modifications, supplements, addenda and general conditions thereto (collectively, the "Project Agreements") heretofore or hereafter entered into by Borrower and any Contractor (as defined below);

(b) all plans and specifications, shop drawings, working drawings, reports (including Development Reports as defined in the Predevelopment Loan Agreement), studies, amendments, modifications, changes, supplements, general conditions, addenda and work

product thereto (collectively, the "Reports, Plans and Specifications") heretofore or hereafter prepared by Borrower or any Contractor;

(c) all land use approvals, conditional use permits, building permits and other governmental entitlements and approvals of any nature obtained for the Development (collectively, the "Land Use Approvals"); and

(d) all financing or other applications and all other tangible documents, except those of a proprietary or confidential nature ("General Documents").

For purposes of this Agreement, the term "Contractor" means any architect, contractor, engineer, consultant or other person or entity entering into Agreements with Borrower (other than attorney agreements for the provision of legal services) and/or preparing reports, plans and specifications or other documents for Borrower with respect to the Development. Such Project Agreements, Reports, Plans and Specifications, Land Use Approvals, and General Documents, shall hereinafter be collectively referred to as the "Collateral Documents". It is intended that all Collateral Documents funded with the Loan, whenever produced, be assigned through the Assignment to Assignee as security for the Loan. So long as there shall be no Event of Default under the Predevelopment Loan Documents, Assignor shall retain all obligations and rights under the Collateral Documents.

2. Purpose. This Assignment is made to secure: (i) payment to Assignee of all sums now or hereafter owing under the Note, dated concurrently herewith and made by Assignor to the order of Assignee, and any and all additional advances, modifications, extensions, renewals, and amendments thereof; and (ii) payment and performance by Assignor of all its obligations under the Predevelopment Loan Agreement.

3. No Assumption of Obligations. Assignee does not assume any of Assignor's obligations or duties under any Collateral Documents, including, but not limited to, the obligation to pay for the preparation of any Collateral Documents, until and unless Assignee exercises its rights under this Assignment.

4. Attorney-In-Fact. Assignor hereby irrevocably appoints Assignee as its attorney-in-fact, which power is coupled with an interest, so that Assignee shall have the right to demand, receive, and enforce any and all of Assignor's rights with respect to the Collateral Documents, and to perform any and all acts in the name of Assignor or in the name of Assignee with the same force and effect as if performed by Assignor in the absence of this Assignment, upon the occurrence of: (i) a Default by Assignor (after notice and opportunity to cure) or an event which, with notice or the passage of time or both, would constitute a Default under the Predevelopment Loan Agreement, or (ii) any termination of the Predevelopment Loan Agreement. Until such occurrences, Borrower will be entitled to exercise all rights pertaining to the Collateral Documents.

5. No Previous Assignment. Assignor represents and warrants to Assignee that no previous assignment(s) of its right or interest in or to the Collateral Documents has or have been made, and Assignor agrees not to assign, sell, pledge, transfer, mortgage, or hypothecate its right

or interest therein (without the written approval of Assignee's Executive Director) so long as Assignee holds or retains any security interest under the Predevelopment Loan Agreement.

6. Governing Law. This Assignment is to be governed by the laws of the State of California, except to the extent that federal law preempts the laws of the State of California. Assignor consents to the jurisdiction of any federal or state court within the State of California having proper venue for the filing and maintenance of any action arising hereunder and agrees that the prevailing party in any such action will be entitled, in addition to any other recovery, to reasonable attorneys' fees and costs.

7. Binding Upon Successors and Assigns. This Assignment is binding upon and will inure to the benefit of the heirs, legal representatives, successors-in-interest, and assigns of Assignor and Assignee; provided, however, this Section 7 may not be construed and is not intended to waive the restrictions on assignment, sale, transfer, mortgage, pledge, hypothecation, or encumbrance by Assignor contained in the Predevelopment Loan Agreement.

8. Capitalized Terms. Capitalized terms used but not defined in this Assignment have the meanings set forth in the Predevelopment Loan Agreement.

9. Headings. Section headings contained in this Assignment are inserted as a matter of convenience and for ease of reference only and will be disregarded for all other purposes, including the construction or enforcement of this Assignment or any of its provisions.

10. Termination. This Assignment will terminate, and the lien of the Assignee under this Assignment will be released upon the Assignor's repayment in full of the Predevelopment Loan or termination of the Predevelopment Loan pursuant to Section 6.5 of the Predevelopment Loan Agreement.

11. Counterparts. This Assignment may be executed in counterparts by the Parties hereto, each of which shall be deemed to be an original, and all such counterparts shall constitute one and the same instrument.

SIGNATURES FOLLOW ON NEXT PAGE.

WHEREAS, this Assignment has been entered into and made effective by the undersigned as of the dates first above written.

ASSIGNEE

TWIN RIVERS PHASE 1, L.P., a California limited partnership

By: Twin Rivers Phase 1 MBS GP, Inc., a California corporation, its general partner

By: _____
Name: _____
Title: _____

ASSIGNOR

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

By: _____
Name: _____
Title: _____

PREDEVELOPMENT LOAN AGREEMENT

TWIN RIVERS Housing Phase 2

This Predevelopment Loan Agreement for Twin Rivers Housing Phase 2 (the "Agreement"), effective as of _____, 2018, is entered into by and between the **HOUSING AUTHORITY OF THE COUNTY OF SACRAMENTO**, a public body corporate and politic ("HACOS" or the "Authority") and **TWIN RIVERS PHASE 2, L.P.**, a California limited partnership ("Borrower"), with reference to the following facts:

A. HACOS is the owner of certain real property comprising of approximately 22.29 acres in Sacramento, California, on which a 218-unit public housing development known as Twin Rivers is located, as more particularly described in Exhibit A (the "Property").

B. HACOS competitively selected McCormack Baron Salazar, Inc. a Missouri corporation ("MBS") as its exclusive development partner at the Property.

C. HACOS and MBS have entered into a Master Development Agreement dated as of January 9, 2018 (the "Master Development Agreement" or the "MDA"), providing for MBS to serve as the master developer for the redevelopment and construction of a new, mixed-income development over multiple phases at the Property (the "Master Development"). The Borrower is an Affiliate of MBS and is the "Owner Entity" for the first "Phase" of the Master Development, as defined in the Master Development Agreement (the "Development" or "Housing Phase 2"). Unless expressly defined in this Agreement, all capitalized terms used herein shall have the meanings ascribed to such terms in the Master Development Agreement.

D. HACOS along with the City of Sacramento, California received a Choice Neighborhoods Implementation Grant from the United States Department of Housing and Urban Development ("HUD") in the amount of \$30,000,000 (the "Choice Grant" or the "CNI Grant"), which grant is governed by the Choice Implementation Agreement and Choice Grant Agreement (collectively, the "Choice Grant Agreement").

E. In accordance with Section 4.3.1 of the Master Development Agreement, HACOS desires to provide to the Borrower a predevelopment loan from Choice Grant funds for certain "Phase Predevelopment Expenses" for Housing Phase 2, pursuant to the Predevelopment Budget attached as Exhibit B hereto.

F. Borrower has requested that HACOS provide financial assistance in an amount not to exceed Three Million Eight Hundred Eighteen Thousand Dollars (\$3,818,000) (the "Loan"), subject to the conditions provided herein, to assist Borrower in performing certain predevelopment tasks associated with the Development.

G. The Loan is exempt from the requirements of the California Environmental Quality Act ("CEQA") pursuant to Section 15262 of the CEQA Guidelines and from the requirements of the National Environmental Policy Act ("NEPA") under 24 Code of Federal Regulations Sections 58.34 and 58.35.

NOW, THEREFORE, in consideration of the recitals hereof and the mutual promises and covenants set forth in this Agreement, the Parties agree as follows:

ARTICLE 1. DEFINITIONS AND EXHIBITS

Section 1.1. Definitions.

The following capitalized terms have the meanings set forth in this Section 1.1 wherever used in this Agreement, unless otherwise provided:

(a) "Affiliate" means an entity that is Controlling of or Controlled by Borrower. For the purposes of this definition, "Control" means (i) direct or indirect management or control of the managing member or members in the case of a limited liability company; (ii) direct or indirect management or control of the managing general partner or general partners in the case of a partnership; and (iii) direct or indirect control of a majority of the directors in the case of a corporation.

(b) "Agreement" means this Predevelopment Loan Agreement.

(c) "Assignment" means the assignment of Collateral Documents securing Borrower's obligations under this Agreement, in the form attached to this Agreement as Exhibit D.

(d) "Authority" means the Housing Authority of the County of Sacramento, organized pursuant to Section 34200, et seq. of the California Health and Safety Code, as amended, including any successor in interest or assigns by act of the Authority, or by operation of law, or otherwise.

(e) "Borrower" means Twin Rivers Phase 2, L.P., a California limited partnership.

(f) "City" means the City of Sacramento, California.

(g) "Collateral" means and includes all right, title, interest, claims and demands of Borrower in and to the Collateral Documents, including contract rights and general intangibles, now existing or hereafter arising; and all amendments, substitutions for, and proceeds thereof, including, without limitation, insurance and similar payments.

(h) "Collateral Documents" means all Development Reports, Development Contracts, Land Use Approvals, architectural and engineering plans and specifications, and any other information related to the development of the Development obtained by Borrower, as further defined in Section 1 of the Assignment.

(i) "Construction Closing" means the date upon which all financing necessary for the construction of the Development will close, and any deeds of trust related to such financing, are recorded against the Borrower's leasehold interest in the Property.

- (j) "Default" is defined in Section 6.1 below.
- (k) "Development" has the meaning set forth in Recital C.
- (l) "Development Budget" is defined in Section 3.7(a) below.
- (m) "Development Contracts" is defined in Section 3.11(a) below.
- (n) "Development Report" means any due diligence reports concerning the Property.
- (o) "Financing Plan" is defined in Section 3.7 below.
- (p) "Financing Proposal" is defined in Section 3.2(b) below.
- (q) "Land Use Approvals" means all discretionary permits and approvals (other than a building permit) including environmental approvals, necessary for the construction of the Development.
- (r) "Loan" means the Authority loan to Borrower in the total principal amount not to exceed One Million Nine Hundred Seven Thousand Dollars (\$3,818,000).
- (s) "Loan Documents" means this Agreement, the Note and the Assignment.
- (t) "Note" means the promissory note that will evidence Borrower's obligation to repay the Loan, in the form attached to this Agreement as Exhibit C.
- (u) "Parties" means the Authority and Borrower, each of which may also be referred to individually as the "Party".
- (v) "Predevelopment Activities" means the activities to be performed by Borrower during the Term, to be partially financed by the Loan, as further described in Article 3 below.
- (w) "Predevelopment Budget" means the pro-forma predevelopment budget, including sources and uses of funds, and showing the amount of each line item to be funded by the Loan, attached hereto and incorporated herein as Exhibit B, which may be amended with the approval of the Authority as set forth in this Agreement.
- (x) "Predevelopment Costs" means the cost of performing the Predevelopment Activities as shown in the Predevelopment Budget.
- (y) "SHRA" means the Sacramento Housing and Redevelopment Agency.
- (z) "TCAC" means the California Tax Credit Allocation Committee.

(aa) "Term" means the term of the Loan, commencing on the date of this Agreement and continuing for the period described in Section 2.4(a).

(bb) "Transfer" has the meaning set forth in Section 4.3 below.

Section 1.2. Exhibits.

The following exhibits are attached to this Agreement and incorporated into this Agreement by this reference:

- Exhibit A: Legal Description of the Property
- Exhibit B: Predevelopment Budget
- Exhibit C: Promissory Note
- Exhibit D: Assignment Agreement

ARTICLE 2. LOAN PROVISIONS

Section 2.1. Loan.

(a) On and subject to the terms and conditions of this Agreement, the Authority agrees to make and the Borrower agrees to accept the Loan to finance approved Predevelopment Activities for the Development in a principal amount not to exceed Three Million Eight Hundred Eighteen Thousand Dollars (\$3,818,000).

(b) The Loan will be evidenced by the Note and the Assignment which shall be executed by the Borrower concurrently herewith.

(c) This Agreement is subject to the terms and conditions of the Choice Grant Agreement, including, but not limited to, the HUD Cost Guidelines. The Authority has received HUD approval of an amendment to the CNI Grant budget approving the use of CNI Grant funds for the purposes of this Agreement. In the event of any conflict between this Agreement and the Choice Grant Agreement, the Choice Grant Agreement shall control.

(d) The Parties intend this Agreement to be consistent with the terms of the MDA and shall interpret the two agreements to give effect to each of them to the greatest extent possible. Notwithstanding the foregoing, the Parties acknowledge that the Borrower is a separate legal entity from MBS as Developer under the MDA and that the Loan Documents are separately enforceable from the MDA. In the event of any direct conflict between the Loan Documents and the MDA with respect to the Loan, the Loan Documents shall govern.

Section 2.2. Interest.

(a) The Loan will accrue no interest during the Term of the Loan, except upon Default as specified in the following subparagraph.

(b) In the event of Default by Borrower, as described in Section 6.1, that remains uncured after the expiration of the applicable notice and cure period, at the Authority's option, the principal amount of the Loan will be immediately due and payable, and will bear interest at the lesser of ten percent (10%) per annum or the maximum rate permitted by law, which will accrue, as of the date of Default and continue until such time as the Loan funds are repaid in full or the Default is cured. In this regard, payments received from the Borrower will be applied first to interest accrued and the remaining balance, if any, to principal.

Section 2.3. Use of Loan Funds.

(a) The Borrower shall use the Loan funds to pay the remaining portion of the Predevelopment Costs of the Development as set forth in the attached Predevelopment Budget, as such costs are incurred or as otherwise specified in the Predevelopment Budget. The Borrower shall not use the Loan funds for any other purpose without the prior written consent of the Authority.

(b) Pursuant to that certain Promissory Note and Assignment of Collateral Documents by and between MBS and Sacramento Housing Authority Repositioning Program, Inc. ("SHARP"), SHARP agreed to loan to MBS predevelopment funding in an amount up to \$1,500,000 (the "SHARP Loan"). As of the date hereof, MBS has drawn \$261,274.69 of the SHARP Loan to pay for Phase Predevelopment Expenses for Housing Phase 2. In the first payment request for Predevelopment Loan funds under this Agreement, Borrower shall use \$261,274.69 of such Predevelopment Loan funds to repay the part of the SHARP Loan used for Housing Phase 2 costs. Borrower shall not fund any overhead expenses through the Predevelopment Budget or otherwise with the proceeds of the Loan.

(c) Any work product produced with the Loan funds will become security for the Note, as provided in Section 2.5, and will be subject to the Assignment.

(d) The Borrower may request revisions to the line items in the Predevelopment Budget from time to time. The Borrower shall submit any revisions of ten percent (10%) or more to any line item shown on the Predevelopment Budget to the Authority for approval within fifteen (15) days of the date the Borrower receives definitive information indicating that actual Predevelopment Costs vary or will vary from the Predevelopment Costs shown on the Predevelopment Budget. The Authority's approval of changes in the Predevelopment Budget may not be unreasonably withheld, conditioned or delayed.

(e) In the event that the Borrower reasonably determines that the Predevelopment Budget requires an increase in order to meet all Phase Predevelopment Expenses for the Development through Closing, the Borrower may submit a detailed request to the Authority, with supporting documentation, for approval of an increased Predevelopment Budget and a corresponding increase in the amount of the Loan. The Authority's approval of any increase in the amount of the Loan shall be subject to the approval of the City, as co-grantee under the CNI Grant, and a corresponding CNI budget approval from HUD in accordance with Section 4.3.3 of the MDA.

Section 2.4. Repayment of the Loan.

The Loan shall be repaid as follows:

(a) Term. The Loan will have a term (the "Term") which commences on the date of this Agreement and expires on the earlier of: (i) the date of the Construction Closing or (ii) the date of any termination of the MDA, unless earlier terminated as provided herein.

(b) Payment in Full. Subject to subsection (c) below, all principal and interest, if any, on the Loan will, at the option of the Authority, be due and payable upon the earlier to occur of: (i) the expiration of the Term or, (ii) the occurrence of a Default as defined in Section 6.1 which remains uncured after any applicable notice and cure period. However, in the event the Authority elects to provide construction and/or permanent financing to the Project in accordance with the MDA, then the outstanding balance of the Loan shall be included in the principal balance of any such future financing and governed by such future loan documents and the Loan Documents shall be terminated and of no further force or effect; provided that in no event shall this Agreement constitute a commitment by the Authority to provide any such future financing.

(c) Effect of MDA Termination. Upon any termination of this Agreement resulting from a termination of the MDA for infeasibility or convenience under Sections 10.3 or 10.4 of the MDA, the Authority shall, to the extent set forth in such provisions of the MDA, deem all amounts currently outstanding under the Loan to be satisfied in full by assignment and deliver of the Collateral Documents provided that Borrower takes all actions reasonably necessary and within its control to implement the Assignment and deposits all Collateral Documents with the Authority.

Section 2.5. Security.

Borrower grants to the Authority a valid, first priority, continuing security interest in all presently existing and hereafter acquired or arising Collateral in order to secure prompt, full and complete payment of any and all obligations to the Authority under this Agreement and in order to secure prompt, full and complete performance by Borrower of each of its covenants and duties under each of the Loan Documents. The Assignment will become effective upon an uncured event of Default of the Borrower as defined in Section 6.1, below, or upon the termination of this Agreement. The Authority will not have any obligation under any Collateral Documents assigned pursuant to the Assignment until it expressly agrees in writing to be bound by such contracts or agreements. Upon an event of Default that has not been cured pursuant to this Agreement or the termination of this Agreement, the Authority may use any of the foregoing assigned Collateral Documents for any purpose for which the Borrower could have used them for development of the Development, and the Borrower shall cooperate with the Authority to implement the Assignment and immediately deposit with the Authority, for the Authority's use, all the Collateral Documents.

Section 2.6. Conditions Precedent to Disbursement.

The Authority is not obligated to make any disbursements of Loan proceeds or take any other action under the Loan Documents unless the Authority has received prior written approval from HUD to use CNI Grant funds for the Loan and the following conditions precedent are satisfied as of the initial disbursement and remain satisfied prior to each disbursement of the Loan:

- (a) There exists no Default nor any act, failure, omission or condition that would constitute an event of Default under this Agreement, or under any other agreement between the Authority and the Borrower or its Affiliates.
- (b) Borrower has executed and/or delivered to Authority all documents and instruments required under the Loan Documents, including the Note and the Assignment and, if required by the Authority, a UCC-1 financing statement.
- (c) Borrower has furnished the Authority with evidence of the insurance coverage meeting the requirements of Section 4.4 below.
- (d) The Authority has received copies of all of the organizational documents of Borrower and its general partner and all resolutions authorizing Borrower and its general partner to execute this Agreement and the other agreements related to the Loan.

Section 2.7. Disbursement of Proceeds.

- (a) The proceeds of the Loan will be disbursed as the work to be paid for by the Loan proceeds is performed. The Borrower shall submit draw requests to the Authority not more frequently than one time each calendar month. The draw requests are to be in a form containing sufficient detail and with sufficient supporting documentation to permit the Authority to confirm that the work to be funded by the draw request has been performed. Each draw request may not request payment in excess of the percentage of the costs attributable to the Authority pursuant to the Predevelopment Budget.
- (b) The Authority will make a good faith effort to disburse the Loan proceeds under each draw request within ten (10) calendar days after receipt of a properly completed draw request with all necessary supporting documentation, except to the extent of any portion thereof as to which the Authority shall provide written notice to Borrower of its reasonable objection within five (5) days after the date of submission of the draw request to the Authority. If the Borrower fails to respond to the Authority's objection or to make any necessary corrections to the invoice, the Authority shall have the right to suspend payment of the questioned portion of such invoice only until such time as the Borrower's response or correction of the invoice to the reasonable satisfaction of the Authority has been provided, at which time the Authority shall pay the Borrower for such invoice within ten (10) days after the date of the Borrower's response or correction.
- (c) Notwithstanding any other provisions of this Agreement, the Authority will have no further obligation to disburse any portion of the Loan to the Borrower following: (i)

the Construction Closing; (ii) termination of this Agreement; or (iii) notification by the Authority to the Borrower of a Default under the terms of this Agreement, until such time as the Default has been cured.

Section 2.8. Prepayment of Loan.

The Borrower may prepay the Loan at any time, without penalty.

ARTICLE 3. PREDEVELOPMENT ACTIVITIES

Section 3.1. Predevelopment Activities.

(a) This Article 3 and the line items of the Predevelopment Budget set forth various tasks that the Borrower will diligently seek to perform and achieve in good faith under the terms of this Agreement (collectively, the "Predevelopment Activities"). The Parties acknowledge, however, that in order for the Borrower to perform certain of the Predevelopment Activities, certain actions first must be taken by the Authority, as provided in the MDA, and that such actions are subject to the identification and commitment of outside funding and other conditions as established in the MDA. The Borrower shall endeavor to complete the Predevelopment Activities by June 30, 2019, the currently projected date of the Construction Closing. Schedule changes shall be subject to Section 4.1 of the MDA.

(b) SHRA has reviewed or is reviewing the Predevelopment Activities in connection with SHRA's underwriting process as referenced in Section 2.1.2 of the MDA. However, because the Authority is a separate legal entity from SHRA and because the Loan is funding such activities, the Authority retains the right below to review and approve the Predevelopment Activities as provided in Section 7.1.2 and in the other applicable sections of the MDA. Nevertheless, Authority may waive the submittal of any item required below. To the extent that SHRA has approved an item in writing, the Authority agrees to be bound by such approval.

(c) The Borrower shall have a permit to enter the Property for the purpose of conducting the Predevelopment Activities upon reasonable notice to the Authority, provided that no construction activities of any kind shall be undertaken under this Agreement and that the Borrower shall restore the Property to its original condition following any testing or investigation of the Property. The Borrower shall indemnify the Authority in accordance with Section 7.4 of this Agreement for any damage, harm or liability caused by the Borrower.

Section 3.2. Financing Proposal.

(a) During the Term, Borrower shall be responsible for applying for funding and the Authority shall be responsible for supporting such applications in accordance with Article II and other applicable provisions of the MDA.

(b) The Borrower's Affiliate, MBS, has previously submitted to the Authority, an initial Financing Proposal for the Development, consisting of the then current estimate of

costs for financing the Development (the "Financing Proposal"). The Borrower shall submit any material revision to the Financing Proposal to the Authority for its review in accordance with Article 2 and other applicable provisions of the MDA.

Section 3.3. Conceptual Site Plan.

The Project Architect has prepared and the Authority has approved the conceptual drawings for the Development (the "Conceptual Site Plan"). The Conceptual Site Plan and elevations are to serve, or have served, as the basis for the Borrower's application for Land Use Approvals and for the preparation of the Design Development Documents and the Construction Plans.

Section 3.4. Design Development Documents.

(a) The Borrower has prepared, and the Authority has approved, design development documents for the Development (the "Design Development Documents").

Section 3.5. Land Use Approvals.

Borrower shall pursue, with the support of the Authority, further Land Use Approvals in accordance with Section 7.1 and other applicable provisions of the MDA. The Borrower acknowledges that execution of this Agreement by the Authority does not constitute approval by the City of any required permits, applications, or allocations, and in no way limits the discretion of the City in the permit, allocation and approval process.

Section 3.6. Tax Credit Applications and Other Financing.

(a) Borrower shall pursue applications for tax credits with the support of the Authority and both parties shall pursue other financing for the Development in accordance with Article 2 and other applicable provisions of the MDA.

(b) If Borrower is not successful in obtaining a reservation of tax credits from TCAC in its first application, Borrower shall submit a second application within such time as may be mutually agreed by the Parties.

Section 3.7. Financing Plan.

The Borrower has submitted, and the Authority has approved, a Financing Plan constituting the Phase Development Budget for Housing Phase 2 as required by the MDA. Further updates to the Phase Development Budget shall be made in accordance with Section 4.2 and other applicable provisions of the MDA.

Section 3.8. Construction Plans.

Borrower has submitted, and the Authority has approved, a copy of the Construction Plans for the Development. As used in this Agreement, "Construction Plans" means all construction documentation upon which Borrower shall rely on for the construction of the Development (including landscaping, parking, and common areas) and are to include, but not

necessarily be limited to, final architectural drawings, landscaping plans and specifications, final elevations, building plans and specifications (also known as "working drawings"). Further updates to the Construction Plans shall be made in accordance with Section 7.1 and other applicable provisions of the MDA.

Section 3.9. Construction Contract.

Borrower shall submit for Authority approval a construction contract for construction of the Development in accordance with Section 7.3.2 and other applicable provisions of the MDA.

Section 3.10. Building Permit.

The Borrower shall apply for a building permit for the construction of the Development and shall exercise diligent, good faith efforts to obtain the permit in accordance with applicable provisions of the MDA. The Borrower shall deliver evidence of receipt of such application and, if given, such permit to the Authority.

Section 3.11. Development Contracts.

(a) Prior to the commencement of any Predevelopment Activity to be performed by a third party consultant, the Borrower shall provide the Authority a copy of each contract for the performance of the work (the "Development Contract") for review. The Authority shall have ten (10) business days to review each Development Contract for the purposes of confirming consistency with the terms of this Agreement or the MDA, as applicable, and to give its written approval, which approval may not be unreasonably conditioned, delayed or withheld, provided that the Authority's failure to respond within such time shall be deemed approval. In the event the Borrower deems it necessary to execute a Development Contract immediately due to urgent circumstances, the Borrower shall notify the Authority of such circumstances and provide a copy of the contract at the earliest possible time following execution.

(b) Upon the reasonable request of the Authority, Borrower shall provide the Authority with reproducible copies of all Collateral Documents produced pursuant to this Agreement. Borrower shall not use the Collateral Documents produced pursuant to this Agreement for any purpose other than the development of the Development.

Section 3.12. Periodic Reports.

The Borrower shall provide, or cause MBS to provide, reports on the Predevelopment Activities, in accordance with Section 4.4 and other applicable provisions of the MDA.

Section 3.13. Nondiscrimination.

The Borrower shall not discriminate or segregate in the performance of the Predevelopment Activities on the basis of race, color, ancestry, national origin, religion, sex, sexual orientation, age, marital status, family status, physical or mental disability, or any other

arbitrary basis. The Borrower shall otherwise comply with all applicable local, state, and federal laws concerning discrimination.

Section 3.14. Mechanics Liens, Stop Notices, and Notices of Completion.

(a) The Borrower shall not allow any liens to be placed upon the Property in connection with the performance of the Predevelopment Activities. If any claim of lien is filed against the Property or if a stop notice is served on the Authority or any other third party in connection with the Predevelopment Activities, and if neither the filing of such lien nor the serving of such stop notice is due to the failure of the Authority to provide funding to Borrower on a timely basis, then Borrower shall, within ninety (90) days after such filing or service: (i) pay and fully discharge the lien or stop notice; (ii) effect the release of such lien or stop notice by delivering to the Authority a surety bond in sufficient form and amount; or (iii) provide the Authority with other assurance satisfactory to the Authority that the claim of lien or stop notice will be paid or discharged; provided, however, that the Authority provides written notice of such claim of lien or stop notice to Borrower promptly upon receipt by the Authority.

(b) If Borrower fails to discharge any lien, encumbrance, charge, or claim in the manner required in this Section, then in addition to any other right or remedy, the Authority may (but shall be under no obligation to) discharge such lien, encumbrance, charge, or claim at Borrower's expense. Alternatively, the Authority may require Borrower to immediately deposit with the Authority the amount necessary to satisfy such lien or claim and any costs, pending resolution thereof, unless the Borrower is able to provide reasonable evidence to the Authority that either (a) the Borrower will prevail in its dispute of said lien, encumbrance, charge or claim, or (b) that Borrower has and maintains sufficient capital to pay or discharge the same upon final resolution of the matter. The Authority may use such deposit to satisfy any claim or lien that is adversely determined against Borrower.

Section 3.15. Compliance with Laws.

(a) Borrower shall comply with all applicable laws, ordinances, rules and regulations of federal, state, county or municipal governments or agencies now in force or that may be enacted hereafter, including (without limitation and where applicable) the prevailing wage provisions of Sections 1770 et seq., of the California Labor Code and implementing rules and regulations as set forth below, in performing the Predevelopment Activities.

(b) Borrower shall pay, and shall cause any consultants or contractors to pay, prevailing wages in the performance of the Predevelopment Activities as those wages are determined pursuant to Labor Code Sections 1720 et seq., and to employ apprentices as required by Labor Code Sections 1777.5 et seq., and the implementing regulations of the Department of Industrial Relations (the "DIR"). The Borrower shall, and shall cause the consultants and contractors to, comply with the other applicable provisions of Labor Code Sections 1720 et seq., 1777.5 et seq., and implementing regulations of the DIR. The Borrower shall, and shall cause the consultants and contractors to, keep and retain such records as are necessary to determine whether: (i) prevailing wages have been paid as required pursuant to Labor Code Sections 1720 et seq.; and (ii) apprentices have been employed as required by Labor Code Sections 1777.5 et

seq. Copies of the currently applicable current per diem prevailing wages are available from DIR.

(c) The Borrower shall indemnify, hold harmless and defend (with counsel reasonably acceptable to the Authority) the Authority against any claim for damages, compensation, fines, penalties or other amounts arising out of the failure or alleged failure of any person or entity (including Borrower, its consultants and contractors) to: (i) pay prevailing wages as determined pursuant to Labor Code Sections 1720 et seq.; (ii) employ apprentices pursuant to Labor Code Sections 1777.5 et seq. and implementing regulations of the DIR; or (iii) comply with the other applicable provisions of Labor Code Sections 1720 et seq., 1777.5 et seq., and the implementing regulations of the DIR in connection with the performance of the Predevelopment Activities. The requirements of this Subsection survive the expiration of the Term.

ARTICLE 4. LOAN REQUIREMENTS

Section 4.1. Information.

Borrower shall provide any information reasonably requested by the Authority in connection with the performance of the Predevelopment Activities and use of the Loan funds.

Section 4.2. Books and Records.

(a) The Borrower shall maintain and keep complete, accurate, and current records pertaining to the Loan for a period of five (5) years after the creation of such records and shall permit any duly authorized representative of the Authority to inspect and copy such records. Such records must include all invoices, receipts, and other documents related to expenditures from the Loan funds.

(b) The Authority shall notify the Borrower of any records it deems insufficient. The Borrower shall have twenty-one (21) calendar days after the receipt of such a notice to correct any deficiency in the records specified by the Authority in such notice, or if a period longer than twenty-one (21) days is reasonably necessary to correct the deficiency, then the Borrower shall begin to correct the deficiency within twenty-one (21) days and correct the deficiency as soon as reasonably possible.

Section 4.3. Transfer.

(a) For purposes of this Agreement, "Transfer" means any sale, assignment, or transfer, whether voluntary or involuntary, of (i) any rights and/or duties of Borrower under this Agreement, and/or (ii) any interest in Borrower.

(b) No Transfer shall be permitted without the prior written consent of the Authority, which the Authority may withhold in its reasonable discretion. The Loan will automatically accelerate and be due in full upon any unauthorized Transfer.

Section 4.4. Insurance Requirements.

The Borrower shall maintain, in its own name, the insurance coverage required of MBS under Exhibit H of the MDA throughout the Term of the Loan.

Section 4.5. HUD Requirements.

(a) Borrower shall comply with all applicable laws, regulations and administrative requirements governing the use of the Loan funds as set forth in the Choice Grant Agreement. In the event of any conflict between this Agreement and applicable laws, regulations and administrative requirements governing the use of the Loan funds, the applicable laws, regulations and administrative requirements will govern.

(b) The laws, regulations and administrative requirements governing the use of the Loan funds include (but are not limited to) those set forth in Section 11.3 of the MDA.

ARTICLE 5. REPRESENTATIONS AND WARRANTIES OF BORROWER

Section 5.1. Representations and Warranties.

Borrower hereby represents and warrants to the Authority as follows, and acknowledges, understands, and agrees that the representations and warranties set forth in this Article 5 are deemed to be continuing during all times when any or all of the Loan remains outstanding:

(a) Organization. Borrower is duly organized, validly existing, and in good standing under the laws of the State of California and has the power and authority to own its property and carry on its business as now being conducted.

(b) Authority of Borrower. Borrower has full power and authority to execute and deliver this Agreement and to make and accept the borrowings contemplated hereunder, to execute and deliver the Loan Documents and all other documents or instruments executed and delivered, or to be executed and delivered, pursuant to this Agreement, and to perform and observe the terms and provisions of all of the above.

(c) Authority of Persons Executing Documents. This Agreement and the Loan Documents and all other documents or instruments executed and delivered, or to be executed and delivered, pursuant to this Agreement have been executed and delivered by persons who are duly authorized to execute and deliver the same for and on behalf of Borrower, and all actions required under Borrower's organizational documents and applicable governing law for the authorization, execution, delivery and performance of this Agreement and the Loan Documents and all other documents or instruments executed and delivered, or to be executed and delivered, pursuant to this Agreement, have been duly taken.

(d) Valid Binding Agreements. This Agreement and the Loan Documents and all other documents or instruments which have been executed and delivered pursuant to or in connection with this Agreement constitute or, if not yet executed or delivered, will when so

executed and delivered constitute, legal, valid and binding obligations of Borrower enforceable against it in accordance with their respective terms.

(e) No Breach of Law or Agreement. To the best knowledge of Borrower, neither the execution nor delivery of this Agreement and the Loan Documents or of any other documents or instruments executed and delivered, or to be executed or delivered, pursuant to this Agreement, nor the performance of any provision, condition, covenant or other term hereof or thereof, will conflict with or result in a breach of any statute, rule or regulation, or any judgment, decree or order of any court, board, commission or agency whatsoever binding on Borrower, or any provision of the organizational documents of Borrower, or will conflict with or constitute a breach of or a default under any agreement to which Borrower is a party, or will result in the creation or imposition of any lien upon any assets or property of Borrower, other than liens established pursuant hereto.

(f) Compliance with Laws; Consents and Approvals. To the best knowledge of Borrower, the development of the Property, as applicable, will comply with all applicable laws, ordinances, rules and regulations of federal, state and local governments and agencies and with all applicable directions, rules and regulations of the fire marshal, health officer, building inspector and other officers of any such government or agency.

(g) Pending Proceedings. Borrower is not in default under any law or regulation or under any order of any court, board, commission or agency whatsoever. There are no claims, actions, suits or proceedings pending or, to the knowledge of Borrower, threatened against or affecting Borrower or the Property, at law or in equity, before or by any court, board, commission or agency whatsoever which might, if determined adversely to Borrower, materially affect Borrower's ability to repay the Loan or impair the security to be given to the Authority pursuant hereto.

ARTICLE 6. DEFAULT, TERMINATION, AND REMEDIES

Section 6.1. Events of Default.

Each of the following constitutes a "Default" by Borrower under this Agreement:

(a) Failure to Make Payment. Failure to repay the principal and any interest on the Loan within ten (10) days of receipt of written notice from the Authority that such payment is due pursuant to the Loan Documents.

(b) Breach of Covenants. Failure by Borrower to duly perform, comply with, or observe any of the conditions, terms, or covenants of any of the Loan Documents or any other agreement between the Authority and the Borrower or, prior to the Closing of an applicable Phase, any Affiliate of the Borrower (including any uncured default under Section 10.1 of the MDA) and such failure having continued uncured for thirty (30) days after receipt of written notice thereof from the Authority to the Borrower or its Affiliates or, if the breach cannot be cured within thirty (30) days, the Borrower will not be in breach so long as Borrower is diligently undertaking to cure such breach and such breach is cured within ninety (90) days after

receipt of written notice from the Authority to Borrower; provided, however, that if a different period or notice requirement is specified under any other section of this Article 6, the specific provisions will control.

(c) Assignments. Failure by the Borrower to take all actions necessary to implement the Assignment and deposit the Collateral Documents with the Authority when required under this Agreement.

(d) Unauthorized Transfer. Any Transfer other than as permitted by Section 4.3.

(e) Representation or Warranty Incorrect. Any Borrower representation or warranty contained in this Agreement or in any application, financial statement, certificate, or report submitted to the Authority in connection with any of the Loan Documents, proving to have been incorrect in any material and adverse respect when made.

(f) Insolvency. A court having jurisdiction shall have made or entered any decree or order (i) adjudging Borrower to be bankrupt or insolvent, (ii) approving as properly filed a petition seeking reorganization of Borrower or seeking any arrangement for Borrower under the bankruptcy law or any other applicable debtor's relief law or statute of the United States or any state or other jurisdiction, (iii) appointing a receiver, trustee, liquidator, or assignee of Borrower in bankruptcy or insolvency or for any of their properties, or (iv) directing the winding up or liquidation of Borrower, if any such decree or order described in clauses (i) to (iv), inclusive, shall have continued unstayed or undischarged for a period of ninety (90) days; or Borrower shall have admitted in writing its inability to pay its debts as they fall due or shall have voluntarily submitted to or filed a petition seeking any decree or order of the nature described in clauses (i) to (iv), inclusive. The occurrence of any of the events of Default in this paragraph will act to accelerate automatically, without the need for any action by the Authority, the indebtedness evidenced by the Note.

(g) Assignment; Attachment. Borrower shall have assigned its assets for the benefit of its creditors or suffered a sequestration or attachment of or execution on any substantial part of its property, unless the property so assigned, sequestered, attached or executed upon shall have been returned or released within ninety (90) days after such event or, if sooner, prior to sale pursuant to such sequestration, attachment, or execution. The occurrence of any of the events of default in this paragraph shall act to accelerate automatically, without the need for any action by the Authority, the indebtedness evidenced by the Note.

(h) Suspension; Termination. Borrower shall have voluntarily suspended its business, or shall have been dissolved or terminated.

Section 6.2. Remedies.

The occurrence of any Default hereunder following the expiration of all applicable notice and cure periods will, either at the option of the Authority or automatically where so specified, relieve the Authority of any obligation to make or continue the Loan and will give the Authority the right to proceed with any and all remedies set forth in this Agreement and the Loan

Documents, including, but not limited to, the following; provided, however, that notwithstanding any provision to the contrary in this Agreement, the Loan shall be nonrecourse to the Borrower and its partners, members, managers or officers as provided in Section 7.5:

(a) Acceleration of Note. The Authority may cause all indebtedness of the Borrower to the Authority under this Agreement and the Note, together with any accrued interest thereon, to become immediately due and payable. The Borrower waives all right to presentment, demand, protest or notice of protest or dishonor. The Authority may proceed to enforce payment of the indebtedness and to exercise any or all rights afforded to the Authority as a creditor and secured party under the law, including the Uniform Commercial Code. The Borrower will be liable to pay the Authority on demand all reasonable expenses, costs and fees (including, without limitation, reasonable attorney's fees and expenses) paid or incurred by the Authority in connection with the collection of the Loan and the preservation, maintenance, protection, sale, or other disposition of the security given for the Loan.

(b) Assignment Agreement. The Authority may exercise all rights under the Assignment. To the extent it has not already done so, Borrower shall upon request deliver to the Authority copies of all Collateral Documents, all permits and approvals obtained in connection with the Development, and all applications for permits and approvals not yet obtained but needed in connection with the Development.

Section 6.3. Right of Contest.

Borrower may contest, in good faith, any claim, demand, levy, or assessment the assertion of which would constitute a Default hereunder. Any such contest shall be prosecuted diligently and in a manner not prejudicial to the Authority or the rights of the Authority hereunder.

Section 6.4. Remedies Cumulative.

No right, power, or remedy given to the Authority by the terms of this Agreement or the Loan Documents is intended to be exclusive of any other right, power, or remedy; and each and every such right, power, or remedy is to be cumulative and in addition to every other right, power, or remedy given to the Authority by the terms of any such instrument, or by any statute or otherwise against Borrower and any other person. Neither the failure nor any delay on the part of the Authority to exercise any such rights and remedies will operate as a waiver thereof, nor will any single or partial exercise by the Authority of any such right or remedy preclude any other or further exercise of such right or remedy, or any other right or remedy.

Section 6.5. Termination for Infeasibility.

(a) MDA. The Authority acknowledges that Borrower's ability to proceed with the Development and to fulfill the terms and conditions of this Agreement is contingent upon certain Development Contingencies as defined in the MDA. The termination of this Agreement for the failure of a Development Contingency to occur shall be governed by Section 10.3 of the MDA.

(b) No Liability. In the event the Borrower or the Authority terminates this Agreement as provided in Section 6.5(a), the Borrower shall not be obligated to repay the Loan as set forth in Section 2.4(c), and neither Party shall have any liability to the other except under any separate contracts entered pursuant to this Agreement and except for continuing indemnities provided elsewhere in this Agreement. The Authority's remedy for such a termination is limited to its rights to the Borrower's Collateral Documents under the Assignment.

Section 6.6. Termination for Convenience.

The Authority may terminate this Agreement for convenience, either in whole or in part in accordance with Section 6.4 of the MDA. If this Agreement is terminated for convenience, either in whole or in part, the Borrower shall not be obligated to repay principal or interest on the Loan.

ARTICLE 7. GENERAL PROVISIONS

Section 7.1. Relationship of Parties.

Nothing contained in this Agreement may be interpreted or understood by any of the Parties, or by any third persons, as creating the relationship of employer and employee, principal and agent, limited or general partnership, or joint venture between the Authority and Borrower or its agents, employees or contractors, and Borrower, will, at all times, be deemed an independent contractor and will be wholly responsible for the manner in which it or its agents, or both, perform the services required of it by the terms of this Agreement. Borrower has and retains the right to exercise full control of employment, direction, compensation, and discharge of all persons assisting in the performance of services under the Agreement. Borrower is solely responsible for its own acts and those of its agents and employees.

Section 7.2. No Claims.

Nothing contained in this Agreement may serve to create or justify any claim brought against the Authority by any person that Borrower may have employed or with whom Borrower may have contracted relative to the purchase of materials, supplies or equipment, or the furnishing or the performance of any work or services with respect to the Development, and Borrower shall include requirements similar to the foregoing language of this Section 7.2 in any contracts entered into with respect to the Development.

Section 7.3. Amendments.

No alteration or variation of the terms of this Agreement will be valid unless made in writing by the Parties.

Section 7.4. Indemnification.

Except where caused by the active negligence, sole negligence, or willful misconduct of the Indemnified Parties (as hereafter defined), to the fullest extent permitted by law, the Borrower shall indemnify, defend and hold harmless the Housing Authority of the City of

Sacramento, the Housing Authority of the County of Sacramento, the City of Sacramento, and the Sacramento Housing and Redevelopment Agency, their subsidiaries and their affiliates and their respective officers, directors, commission members, advisory committee members, agents and employees (collectively and individually, the “Indemnified Parties”) from and against all claims, damages, losses and expenses, including, but not limited to, attorneys’ fees, arising out of or resulting from the performance or non-performance of Borrower’s obligations under this Agreement, but only if and to the extent caused directly by any negligent acts or omissions of the Borrower or any third-parties with whom the Borrower contracts under this Agreement. The indemnification obligation of Borrower hereunder shall not be limited in any way by any limitation on the amount or type of damages, compensation or benefits payable by Borrower or any consultant of Borrower or any other person or entity under workers’ or workmen’s compensation acts, disability benefit acts or other employee benefit acts. The agreements, representations and warranties in this Section 7.4 shall survive the expiration or early termination of this Agreement,

Section 7.5. Non-Liability of Employees or Partners of Borrower.

The Loan is made without recourse to the Borrower and secured solely by the Assignment and the Collateral Documents. No individual member, partner or employee of the Borrower may be personally liable to the Authority in the event of any default or breach by the Borrower or for any amount which may become due to the Authority or its successor or on any obligation under the terms of this Agreement.

Section 7.6. Non-Liability of Authority and Authority Officials, Employees and Agents.

No member, official, employee or agent of the Authority may be personally liable to Borrower in the event of any default or breach by the Authority or for any amount which may become due to Borrower or its successor or on any obligation under the terms of this Agreement.

Section 7.7. No Third-Party Beneficiaries.

There are no third-party beneficiaries to this Agreement.

Section 7.8. Future Authority and City Actions.

The Parties acknowledge and agree that:

- (a) This Agreement does not constitute Authority or City approval of the Land Use Approvals, or approval of the construction of the Development;
- (b) The City retains full discretion to approve or disapprove any Land Use Approvals; and
- (c) Prior to consideration of any Land Use Approvals, the Authority and the City must first perform all applicable statutory preconditions to such consideration.

Section 7.9. Conflict of Interest.

(a) Except for approved eligible administrative or personnel costs, no person described in Section 7.9(b), below, who exercises or has exercised any functions or responsibilities with respect to the activities funded pursuant to this Agreement or who is in a position to participate in a decision-making process or gain inside information with regard to such activities, may obtain a personal or financial interest or benefit from the activity, or have an interest in any contract, subcontract or agreement with respect thereto, or the proceeds thereunder, either for themselves or those with whom they have family or business ties, during, or at any time after, such person's tenure. Borrower shall exercise due diligence to ensure that the prohibition in this Section 7.9(a) is followed.

(b) The conflict of interest provisions of Section 7.9(a), above, apply to any person who is an employee, agent, consultant, officer, or any immediate family member of such person, or any elected or appointed official of the Authority, or any person related within the third (3rd) degree of such person.

Section 7.10. Notices, Demands and Communications.

Formal notices, demands, and communications between the Parties must be sufficiently given, and may not be deemed given unless dispatched by registered or certified mail, postage prepaid, return receipt requested, or delivered by express delivery service, return receipt requested, or delivered personally, to the principal office of the Parties as follows:

Authority:	Housing Authority of the County of Sacramento 801 12th Street Sacramento, CA 95814 Attention: David Levin
with a copy to:	Goldfarb & Lipman LLP 1300 Clay Street, 11th Floor Oakland, CA 94612 Attention: Michelle D. Brewer
Borrower:	Twin Rivers Phase 2, L.P. c/o McCormack Baron Salazar _____ Attention: _____

With a copy to:

Such written notices, demands and communications may be sent in the same manner to such other addresses as the affected Party may from time to time designate by mail as provided in this

Section. Receipt will be deemed to have occurred on the date shown on a written receipt as the date of delivery or refusal of delivery (or attempted delivery if undeliverable).

Section 7.11. Applicable Law.

This Agreement is to be governed by and interpreted in accordance with the laws of the State of California. The venue for any legal action or proceeding concerning this Agreement will be in the County of Sacramento, California.

Section 7.12. Parties Bound.

Except as otherwise limited herein, the provisions of this Agreement will be binding upon and inure to the benefit of the Parties and their heirs, executors, administrators, legal representatives, successors, and assigns.

Section 7.13. Attorneys' Fees.

If any lawsuit is commenced to enforce any of the terms of this Agreement, the prevailing Party will have the right to recover its reasonable attorneys' fees and costs of suit from the other Party.

Section 7.14. Severability.

If any term of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the provisions will continue in full force and effect unless the rights and obligations of the Parties have been materially altered or abridged by such invalidation, voiding or unenforceability.

Section 7.15. Force Majeure.

In addition to the specific provisions of this Agreement, performance by either Party will not be deemed to be in default where delays or defaults are due to circumstances referenced in Section 10.2 of the MDA. An extension of time for such causes may be available in accordance with Section 10.3 of the MDA or other applicable provisions.

Section 7.16. Reserved.

Section 7.17. Waivers.

Any waiver by the Authority of any obligation or condition in this Agreement must be in writing. No waiver may be implied from any delay or failure of the Authority to take action on any breach or default of Borrower or to pursue any remedy allowed under this Agreement or applicable law. Any extension of time granted to Borrower to perform any obligation under this Agreement may not operate as a waiver or release from any of its obligations under this Agreement. Consent by the Authority to any act or omission by the Borrower may not be construed as consent to any other or subsequent act or omission or to waive the requirement for the Authority's written consent.

Section 7.18. Title of Parts and Sections.

Titles of the sections and subsections of this Agreement are inserted for convenience only and are to be disregarded in interpreting any part of the Agreement's provisions.

Section 7.19. Entire Understanding of the Parties.

This Agreement constitutes the entire understanding and agreement of the Parties with respect to the Loan.

Section 7.20. Multiple Originals; Counterpart.

This Agreement may be executed in multiple originals, each of which is deemed to be an original, and may be signed in counterparts.

[Signature page follows]

WHEREAS, this Predevelopment Loan Agreement for Twin Rivers Housing Phase 2 is effective as of the date first written above.

AUTHORITY:

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

By: _____
La Shelle Dozier, Executive Director

BORROWER:

TWIN RIVERS PHASE 2, L.P., a California limited partnership

By: Twin Rivers Phase 2 MBS GP, Inc., a California corporation, its general partner

By: _____
Name: _____
Title: _____

EXHIBIT A

LEGAL DESCRIPTION OF PROPERTY

Land situated in the City of Sacramento, County of Sacramento, State of California, as follows:

PARCEL ONE:

BEGINNING AT A CONCRETE MONUMENT MARKED RE 2675 SET AT THE INTERSECTION OF THE CENTER LINE OF 12TH STREET WITH THE CENTER LINE OF NORTH D STREET, AS SAID STREETS ARE SHOWN AND SO DESIGNATED ON THE OFFICIAL "MAP OF PART OF SACRAMENTO LYING BETWEEN 10TH AND 25TH STREETS, A STREET AND THE AMERICAN RIVER", RECORDED IN THE OFFICE OF THE COUNTY RECORDER OF SACRAMENTO COUNTY APRIL 24, 1850, IN BOOK 1 OF MAPS, MAP NO. 8; FROM WHICH POINT OR BEGINNING AN IRON PIPE MONUMENT SET BY THE CITY ENGINEER OF THE CITY OF SACRAMENTO AT THE INTERSECTION OF THE CENTER LINE OF SAID 12TH STREET WITH THE CENTER LINE OF NORTH B STREET BEARS SOUTH 18° 48' 10" WEST 841.92 FEET; THENCE FROM SAID POINT OF BEGINNING NORTH 18° 48' 10" EAST 917.64 FEET ALONG THE CENTER LINE OF SAID 12TH STREET TO A POINT ON THE SOUTHERLY BOUNDARY OF THAT CERTAIN RIGHT-OF-WAY DESCRIBED IN DEED EXECUTED BY ALICE L. MACK, ET AL., TO PACIFIC GAS AND ELECTRIC COMPANY, DATED JANUARY 28, 1912, AND RECORDED IN THE OFFICE OF THE COUNTY RECORDER OF SACRAMENTO COUNTY, FEBRUARY 12, 1912, IN BOOK 349 OF DEEDS, PAGE 480; THENCE NORTH 84° 37' 10" EAST 969.90 FEET ALONG SAID SOUTHERLY BOUNDARY OF RIGHT-OF-WAY TO A POINT ON THE CENTER LINE OF 14TH STREET AS SHOWN ON SAID "MAP OF PART OF SACRAMENTO"; THENCE SOUTH 18° 50' 10" WEST 1083.05 FEET ALONG SAID CENTER LINE OF 14TH STREET TO A CONCRETE MONUMENT MARKED RE 2675 SET AT THE INTERSECTION OF THE CENTER LINE OF SAID 14TH STREET WITH THE NORTHERLY LINE OF 12TH STREET ROAD; THENCE CONTINUING SOUTH 18° 50' 10" WEST 46.05 FEET ALONG THE CENTER LINE OF SAID 14TH STREET TO POINT ON THE CENTER LINE OF 12TH STREET ROAD; THENCE SOUTHWESTERLY ALONG THE CENTER LINE OF 12TH STREET ROAD, CURVING TO THE LEFT ON AN ARC OF 1500.00 FEET RADIUS, SAID ARE BEING SUBTENDED BY A CHORD BEARING SOUTH 58° 08' 40" WEST 34.84 FEET; THENCE CONTINUING ALONG THE CENTER LINE OF 12TH STREET ROAD SOUTH 57° 29' 10" WEST 202.18 FEET TO THE INTERSECTION OF THE CENTER LINE OF 12TH STREET ROAD WITH THE CENTER LINE OF SAID NORTH D STREET; THENCE NORTH 71° 17' 00" WEST 38.48 FEET ALONG THE CENTER LINE OF NORTH D STREET TO A CONCRETE MONUMENT MARKED RE 2675 SET AT THE INTERSECTION OF SAID CENTER LINE OF NORTH D STREET WITH THE NORTHERLY LINE OF 12TH STREET ROAD; THENCE CONTINUING NORTH 71° 17' 00" WEST 697.21 FEET TO THE POINT OF BEGINNING.

PARCEL TWO:

BEGINNING AT THE SOUTHWEST CORNER OF THAT CERTAIN TRACT OF LAND DESCRIBED IN THAT CERTAIN DEED EXECUTED BY THE HOUSING AUTHORITY OF THE COUNTY OF SACRAMENTO TO THE NORTH SACRAMENTO SCHOOL DISTRICT OF SACRAMENTO COUNTY DATED NOVEMBER 7, 1941 AND RECORDED IN THE OFFICE OF THE COUNTY RECORDER OF SACRAMENTO COUNTY NOVEMBER 27, 1941 IN BOOK 921 OF OFFICIAL RECORDS AT PAGE 290; THENCE FROM SAID POINT OF BEGINNING NORTH 84° 37' 10" EAST 969.90 FEET TO THE SOUTHEAST CORNER OF THE SAID NORTH SACRAMENTO SCHOOL DISTRICT PROPERTY; THENCE NORTH 18° 50' 10" EAST 32.88; THENCE SOUTH 84° 37' 10" WEST 969.93 FEET, PARALLEL WITH THE SOUTHERLY BOUNDARY OF SAID NORTH SACRAMENTO SCHOOL DISTRICT PROPERTY TO A POINT ON THE WEST BOUNDARY OF SAID NORTH SACRAMENTO SCHOOL DISTRICT PROPERTY; THENCE SOUTH 18° 48' 10" WEST 32.88 FEET TO THE POINT OF BEGINNING.

APN: 001-0090-003-0000

EXHIBIT B

**HOUSING PHASE 2
PREDEVELOPMENT BUDGET**

<u>Line Item</u>	<u>Housing Phase 2 Predevelopment Total</u>	<u>Housing Phase 2 Predevelopment Paid by MBS</u>	<u>CNI Predevelopment Loan</u>
Master Planning	\$43,037	\$0	\$43,037
Architecture Design & Permitting	\$2,465,000	\$751,663	\$1,713,337
Engineering / Survey	\$146,000	\$13,174	\$132,826
Environmental Reports	\$150,000	\$6,047	\$143,953
Professional Fees / Reports	\$220,000	\$13,416	\$206,584
Title & Recording	\$5,000	\$0	\$5,000
Tax Credit Fees	\$57,000	\$0	\$57,000
Miscellaneous	\$47,328	\$1,484	\$45,844
Building Permit Fees	\$1,450,000	\$83,143	\$1,366,857
PreDev Financing Fees / Interest	\$141,063	\$37,500	\$103,563
Administrative Costs	\$368,572	\$368,572	\$0
TOTAL	\$5,093,000	\$1,275,000	\$3,818,000

EXHIBIT C

PROMISSORY NOTE

PROMISSORY NOTE
Twin Rivers Housing Phase 2

\$3,818,000

Sacramento, California
_____, 2018

FOR VALUE RECEIVED, **TWIN RIVERS PHASE 2, L.P.**, a California limited partnership (the "Borrower"), promises to pay to the **HOUSING AUTHORITY OF THE COUNTY OF SACRAMENTO, CALIFORNIA**, a public body corporate and politic (the "HACOS" or the "Authority"), or order, the principal sum of Three Million Eight Hundred Eighteen Thousand Dollars (\$3,818,000), plus interest thereon pursuant to Section 2 below.

1. Borrower's Obligation. This promissory note (the "Note") evidences the Borrower's obligation to pay the Authority the principal amount of Three Million Eight Hundred Eighteen Thousand Dollars (\$3,818,000) for the funds loaned to the Borrower by Authority to finance predevelopment expenses in connection with the Twin Rivers Housing Phase 2 pursuant to the Predevelopment Loan Agreement between the Borrower and the Authority of even date herewith (the "Loan Agreement"). All capitalized terms used but not defined in this Note have the meanings set forth in the Loan Agreement.

2. Interest. No interest will accrue on this Note; provided, however, if a Default occurs, interest on the principal balance will begin to accrue as of the date of Default (following expiration of applicable notice and cure periods) and continuing until such time as the Loan funds are repaid in full or the Default is cured, at the default rate of the lesser of ten percent (10%), compounded annually, or the highest rate permitted by law.

3. Term and Repayment Requirements. The term of this Note (the "Term"), shall commence with the date of this Note and shall expire on the earlier of: (i) the date of the Construction Closing on Twin Rivers Housing Phase 2 or (ii) the termination of the MDA. Payments due under this Note are due in accordance with this Note and as set forth in Section 2.4 of the Loan Agreement.

4. No Assumption. This Note is not assumable by the successors and assigns of Borrower without the prior written consent of the Authority or as set forth in Section 4.3 of the Loan Agreement.

5. Security. This Note is secured by an Assignment, dated concurrently with this Note.

6. Terms of Payment.

(a) Borrower shall make all payments due under this Note in currency of the United States of America, which at the time of payment is lawful for the payment of public and private debts.

(b) All payments on this Note are to be paid to the Housing Authority of the County of Sacramento, 801 12th Street, Sacramento, CA 95814, Attention: Executive Director or to such other place as the Authority may from time to time designate in writing.

(c) Payment in Full. Subject to Section 2.4(c) of the Loan Agreement, all principal and interest, if any, on the Loan will, at the option of the Authority, be due and payable upon the earlier to occur of: (i) the expiration of the Term or, (ii) the occurrence of a Default as defined in Section 7 which remains uncured after any applicable notice and cure period. However, in the event the Authority elects to provide construction and/or permanent financing to the Project in accordance with the MDA, then the outstanding balance of the Loan shall be included in the principal balance of any such future financing and governed by such future loan documents and the Loan Documents shall be terminated and of no further force or effect; provided that in no event shall this Agreement constitute a commitment by the Authority to provide any such future financing.

(d) All payments on this Note will be without expense to the Authority. Borrower shall pay all costs and expenses, and reasonable attorney's fees of the Authority, incurred in connection with the payment of this Note and the release of any security hereof.

(e) Notwithstanding any other provision of this Note, or any instrument securing the obligations of the Borrower under this Note, if, for any reason whatsoever, the payment of any sums by the Borrower pursuant to the terms of this Note would result in the payment of interest which would exceed the amount that the Authority may legally charge under the laws of the State of California, then the amount by which payments exceed the lawful interest rate will automatically be deducted from the principal balance owing on this Note, so that in no event will the Borrower be obligated under the terms of this Note to pay any interest which would exceed the lawful interest rate.

7. Default.

(a) Upon the occurrence of a Default, the entire unpaid principal balance, together with all interest thereon, and together with all other sums then payable under this Note, will, at the option of the Authority, become immediately due and payable upon written notice by the Authority to the Borrower without further demand.

(b) The Authority's failure to exercise the remedy set forth in Subsection 7(a) above or any other remedy provided by law upon the occurrence of a Default will not constitute a waiver of the right to exercise any remedy at any subsequent time in respect to the same or any other Default. The acceptance by Authority hereof of any payment which is less than the total of all amounts due and payable at the time of such payment will not constitute a waiver of the right to exercise any of the foregoing remedies or options at that time or at any subsequent time, or

nullify any prior exercise of any such remedy or option, without the express consent of the Authority, except as and to the extent otherwise provided by law.

8. Waivers.

(a) The Borrower hereby waives diligence, presentment, protest and demand, and notice of protest, notice of demand, and notice of dishonor of this Note. The Borrower expressly agrees that this Note or any payment hereunder may be extended from time to time and that the Authority may accept further security or release any security for this Note, all without, in any way, affecting the liability of the Borrower.

(b) No extension of time for payment of this Note or any installment hereof made by agreement by the Authority with any person now or hereafter liable for payment of this note will operate to release, discharge, modify, change or affect the original liability of the Borrower under this Note, either in whole or in part.

(c) The obligations of the Borrower under this Note are absolute, and the Borrower waives any and all rights to offset, deduct or withhold any payments or charges due under this Note for any reason whatsoever.

9. Miscellaneous Provisions.

(a) All notices to the Authority or the Borrower must be given in the manner and at the addresses set forth in the Loan Agreement or to such addresses as the Authority and the Borrower may hereinafter designate.

(b) The Borrower promises to pay all costs and expenses, including reasonable attorney's fees incurred by the Authority in the enforcement of the provision of this Note, regardless of whether suit is filed to seek enforcement.

(c) This Note may not be changed orally, but only by an agreement in writing, signed by the party against whom enforcement of any waiver, change, modification or discharge is sought.

(d) This Note is governed by and construed in accordance with the laws of the State of California.

(e) The times for the performance of any obligations hereunder will be strictly construed, time being of the essence.

(f) This Note, together with the Loan Documents, contains the entire agreement between the parties as to the Loan. This Note may not be modified except upon written consent of the parties.

(g) This Note is made without recourse to the Borrower and secured solely by the Assignment and the Collateral Documents. No individual member, partner or employee of the Borrower may be personally liable to the Authority in the event of any default or breach by

the Borrower or for any amount which may become due to the Authority or its successor or for any obligation under the terms of this Note.

IN WITNESS WHEREOF, this Promissory Note is executed by Borrower, effective as of the date first written above.

BORROWER:

TWIN RIVERS PHASE 2, L.P., a California limited partnership

By: Twin Rivers Phase 2 MBS GP, Inc., a California corporation, its general partner

By: _____

Name: _____

Title: _____

EXHIBIT D

ASSIGNMENT AGREEMENT

**ASSIGNMENT OF COLLATERAL DOCUMENTS
Twin Rivers Housing Phase I**

This Assignment of Collateral Documents (the "Assignment") is entered into as of _____, 2018, by and between the **HOUSING AUTHORITY OF THE COUNTY OF SACRAMENTO, CALIFORNIA**, a public body, corporate and politic (the "Assignor") and **TWIN RIVERS PHASE 2, L.P.**, a limited partnership ("Assignee") with reference to the following facts:

RECITALS

A. Pursuant to the terms of that certain Predevelopment Loan Agreement dated of even date herewith, by and between Assignor and Assignee (the "Predevelopment Loan Agreement"), Assignor desires to assign to Assignee, and Assignee desires to accept from Assignor, the assignment of Assignor's right, title, and interest in and under those agreements, contracts and other work product described below and incurred by Assignor in connection with the Development, as listed in Schedule I attached hereto, as the same may be amended from time to time.

B. The consent to such assignments by various third parties may be required in the form of consent attached hereto as Schedule II.

NOW, THEREFORE, in consideration of the foregoing, of the mutual promises of the parties hereto and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties mutually agree as follows:

TERMS

1. Assignment by Assignor. Pursuant to Section 2.5 of the Predevelopment Loan Agreement, Assignor hereby assigns and delegates to Assignee, and Assignee hereby accepts from Assignor, all of Assignor's right, title, and interest in and obligations under the following, to the extent paid for from Loan funds:

(a) all architectural designs, construction, engineering and consulting contracts (including Development Contracts as defined in the Loan Agreement) and development agreements, and any and all amendments, modifications, supplements, addenda and general conditions thereto (collectively, the "Project Agreements") heretofore or hereafter entered into by Borrower and any Contractor (as defined below);

(b) all plans and specifications, shop drawings, working drawings, reports (including Development Reports as defined in the Predevelopment Loan Agreement), studies, amendments, modifications, changes, supplements, general conditions, addenda and work

product thereto (collectively, the "Reports, Plans and Specifications") heretofore or hereafter prepared by Borrower or any Contractor;

(c) all land use approvals, conditional use permits, building permits and other governmental entitlements and approvals of any nature obtained for the Development (collectively, the "Land Use Approvals"); and

(d) all financing or other applications and all other tangible documents, except those of a proprietary or confidential nature ("General Documents").

For purposes of this Agreement, the term "Contractor" means any architect, contractor, engineer, consultant or other person or entity entering into Agreements with Borrower (other than attorney agreements for the provision of legal services) and/or preparing reports, plans and specifications or other documents for Borrower with respect to the Development. Such Project Agreements, Reports, Plans and Specifications, Land Use Approvals, and General Documents, shall hereinafter be collectively referred to as the "Collateral Documents". It is intended that all Collateral Documents funded with the Loan, whenever produced, be assigned through the Assignment to Assignee as security for the Loan. So long as there shall be no Event of Default under the Predevelopment Loan Documents, Assignor shall retain all obligations and rights under the Collateral Documents.

2. Purpose. This Assignment is made to secure: (i) payment to Assignee of all sums now or hereafter owing under the Note, dated concurrently herewith and made by Assignor to the order of Assignee, and any and all additional advances, modifications, extensions, renewals, and amendments thereof; and (ii) payment and performance by Assignor of all its obligations under the Predevelopment Loan Agreement.

3. No Assumption of Obligations. Assignee does not assume any of Assignor's obligations or duties under any Collateral Documents, including, but not limited to, the obligation to pay for the preparation of any Collateral Documents, until and unless Assignee exercises its rights under this Assignment.

4. Attorney-In-Fact. Assignor hereby irrevocably appoints Assignee as its attorney-in-fact, which power is coupled with an interest, so that Assignee shall have the right to demand, receive, and enforce any and all of Assignor's rights with respect to the Collateral Documents, and to perform any and all acts in the name of Assignor or in the name of Assignee with the same force and effect as if performed by Assignor in the absence of this Assignment, upon the occurrence of: (i) a Default by Assignor (after notice and opportunity to cure) or an event which, with notice or the passage of time or both, would constitute a Default under the Predevelopment Loan Agreement, or (ii) any termination of the Predevelopment Loan Agreement. Until such occurrences, Borrower will be entitled to exercise all rights pertaining to the Collateral Documents.

5. No Previous Assignment. Assignor represents and warrants to Assignee that no previous assignment(s) of its right or interest in or to the Collateral Documents has or have been made, and Assignor agrees not to assign, sell, pledge, transfer, mortgage, or hypothecate its right

or interest therein (without the written approval of Assignee's Executive Director) so long as Assignee holds or retains any security interest under the Predevelopment Loan Agreement.

6. Governing Law. This Assignment is to be governed by the laws of the State of California, except to the extent that federal law preempts the laws of the State of California. Assignor consents to the jurisdiction of any federal or state court within the State of California having proper venue for the filing and maintenance of any action arising hereunder and agrees that the prevailing party in any such action will be entitled, in addition to any other recovery, to reasonable attorneys' fees and costs.

7. Binding Upon Successors and Assigns. This Assignment is binding upon and will inure to the benefit of the heirs, legal representatives, successors-in-interest, and assigns of Assignor and Assignee; provided, however, this Section 7 may not be construed and is not intended to waive the restrictions on assignment, sale, transfer, mortgage, pledge, hypothecation, or encumbrance by Assignor contained in the Predevelopment Loan Agreement.

8. Capitalized Terms. Capitalized terms used but not defined in this Assignment have the meanings set forth in the Predevelopment Loan Agreement.

9. Headings. Section headings contained in this Assignment are inserted as a matter of convenience and for ease of reference only and will be disregarded for all other purposes, including the construction or enforcement of this Assignment or any of its provisions.

10. Termination. This Assignment will terminate, and the lien of the Assignee under this Assignment will be released upon the Assignor's repayment in full of the Predevelopment Loan or termination of the Predevelopment Loan pursuant to Section 6.5 of the Predevelopment Loan Agreement.

11. Counterparts. This Assignment may be executed in counterparts by the Parties hereto, each of which shall be deemed to be an original, and all such counterparts shall constitute one and the same instrument.

SIGNATURES FOLLOW ON NEXT PAGE.

WHEREAS, this Assignment has been entered into and made effective by the undersigned as of the dates first above written.

ASSIGNEE

TWIN RIVERS PHASE 2, L.P., a California limited partnership

By: Twin Rivers Phase 2 MBS GP, Inc., a California corporation, its general partner

By: _____

Name: _____

Title: _____

ASSIGNOR

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

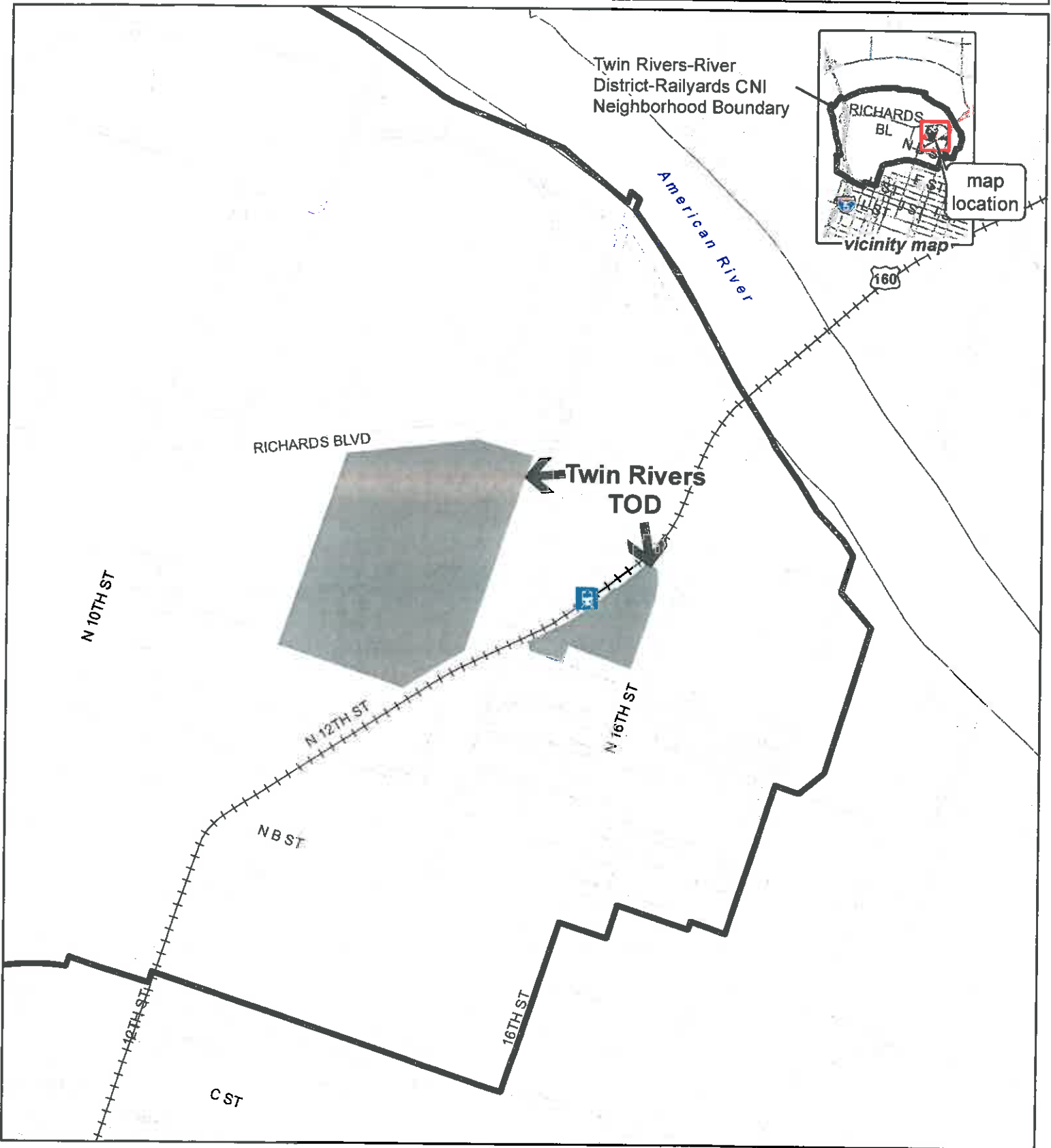
By: _____

Name: _____

Title: _____



Twin Rivers - River District - Railyards Transit Oriented Development Choice Neighborhoods Initiative



- Twin Rivers TOD
- Proposed Light Rail Stop
- Light Rail Track
- River



UNIT COUNT BY TYPE

Unit Type	Count	Percentage	Count	Percentage	Count	Percentage	Count	Percentage
A	2,92	39	48	15	1	104	35.6	77
B	1,66	24	31	10	1	66	39.8	50
C	2,75	36	24	17	6	84	30.5	64
D	3,25	41	44	21	4	110	33.8	82
E	1,15	20	26	4	6	57	49.6	47
F	2,68	24	34	8		66	24.6	75
Total	14,41	184	207	76	18	487	33.8	395

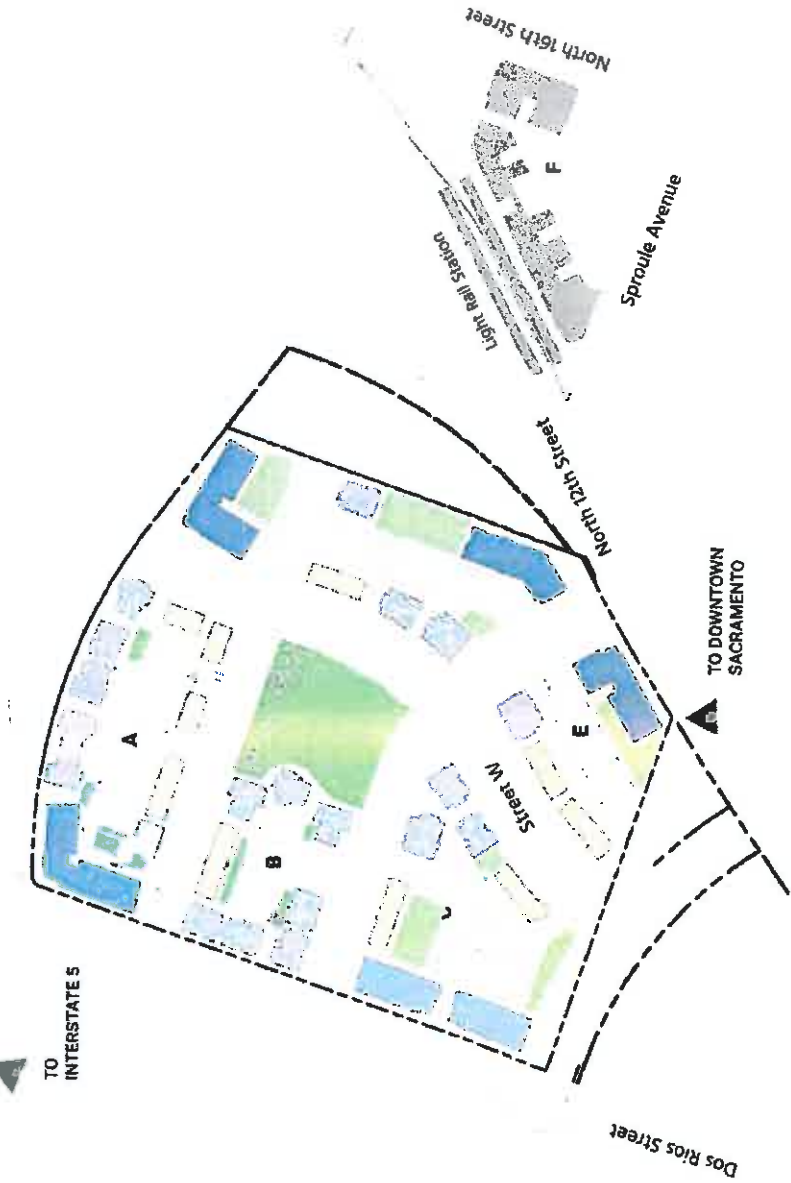
Existing Street Grid
 Large blocks inhibit north-south and east-west movement through the study area

Vine Street

SMYTHE ACADEMY SCHOOL SITE

Richards Boulevard

TO INTERSTATE 5



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



TWIN RIVERS Blocks A - E



UNIT COUNT BY TYPE

	1	2	3	4	5	6	7	8	9
A	2.92	39	48	16	1		104	35.6	77
B	1.66	24	32	10	1		66	39.8	50
C	2.75	36	24	17	6	1	84	30.5	64
D	3.25	41	44	21	4		110	33.8	82
E	1.15	20	26	4	6	1	57	49.6	47
F	2.68	24	34	8			66	24.6	75
Total	14.41	184	207	76	18	2	487	33.8	395
		37.8%	42.5%	15.6%	3.7%	0.4%			

