



April 25, 2019

Sacramento Housing and
Redevelopment Commission
Sacramento, CA

Honorable Members in Session:

SUBJECT:

Approval of Loan Agreements for the Capitol Park Hotel Temporary Shelter Project

SUMMARY

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

RECOMMENDATION

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

Respectfully submitted,


LA SHELLE DOZIER
Executive Director

Attachment



REPORT TO CITY COUNCIL
City of Sacramento
915 I Street, Sacramento, CA 95814-2671
www.CityofSacramento.org

Consent
April 30, 2019

Honorable Mayor and Members of the City Council

Title: Approval of Loan Agreements for the Capitol Park Hotel Temporary Shelter Project

Location/Council District: 1117, 1121, 1125, 1127, 1129 and 1131 9th Street, District 4

Recommendation: Adopt a **City Council Resolution:** authorizing and approving a) an amendment to the City of Sacramento (City) budget, b) the City Manager to execute a loan agreement of \$13,370,000 in Homeless Housing Initiative Program funds with Sacramento Housing and Redevelopment Agency (SHRA), c) an amendment to the SHRA budget, d) SHRA to enter into a \$13,370,000 loan agreement with the City, e) SHRA to enter into a \$13,370,000 loan agreement with Mercy Housing California (Mercy Housing), for the purposes of financing the acquisition of 1117, 1121, 1125, 1127, 1129 and 1131 9th Street in Sacramento (Property) and relocation costs associated with the Capitol Park Hotel.

Contact: Christine Weichert, Assistant Director, (916) 440-1353, Sacramento Housing and Redevelopment Agency

Department: Sacramento Housing and Redevelopment Agency

Description/Analysis

Issue Detail: Capitol Park Hotel was built in 1912 and is currently operating as a 180-unit single room occupancy residential hotel located in downtown Sacramento at 1125 9th Street (corner of 9th and L Streets). The property currently has a vacancy rate of approximately 50 percent. The current owner is in contract to sell the Property to Mercy Housing.

On April 23, 2019, Council approved and delegated the City Manager authority to enter into a lease agreement with Mercy Housing at a cost of \$112,500 for an eighteen month term for the purpose of operating a temporary homeless shelter at Capitol Park Hotel. Council also approved an appropriation of \$13,370,000 from the Innovation and Growth fund to the Homeless Housing Initiative Program fund for the acquisition of the Property and relocation costs associated with the existing residents of Capitol Park Hotel.

This report recommends approval of two loan agreements and associated documents related to the Property – one agreement is between the City and SHRA, and one is between SHRA and Mercy Housing for the purpose of providing financing for the acquisition of the Property and relocation costs associated with the existing residents of Capitol Park Hotel. The details of these expenses are reflected in Table A. It is anticipated that Mercy Housing will relocate the existing residents within three months. In the event that it takes longer than three months to rehouse all the residents, the temporary shelter may begin operating with the remaining current residents staying in place until new housing is obtained.

Table A - Capitol Park Hotel Acquisition and Relocation Expenses

Description	Amount
Acquisition of the Property	\$ 10,000,000.00
Closing Costs	\$ 70,000.00
Relocation of Existing Residents at Capitol Park Hotel	\$ 3,300,000.00
Total Acquisition and Relocation Expenses	\$ 13,370,000.00

Upon Council approval of the remaining actions, temporary shelter for up to 180 individuals for an 18 month term will be provided at Capitol Park Hotel. The development will also include a community room, offices and storage space. Currently there are 140 units that include a private bathroom. Those that occupy the remaining 40 units will have access to a common bathroom. This facility does not have individual kitchens or a community kitchen however there is a designated area to microwave food in the lobby/common area.

SHRA will return to Council for approval of an administrative services agreement between the City and SHRA to fund the cost of repairs to the property, a plan for management of the property until the existing tenants are relocated, a temporary shelter operator, and SHRA staffing to oversee the temporary shelter and management of the Property.

Policy Considerations: The actions recommended in this report are consistent with the Homeless Sheltering Policies.

Economic Impacts: None.

Environmental Considerations: California Environmental Quality Act (CEQA): Entering into a loan agreement, acquisition of the property, and relocation of current residents are administrative and fiscal activities that do not have the potential to result in direct or indirect physical changes in the environment and therefore do not constitute a project under the California Environmental Quality Act (CEQA) pursuant to 14 California Code of Regulations (CCR) §Section 15378(b) (4) and (5). National Environmental Policy Act (NEPA): There is no federal action and therefore NEPA review is not required.

Sustainability Considerations: Not applicable.

Commission Action: On May 1, 2019, it is anticipated that the Sacramento Housing and Redevelopment Commission will approve the staff recommendation for this item. Staff will notify Council in the event this does not occur.

Rationale for Recommendation: The number of people living and dying unsheltered in Sacramento is on the rise, and there are not sufficient available shelter beds to meet the need. The United States Interagency Council on Homelessness recommends that “shelters must be low barrier, focus on assessment and triage, and intentionally link to permanent housing resources so that people move through to housing quickly”. The Council made a significant commitment through the FY2018/19 Midyear Budget to address these critical needs, and staff has worked to prioritize those projects which can be expedited. Given SHRA’s significant experience in providing housing and services to people in need throughout Sacramento County, the City desires to partner with SHRA to help the City in meeting its commitments to providing shelter and re-housing for people experiencing homelessness in Sacramento.

Financial Considerations: The \$13,370,000 in Homeless Housing Initiative Program funds will provide the resources needed for the loan to SHRA to provide a loan to Mercy Housing to finance the \$10,070,000 acquisition and closing costs of the Property and \$3,300,000 relocation costs at Capitol Park Hotel (collectively, “Loans”). The Loans are anticipated to be repaid by November 2020; however, the Loans will mature thirty-six months after the effective date of the loan agreements with an interest rate of zero percent.

LBE - M/WBE and Section 3 requirements: Not applicable.

Respectfully Submitted by:

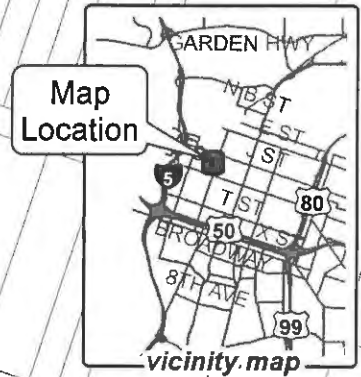
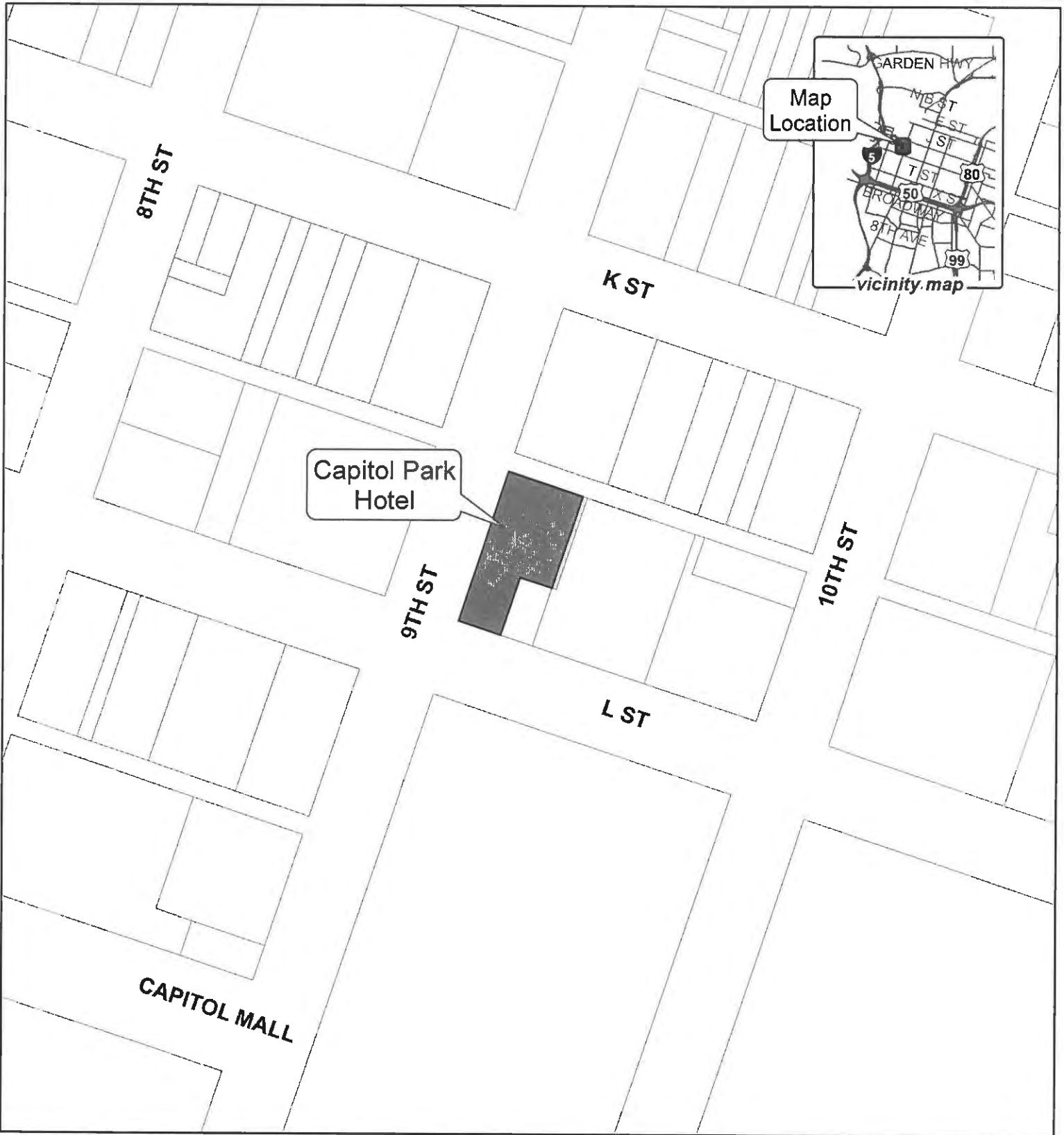

LA SHELLE DOZIER
Executive Director

Attachments

- 01-Description/Analysis and Background
- 02-Capitol Park Hotel Temporary Shelter Vicinity Map
- 03-Capitol Park Hotel Temporary Shelter Photo
- 04-City Council Loan Agreements Resolution
- 05-Exhibit A to Resolution (City and SHRA Loan Agreement)
- 06-Exhibit B to Resolution (SHRA and Mercy Housing Loan Agreement)



Capitol Park Hotel Temporary Shelter



Capitol Park Hotel



SHRA GIS
May 1, 2019

Capitol Park Hotel Temporary Shelter



RESOLUTION NO. 2019 -

Adopted by the Sacramento City Council

On date of

CAPITOL PARK HOTEL TEMPORARY SHELTER: AUTHORIZING USE OF \$13,370,000 IN CITY HOMELESS HOUSING INITIATIVE PROGRAM FUND FOR A LOAN AGREEMENT WITH THE SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY FOR THE PURPOSE OF FUNDING MERCY HOUSING CALIFORNIA'S ACQUISITION OF 1117, 1121, 1125, 1127, 1129 AND 1131 9TH STREET (ALL LOCATED WITHIN BUILDING) AND RELOCATION COSTS OF THE EXISTING RESIDENTS AT 1125 9TH STREET IN SACRAMENTO

BACKGROUND

- A. The Capitol Park Hotel is currently operating as a 180-unit single room occupancy (SRO) residential hotel located downtown at 1125 9th Street (Capitol Park Hotel). Since 2006, Capitol Park has been subject to the City of Sacramento (City) Code 18.20 Relocation Benefits Pertaining to Residential Hotel Unit Conversion or Demolition.
- B. Mercy Housing California entered into a purchase and sale agreement for 1117, 1121, 1125, 1127, 1129 and 1131 9th Street in Sacramento (Property) with RAH Partnership, L.P., dated October 5, 2018 and amended to extend terms on January 11, 2019.
- C. The City desires to have Capitol Park Hotel operate as a temporary shelter for approximately eighteen months. The City's desired use of a temporary shelter does not constitute a unit conversion or demolition of Capitol Park Hotel.
- D. The City is willing to provide a loan to SHRA for SHRA to provide a loan to Mercy Housing California (or a related entity) for financing the acquisition of the Property and relocation of existing residents of Capitol Park Hotel.
- E. On April 23, 2019, Council approved an appropriation of \$13,370,000 from the Innovation and Growth fund to the Homeless Housing Initiative Program fund for the acquisition of the Property and relocation costs associated with the existing residents of Capitol Park Hotel.
- F. Entering into a loan agreement, acquisition of the property, and relocation of existing residents are administrative and fiscal activities that do not have the potential to result in direct or indirect physical changes in the environment and therefore do not constitute a project under the California Environmental Quality Act (CEQA) pursuant to 14 California Code of Regulations (CCR) §Section 15378(b)(4) and (5).

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

- Section 1. All of the evidence having been duly considered, the facts as presented and stated above, including the environmental facts and findings, as stated above, are found to be true and correct.
- Section 2. Approves a \$13,370,000 loan from the City Homeless Housing Initiative Program Fund and amending the City budget for the purpose of providing financing for the acquisition of the Property and relocation costs associated with the existing residents of Capitol Park Hotel.
- Section 3. The City Manager, or designee, is authorized to enter into and execute a loan agreement and associated documents by and between the City and the Sacramento Housing and Redevelopment Agency for \$13,370,000 in a form approved by the City Attorney, to carry out the purpose of this Resolution and to ensure proper repayment of the City funds.
- Section 4. Authorizes amendment to the Sacramento Housing and Redevelopment Agency budget for the purpose of providing financing for the acquisition of the Property and relocation costs associated with the existing residents of Capitol Park Hotel.
- Section 5. Authorizes the Sacramento Housing and Redevelopment Agency (Agency) to enter into a \$13,370,000 loan agreement and associated documents with the City of Sacramento in a form approved by Agency counsel, to carry out the purpose of this Resolution.
- Section 6. Authorizes the Sacramento Housing and Redevelopment Agency to enter into a \$13,370,000 loan agreement and associated documents with Mercy Housing California, or related entity, in a form approved by Agency Counsel, to carry out the purpose of this Resolution and to ensure proper repayment of loan funds for acquisition and relocation costs associated with the existing residents of Capitol Park Hotel.

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Exhibit A - City of Sacramento Loan Agreement with SHRA

Exhibit B - SHRA Loan Agreement with Mercy Housing California

RESOLUTION NO. SHRC-_____

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

ON DATE OF

May 1, 2019

CAPITOL PARK HOTEL TEMPORARY SHELTER: AUTHORIZING AND APPROVING \$13,370,000 LOAN AGREEMENTS IN CITY OF SACRAMENTO HOMELESS HOUSING INITIATIVE PROGRAM FUND; EXECUTION OF LOAN AGREEMENTS WITH THE CITY OF SACRAMENTO AND MERCY HOUSING CALIFORNIA, OR REALTED ENTITY; RELATED BUDGET AMENDMENT; RELATED FINDINGS; AND ENVIRONMENTAL FINDINGS

NOW, THEREFORE BE IT RESOLVED BY THE SACRAMENTO HOUSING AND REDEVELOPMENT COMMISSION:

- Section 1. The activities authorized herein are administrative and fiscal activities that do not have the potential to result in direct or indirect physical changes in the environment and therefore do not constitute a project under the California Environmental Quality Act (CEQA) pursuant to 14 California Code of Regulations (CCR) §Section 15378(b)(4) and (5).
- Section 2. Authorizes the Executive Director, or designee, to accept a \$13,370,000 loan from the City of Sacramento (City) Homeless Housing Initiative Program Fund and to amend to the Sacramento Housing and Redevelopment Agency (Agency) budget accordingly, for the purpose of providing financing to Mercy Housing California, or related entity, for the acquisition of 1117, 1121, 1125, 1127, 1129 and 1131 9th Street (Property) and relocation costs of the existing residents of Capitol Park Hotel located at 1125 9th Street in Sacramento.
- Section 3. Authorizes the Executive Director, or designee, to enter into a \$13,370,000 loan agreement and associated documents with the City of Sacramento, in a form approved by Agency Counsel approval, to carry out the purpose of this Resolution.

Section 4. Authorizes the Executive Director, or designee, to enter into a \$13,370,000 loan agreement and associated documents with Mercy Housing California, or related entity, in a form approved by Agency Counsel, to carry out the purpose of this Resolution and to ensure proper repayment of loan funds for acquisition and relocation of existing residents.

CHAIR

ATTEST:

CLERK

**ACQUISITION LOAN AGREEMENT
CAPITAL PARK HOTEL
1117, 1121, 1125, 1129, & 1131 9TH STREET**

IN CONSIDERATION of their mutual promises, the parties agree as follows:

1. **LOAN.** The Lender is making the Loan pursuant to the terms and conditions of this Loan Agreement. Lender and Borrower have entered this Loan Agreement as of the Effective Date.
2. **DEFINITIONS TABLES.** The capitalized terms in this Loan Agreement shall have the meanings assigned in the following Definitions Tables and in Section 3 Definitions. Terms being defined are indicated by quotation marks.

A. "Loan Information" The general loan provisions of the Loan:		
"EFFECTIVE DATE"		Being the date as of which this Loan Agreement shall be effective.
"LENDER"	The following public agency that is making the Loan, and whose legal status and address are:	
Name	City of Sacramento	
Legal Status	A municipal corporation	
Principal Address	915 I Street, 5 th Floor, Sacramento CA 95814	
"BORROWER"	The borrower of the Loan funds whose name, legal status and address are:	
Name	Sacramento Housing and Redevelopment Agency	
Legal Status	a joint powers agency	
Principal Address	801 12 th Street, Sacramento, CA 95814	
"LOAN"	The Loan made by this Loan Agreement.	
"LOAN FUND"	Lender's Loan Fund commonly known as	Homeless Housing Initiative Program
"LOAN AMOUNT"	Thirteen Million Three Hundred Seventy Thousand Dollars and No Cents (\$13,370,000.00)	
"INTEREST RATE"	The interest rate is 0%.	
"PAYMENT START DATE"	Not applicable.	
"MATURITY DATE"	The first day of the 18th calendar month following the Close of Escrow, unless this Loan Agreement is sooner terminated or the term is extended by written mutual agreement of the Lender and Borrower. Such extension may be up to 36 month without further authorization.	
"PAYMENT SCHEDULE"	All outstanding principal and interest is due and payable on the Maturity Date.	

<p>"SPECIAL TERMS"</p>	<p>Residual Savings. At the close of escrow for acquisition of the Property, if there is a reduction in the total cost of the acquisition, the amount of such residual savings, if any, shall be paid to Lender and the Loan Amount shall be reduced accordingly.</p> <p>Repayment. The amount loaned hereunder shall be repaid, with interest. Such principal and interest payment shall be due at maturity at the closing of a permanent loan for the Property, but no later than _____, 2021 ("Payment Date"). Lender shall notify Borrower of any principal and interest due at least thirty (30) days prior to Payment Date. Borrower may prepay without penalty all or any portion payable hereunder at any time prior to the Payment Date.</p> <p>Limited Liability Obligation. This loan is a limited liability obligation of the Borrower and Borrower shall not under any circumstances be obligated to pay the Note except in event Mercy Housing California, or related entity (Mercy) proceeds with the Project. If Mercy should not proceed with a project, the Property shall be transferred to the Borrower, who in consultation with Lender proceed to solicit a developer for affordable or permanent supportive housing at the Property.</p> <p>The repayment as stated in Repayment paragraph, above, shall occur when a project receives permanent financing and then only to the amount or extent funds from such financing are actually received by the Borrower, herein.</p>
<p>"LOAN PURPOSE" AND "PROJECT"</p>	<p>The Loan Purpose is to provide funding for the Borrower to make a loan with Mercy Housing California for acquisition of the existing Capitol Park Hotel property located at 1117, 1121, 1125, 1129, & 1131 9th Street in Downtown Sacramento for the purpose of holding the property until financing can be secured to rehabilitate the building to create permanent supportive housing for formerly homeless persons (the "Project"). Borrower shall require Mercy to execute a note and deed of trust to secure repayment of the Loan by the Maturity Date. A portion of the loan funds will be used to pay for relocation of existing tenants. The property acquisition cost is \$10,070,000 and the relocation costs are \$3,300,000, for a total of \$13,370,000.</p> <p>Until the financing for the Project can be secured, Lender will make arrangements with Mercy to allow Lender to lease the Property on an interim basis for use as a homeless shelter to be operated by Borrower.</p>
<p>B. "COLLATERAL" The Collateral securing repayment of the Loan, which Collateral consists of the following:</p>	
<p>"PROPERTY"</p>	<p>The following described real property, which Borrower will ensure is security for the Loan:</p>

Addresses	1117, 1121, 1125, 1127, 1129, 1131 9 TH STREET	
Assessor's Parcel Numbers	006-0102-016-0000 and 006-0102-018-0000	
"Legal Description"	The Property is situated in the State of California, County of Sacramento, and is more particularly described in Exhibit 1: Legal Description attached and incorporated by reference.	
Borrower's Title Interest	Borrower will enter into a loan agreement with Mercy to allow for the acquisition of the Property under the terms of a purchase agreement with current owner, RAH Partnership L.P.	
C. "ESCROW INFORMATION":		
"Title Company" and "Escrow Agent"		Which is the title company that will issue the Title Policy and that will act as Escrow Agent for the Escrow.
"Escrow"	The escrow with Escrow Agent:	
"Closing Date"	June 30, 2019	Which is the date for close of the Escrow to transfer the Property to Mercy, as it may be extended.
D. "LIST OF EXHIBITS" (The following are attached and incorporated in this Loan Agreement):		
	EXHIBIT	DEFINED TERM
	<u>Exhibit 1: Legal Description</u>	"Legal Description"
	<u>Exhibit 2: Note Form</u>	"Note"

3. **DEFINITIONS.** As used in this Loan Agreement, the following terms shall have the following meanings:

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

3.2. "Escrow" is the escrow with Title Company for the closing of the Loan.

3.3. "Event of Default" is breach of or default in a party's obligations under this Loan Agreement, the Note and any other instrument which is incorporated in this Loan Agreement or which otherwise secures the repayment of the Loan.

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

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

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

3.7. "Loan Agreement" means this Acquisition Loan Agreement, all Exhibits attached to this Loan Agreement (which are incorporated in this Loan Agreement by this reference) and the Loan Documents which are not otherwise included in this definition.

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

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

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

3.11. "Personalty" means all of Borrower's interest in all accounts, contract rights, and general intangibles (specifically including any insurance proceeds and condemnation awards) arising out of the ownership, or operation of the Property, and all furniture, furnishings, equipment, machinery, construction materials and supplies, leasehold interests in personal property, and all other personal property (other than Fixtures) of Borrower now or later located in the Property, together with all present and future attachments, accessions, replacements, substitutions, and additions, and the cash and noncash proceeds.

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

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

4.1. LEGAL ORGANIZATION. Borrower is duly formed and validly exists in the form stated in the Definitions, is qualified to do business in California, and has full power to consummate the transactions contemplated.

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

4.3. BINDING OBLIGATION. This Loan Agreement and the Note, constitute a legal and binding obligation of, and are valid and enforceable against, each party in accordance with the terms of each.

4.4. LITIGATION. There are no actions, suits, or proceedings pending or, to the best knowledge of Borrower, threatened against or affecting Borrower, the Property, or any part of it, or the validity or enforceability of any of the other Loan Documents, at law or in equity, or before or by any

Governmental Authority. Borrower is not in default with respect to any order, writ, injunction, decree, or demand of any court or other Governmental Authority.

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

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

4.7. **USE OF PROCEEDS.** All Loan Proceeds will be disbursed as provided in this Loan Agreement and used only for payment of the costs of acquisition of the Property and relocation of the existing tenants.

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

5. **LOAN.** Lender agrees to lend to Borrower, and Borrower agrees to borrow from Lender, an amount not to exceed the Loan Amount, to finance the acquisition of the Property, subject to the terms, conditions, representations, warranties, and covenants in this Loan Agreement.

5.1. **PRINCIPAL AMOUNT.** The principal amount of the Loan shall be the actual disbursements of the Lender on account of the acquisition of the Property not to exceed the Loan Amount.

5.2. **LOAN TERMS.** Lender agrees to disburse the Loan proceeds in the manner and subject to the limitations stated in this Loan Agreement.

5.3. **NOTE.** The Loan is to be evidenced by the Note executed by Borrower in favor of Lender and delivered to Lender upon Close of Escrow.

5.4. **ESCROW.** The parties shall open the Escrow promptly after the Effective Date. Escrow shall close on or before the Closing Date.

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

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

6.1. **CONDITIONS TO LENDER'S PERFORMANCE.** Lender's obligation to perform under this Loan Agreement is subject to all of the following conditions: (a) Borrower has performed all of its

obligations then to be performed pursuant to this Loan Agreement; (b) Borrower's representations and warranties in this Loan Agreement are true and correct as of the Close of Escrow; and (c) the Agreement continues to be in full force and effect, no default on the part of Borrower has occurred under the Loan Agreement, and no event has occurred that, with the giving of notice or the passage of time, will constitute a default by Borrower under the Loan Agreement.

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

7. FINANCING. As a condition of the Loan, Borrower will diligently proceed with attempting to secure financing for the Project on or before the Maturity Date.

8. LOAN DISBURSEMENT PROCEDURE. Once Borrower provides to Lender evidence that all conditions to Close of Escrow have been satisfied in accordance with the Loan Agreement, Lender shall deposit the Loan Proceed in Escrow.

9. DEFAULT. At the option of Lender, each of the following events will constitute an Event of Default, subject to applicable cure rights, if any:

9.1.1. Borrower's failure to (i) properly oversee the Property, (ii) protect the Property from damage by the occupants, or (iii) to require that the building owner, manager, and shelter operator maintain all risk insurance coverage to insure the Property in the amount of the Loan Proceeds from loss or damage from fire or other perils.

9.1.2. Making of any unauthorized payment from Loan Proceeds or other funds of Lender.

10. REMEDIES.

10.1. OPTION TO ACT. On the occurrence of any Event of Default, in addition to its other rights in this Loan Agreement or in any of the other Loan Documents, at law, or in equity, Lender may, without prior demand, exercise any one or more of the following rights and remedies:

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

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

10.1.3. Recover its funds expended in exercising or enforcing any of its rights or remedies under any of the Loan Documents, together with interest at the maximum amount allowed by law from the date the funds were spent until repaid.

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

10.3. DISCLAIMER. Whether Lender elects to employ any of the remedies available to it in connection with an Event of Default, Lender will not be liable to (i) own or operate the Property, (ii) protect the Property, (iii) pay any expense in connection with the exercise of any remedy, or (iv) perform any other obligation of Borrower.

10.4. GRANT OF POWER. Borrower irrevocably appoints Lender as its attorney-in-fact, with full power and authority, including the power of substitution, exercisable on the occurrence of an Event of Default, to act for Borrower in its name, place, and stead as provided in this Loan Agreement, to take possession of the Property, remove all employees, contractors, and agents of Borrower, and to market, sell, or lease the Property; to pay, settle, or compromise all bills and claims then existing or later arising against Borrower that Lender, in its sole discretion, deems proper for the protection of Lender's interests; to prosecute and defend all actions and proceedings in connection with the Property; and to execute, acknowledge, and deliver all other instruments and documents in the name of Borrower that are necessary or desirable, to exercise Borrower's rights under all contracts concerning the Property, and to do all other acts with respect to the Property that Borrower might do on its own behalf, in each case as Lender in its reasonable discretion deems proper.

11. PROPERTY INSURANCE. Borrower shall also insure that Property Insurance in ISO policy form CP 10 30 - Building and Personal Property Coverage - Causes of Loss - Special Form, is maintained by Mercy Housing California to the full insurable value of the Property with no coinsurance penalty, Boiler and Machine to the extent necessary to obtain full insurance coverage, and with such other endorsements and in such amounts as the Lender may reasonably require to protect the Property. In the event of damage to the Property and subject to the requirements of Lender, Borrower shall insure that the proceeds of such insurance are used to reconstruct the Property and the public improvements.

11.1 INSURANCE PROVISIONS. Each policy of insurance required under this Loan Agreement shall be obtained from a provider licensed to do business in California and having at least a current Best's Insurance Guide rating of B++ VII, which rating has been substantially the same or increasing for the

last five (5) years, or such other equivalent rating, as may reasonably be approved by Lender's legal counsel. Each policy shall contain the following provisions as applicable, unless otherwise approved by Lender's legal counsel in writing in advance:

11.2 CERTIFIED POLICY COPY. Borrower shall provide Lender with a certified copy of the Property Insurance immediately after Close of Escrow.

11.3 CANCELLATION. The Property Insurance shall bear an endorsement precluding cancellation or termination of the policy or reduction in coverage unless the Lender has been given written notice of such intended action at least thirty (30) days prior to its effective date. In the alternative to such endorsement, Borrower will provide the Lender with the cancellation clause and/or any amendatory endorsements that modify or change the policy cancellation clause of the insurance policies in force. It is the Borrower's responsibility to notify the Lender of any notice of cancellation, non-renewal or non-payment of premium in accordance with your policy provisions. In the event insurance is cancelled or not renewed, the Borrower shall notify the Lender within forty-eight (48) hours of such cancellation or non-renewal.

11.5 FAILURE TO MAINTAIN. If Borrower fails to ensure that the insurance coverage required by this Loan Agreement is maintained, the Lender shall have the right, upon five (5) days written notice and opportunity to cure, to purchase the insurance on behalf of Borrower and Borrower shall add the cost of such insurance to the principal amount of this Loan.

11.6 BLANKET COVERAGE. Borrower's obligation to insure that the insurance coverages as required under this Section 11 may be satisfied by coverage under a "blanket" policy or policies of insurance (as the term is customarily used in the insurance industry); provided, however, that the Lender shall nevertheless be named as an additional insured under such blanket policy or policies to the extent required by this Section, the coverage afforded the Lender will not be reduced or diminished thereby, and all of the other requirements of this Section 11 with respect to such insurance shall otherwise be satisfied by such blanket policy.

12. MISCELLANEOUS.

12.1. NONRECOURSE. Notwithstanding any provision of this Loan Agreement or any document evidencing or securing this Loan, Borrower, and Borrower's officers, directors, agents, employees, Commissioners, and successors in interest shall not be personally liable for the payment of the Loan or any obligation of the Loan.

12.2. CURE BY PARTY OTHER THAN BORROWER. Any lender whose loan is secured by the Property may cure a default of the Loan, provided that such cure rights shall be the same as Borrower's cure rights. Such other curing party must cure by the date on which Borrower was obligated to cure, except if Lender is obligated by this Loan Agreement to give separate notice to such other curing party, in which instance, the cure period shall begin when Lender makes such notice to such other curing party.

12.3. NATURE OF REPRESENTATIONS AND WARRANTIES. Borrower certifies to Lender that all representations and warranties made in this Loan Agreement and all other Loan Documents are true

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

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

12.5. NO THIRD PARTIES BENEFITED. This Loan Agreement is made and entered into for the sole protection and benefit of the parties and their permitted successors and assigns, and no other person including, without limitation, Mercy Housing California, will have any right of action or any rights to the Loan Proceeds or any funds of Lender.

12.6. NO JOINT VENTURE, PARTNERSHIP, OR OTHER RELATIONSHIP. Nothing contained in this Agreement or in any other document executed in connection with this Agreement shall be construed as creating a joint venture or partnership between Lender and Borrower. Each Party is acting as an independent entity and not as an agent of the other in any respect.

12.7. NOTICES. Borrower irrevocably appoints Lender as its agent (the agency being coupled with an interest) to post, file or record any notices of non-responsibility, cessation of labor, or any other notice that Lender deems necessary or desirable to protect its interests under this Loan Agreement or under the Loan Documents.

12.7.1. METHOD. All notices to be given under this Loan Agreement shall be in writing and sent to the addresses stated above for the respective recipient by one or more of the following methods.

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

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

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

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

12.7.2. SHORT TERM NOTICES. Notices, including requests for approval, requiring action in less than thirty (30) days may only be given by the foregoing overnight courier or hand delivery method, and shall include the following language on its face: "URGENT – TIME SENSITIVE – IMMEDIATE ACTION REQUIRED" and marked for delivery to Economic Development. Such notice shall include the time allowed under this Loan Agreement for action.

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

12.9. ASSIGNMENT. The terms of this Loan Agreement will be binding on and inure to the benefit of successors and assigns of the parties. Other than an assignment of this Loan Agreement to Mercy Housing California, Borrower shall not assign this Loan Agreement or any interest it may have in the monies due or, except as otherwise provided, convey or encumber the Property without the prior written consent of Lender. However, if there is an assignment, conveyance, or encumbrance, Lender may nevertheless at its option continue to make disbursements under this Loan Agreement to Borrower or to those who succeed to Borrower's title, and all sums so disbursed will be deemed to be disbursements under this Loan Agreement and not modifications.

12.10. ACCELERATION ON TRANSFER OR REFINANCING OF THE PROPERTY; ASSUMPTION. Except as otherwise provided in the Loan Agreement, if all or any part of the Property or an interest in the Property is sold, transferred or conveyed to any person, or refinanced such that additional debt is added to the Property or the cash flows change without Lender's prior written consent, Lender may, at Lender's option, declare all the sums secured by this Loan Agreement to be immediately due and payable. Lender shall have waived such option to accelerate if, prior to the refinancing, sale or transfer, Lender and the person to whom the Property is to be sold or transferred reach agreement in writing that the Loan may be assumed. If Lender has waived the option to accelerate provided in this Section 12.10 and if Borrower's successor in interest has executed a written assumption agreement accepted in writing by Lender, Lender shall release Borrower from all obligations under this Agreement and the Note.

12.11. NONLIABILITY FOR NEGLIGENCE, LOSS, OR DAMAGE. Borrower acknowledges, understands, and agrees as follows:

12.11.1. The relationship between Borrower and Lender is, and will at all times remain, solely that of borrower and lender, and Lender neither undertakes nor assumes any responsibility for or duty to Borrower to select, review, inspect, supervise, pass judgment on, or inform Borrower of the quality, adequacy, or suitability of the Project, except as to matters which are within the intent and purpose for which Lender has made the Loan.

12.11.2. Lender owes no duty of care to protect Borrower against negligent, faulty, inadequate, or defective building or construction.

12.11.3. Lender will not be responsible or liable to Borrower for any loss or damage of any kind to person or property whether suffered by Borrower or any other person or group of persons or for negligent, faulty, inadequate, or defective building or construction, and Borrower will hold Lender harmless from any liability, loss, or damage for these things.

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

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

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

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

12.16. LOAN EXPENSES. All expenses specifically incurred in connection with the Loan or the preparation, execution, and delivery of the Loan Documents, including, but not limited to, recording costs and expenses, transfer and other taxes (if any), surveys, appraisal fees, title and hazard insurance premiums, recording, notary, and escrow charges, and all other similar, usual, or customary loan closing charges and expenses shall be paid by Borrower. Borrower will pay directly any expenses in connection with the Loan not so paid by Lender, including, without limitation, any of the expenses specified above, and will hold Lender free from any cost, liability, or obligation of any

nature in connection with it, including reasonable attorney fees incurred by Lender. Borrower further agrees to pay on demand all out-of-pocket costs and expenses reasonably incurred by Lender including, without limitation, the fees and disbursements of Lender's outside counsel, in connection with the enforcement of any rights or remedies under the Loan Documents, whether any action or proceeding is commenced, or the protection of the security, or interests of Lender under the Loan Documents. All costs and expenses, together with interest at Loan rate, will form a part of the indebtedness.

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

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

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

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

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

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

12.23. **MUTUAL INDEMNITY.** Borrower shall defend, indemnify and hold harmless City, its Council members, officers, directors, agents, employees and volunteers from and against all demands, claims, actions, liabilities, losses, damages, and costs, including reasonable attorneys' fees, arising out of or resulting from the performance of the Agreement, caused in whole or in part by the negligent or intentional acts or omissions of Borrower's officers, directors, agents, employees, or Commission.

Lender shall defend, indemnify, and hold harmless the Sacramento Housing and Redevelopment Agency, its officers, directors, agents, employees, and Commission from and against all demands, claims, actions, liabilities, losses, damages and costs, including reasonable attorneys' fees, arising out of or resulting from the performance of the Agreement, caused in whole or in part by the negligent or intentional acts or omissions of City Council members, officers, directors, agents, employees, or volunteers.

It is the intention of Lender and Borrower that the provisions of this paragraph be interpreted to impose on each party responsibility to the other for the acts and omissions of their respective officers, directors, agents, employees, volunteers, City Council members, and Borrower's Commission. It is also the intention of Lender and Borrower that, where comparative fault is determined to have been contributory, principles of comparative fault will be followed and each party shall bear the proportionate cost of any damage attributable to the fault of that party, its officers, directors, agents, employees, volunteers, City Council Members and Borrower's Commission.

The provisions of this Section will survive the termination of this Loan Agreement and the repayment of the Loan.

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

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

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

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

THE PARTIES HAVE EXECUTED THIS LOAN AGREEMENT in Sacramento, California as of the Effective Date.

BORROWER:

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

By: _____
La Shelle Dozier, Executive Director

Dated: _____

Approved as to form:

By: _____
Borrower Counsel

LENDER:

CITY OF SACRAMENTO

By: _____
Howard Chan, City Manager

Dated: _____

APPROVED AS TO FORM:

By: _____
Senior Deputy City Attorney

ATTEST:

By: _____
Assistant City Clerk

Exhibit 1: Legal Description

All that portion of Lots 7 and 8, in the Block bounded by 9th and 10th, "K" and "L" Streets, of the City of Sacramento, according to the official plat thereof, described as follows:

BEGINNING at a point marking the Northwest corner of said Lot 8; thence from said point of beginning South $71^{\circ}11'56''$ East 80.37 feet to the Northeast corner of said Lot 8; thence South $71^{\circ}11'56''$ East 5.00 feet; thence South $18^{\circ}48'25''$ West 100.00 feet; thence North $71^{\circ}11'56''$ West 5.00 feet to a point on the Easterly line of said Lot 8; thence North $72^{\circ}02'56''$ West 35.00 feet; thence South $18^{\circ}48'25''$ West 60.00 feet to a point on the Southerly line of said Lot 8; thence North $71^{\circ}12'09''$ West 45.47 feet to the Southwest corner of said Lot 8; thence Northeasterly along the Westerly line of said Lot 8 to the point of beginning.

TOGETHER WITH an easement for light, air and building separation and access for maintenance and repair over, across, and upon the following described portion of Lots 7 and 8 in the block bounded by 9th and 10th, "K" and "L" Streets of the City of Sacramento, according to the official plat thereof:

BEGINNING at a point on the South line of said Lot 8 located South $71^{\circ}12'09''$ East 45.47 feet from the Southwest corner of said Lot 8; thence from said point of beginning North $18^{\circ}48'25''$ East 60.00 feet; thence South $72^{\circ}02'56''$ East 40.00 feet; thence North $18^{\circ}48'25''$ East 100.00 feet to a point on the North line of said Lot 7 located South $71^{\circ}11'56''$ East 85.37 feet from the Northwest corner of said Lot 8; thence along the North line of said Lot 7 South $71^{\circ}11'56''$ East 5.00 feet; thence South $18^{\circ}48'25''$ West 105.00 feet; thence North $72^{\circ}02'56''$ West 40.00 feet; thence South $18^{\circ}48'25''$ West 55.00 feet to a point on the South line of said Lot 8; thence along said South line North $71^{\circ}12'09''$ West 5.00 feet to the point of beginning.

APN: 006-0102-016

Exhibit 2: Note Form

**PROMISSORY NOTE
CAPITAL PARK HOTEL
1117, 1121, 1125, 1129, 1131 9TH STREET**

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

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

DEFINED TERM.	Definitions:
“Effective Date”	June 1, 2019
“Lender”	City of Sacramento, a municipal corporation
“Borrower”	Sacramento Housing and Redevelopment Agency
“Borrower Legal Status”	a joint powers agency
“Loan Agreement”	The Loan Agreement between the Borrower and Lender as of the Effective Date for making of the loan (“Loan”) evidenced by this Note.
“Principal Amount”	Thirteen Million Three Hundred Seventy Thousand Dollars and No Cents (\$13,370,000.00)
“Interest Rate”	The interest rate is 0%.
“Special Terms”	At the close of escrow for acquisition of 1117, 1121, 1125, 1129, & 1131 9 th Street (the “Property”), if there is a reduction in the total cost of the acquisition, the amount of such residual savings, if any, shall be paid to Lender and the Loan Amount shall be reduced accordingly.
PAYMENT SCHEDULE. Repayment of this Note shall be made as follows:	
“Maturity Date”	The first day of the 36 th calendar month following the Close of Escrow for acquisition of the Property, unless the Loan Agreement is sooner terminated or the term is extended by written mutual agreement of the Lender and Borrower.

FOR VALUE RECEIVED, THE UNDERSIGNED, JOINTLY AND SEVERALLY, PROMISES TO PAY to Lender, or its successors or assigns, the Principal Amount or such lesser amount as may be endorsed on this Note on behalf of Lender.

1. This Note evidences the obligation of Borrower to Lender for repayment of funds loaned to Borrower under a loan agreement between Borrower and Lender dated as of the Loan Date ("Loan Agreement"). The terms and covenants of the Loan Agreement are incorporated in this Note by reference.

All payments on this Note shall be applied first to fees and charges due under the Loan Agreement, if any, then to the principal due on this Note. Borrower shall make the payments to the Lender at 915 I Street, Sacramento, CA 95814, or to such other person or organization as may be designated by Lender to Borrower and noticed as provided in the Loan Agreement.

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

3. Upon occurrence of any one or more of the following, Lender may, at its sole discretion, declare all unpaid principal immediately due and payable, together with all unpaid interest at the stated rate from the date of the advancement of the Loan's proceeds, subject to applicable cure periods, if any:

a. Borrower defaults in the payment of any principal or interest when due.

b. Lender discovers that Borrower has made any misrepresentations or has intentionally withheld any fact in the making of this Loan, the knowledge of which could have affected the decision of Lender to make the Loan.

c. Borrower defaults or breaches any of the terms of Loan Agreement or this Note.

d. The sale, transfer of title, conveyance or further encumbrance of the Property as defined in the Loan Agreement, whether by sale, exchange, gift, inheritance or other means, without prior written consent of Lender other than acquisition of the Property by Mercy as required in the Loan Agreement.

e. The occurrence of any of the following:

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

2) Proceedings for the appointment of a receiver, trustee or liquidator of the assets of Borrower or a substantial part of such assets, being authorized or instituted by or against the Borrower.

3) Proceedings under any bankruptcy, reorganization, readjustment of debt, insolvency, dissolution, liquidation or other similar law of any jurisdiction being authorized or instituted against Borrower.

4. No waiver of any default or breach by Borrower under this Note shall be implied from any omission by Lender to take action on account of such default, and no express waiver shall affect

any default, other than the default specified in the waiver. Such waiver shall be in writing and shall be operative only for the time and to the extent therein stated.

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

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

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

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

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

Borrower:

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY, a joint powers agency

By: _____
La Shelle Dozier, Executive Director

Dated: _____

ACQUISITION AND RELOCATION LOAN AGREEMENT CAPITOL PARK HOTEL TEMPORARY SHELTER

ARTICLE I TERMS AND DEFINITIONS:

“EFFECTIVE DATE”	TBD 2019	Which is the date as of which this Loan Agreement shall be effective.
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LENDER AND BORROWER HAVE ENTERED THIS LOAN AGREEMENT AS OF THE EFFECTIVE DATE. This Loan Agreement includes Article II Loan Provisions and the attachments and Exhibits listed below, all of which are incorporated in this Loan Agreement by this reference. The capitalized terms in this Loan Agreement shall have the meanings assigned in Article I Terms and Definitions and as defined in Article II Loan Provisions. (Terms being defined are indicated by quotation marks. If an item in this Article I table is marked “None, Not Applicable, N/A or equivalent or is left blank, that defined term is not applicable to this Loan or the referenced item is not required or is not included in this Loan, as the context may indicate.) The Lender is making the Loan pursuant to the terms and conditions of this Loan Agreement.

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

A. “Loan Information” The general loan provisions of the Loan		
“LENDER”	The following public agency that is making the Loan, and whose legal status and address are:	
Name	Sacramento Housing and Redevelopment Agency	
Legal Status	A joint powers authority	
Principal Address	801 12th Street, City of Sacramento, Sacramento County, California 95814	
“BORROWER”	The borrower of the Loan funds whose name, legal status and address are:	
Name	Mercy Housing California 90, LLC, a California limited liability company	
Legal Status	a California limited liability company	
Principal Address	2512 River Plaza Drive, Suite 200, Sacramento, California 95833	
“LOAN”	The Loan made by this Loan Agreement.	
“LOAN PROGRAM”	Lender’s Loan Program, commonly known as:	This Loan is funded from proceeds that the Lender has borrowed from the City of Sacramento Homeless Housing Initiative Program.
“LOAN AMOUNT”	Thirteen Million, Three Hundred Seventy Thousand Dollars and No Cents (\$13,370,000.00)	
“INTEREST RATE”	The interest rate is 0%.	
“MATURITY DATE”	The first day of the 36th calendar month following the Effective Date, unless this Loan Agreement is sooner terminated or the term is extended by written mutual agreement of the Lender and Borrower.	
“PAYMENT START DATE”	The first day of the 36th calendar month following the Effective Date.	
“PAYMENT SCHEDULE”	The payment shall be made in lump sum on the Maturity Date.	
“BORROWER EQUITY”	None.	Which is the minimum amount of cash or cash equivalent (excluding land equity or other non-cash investment in the Project) that Borrower is investing in the acquisition and residential relocation.
“SPECIAL TERMS”	Repayment of the loan proceeds from the City of Sacramento Homeless Housing Initiative Program totaling Thirteen Million, Three Hundred Seventy Thousand Dollars and No Cents (\$13,370,000.00) shall be due on the Maturity Date, as extended, in accordance with the Payment Schedule.	

B. "Collateral" The Collateral securing repayment of the Loan, which Collateral consists of the following		
"PROPERTY"	The following described real property, which is security for the Loan:	
Address	1117, 1121, 1125, 1127, 1129, & 1131 Ninth Street, Sacramento, California 95814	
Assessor's Parcel Number	006-0102-016-0000 and 006-0102-018-0000	
"Legal Description"	The Property is situated in the State of California, County of Sacramento, and is more particularly described in Exhibit: Legal Description attached and incorporated by reference.	
Borrower's Title Interest	Borrower has fee interest in the Property or, if the Additional Escrow Instructions so indicate, Borrower will acquire fee interest in the Property at Close of Escrow.	
"ADDITIONAL COLLATERAL"	The Additional Collateral securing repayment of the Loan is any additional security required by Lender under this Loan Agreement, including without limitation the following items, if any	
"PERSONAL PROPERTY"	Borrower's interest in the following personal property, tangible and intangible, and all other such property listed as security in this Loan Agreement	Leases and rental agreements for the Property
"ADDITIONAL REAL PROPERTY"	Address	Not Applicable
	Assessor's Parcel Number	Not Applicable
	"Legal Description"	Not Applicable
	Borrower's Title Interest	Not Applicable

C. "ESCROW INFORMATION":		
"Title Company" and "Escrow Agent"	Fidelity National Title Company	Which is the title company that will issue the Title Policy and that will act as Escrow Agent for the Escrow
"Escrow"	The escrow with Escrow Agent	
"Closing Date"	TBD 2019	Which is the date for close of the Escrow, as it may be extended

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

D. "APPROVAL DOCUMENTS" Borrower shall submit the following documents for Lender approval
 Borrower's organizational documents, such as partnership agreements or corporate articles and by-laws

F. "ASSIGNED DOCUMENTS" Borrower assigns the following documents to Lender
 Not applicable.

- H. "SPECIAL PROVISIONS"** The following special provisions shall be in addition to the provisions of this Loan Agreement
1. Loan funds shall be used solely for acquisition and residential relocation costs of residents of the Property and such other costs as Lender may approve in writing in advance, such approval not to be unreasonably withheld or delayed.
 2. This Acquisition and Relocation Loan is being made by the Lender in conjunction with the City of Sacramento Homeless Housing Initiative Program.
 3. Borrower shall determine, after Borrower's good faith commercially reasonable efforts, whether the financing of potential rehabilitation of the Property into permanent supportive housing is feasible. In not less than sixty (60) days prior to the Maturity Date, Borrower shall inform Lender in writing whether Borrower intends to proceed with such rehabilitation or not. If not, then, notwithstanding anything to the contrary contained in the Loan Documents, on the Maturity Date, Borrower shall transfer the Property to Lender (subject to all then-existing liens and encumbrances), the Note shall be deemed satisfied in full, and Borrower shall be deemed released from all obligations and liability with respect to the Loan Documents without fault.
 4. When requested by Lender, Borrower shall provide certified financial statements and such other evidence as the Lender may deem necessary to verify the Property net income, including without limitation copies of certified rent roles, bank statements, billing statements and invoices.

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

BORROWER:

Mercy Housing California 90, LLC,
a California limited liability company

By: Mercy Housing Calwest, a California public
benefit corporation its sole member/manager

By:

Stephan Daues
Its Vice President

LENDER:

**SACRAMENTO HOUSING AND REDEVELOPMENT
AGENCY**, a joint powers authority

By: _____
La Shelle Dozier, Executive Director

Approved as to form:

Lender Counsel

ARTICLE II LOAN PROVISIONS

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

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

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

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

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

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

1.4. "Escrow" is the escrow with Title Company for the closing of the Loan.

1.5. "Escrow Instructions" means the Escrow Instructions for the Escrow signed by each of the parties to this Loan Agreement.

1.6. "Event of Default" is breach of or default in a party's obligations under this Loan Agreement, the Trust Deed, the Note, and any other instrument that is incorporated in this Loan Agreement or that otherwise secures the repayment of the Loan, following all applicable notice and cure periods.

1.7. "Financial Statements" means the financial statements of Borrower (and any other persons on whose financial capacity the Lender has relied in making this Loan) as may be required by Lender from time to time, including operating statements, balance sheets, and any other financial reports and information that Lender may require.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.3. LITIGATION. There are no actions, suits, or proceedings pending or, to the best knowledge of Borrower, threatened against or affecting Borrower, the Property, or any part of it, or involving the validity or enforceability of the Trust Deed, the priority of the lien, or the validity or enforceability of any of the other Loan Documents, at law or in equity,

or before or by any Governmental Authority. Borrower is not in default with respect to any order, writ, injunction, decree, or demand of any court or other Governmental Authority.

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

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

2.6. TITLE TO PROPERTY. Borrower is the sole legal and beneficial owner of the Property, which is free of all claims, liens, and encumbrances other than those shown in the Title Policy or otherwise disclosed to the Lender in writing.

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

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

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

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

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

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

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

3.2. USE OF LOAN FUNDS. Loan funds shall be permanent financing used only for the acquisition and residential relocation of the Property and related expenses and for other purposes specified in this Agreement.

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

3.4. NOTE AND SECURITY DOCUMENTS. The Loan is each evidenced by the Note executed by Borrower in favor of Lender and delivered to Lender upon Close of Escrow. Repayment of the Note is secured by the Trust Deed covering the Property. Borrower shall execute the Trust Deed in favor of the Title Company as Trustor in trust for the benefit of Lender and deliver it to Escrow for recordation.

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

4.1. CONDITION OF TITLE. Lender shall cause Escrow Agent to issue to Borrower (with a copy to Lender) the Preliminary Report, together with copies of all documents relating to title exceptions referred to in the Preliminary Report.

At Close of Escrow, Lender's Trust Deed shall be a valid lien against the Property securing the Loan and subject to no exceptions to title (of record or off record) other than the exceptions listed in the "Conditions of Title" in the Escrow Instructions.

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

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

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

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

5. RELOCATION. Lender is required by law to provide relocation services and make relocation payments to eligible tenants, if any, displaced as a result of the Lender's involvement in the Property. Acquisition of the Property with this Loan will not result in the displacement of any lease compliant tenants occupying units within the Property at the time of acquisition. Borrower shall comply fully with all relocation laws that are the obligation of Lender or are otherwise applicable to the Property at the time rehabilitation and construction of the Project on the Property. Borrower's compliance with the relocation requirements as stated in this Section 5 is a material element of this Loan. Borrower's failure to comply with the relocation requirements as stated in this Section 5 is an Event of Default.

5.1. RELOCATION COSTS. Relocation costs and related services shall be paid from the proceeds of this Loan.

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

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

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

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

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

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

7.3. The Property and all fixtures, and furnishings installed on or acquired for the Property are owned by Borrower free of any liens, encumbrance, or other interests of any kind other than Lender's lien or security interest and that of any other project funding related liens or security interests previously approved by Lender.

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

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

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

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

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

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

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

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

9. DEFAULTS

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

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

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

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

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

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

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

10. REMEDIES

10.1. OPTION TO ACT. On the occurrence of any Event of Default, in addition to its other rights in this Loan Agreement or in any of the other Loan Documents, at law, or in equity, Lender may, without prior demand, exercise any one or more of the following rights and remedies:

10.1.1. Terminate its obligation to make the disbursement.

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

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

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

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

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

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

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

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

11.1. INSURANCE PROVISIONS. Each policy of insurance required under this Loan Agreement shall be obtained from a provider licensed to do business in California and having a current Best's Insurance Guide rating of A VII or better, or such other equivalent rating, as may reasonably be approved by Lender's legal counsel. Each policy shall bear an endorsement precluding cancellation or termination of the policy or reduction in coverage unless the Lender has been given written notice of such intended action at least thirty (30) days prior to its effective date.

11.2. FAILURE TO MAINTAIN. If Borrower fails to obtain or maintain, or cause to be obtained and maintained, any insurance required by this Loan Agreement, the Lender shall have the right to purchase the insurance on Borrower's behalf, and Borrower shall promptly reimburse the full cost of such insurance to the Lender. If Borrower fails to reimburse the

Lender for insurance, the amount of unpaid reimbursement shall bear interest, at the maximum rate permissible under the law, until paid.

12. MISCELLANEOUS.

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

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

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

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

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

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

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

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

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

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

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

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

12.9. ASSIGNMENT. The terms of this Loan Agreement will be binding on and inure to the benefit of successors and assigns of the parties. However, Borrower shall not assign this Loan Agreement or any interest it may have in the monies due or, except as otherwise provided, convey or encumber the Property or any Personalty or Fixtures now or later on the Property without the prior written consent of Lender, except as otherwise provided under the terms of the documents evidencing the Loan. However, if there is an assignment, conveyance, or encumbrance, Lender may nevertheless at its option continue to make disbursements under this Loan Agreement to Borrower or to those who succeed to Borrower's title, and all sums so disbursed will be deemed to be disbursements under this Loan Agreement and not modifications, and will be secured by the Security Documents. Lender may at any time assign the Loan Documents to any affiliate of Lender or to a national bank or other equivalent lender, and the assignee will assume the obligations of Lender, and Lender will have no further obligation of any nature. In that case, the provisions of this Loan Agreement will continue to apply to the Loan, and the assignee will be substituted in the place and stead of Lender, with all rights, obligations, and remedies of Lender, including, without limitation, the right to further assign the Loan Documents. In addition, Lender may at any time assign a participation in the Loan to any other party, provided that Lender continues to be primarily obligated under this Loan Agreement.

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

12.11. NONLIABILITY FOR NEGLIGENCE, LOSS, OR DAMAGE. Borrower acknowledges, understands, and agrees as follows:

12.11.1 The relationship between Borrower and Lender is, and will at all times remain, solely that of borrower and lender, and Lender neither undertakes nor assumes any responsibility for or duty to Borrower to select, review, inspect, supervise, pass judgment on, or inform Borrower of the quality, adequacy, or suitability of the Project, except as to matters which are within the intent and purpose for which Lender has made the Loan.

12.11.2 Lender owes no duty of care to protect Borrower against negligent, faulty, inadequate, or defective building or construction.

12.11.3 Lender will not be responsible or liable to Borrower for any loss or damage of any kind to person or property whether suffered by Borrower or any other person or group of persons or for negligent, faulty, inadequate, or defective building or construction, and Borrower will hold Lender harmless from any liability, loss, or damage for these things.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Exhibit 1: Legal Description

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

PARCEL ONE

All that portion of Lots 7 and 8, in the Block Bounded by 9th and 10th, "K" and "L" Streets, of the City of Sacramento, according to the official Plat thereof, described as follows:

Beginning at a point marking the Northwest corner of said Lot 8; thence from said point of beginning South 71°11'56" East 80.37 feet to the Northeast corner of said Lot 8; thence South 71°11'56" East 5.00 feet; thence South 18°48'25" West 100.00 feet; thence North 71°11'56" West 5.00 feet to a point on the Easterly Line of said Lot 8; thence North 72°02'56" West 35.00 feet; thence South 18°48'25" West 60.00 feet to a point on the Southerly line of said Lot 8; thence North 71°12'09" West 45.47 feet to the Southwest corner of said Lot 8; thence Northeasterly along the Westerly line of said Lot 8 to the point of beginning.

PARCEL TWO

An easement for light, air and building separation and access for maintenance and repair over, across, and upon the following described portion of Lots 7 and 8 in the Block Bounded by 9th and 10th, "K" and "L" Streets of the City of Sacramento, according to the official plat thereof.

Beginning at a point on the South line of said Lot 8 located South 71°12'09" East 45.47 feet from the Southwest corner of said Lot 8; thence from said point of beginning North 18°48'25" East 60.00 feet; thence South 72°02'56" East 40.00 feet; thence North 18°48'25" East 100.00 feet to a point on the North line of said Lot 7 located South 71°11'56" East 85.37 feet from the Northwest corner of said Lot 8; thence along the North line of said Lot 7 South 71°11'56" East 5.00 feet; thence South 18°48'25" West 105.00 feet; thence North 72°02'56" West 40.00 feet; thence South 18°48'25" West 55.00 feet on the South line of said Lot 8; thence along said South line North 71°12'09" West 5.00 feet to the point of beginning.

APN: 006-0102-016-0000, 006-0102-018-0000

Exhibit 2: Note Form

**PROMISSORY NOTE
FOR CAPITOL PARK HOTEL TEMPORARY SHELTER
ACQUISITION AND RELOCATION LOAN AGREEMENT**

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

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

DEFINED TERM:	DEFINITION:
“Effective Date”	TBD 2019
“Lender”	Sacramento Housing and Redevelopment Agency, a joint powers authority
“Borrower”	Mercy Housing California 90, LLC
“Borrower Legal Status”	a California limited liability company
“Loan Agreement”	The Loan Agreement between the Borrower and Lender as of the Effective Date for making of the loan (“Loan”) evidenced by this Note.
“Principal Amount”	Thirteen Million, Three Hundred Seventy Thousand Dollars and No Cents (\$13,370,000.00)
“Interest Rate”	The interest rate is 0%.
“Accrual Date”	Interest shall accrue starting on the following “Accrual Date”: The Effective Date
“Special Terms”	Repayment of the loan proceeds from the City of Sacramento Homeless Housing Initiative Program totaling Thirteen Million, Three Hundred Seventy Thousand Dollars and No Cents (\$13,370,000.00) shall be due on the Maturity Date, as extended, in accordance with the Payment Schedule. Notwithstanding the foregoing, repayment shall be subject to “Special Provisions” Section H.3. of the Loan Agreement.
PAYMENT SCHEDULE. Repayment of this Note shall be made the following amounts:	
“Maturity Date”	The first day of the 36th calendar month following the Effective Date, unless this Loan Agreement is sooner terminated or the term is extended by written mutual agreement of the Lender and Borrower.
“Payment Start Date”	The first day of the 36th calendar month following the Effective Date.
“Payment Schedule”	The payment shall be made in lump sum on the Maturity Date.
“Loan Payment Amount”	Thirteen Million, Three Hundred Seventy Thousand Dollars and No Cents (\$13,370,000.00)

FOR VALUE RECEIVED, THE UNDERSIGNED, JOINTLY AND SEVERALLY, PROMISES TO PAY to Lender, or its successors or assigns, the Principal Amount or such lesser amount as may be endorsed on this Note on behalf of Lender. The Loan shall bear interest on the outstanding principal balance, computed from the Accrual Date at the Interest Rate.

1. This Note evidences the obligation of Borrower to Lender for repayment of funds loaned to Borrower under a loan agreement between Borrower and Lender dated as of the Loan Date (“Loan Agreement”). The terms and covenants of the Loan Agreement are incorporated in this Note by reference.

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

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

3. This Note is secured by a Deed of Trust and Assignment of Rents against the real property described in the Loan Agreement ("Property"), recorded in the office of the County Recorder of Sacramento County ("Trust Deed"). The Trust Deed securing this Note provides that Lender may at its option, declare all funds secured by the Trust Deed immediately due and payable, if any interest in the real property is sold, transferred or conveyed to any person, whether voluntarily or involuntarily, except as otherwise permitted hereunder.

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

5. Upon occurrence of any one or more of the following, Lender may, at its sole discretion, declare all unpaid principal immediately due and payable, together with all unpaid interest at the stated rate from the date of the advancement of the Loan's proceeds, subject to applicable cure periods, if any:

a. Borrower defaults in the payment of any principal or interest within fifteen (15) days as of when due.

b. Lender discovers that Borrower, in any application to Lender in connection with the Loan, had failed to disclose or misrepresented any fact that would have prevented Borrower from being eligible for the Loan.

c. Lender discovers that Borrower has made any misrepresentations or has intentionally withheld any fact in the making of this Loan, the knowledge of which could have affected the decision of Lender to make the Loan.

d. Borrower defaults or breaches any of the terms of Loan Agreement, the Trust Deed, or this Note.

e. Borrower fails to perform any covenant, term or condition in any instrument creating a lien upon the Property which is the security under the Trust Deed, or any part thereof, which lien shall have priority over the lien of the Trust Deed securing this Note.

f. The sale, transfer of title, conveyance or further encumbrance of the Property, whether by sale, exchange, gift, inheritance or other means, without prior written consent of Lender, specifically excluding a transfer to an entity controlled by or under common control with Mercy Housing California.

g. The occurrence of any of the following:

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

2) Proceedings for the appointment of a receiver, trustee or liquidator of the assets of Borrower or a substantial part of such assets, being authorized or instituted by or against the Borrower.

3) Proceedings under any bankruptcy, reorganization, readjustment of debt, insolvency, dissolution, liquidation or other similar law of any jurisdiction being authorized or instituted against Borrower.

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

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

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

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

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

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

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

BORROWER:

Mercy Housing California 90 LLC,
a California limited liability company

By: Mercy Housing Calwest,
a California public benefit corporation
its sole member/manager

By:

Stephan Daues
Its Vice President

Exhibit 3: Trust Deed Form

NO FEE DOCUMENT:

Entitled to free recording
per Government Code §§6103 and 27383.

When recorded, return to:
SACRAMENTO HOUSING AND
REDEVELOPMENT AGENCY
801 12th Street
Sacramento, CA 95814
Attention: Portfolio Management

**DEED OF TRUST AND ASSIGNMENT OF RENTS
CAPITOL PARK HOTEL TEMPORARY SHELTER
ACQUISITION AND RELOCATION LOAN AGREEMENT**

APN: 006-0102-016-0000 and 006-0102-018-0000

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

TERM	DEFINITION	
“Effective Date”	TBD 2019	
“Trustor” and “Borrower”	Mercy Housing California 90, LLC, a California limited liability company	
“Borrower Address”	2512 River Plaza Drive, Suite 200, Sacramento, California 95833	
“Trustee”	Fidelity National Title Company	
“Beneficiary” and “Lender”	Sacramento Housing and Redevelopment Agency, a joint powers authority	
“Lender Address”	801 12th Street, Sacramento, California 95814	
“Property”	Which is real property located in the City of Sacramento, County of Sacramento and the State of California as more particularly described in the Legal Description.	
	Address	1117, 1121, 1125, 1127, 1129, & 1131 Ninth Street, Sacramento, California 95814
	Assessor’s Parcel Number	006-0102-016-0000 and 006-0102-018-0000
“Legal Description”	The Legal Description of the Property which is more particularly described in the attached Exhibit 1 Legal Description , which is incorporated in and an integral part of this Deed of Trust	
“Loan”	Which is Lender’s loan to Borrower evidenced by the Note and which is secured by this Deed of Trust.	
“Loan Agreement”	Which is the agreement between Lender and Borrower stating the term and conditions of the Loan.	
	Which is dated:	TBD 2019
“Additional Notices”	Lender shall give copies of notices required to be delivered to Borrower to the following parties at the following addresses; provided, however that Borrower acknowledges that such notice is an accommodation and the failure of the Lender to properly deliver any such notice shall not give rise to any claims or defenses of Borrower or any third party:	
	None.	
“Note”	Which is Borrower’s note made in accordance with the Loan Agreement securing the following principal sum or such lesser amount as shall equal the aggregate amount disbursed to Borrower by Lender.	
	Which has a principal sum of	Thirteen Million, Three Hundred Seventy Thousand Dollars and No Cents (\$13,370,000.00)

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

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

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

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

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

Borrower and Lender covenant and agree as follows:

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

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

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

4. Liability Insurance. Borrower shall keep comprehensive general liability insurance for the Property in a form and coverage consistent with the provisions of the Loan Agreement and reasonably approved by Lender.

5. Preservation and Maintenance of Property. Borrower shall keep the Property in good repair and shall not commit waste or permit impairment, demolition, or deterioration of the Property, without the prior written consent of the Lender.

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

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

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

8. Condemnation. The proceeds of any award or claim for damages, direct or consequential, in connection with any condemnation or other taking of all or any part of the Property, or for conveyance in lieu of condemnation, shall be applied as provided in the Loan Agreement.

If the Property is abandoned by Borrower, or if, after notice by Lender to Borrower that the condemnor offers to make an award or settle a claim for damages, Borrower fails to respond to Lender within 30 days after the date such notice is mailed, Lender is authorized to collect and apply the proceeds, at Lender's option, either to restoration or repair of the Property or to the sums secured by this Deed of Trust.

Unless Lender and Borrower otherwise agree in writing, any such application of proceeds to principal shall not extend or postpone the due date of any payment or change the amount of such payment.

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

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

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

12. Successors and Assigns Bound; Joint and Several Liability Captions. The covenants and agreements contained in this Deed of Trust shall bind, and the rights under this Deed of Trust shall inure to, the respective successors and assigns of Lender and Borrower, subject to the provisions of Section 15. All covenants and agreements of Borrower shall be joint and several. The captions and headings of the paragraphs of this Deed of Trust are for convenience only and are not to be used to interpret or to define its provisions.

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

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

15. Acceleration on Transfer or Refinancing of the Property; Assumption. Except as otherwise provided in the Loan Agreement, if all or any part of the Property or an interest in the Property is sold or transferred or refinanced by Borrower without Lender's prior written consent, which consent shall not be unreasonably withheld or delayed, Lender may, at Lender's option, declare all the sums secured by this Deed of Trust to be immediately due and payable, provided, however, Lender shall preapprove transfers of any entity controlled by or under common control with Mercy Housing California. Lender shall have waived such option to accelerate if, prior to the refinancing, sale or transfer, Lender and the person to whom the Property is to be sold or transferred reach agreement in writing that the loan may be assumed. If Lender has waived the option to accelerate provided in this Section and if Borrower's successor in interest has executed a written assumption agreement accepted in writing by Lender, Lender shall release Borrower from all obligations under this Deed of Trust and the Note.

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

16. Acceleration on Breach; Remedies. Except as provided in Section 15, upon Borrower's breach of any covenant or agreement of Borrower in this Deed of Trust, the Note, (including the covenants to pay when due any sums secured by this Deed of Trust and restricting transfer of the Property) or Loan Agreement, Lender shall mail notice to Borrower specifying: (1) the breach; (2) the action required to cure such breach; (3) a date, no less than 30 days from the date the notice is mailed to Borrower, by which breach must be cured; and (4) that failure to cure such breach on or before the date specified in the notice may result in acceleration of the sums secured by this Deed of Trust and sale of the Property. If the breach is not cured on or before the date specified in the notice, which date shall be at least thirty (30) days following such breach, Lender at Lender's option may declare all of the sums secured by this Deed of Trust to be immediately due and payable without further demand and may invoke the power of sale and any other remedies permitted by applicable law. Lender shall be entitled to collect from the Borrower, or sale proceeds, if any, all reasonable costs and expenses incurred in pursuing the remedies provided in this Section, including, but not limited to reasonable attorney's fees.

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

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

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

Upon acceleration for breach or abandonment of the Property, Lender, in person, by agent or by judicially appointed receiver shall be entitled to enter upon, take possession of and manage the Property and to collect the rents of the Property including those past due. All rents collected by Lender, its agent, or the receiver shall be applied first to payment of the

costs of management of the Property and collection of rents, including, but not limited to receiver's fees, premiums on receiver's bonds and reasonable attorney's fees, and then to the sums secured by this Deed of Trust. Lender, its agent and the receiver shall be liable to account only for those rents actually received.

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

19. Nonrecourse. Notwithstanding any provision of this Deed of Trust or any document evidencing or securing this Loan, Borrower, and Borrower's principals, agents, officers, and successors in interest shall not be personally liable for the payment of the Loan or any obligation of the Loan.

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

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

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

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

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

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

WITNESS WHEREOF, Borrower has executed this Deed of Trust.

BORROWER (Trustor):

Mercy Housing California 90, LLC,
a California limited liability company

By: Mercy Housing Calwest,
a California public benefit corporation
its sole member/manager

By:

Stephan Daues
Its Vice President

Exhibit 4: Escrow Instructions

**JOINT ESCROW INSTRUCTIONS
FOR CAPITOL PARK HOTEL TEMPORARY SHELTER
ACQUISITION AND RELOCATION LOAN AGREEMENT**

“Effective Date”	TBD 2019
------------------	----------

Agency and Borrower execute these Escrow Instructions as of the Effective Date. This document, including attachments and any amendments and additions, shall constitute the joint escrow instructions of Agency and Borrower for the Agency loan secured by the Property.

ARTICLE I. GENERAL TERMS.

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

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

“Title Company”	Fidelity National Title Company			
	Address:	8525 Madison Avenue, Suite 110, Fair Oaks, CA 95628		
“Escrow” with Title Company	Escrow Number:	FSSE-0101800295 -SR	Attention:	Sara Rewinkle
	“Agency”			
Sacramento Housing and Redevelopment Agency, a joint powers authority				
Address: 801 12 th Street, Sacramento, CA 95814				
Attention: Portfolio Management				
“Borrower”	Mercy Housing California 90, LLC, a California limited liability company			
	Address: 2512 River Plaza, Suite 200, Sacramento, California 95833			
	Attention: Stephan Daues			
“Closing Date”	TBD 2019 or as may be extended by mutual agreement.			
“Property”	Address:	1117, 1121, 1125, 1127, 1129, & 1131 Ninth Street, Sacramento, California 95814	APN:	006-0102-016-0000 and 006-0102-018-0000
	Description of the transaction			
This transaction involves a loan. The proceeds are to be used by the Borrower towards the acquisition and residential relocation of the subject property. There is a promissory note for the loan and the promissory note is secured by a deed of trust to be recorded against the property.				

“Recorded Documents”- The following documents are to be recorded in the order listed (top being first in priority). Copies of the Recorded documents are attached.	Documents:	Marked for return to:
	Deed of Trust	Sacramento Housing and Redevelopment Agency Attention: Portfolio Management
“Agency Items”	Promissory Note for subject loan	
	Loan Agreement for the subject loan	
	Authorizing resolutions for all Borrower signatories	
“Borrower Items”	Thirteen Million, Three Hundred Seventy Thousand Dollars and No Cents (\$13,370,000.00)	
	Conformed copies of the recorded documents	

“Special Provisions”:	None.
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“Agency Title Policy” in the form of an ALTA Agency’s Policy insuring that the following are valid liens against the property:	Documents:	Coverage amount:	
	Deed of Trust	In the amount of the loan secured: Thirteen Million, Three Hundred Seventy Thousand Dollars and No Cents (\$13,370,000.00)	
The title policies shall be subject only to the following “Conditions of Title”:	Items 1-8 and 10-13 of Title Company’s Preliminary Report for the Escrow	Dated:	September 24, 2018
		Number:	FSSE-0101800295-SR

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

BORROWER:
Mercy Housing California 90 LLC,
a California limited liability company

AGENCY:
SACRAMENTO HOUSING AND REDEVELOPMENT
AGENCY, a joint powers authority

By: Mercy Housing Calwest,
a California public benefit corporation
its sole member/manager

By: _____
La Shelle Dozier, Executive Director

By: _____
Stephan Daues
Its Vice President

ARTICLE II. INSTRUCTIONS

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

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

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

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

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

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

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

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

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

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

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

14.3.1. Assure fulfillment of the Special Provisions;

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

14.3.3. Obtain full execution of all unexecuted documents;

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

14.3.5. Record the Recorded Documents in the priority listed;

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

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

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

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

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

/ / / / / / / /

ACCEPTANCE OF ESCROW INSTRUCTIONS

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

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

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

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

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

Dated: _____

TITLE COMPANY
FIDELITY NATIONAL TITLE COMPANY

By: _____

Name: _____

Title: _____

Its authorized agent and signatory



April 25, 2019

Sacramento Housing and
Redevelopment Commission
Sacramento, CA

Honorable Members in Session:

SUBJECT:

Riverview Plaza Repositioning

SUMMARY

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

RECOMMENDATION

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

Respectfully submitted,


LA SHELLE DOZIER
Executive Director

Attachment



REPORT TO HOUSING AUTHORITY
City of Sacramento
915 I Street, Sacramento, CA 95814-2671
www.CityofSacramento.org

Informational
May 28, 2019

Chair and Members of the Housing Authority Board

Title: Riverview Plaza Repositioning

Location/Council District: 600 I Street, Council District 4

Recommendation: No specific recommendation. Informational report regarding next steps to refinance Riverview Plaza to make necessary repairs and repay the California Housing Finance (CALHFA) loan in the approximate amount of \$1,772,204.

Contact: Mark Hamilton, Regional Manager for Public Housing, (916) 449-6223
LaTanna Jones, Assistant Director of Public Housing, (916) 440 -1334

Presenters: Mark Hamilton, Regional Manager for Public Housing, (916) 449-6223
LaTanna Jones, Assistant Director of Public Housing, (916) 440 -1334

Department: Sacramento Housing and Redevelopment Agency (SHRA)

Description/Analysis

Issue Detail: Riverview Plaza is a 16-story residential and commercial mixed-use building located at 600 I street in downtown Sacramento and developed in 1988 as a tax credit project. The residential portion of the development consists of 124 one bedroom apartments rented to low- and very low income senior and disabled residents. The residential portion of the development is owned by Riverview Plaza Associates, a California Limited Partnership composed of the Housing Authority of the City of Sacramento and Sacramento Housing Development Corporation (SHDC). The County Board of Supervisors serves as the Board of SHDC and SHRA staff manages the property. The current rental structure of Riverview Plaza is broken out into three tiers as outlined below.

<i>Tier</i>	<i># of Units</i>	<i>Income Restriction (Area Median Income)</i>	<i>End of Compliance Period</i>
1	25	50%	2019
2A	18 HODAG*	50%	2009
2B	33**	50%	2063
3	47	60%	2019

**Housing Development Action Grant*

***Downtown Housing Set Aside Units*

The property is currently encumbered with one permanent CALHFA loan under the Rental Housing Construction Program. The principal loan amount is \$932,743 with accrued interest in the amount of \$839,460. This loan was extended in 2016 for three years with the full balance due by December 31, 2019.

Staff has assessed the property and determined a number of issues that need to be addressed which include:

- 1) **Lack of net operating income (NOI)** - NOI is marginal at the site resulting in no additional revenue to pay the CALHFA loan. The Housing Authority has complied with the regulatory requirements to target very low and low income households paying affordable rents. However, this goal has limited the ability to modify rents at a pace consistent with other affordable tax credit properties.
- 2) **Age of building** - The building has aged and a number of repairs need to be immediately addressed. The last rehabilitation on the property occurred in 2008 and the building has not produced sufficient income to support major system repairs since that time. The building has a number of issues including water intrusion, outdated HVAC systems, failing drainage pipes, aged elevator systems, flooring throughout the building that need to be replaced, outdated interior and common areas facilities, and portions of the building's fire, life and safety evacuation systems that need to be upgraded.

Overall, the current financial and physical structure of Riverview Plaza is not sustainable. Staff has been reviewing a variety of options including tax credits, project basing, and mixed income housing to ensure that the property can be refinanced and properly structured to support the mission of providing decent, safe and affordable housing. In 2018, the Housing Authority hired CSG Advisors, a financial consulting firm, to assess the property and provide options to refinance Riverview Plaza as part of an asset reposition strategy to restructure all properties managed by the Housing Authority. CSG's analysis proposed a variety of options including utilizing four percent or nine percent tax credits for the repairs, utilizing Project-Based Section 8 vouchers, and/or converting all but the 33 units to market rate. Consistent with the Housing Authority's mission to promote affordable housing opportunities for very low and low income households, the goal would be to continue to have affordability restrictions on all units.

The next steps in evaluating a refinancing strategy will be threefold:

1. Complete a physical needs assessment (PNA) of the property. The PNA will help determine the physical integrity of the structure and establish the basis for the scope of work and cost estimates required for the property repairs.
2. Meet with residents. Staff will meet with the residents of Riverview Plaza ensure a transparent and inclusive process. Resident input will be used to help shape the potential scope of work for the units and building.
3. Meet with CALHFA. Meetings will be scheduled with CALHFA staff to provide them with updates on the Housing Authority's plan to refinance Riverview Plaza and for CALHFA to provide input on those proposed plans.

The Housing Authority will return to the Board of SHDC and the Council to provide updated information and potential refinancing options. Our goal is to upgrade the buildings and implement a long term financial plan which preserves affordable housing for seniors.

Policy Considerations: Not applicable.

Environmental Considerations: Not applicable.

Financial Analysis/Considerations:

LBE - M/WBE and Section 3 requirements: Not applicable.

Respectfully Submitted by:

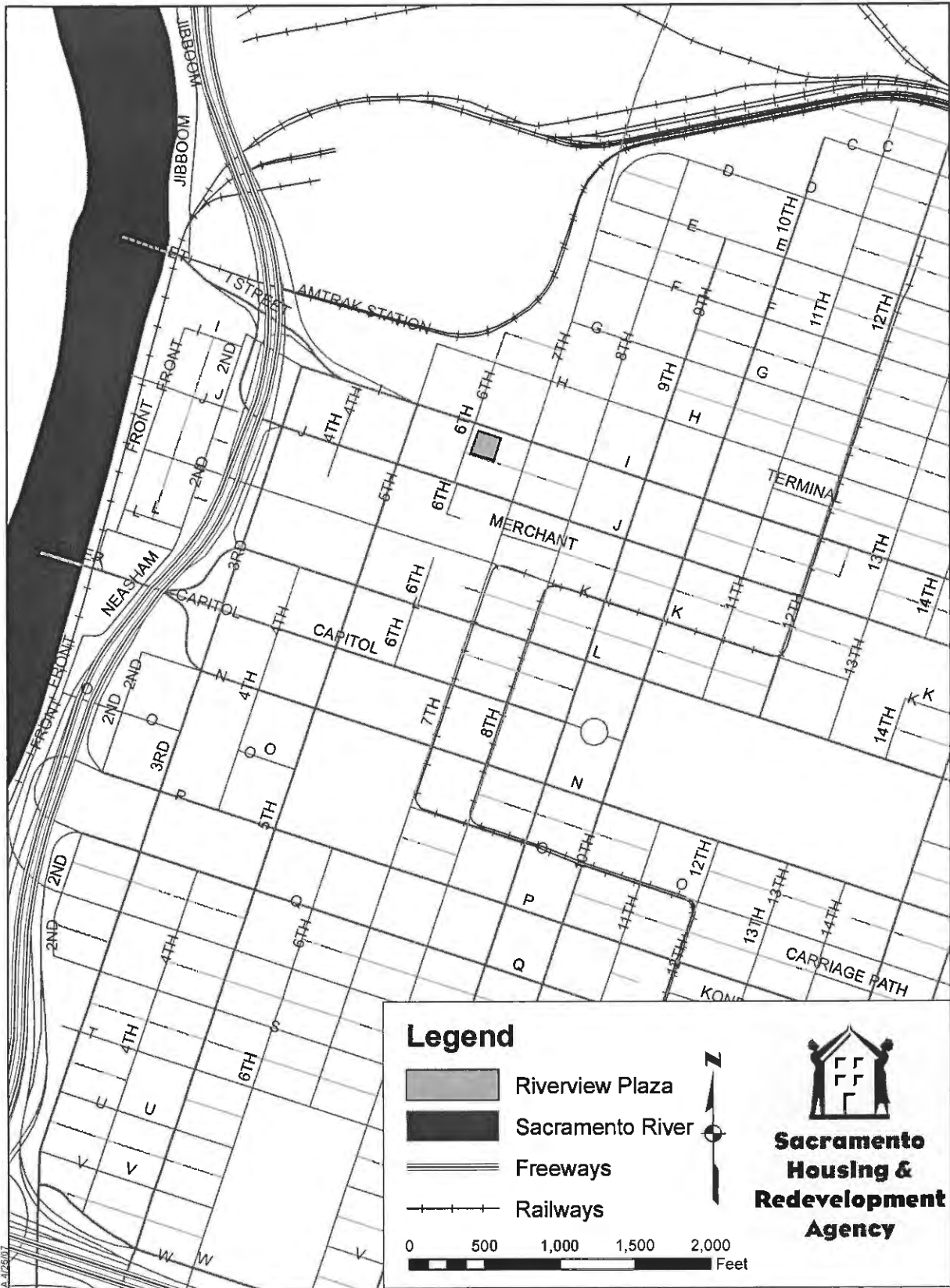

LA SHELLE DOZIER
Executive Director

Attachments

1-Description/Analysis and Background

2-Map

Riverview Plaza Vicinity Map





April 25, 2019

Sacramento Housing and
Redevelopment Commission
Sacramento, CA

Honorable Members in Session:

SUBJECT:

Riverview Plaza Repositioning

SUMMARY

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

RECOMMENDATION

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

Respectfully submitted,


LA SHELLE DOZIER
Executive Director

Attachment

**COUNTY OF SACRAMENTO
CALIFORNIA**

For the Agenda of:
May 21, 2019

To: Housing Authority of the County of Sacramento

Through: Navdeep S. Gill, County Executive

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

Subject: Riverview Plaza Repositioning

Supervisory
District(s): Serna

Contact: LaTanna Jones, Assistant Director of Public Housing, 916-
440-1334
Mark Hamilton, Program Manager, 916-449-6223

RECOMMENDED ACTION

No specific recommendation. This report provides information regarding next steps to refinance Riverview Plaza to make necessary repairs and repay the California Housing Finance (CALHFA) loan in the approximate amount of \$1,772,204.

BACKGROUND

Riverview Plaza is a 16-story residential and commercial mixed-use building located at 600 I street in downtown Sacramento and developed in 1988 as a tax credit project. The residential portion of the development consists of 124 one bedroom apartments rented to low- and very low income senior and disabled residents. The residential portion of the development is owned by Riverview Plaza Associates, a California Limited Partnership composed of the Housing Authority of the City of Sacramento and Sacramento Housing Development Corporation (SHDC). The County Board of Supervisors serves as the Board of SHDC and SHRA staff manages the property. The current rental structure of Riverview Plaza is broken out into three tiers as outlined below.

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**Housing Development Action Grant*

***Downtown Housing Set Aside Units*

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Staff has assessed the property and determined a number of issues that need to be addressed which include:

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reposition strategy to restructure all properties managed by the Housing Authority. CSG's analysis proposed a variety of options including utilizing four percent or nine percent tax credits for the repairs, utilizing Project-Based Section 8 vouchers, and/or converting all but the 33 units to market rate. Consistent with the Housing Authority's mission to promote affordable housing opportunities for very low and low income households, the goal would be to continue to have affordability restrictions on all units.

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3. Meet with CALHFA. Meetings will be scheduled with CALHFA staff to provide them with updates on the Housing Authority's plan to refinance Riverview Plaza and for CALHFA to provide input on those proposed plans.

The Housing Authority will return to the Board of SHDC and the Council to provide updated information and potential refinancing options. Our goal is to upgrade the buildings and implement a long term financial plan which preserves affordable housing for seniors.

COMMISSION ACTION

At its meeting on May 1, 2019, the Sacramento Housing and Redevelopment Commission adopted a motion recommending approval of the attached resolutions. The votes were as follows:

AYES:

NOES:

ABSENT:

ABSTAIN:

POLICY CONSIDERATIONS

Not applicable.

ENVIRONMENTAL REVIEW

Not applicable.

M/WBE/SECTION 3 CONSIDERATIONS

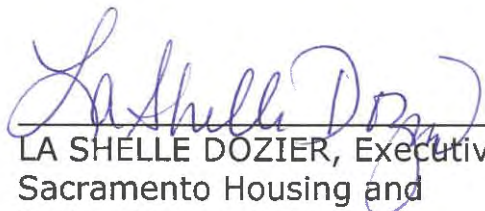
Not applicable.

FINANCIAL ANALYSIS

Not applicable.

Respectfully Submitted,

APPROVED
NAVDEEP S. GILL,
County Executive



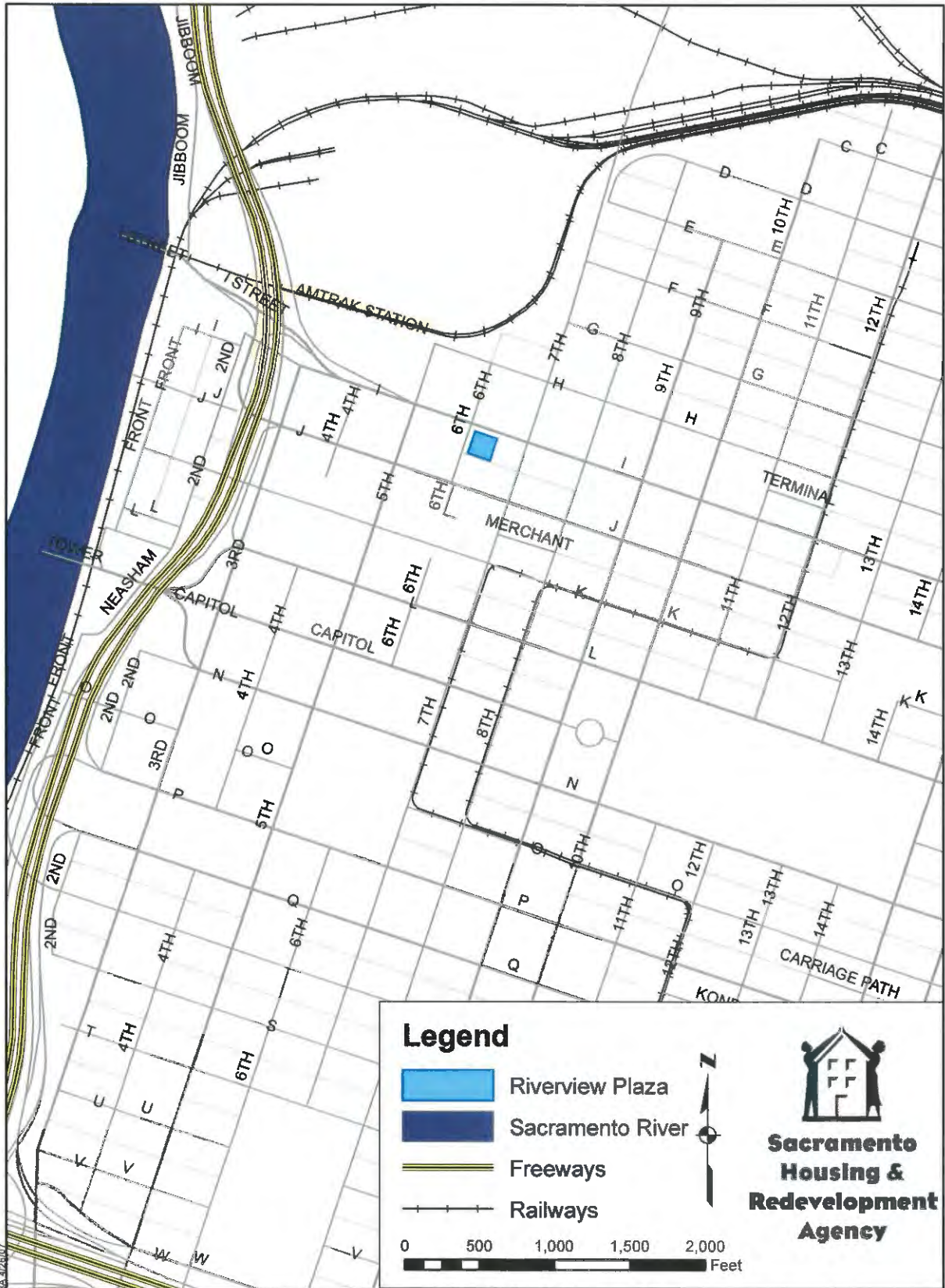
LA SHELLE DOZIER, Executive Director
Sacramento Housing and
Redevelopment Agency

By: _____
ROBERT B. LEONARD
Deputy County Executive

Attachments:

- RES – HACOS Resolution
- Exhibit A - CNI Commitment Letter
- ATT 1 – Conceptual Site Plan
- ATT 2 – Vicinity Map Blocks A & B
- ATT 3 – Project Summary Block B

Riverview Plaza Vicinity Map





Riverview Plaza Repositioning

April 2019



Background

- Building developed in 1988
- Residential portion owned by Riverview Plaza Associates, a limited partnership between of City Housing Authority and the Sacramento Housing Development Corporation (SHDC)
- 16-Story Residential and Commercial Mixed-Use building
- 124 one-bedroom units
- Provides housing exclusively to low and very low income senior/disabled residents
- Consistently occupied at a rate of 99%-100%



Current Rent Structure

Tier	# of Units	Income Restriction (Area Median Income)	End of Compliance Period
1	25	50%	2019
2A	18 HODAG*	50%	2009
2B	33**	50%	2063
3	47	60%	2019

*Housing Development Action Grant

**Downtown Housing Set Aside Units



Financial Concerns

- California Housing Finance Agency (CALHFA) loan.
 - Principal balance: \$932,743.00
 - Accrued interest: \$839,460.00
 - Due (after three year extension in 2016): December 31, 2019
- Lack of Net Operating Income
 - Rent increases are limited to no more than 2.5% per year
 - Rents have not kept pace with needs for repairs and debt repayment

Impact of Finances on Development

- Last Rehabilitation was in 2008 for the building envelope to address water intrusion
- Additional water intrusion needs to be addressed
- Other issues include:
 - Air conditioning units
 - Supporting drainage starting to fail (cast iron)
 - Aged elevators
 - Floor coverings
 - Fire, life, and safety system upgrades.



Current Actions



- SHRA staff has reviewed tax credits, project-basing, and mixed-income housing options for the property.
- SHRA has hired CSG Advisors, a financial consulting firm, to assess the property and provide refinancing options as part of the asset repositioning strategy for all Housing Authority properties.
- Goal is to only propose options that will allow for the preservation of the property as affordable housing.

Future Actions

1. Complete a physical needs assessment (PNA) of the property
2. Meet with residents to ensure a transparent and inclusive process.
3. Meet with CALHFA staff to provide them with updates on the refinancing plans for Riverview Plaza, and to gather their input.
4. Return to Board with final recommendations in the Fall.