

exempt from the National Environmental Policy Act (NEPA) pursuant to 24 Code of Federal Regulations (CFR) §58.34(a)(1) and (3).

BE IT RESOLVED BY THE SACRAMENTO HOUSING AND REDEVELOPMENT COMMISSION:

Section 1. All evidence presented having been duly considered, the findings, including environmental findings regarding this action, as stated above, are found to be true and accurate and are hereby approved adopted.

Section 2. The 2021 PHA Plan, consisting of the Admissions and Continued Occupancy Policy and Administrative Plan for the Housing Choice Voucher program for the Housing Authority of the City and County of Sacramento, is hereby approved.

Section 3. The Executive Director or her designee is authorized to make non-substantive changes to the 2021 PHA Plan based on any additional public comments received.

Section 4. The Executive Director or her designee is authorized to make changes to the PHA Plan as directed by the Department of Housing and Urban Development (HUD) or as required to comply with the Quality Housing and Work Responsibility Act of 1998.

Section 5. The PHA certifies that the 2021 PHA Plan is consistent with the Consolidated Plan per 24 CFR §§ 903.5 and 903.15.

Section 6. The Executive Director or her designee is authorized to execute and submit all required documents for the submission and certification of compliance of the 2021 PHA Plan to HUD or to comply with the Quality Housing and Work Responsibility Act of 1998.

CHAIR

ATTEST:

CLERK



October 2, 2020

Sacramento Housing and
Redevelopment Commission
Sacramento, CA

Honorable Members in Session:

SUBJECT:

**Approval of Commitment of Choice Neighborhoods Implementation Grant Funds
to Mirasol Village Block C (Twin Rivers Phase 3)**

RECOMMENDATION

Staff is presenting this information to the Commission for final review prior to review by
the City of Sacramento.

Respectfully submitted,


Executive Director

Attachment



**REPORT TO CITY COUNCIL AND
HOUSING AUTHORITY**
915 I Street, Sacramento, CA 95814-2671
www.CityofSacramento.org

Discussion
October 13, 2020

Honorable Mayor and Members of the City Council

Title: Approval of Commitment of Choice Neighborhoods Implementation Grant Funds to Mirasol Village Block C (Twin Rivers Phase 3)

Location/Council District: 1200 Richards Blvd, Council District 3

Recommendation: Adopt a **City Council resolution** that 1) authorizes an amendment to the Choice Neighborhoods (CNI) grant budget to allocate \$3,038,000 in CNI funds to be used as predevelopment, construction phase and permanent loan for financing Block C (Phase 3) housing of the Mirasol Village Project; 2) authorizes execution and transmittal of a Predevelopment Loan Agreement of up to \$3,038,000 of CNI funds to Twin Rivers Phase 3, L.P. (McCormack Baron Salazar or related entity) and 3) authorizes execution and transmittal of a Construction/Permanent Loan Commitment of up to \$3,038,000 to Twin Rivers Phase 3, L.P. or related entity for Block C of the Project

Contact: Tyrone Roderick Williams, Deputy Executive Director, (916) 440-1316; Victoria Johnson, Assistant Director, (916) 440-1388, Sacramento Housing and Redevelopment Agency

Presenter: Victoria Johnson, Assistant Director, (916) 440-1388, Sacramento Housing and Redevelopment Agency

Department: Sacramento Housing and Redevelopment Agency

Description/Analysis

Issue Detail: In 2015, the Housing Authority of the County of Sacramento (HACOS) and the City of Sacramento (City) were, as co-grantees, awarded a \$30 million Choice Neighborhoods Implementation (CNI) Grant from the US Department of Housing and Urban Development (HUD) for the Twin Rivers Transit Oriented Development and Light Rail Station project (Project). The Sacramento Housing and Redevelopment Agency (Agency) is managing the Project and McCormack Baron Salazar is the master developer and Housing Lead (Developer) under the CNI grant. The Project is now known as Mirasol Village.

The CNI grant supports the redevelopment of the former housing project and the transformation of the River District/Railyards neighborhood. The grant requires replacement of 218 public housing units within a mixed-income development which will include at least 487 housing units, common area and community gathering spaces, and other amenities. A new light rail station will be constructed along 12th Street as part of the Project. The total Project area includes six residential blocks and encompasses approximately 26 acres. A vicinity map and site plan of the Mirasol Village project is shown in Attachment 2.

The Project is being developed in five phases. The first phase includes Blocks B and E (123 units) and construction started in July 2020. The second phase is Block A (104 units), and it will begin construction by the end of 2020. The third phase is Block C (84 units) as is discussed in this report. The Developer is also actively seeking to secure the funds needed to construct the fourth phase, Block D (116 units). The fifth phase, Block F, is the block east of 12th Street and will be the last block developed.

On June 30, 2020, the California Department of Housing and Community Development awarded \$14,484,068 of Multifamily Housing Program (MHP) funds to Block C which helped fill the funding gap. The Developer will apply for tax credits and bonds in early 2021, with a goal to close financing and start construction in late 2021.

Block C is composed of townhouses and garden-style walk-up buildings and includes a total of 7 buildings, 68 on-grade parking spaces, and 84 units. The Project will contain amenities that include bicycle parking, landscaped courtyards and a play area. Additionally, residents from Block C will have access to the master plan site amenities that include management offices, resident community rooms, fitness center, a business center, swimming pool, barbeque area, and a community park and community garden.

The City of Sacramento is co-grantee of the awarded Choice Neighborhoods Implementation (CNI) Grant. Staff is requesting approval to execute a predevelopment loan agreement and a permanent loan commitment to Twin Rivers Phase 3, L.P. or related entity. The allocation of CNI grant funds for use in a specific phase is considered an administrative action as it relates to the HUD-approved Housing Plan. HUD has indicated it will approve the allocation of grant housing funds to Phase 3 Housing of the Project subject to prior approval by HACOS as grantee and the City of Sacramento as co-grantee. HACOS as grantee will consider the request to allocate the CNI funds at its meeting of October 20, 2020.

The CNI funds will be loaned to Block C in two steps. First, a predevelopment loan agreement (Attachment 4) will be executed to authorize the use of funds for architectural, engineering, permit applications and other fees. At closing, the predevelopment loan will be incorporated into a construction to permanent loan. Per the loan commitment (Attachment 5), grant funds will be loaned to the development entity for a term of up to 55 years at 4 percent simple interest. Annual principal and interest payments shall be made according to a structured payment schedule per the final Loan Agreement. All outstanding principal and interest is due and payable on the maturity date. The loan will be secured by a deed of trust against the property improvements. This report requests approval to execute both the predevelopment loan and the loan commitment for Mirasol Block C.

Policy Considerations: The recommended actions are consistent with a) the Agency's previously approved Multifamily Lending and Mortgage Revenue Bond Policies, priority 1 and 2, Preservation and New Construction (Resolution No. 2019-0425); b) the 2013-2021 Housing Element, which encourages the provision of a variety of quality housing types to encourage neighborhood stability, including options for extremely low-income households (Resolution No. 2013-415); c) the Sacramento Promise Zone Plans and Goals, Sustainably Built Community sub-goal to increase housing types and transit growth to promote livability and connectivity within the Promise Zone (Resolution No. 2015-263); and d) the River District Specific Plan to provide a range of housing choices attractive to families and individuals at all income levels (Resolution No. 2015-282).

Economic Impacts: This multifamily residential project is expected to create 456 total jobs (256 direct jobs and 200 jobs through indirect and induced activities) and create \$63,213,560 in total economic output (\$38,848,400 of direct output and another \$24,365,160 of output through indirect and induced activities).

The indicated economic impacts are estimates calculated using a calculation tool developed by the Center for Strategic Economic Research (CSER). CSER utilized the IMPLAN input-output model (2009 coefficients) to quantify the economic impacts of a hypothetical \$1 million of spending in various construction categories within the City of Sacramento in an average one-year period. Actual impacts could differ significantly from the estimates and neither the City of Sacramento nor CSER shall be held responsible for consequences resulting from such differences.

Environmental Considerations:

California Environmental Quality Act (CEQA) and National Environmental Policy Act (NEPA): A combined Initial Study/Environmental Assessment (IS/EA) was prepared for the Mirasol Village (formerly Twin Rivers) Transit Oriented Development and Light Rail Station Project pursuant to CEQA requirements under 14 California Code of Regulations (CCR) §15070, and NEPA requirements under 24 Code of Federal Regulations (CFR) §58.36. The Mitigated Negative Declaration (MND) and associated Mitigation Monitoring and Reporting Program (MMRP) were adopted and a Notice of Determination (NOD) was issued pursuant to CEQA and a Finding of No Significant Impact (FONSI) was prepared pursuant to NEPA. The requested action requires no further environmental review.

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

Commission Action: *Sacramento Housing and Redevelopment Commission:* At its February 5, 2020 meeting the Sacramento Housing and Redevelopment Commission

(SHRC) authorized the use of up to \$2,000,000 of CNI funds for the development of Block C. On October 7, 2020 meeting, SHRC will review the current staff recommendation for this item to increase the commitment to \$3,038,000. Staff will notify the City Council in the event the item is not approved.

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

Financial Considerations: The proposed financing structure for Twin Rivers Block C includes tax-exempt bond financing, four- percent tax credits, MHP funds, CNI funds, Project-based Section 8 vouchers and a below-market ground lease from HACOS. The total development cost including the ground lease, off-site improvements, hard and soft costs is approximately \$50 million. Staff will return to the Council with detailed financial projections and a request to approve the issuance of tax-exempt mortgage revenue bonds.

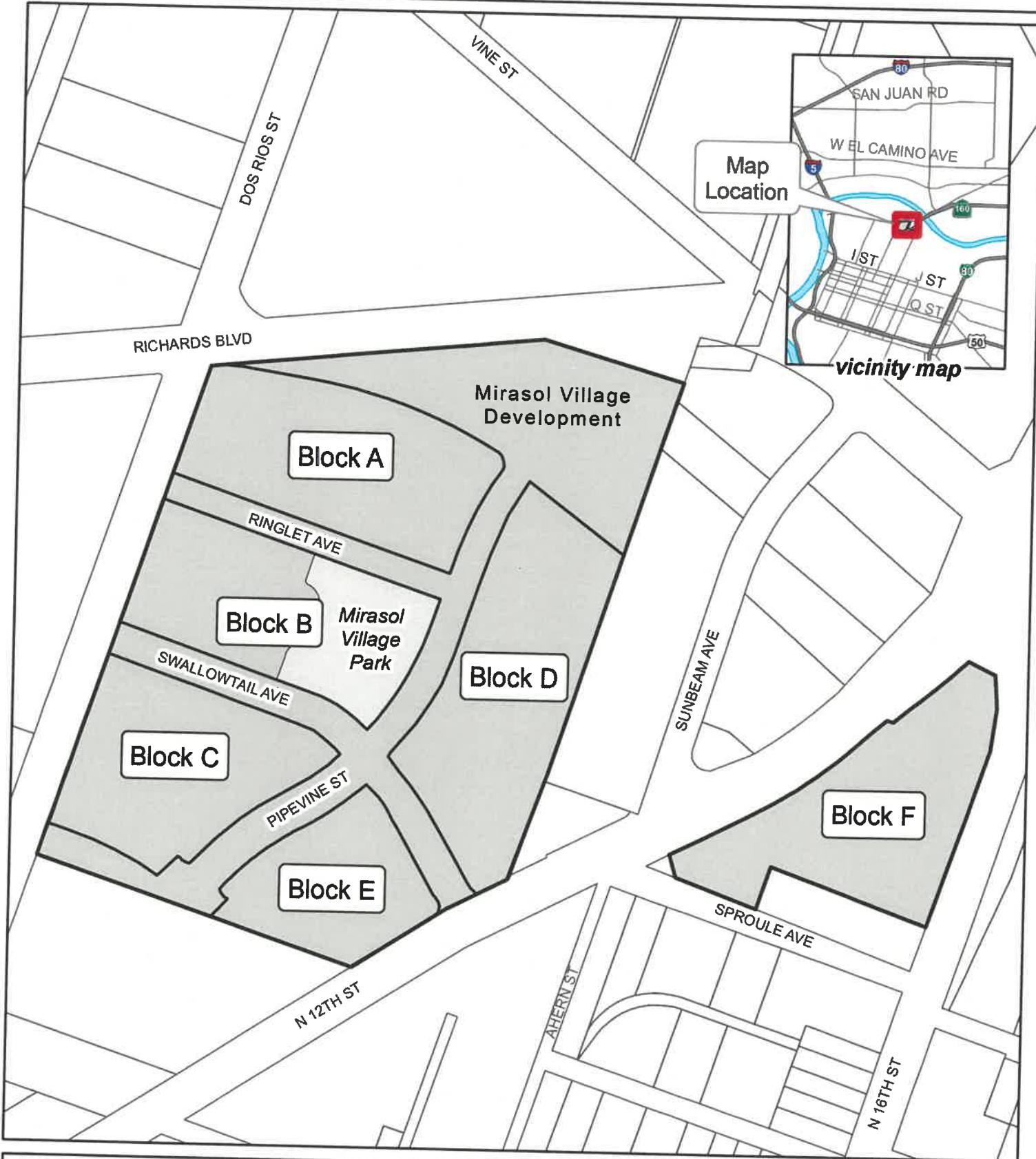
LBE - M/WBE and Section 3 requirements: Minority and Women's Business Enterprise requirements and Section 3 will be applied to all activities to the greatest extent possible and as required by federal funding and in accordance with the Agency's Section 3 Economic Opportunity Plan. The Developer and General Contractor will work with the Agency's Section 3 Coordinator, Sacramento Employment and Training Agency, the Greater Sacramento Urban League or similar programs, to promote employment opportunities.


Respectfully Submitted by:


LA SHELLE DOZIER
Executive Director


Attachments

- 1 - Description/Analysis
- 2 - Vicinity Map and Site Plan
- 3 - City Council Resolution
- 4 - Exhibit A: Predevelopment Loan Agreement
- 5 - Exhibit B: Loan Commitment Letter



 Mirasol Village Development

0 Feet 200 400



SHRA GIS
August 28, 2020

RESOLUTION NO. 2020 -

Adopted by the Sacramento City Council

on date of

MIRASOL VILLAGE BLOCK C: AUTHORIZATION TO AMEND THE CHOICE NEIGHBORHOODS IMPLEMENTATION GRANT BUDGET AND ALLOCATE UP TO \$3,038,000 IN CNI FUNDS TO BLOCK C (PHASE 3) HOUSING; APPROVAL TO EXECUTE A PREDEVELOPMENT LOAN AGREEMENT AND A CONSTRUCTION/PERMANENT LOAN COMMITMENT OF UP TO \$3,038,000 OF CHOICE NEIGHBORHOODS FUNDS AND TO EXECUTE RELATED DOCUMENTS WITH TWIN RIVERS PHASE 3 L.P. OR RELATED ENTITY

BACKGROUND

- A. On September 28, 2015, the US Department of Housing and Urban Development (HUD) awarded the Housing Authority of the County of Sacramento (HACOS), as Lead Grantee, and the City of Sacramento, as Co-Grantee, a \$30 million Choice Neighborhoods Implementation (CNI) Grant to implement the Twin Rivers-River District/Railyards Neighborhood Transformation Plan.
- B. On December 15, 2015, HACOS and the City of Sacramento executed the FYs 2014-2015 CNI Implementation Grant Agreement with HUD.
- C. On January 28, 2020, the City of Sacramento adopted Resolution No. 2020-0029 authorizing a Loan Commitment of up to \$2,000,000 of CNI funds to Twin Rivers Phase 3, L.P.
- D. On June 30, 2020, McCormack Baron Salazar, Inc. as Housing Lead and Master Developer of the Mirasol Village Project, formerly known as Twin Rivers Transit-Oriented Development Project (Project) was awarded \$14,484,068 in Multi-family Housing Program funds from the California Department of Housing and Community Development to construct Block C (Phase 3) and has now requested an allocation of up to \$3,038,000 in CNI funds as a loan to Twin Rivers Phase 3, L.P. to assist in funding the housing development of Block C.
- E. The recommended actions are consistent with a) the 2013-2021 Housing Element which encourages the provision of a variety of quality housing types to encourage neighborhood stability, including options for extremely low-income households (Resolution No. 2013-415); b) the Sacramento Promise Zone Plans and Goals, Sustainably Built Community sub-goal to increase housing types and transit growth to promote livability and connectivity within the Promise Zone (Resolution No. 2015-263); and c) the River District Specific Plan adopted February 15, 2011.

- F. A combined Initial Study/Environmental Assessment was prepared for the Project pursuant to California Environmental Quality Act (CEQA) requirements under Title 14, §15070 of the California Code of Regulations, and National Environmental Policy Act (NEPA) requirements under Title 24, Code of Federal Regulations Part 58.36. A Finding of No Significant Impact pursuant to NEPA and a Notice of Determination pursuant to CEQA have been filed for the Project; no further environmental review is required for activities in furtherance of the Project.

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

Section 1. All evidence presented having been duly considered, the findings, including environmental findings regarding this action, as stated above, are found to be true and accurate and are hereby approved adopted.

Section 2. The City of Sacramento as co-grantee approves the Sacramento Housing and Redevelopment Agency (Agency) to amend the CNI grant budget to allocate \$3,038,000 of the CNI grant funds to be used as predevelopment, construction phase and permanent loan for financing Block C (Phase 3) Housing.

Section 3. The Predevelopment Loan Agreement attached hereto as Exhibit A for the use of up to \$3,038,000 in CNI funds during the predevelopment phase of Block C (Phase 3) is approved and the Agency is authorized to execute and transmit the Loan Agreement to Twin Rivers Phase 3, L.P. (McCormack Baron Salazar or related entity).

Section 4. The Construction/Permanent Loan Commitment attached hereto as Exhibit B for financing Block C (Phase 3) of the Project with up to \$3,038,000 in CNI funds is approved and the Agency is authorized to execute and transmit the Permanent Loan Commitment to Twin Rivers Phase 3, L.P. (McCormack Baron Salazar or related entity).

Section 5. The Agency is authorized to make any budget adjustments, and execute related documents and agreements as deemed necessary by the Agency to carry out the proposed Project.

Section 6. Resolution number 2020-0029, adopted by Sacramento City Council on January 28, 2020, shall be of no further force and effect, and shall be superseded and replaced in its entirety by this resolution.

Table of Contents:

Exhibit A: Predevelopment Loan Agreement

Exhibit B: Loan Commitment Letter

PREDEVELOPMENT LOAN AGREEMENT

TWIN RIVERS Housing Phase 3

This Predevelopment Loan Agreement for Twin Rivers Housing Phase 3 (the "Agreement"), effective as of _____, 2020, is entered into by and between the **HOUSING AUTHORITY OF THE COUNTY OF SACRAMENTO**, a public body corporate and politic ("HACOS" or the "Authority") and **TWIN RIVERS PHASE 3, L.P.**, a California limited partnership ("Borrower"), with reference to the following facts:

- A. HACOS is the owner of certain real property comprising of approximately 22.29 acres in Sacramento, California, on which a 218-unit public housing development formerly known as Twin Rivers is located, as more particularly described in Exhibit A (the "Property").
- B. HACOS competitively selected McCormack Baron Salazar, Inc. a Missouri corporation ("MBS") as its exclusive development partner at the Property.
- C. HACOS and MBS have entered into a Master Development Agreement dated as of January 9, 2018 (the "Master Development Agreement" or the "MDA"), providing for MBS to serve as the master developer for the redevelopment and construction of a new, mixed-income development over multiple phases at the Property (the "Master Development"). The Borrower is an Affiliate of MBS and is the "Owner Entity" for the third "Phase" of the Master Development, as defined in the Master Development Agreement (the "Development" or "Housing Phase 3"). Unless expressly defined in this Agreement, all capitalized terms used herein shall have the meanings ascribed to such terms in the Master Development Agreement.
- D. HACOS along with the City of Sacramento, California received a Choice Neighborhoods Implementation Grant from the United States Department of Housing and Urban Development ("HUD") in the amount of \$30,000,000 (the "Choice Grant" or the "CNI Grant"), which grant is governed by the Choice Implementation Agreement and Choice Grant Agreement (collectively, the "Choice Grant Agreement").
- E. In accordance with Section 4.3.1 of the Master Development Agreement, HACOS desires to provide to the Borrower a predevelopment loan from Choice Grant funds for certain "Phase Predevelopment Expenses" for Housing Phase 3, pursuant to the Predevelopment Budget attached as Exhibit B hereto.
- F. Borrower has requested that HACOS provide financial assistance in an amount not to exceed Three Million Eight Hundred Eighteen Thousand Dollars (\$3,038,000) (the "Loan"), subject to the conditions provided herein, to assist Borrower in performing certain predevelopment tasks associated with the Development.
- G. The Loan is exempt from the requirements of the California Environmental Quality Act ("CEQA") pursuant to Section 15262 of the CEQA Guidelines and from the requirements of the National Environmental Policy Act ("NEPA") under 24 Code of Federal Regulations Sections 58.34 and 58.35.

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

ARTICLE 1. DEFINITIONS AND EXHIBITS

Section 1.1. Definitions.

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

- (a) "Affiliate" means an entity that is Controlling of or Controlled by Borrower. For the purposes of this definition, "Control" means (i) direct or indirect management or control of the managing member or members in the case of a limited liability company; (ii) direct or indirect management or control of the managing general partner or general partners in the case of a partnership; and (iii) direct or indirect control of a majority of the directors in the case of a corporation.
- (b) "Agreement" means this Predevelopment Loan Agreement.
- (c) "Assignment" means the assignment of Collateral Documents securing Borrower's obligations under this Agreement, in the form attached to this Agreement as Exhibit D.
- (d) "Authority" means the Housing Authority of the County of Sacramento, organized pursuant to Section 34200, et seq. of the California Health and Safety Code, as amended, including any successor in interest or assigns by act of the Authority, or by operation of law, or otherwise.
- (e) "Borrower" means Twin Rivers Phase 3, L.P., a California limited partnership.
- (f) "City" means the City of Sacramento, California.
- (g) "Collateral" means and includes all right, title, interest, claims and demands of Borrower in and to the Collateral Documents, including contract rights and general intangibles, now existing or hereafter arising; and all amendments, substitutions for, and proceeds thereof, including, without limitation, insurance and similar payments.
- (h) "Collateral Documents" means all Development Reports, Development Contracts, Land Use Approvals, architectural and engineering plans and specifications, and any other information related to the development of the Development obtained by Borrower, as further defined in Section 1 of the Assignment.
- (i) "Construction Closing" means the date upon which all financing necessary for the construction of the Development will close, and any deeds of trust related to such financing, are recorded against the Borrower's leasehold interest in the Property.

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

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

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

Section 1.2. Exhibits.

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

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

ARTICLE 2. LOAN PROVISIONS

Section 2.1. Loan.

(a) On and subject to the terms and conditions of this Agreement, the Authority agrees to make and the Borrower agrees to accept the Loan to finance approved Predevelopment Activities for the Development in a principal amount not to exceed Three Million Eight Hundred Eighteen Thousand Dollars (\$3,038,000).

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

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

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

Section 2.2. Interest.

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

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

Section 2.3. Use of Loan Funds.

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

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

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

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

Section 2.4. Repayment of the Loan.

The Loan shall be repaid as follows:

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

(b) Payment in Full. Subject to subsection (c) below, all principal and interest, if any, on the Loan will, at the option of the Authority, be due and payable upon the

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

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

Section 2.5. Security.

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

Section 2.6. Conditions Precedent to Disbursement.

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

(a) There exists no Default nor any act, failure, omission or condition that would constitute an event of Default under this Agreement, or under any other agreement between the Authority and the Borrower or its Affiliates.

(b) Borrower has executed and/or delivered to Authority all documents and instruments required under the Loan Documents, including the Note and the Assignment and, if required by the Authority, a UCC-1 financing statement.

(c) Borrower has furnished the Authority with evidence of the insurance coverage meeting the requirements of Section 4.4 below.

(d) The Authority has received copies of all of the organizational documents of Borrower and its general partner and all resolutions authorizing Borrower and its general partner to execute this Agreement and the other agreements related to the Loan.

Section 2.7. Disbursement of Proceeds.

(a) The proceeds of the Loan will be disbursed as the work to be paid for by the Loan proceeds is performed. The Borrower shall submit draw requests to the Authority not more frequently than one time each calendar month. The draw requests are to be in a form containing sufficient detail and with sufficient supporting documentation to permit the Authority to confirm that the work to be funded by the draw request has been performed. Each draw request may not request payment in excess of the percentage of the costs attributable to the Authority pursuant to the Predevelopment Budget.

(b) The Authority will make a good faith effort to disburse the Loan proceeds under each draw request within ten (10) calendar days after receipt of a properly completed draw request with all necessary supporting documentation, except to the extent of any portion thereof as to which the Authority shall provide written notice to Borrower of its reasonable objection within five (5) days after the date of submission of the draw request to the Authority. If the Borrower fails to respond to the Authority's objection or to make any necessary corrections to the invoice, the Authority shall have the right to suspend payment of the questioned portion of such invoice only until such time as the Borrower's response or correction of the invoice to the reasonable satisfaction of the Authority has been provided, at which time the Authority shall pay the Borrower for such invoice within ten (10) days after the date of the Borrower's response or correction.

(c) Notwithstanding any other provisions of this Agreement, the Authority will have no further obligation to disburse any portion of the Loan to the Borrower following: (i) the Construction Closing; (ii) termination of this Agreement; or (iii) notification by the Authority to the Borrower of a Default under the terms of this Agreement, until such time as the Default has been cured.

Section 2.8. Prepayment of Loan.

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

ARTICLE 3. PREDEVELOPMENT ACTIVITIES

Section 3.1. Predevelopment Activities.

(a) This Article 3 and the line items of the Predevelopment Budget set forth various tasks that the Borrower will diligently seek to perform and achieve in good faith under the terms of this Agreement (collectively, the "Predevelopment Activities"). The Parties acknowledge, however, that in order for the Borrower to perform certain of the Predevelopment Activities, certain actions first must be taken by the Authority, as provided in the MDA, and that such actions are subject to the identification and commitment of outside funding and other conditions as established in the MDA. The Borrower shall endeavor to complete the Predevelopment Activities by September 30, 2021, the currently projected date of the Construction Closing. Schedule changes shall be subject to Section 4.1 of the MDA.

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

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

Section 3.2. Financing Proposal.

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

(b) The Borrower's Affiliate, MBS, has previously submitted to the Authority, an initial Financing Proposal for the Development, consisting of the then current estimate of costs for financing the Development (the "Financing Proposal"). The Borrower shall submit any material revision to the Financing Proposal to the Authority for its review in accordance with Article 2 and other applicable provisions of the MDA.

Section 3.3. Conceptual Site Plan.

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

Approvals and for the preparation of the Design Development Documents and the Construction Plans.

Section 3.4. Design Development Documents.

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

Section 3.5. Land Use Approvals.

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

Section 3.6. Tax Credit Applications and Other Financing.

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

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

Section 3.7. Financing Plan.

The Borrower has submitted, and the Authority has approved, a Financing Plan constituting the Phase Development Budget for Housing Phase 3 as required by the MDA. Further updates to the Phase Development Budget shall be made in accordance with Section 4.2 and other applicable provisions of the MDA.

Section 3.8. Construction Plans.

Borrower has submitted, and the Authority has approved, a copy of the Construction Plans for the Development. As used in this Agreement, "Construction Plans" means all construction documentation upon which Borrower shall rely on for the construction of the Development (including landscaping, parking, and common areas) and are to include, but not necessarily be limited to, final architectural drawings, landscaping plans and specifications, final elevations, building plans and specifications (also known as "working drawings"). Further updates to the Construction Plans shall be made in accordance with Section 7.1 and other applicable provisions of the MDA.

Section 3.9. Construction Contract.

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

Section 3.10. Building Permit.

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

Section 3.11. Development Contracts.

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

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

Section 3.12. Periodic Reports.

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

Section 3.13. Nondiscrimination.

The Borrower shall not discriminate or segregate in the performance of the Predevelopment Activities on the basis of race, color, ancestry, national origin, religion, sex, sexual orientation, age, marital status, family status, physical or mental disability, or any other arbitrary basis. The Borrower shall otherwise comply with all applicable local, state, and federal laws concerning discrimination.

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

(a) The Borrower shall not allow any liens to be placed upon the Property in connection with the performance of the Predevelopment Activities. If any claim of lien is filed against the Property or if a stop notice is served on the Authority or any other third party in connection with the Predevelopment Activities, and if neither the filing of such lien nor the serving of such stop notice is due to the failure of the Authority to provide funding to Borrower

on a timely basis, then Borrower shall, within ninety (90) days after such filing or service: (i) pay and fully discharge the lien or stop notice; (ii) effect the release of such lien or stop notice by delivering to the Authority a surety bond in sufficient form and amount; or (iii) provide the Authority with other assurance satisfactory to the Authority that the claim of lien or stop notice will be paid or discharged; provided, however, that the Authority provides written notice of such claim of lien or stop notice to Borrower promptly upon receipt by the Authority.

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

Section 3.15. Compliance with Laws.

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

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

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

implementing regulations of the DIR in connection with the performance of the Predevelopment Activities. The requirements of this Subsection survive the expiration of the Term.

ARTICLE 4. LOAN REQUIREMENTS

Section 4.1. Information.

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

Section 4.2. Books and Records.

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

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

Section 4.3. Transfer.

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

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

Section 4.4. Insurance Requirements.

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

Section 4.5. HUD Requirements.

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

regulations and administrative requirements governing the use of the Loan funds, the applicable laws, regulations and administrative requirements will govern.

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

ARTICLE 5. REPRESENTATIONS AND WARRANTIES OF BORROWER

Section 5.1. Representations and Warranties.

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

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

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

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

(d) Valid Binding Agreements. This Agreement and the Loan Documents and all other documents or instruments which have been executed and delivered pursuant to or in connection with this Agreement constitute or, if not yet executed or delivered, will when so executed and delivered constitute, legal, valid and binding obligations of Borrower enforceable against it in accordance with their respective terms.

(e) No Breach of Law or Agreement. To the best knowledge of Borrower, neither the execution nor delivery of this Agreement and the Loan Documents or of any other documents or instruments executed and delivered, or to be executed or delivered, pursuant to this Agreement, nor the performance of any provision, condition, covenant or other term hereof or thereof, will conflict with or result in a breach of any statute, rule or regulation, or any judgment, decree or order of any court, board, commission or agency whatsoever binding on Borrower, or any provision of the organizational documents of Borrower, or will conflict with or constitute a

breach of or a default under any agreement to which Borrower is a party, or will result in the creation or imposition of any lien upon any assets or property of Borrower, other than liens established pursuant hereto.

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

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

ARTICLE 6. DEFAULT, TERMINATION, AND REMEDIES

Section 6.1. Events of Default.

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

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

(b) Breach of Covenants. Failure by Borrower to duly perform, comply with, or observe any of the conditions, terms, or covenants of any of the Loan Documents or any other agreement between the Authority and the Borrower or, prior to the Closing of an applicable Phase, any Affiliate of the Borrower (including any uncured default under Section 10.1 of the MDA) and such failure having continued uncured for thirty (30) days after receipt of written notice thereof from the Authority to the Borrower or its Affiliates or, if the breach cannot be cured within thirty (30) days, the Borrower will not be in breach so long as Borrower is diligently undertaking to cure such breach and such breach is cured within ninety (90) days after receipt of written notice from the Authority to Borrower; provided, however, that if a different period or notice requirement is specified under any other section of this Article 6, the specific provisions will control.

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

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

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

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

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

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

Section 6.2. Remedies.

The occurrence of any Default hereunder following the expiration of all applicable notice and cure periods will, either at the option of the Authority or automatically where so specified, relieve the Authority of any obligation to make or continue the Loan and will give the Authority the right to proceed with any and all remedies set forth in this Agreement and the Loan Documents, including, but not limited to, the following; provided, however, that notwithstanding any provision to the contrary in this Agreement, the Loan shall be nonrecourse to the Borrower and its partners, members, managers or officers as provided in Section 7.5:

(a) Acceleration of Note. The Authority may cause all indebtedness of the Borrower to the Authority under this Agreement and the Note, together with any accrued interest thereon, to become immediately due and payable. The Borrower waives all right to presentment, demand, protest or notice of protest or dishonor. The Authority may proceed to enforce payment of the indebtedness and to exercise any or all rights afforded to the Authority as a creditor and secured party under the law, including the Uniform Commercial Code. The Borrower will be

liable to pay the Authority on demand all reasonable expenses, costs and fees (including, without limitation, reasonable attorney's fees and expenses) paid or incurred by the Authority in connection with the collection of the Loan and the preservation, maintenance, protection, sale, or other disposition of the security given for the Loan.

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

Section 6.3. Right of Contest.

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

Section 6.4. Remedies Cumulative.

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

Section 6.5. Termination for Infeasibility.

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

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

Section 6.6. Termination for Convenience.

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

ARTICLE 7. GENERAL PROVISIONS

Section 7.1. Relationship of Parties.

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

Section 7.2. No Claims.

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

Section 7.3. Amendments.

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

Section 7.4. Indemnification.

Except where caused by the active negligence, sole negligence, or willful misconduct of the Indemnified Parties (as hereafter defined), to the fullest extent permitted by law, the Borrower shall indemnify, defend and hold harmless the Housing Authority of the City of Sacramento, the Housing Authority of the County of Sacramento, the City of Sacramento, and the Sacramento Housing and Redevelopment Agency, their subsidiaries and their affiliates and their respective officers, directors, commission members, advisory committee members, agents and employees (collectively and individually, the "Indemnified Parties") from and against all claims, damages, losses and expenses, including, but not limited to, attorneys' fees, arising out of or resulting from the performance or non-performance of Borrower's obligations under this Agreement, but only if and to the extent caused directly by any negligent acts or omissions of the Borrower or any third-parties with whom the Borrower contracts under this Agreement. The indemnification obligation of Borrower hereunder shall not be limited in any way by any

limitation on the amount or type of damages, compensation or benefits payable by Borrower or any consultant of Borrower or any other person or entity under workers' or workmen's compensation acts, disability benefit acts or other employee benefit acts. The agreements, representations and warranties in this Section 7.4 shall survive the expiration or early termination of this Agreement,

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

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

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

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

Section 7.7. No Third-Party Beneficiaries.

There are no third-party beneficiaries to this Agreement.

Section 7.8. Future Authority and City Actions.

The Parties acknowledge and agree that:

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

Section 7.9. Conflict of Interest.

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

or at any time after, such person's tenure. Borrower shall exercise due diligence to ensure that the prohibition in this Section 7.9(a) is followed.

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

Section 7.10. Notices, Demands and Communications.

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

Authority: Housing Authority
 of the County of Sacramento
 801 12th Street
 Sacramento, CA 95814
 Attention: David Levin

with a copy to: Goldfarb & Lipman LLP
 1300 Clay Street, 11th Floor
 Oakland, CA 94612
 Attention: Michelle D. Brewer

Borrower: Twin Rivers Phase 3, L.P.
 c/o McCormack Baron Salazar

 Attention: _____

With a copy to:

Such written notices, demands and communications may be sent in the same manner to such other addresses as the affected Party may from time to time designate by mail as provided in this Section. Receipt will be deemed to have occurred on the date shown on a written receipt as the date of delivery or refusal of delivery (or attempted delivery if undeliverable).

Section 7.11. Applicable Law.

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

Section 7.12. Parties Bound.

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

Section 7.13. Attorneys' Fees.

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

Section 7.14. Severability.

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

Section 7.15. Force Majeure.

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

Section 7.16. Reserved.

Section 7.17. Waivers.

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

Section 7.18. Title of Parts and Sections.

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

Section 7.19. Entire Understanding of the Parties.

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

Section 7.20. Multiple Originals: Counterpart.

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

[Signature page follows]

WHEREAS, this Predevelopment Loan Agreement for Twin Rivers Housing Phase 3 is effective as of the date first written above.

AUTHORITY:

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

By: _____
La Shelle Dozier, Executive Director

BORROWER:

TWIN RIVERS PHASE 3, L.P., a California limited partnership

By: Twin Rivers Phase 3 MBS GP, Inc., a California corporation, its general partner

By: _____
Name: _____
Title: _____

EXHIBIT A

LEGAL DESCRIPTION OF PROPERTY

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

PARCEL ONE:

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

PARCEL TWO:

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

APN: 001-0090-003-0000

EXHIBIT B

Mirasol Village Block C (Twin Rivers Phase 3)	
	PREDEVELOPMENT BUDGET
SOURCES:	
PHA Predevelopment Loan - Choice Neighborhoods Funds	\$ 3,038,000
PHA Developer Overhead Fee Loan - Choice Neighborhoods Funds	\$ -
Partnership Loan - Non-Choice Neighborhoods Funds	\$ 1,012,667
TOTAL	\$ 4,050,667
USES:	
Master Planning	
Master Plan Design Fees	296,471
Total	296,471
Permits and Fees	
Building Permits	730,224
Impact Fees	600,000
Total	1,330,224
Architecture (Excluding Construction Admin)	
Architectural Design - Housing	1,491,492
Total	1,491,492
Engineering & Environmental Fees	
Survey	10,500
Geotech, Soils and Materials Testing	70,000
Phase 1 and Environmental Review Consultant	75,000
Green/Solar Consulting	70,000
Total	225,500
Financing Fees	
Tax Credit Application Fees	1,000
Tax Credit Reservation Fee	107,153
Tax Exempt Bond Fees	101,200
Financing Fees	172,625
Predev Loan Fee	18,750
Predev Loan Interest	167,585
Total	568,313
Professional Fees	
Market Study	8,000
Appraisals	8,000
Admin/Finance	10,000
Total	26,000
Subtotal Third Party Predevelopment Budget	3,938,000
Contingency	
Project Contingency	112,667
Total	112,667
TOTAL REIMBURSABLE COSTS	\$ 4,050,667
TOTAL PREDEVELOPMENT COSTS	\$ 4,050,667
Total Choice Neighborhood Funds Requested	3,038,000
Total Developer Funds	1,012,667

EXHIBIT C

PROMISSORY NOTE

PROMISSORY NOTE
Twin Rivers Housing Phase 3

\$3,038,000

Sacramento, California
_____, 2020

FOR VALUE RECEIVED, **TWIN RIVERS PHASE 3, L.P.**, a California limited partnership (the "Borrower"), promises to pay to the **HOUSING AUTHORITY OF THE COUNTY OF SACRAMENTO, CALIFORNIA**, a public body corporate and politic (the "HACOS" or the "Authority"), or order, the principal sum of Three Million Thirty-Eight Thousand Dollars (\$3,038,000), plus interest thereon pursuant to Section 2 below.

1. **Borrower's Obligation.** This promissory note (the "Note") evidences the Borrower's obligation to pay the Authority the principal amount of Three Million Thirty-Eight Thousand Dollars (\$3,038,000) for the funds loaned to the Borrower by Authority to finance predevelopment expenses in connection with the Twin Rivers Housing Phase 3 pursuant to the Predevelopment Loan Agreement between the Borrower and the Authority of even date herewith (the "Loan Agreement"). All capitalized terms used but not defined in this Note have the meanings set forth in the Loan Agreement.
2. **Interest.** No interest will accrue on this Note; provided, however, if a Default occurs, interest on the principal balance will begin to accrue as of the date of Default (following expiration of applicable notice and cure periods) and continuing until such time as the Loan funds are repaid in full or the Default is cured, at the default rate of the lesser of ten percent (10%), compounded annually, or the highest rate permitted by law.
3. **Term and Repayment Requirements.** The term of this Note (the "Term"), shall commence with the date of this Note and shall expire on the earlier of: (i) the date of the Construction Closing on Twin Rivers Housing Phase 3 or (ii) the termination of the MDA. Payments due under this Note are due in accordance with this Note and as set forth in Section 2.4 of the Loan Agreement.
4. **No Assumption.** This Note is not assumable by the successors and assigns of Borrower without the prior written consent of the Authority or as set forth in Section 4.3 of the Loan Agreement.
5. **Security.** This Note is secured by an Assignment, dated concurrently with this Note.

6. Terms of Payment.

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

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

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

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

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

7. Default.

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

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

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

8. Waivers.

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

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

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

9. Miscellaneous Provisions.

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

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

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

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

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

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

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

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

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

BORROWER:

TWIN RIVERS PHASE 3, L.P., a California limited partnership

By: Twin Rivers Phase 3 MBS GP, Inc., a California corporation, its general partner

By: _____

Name: _____

Title: _____

EXHIBIT D

ASSIGNMENT AGREEMENT

ASSIGNMENT OF COLLATERAL DOCUMENTS Twin Rivers Housing Phase I

This Assignment of Collateral Documents (the "Assignment") is entered into as of _____, 2020, by and between the **HOUSING AUTHORITY OF THE COUNTY OF SACRAMENTO, CALIFORNIA**, a public body, corporate and politic (the "Assignor") and **TWIN RIVERS PHASE 3, L.P.**, a limited partnership ("Assignee") with reference to the following facts:

RECITALS

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

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

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

TERMS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SIGNATURES FOLLOW ON NEXT PAGE.

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

ASSIGNEE

TWIN RIVERS PHASE 3, L.P., a California limited partnership

By: Twin Rivers Phase 3 MBS GP, Inc., a California corporation, its general partner

By: _____
Name: _____
Title: _____

ASSIGNOR

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

By: _____
Name: _____
Title: _____

October 20, 2020

Daniel Falcon, Managing Director
McCormack Baron Salazar, Inc.
117 S. Boyle Avenue, Mgmt. Office
Los Angeles, CA 90033

Re: Conditional Funding Commitment for Mirasol Village Block C (Phase 3)

Dear Mr. Falcon:

On behalf of the Sacramento Housing and Redevelopment Agency (Agency), we are pleased to advise you of its commitment of permanent loan funds (Loan) in an amount not to exceed \$3,038,000 in Choice Neighborhoods Implementation (CNI) funds for the purpose of financing the development of that certain real property known as Mirasol Village Block C (Phase 3) located 320 Dos Rios Street, Sacramento, California (Property). The Agency's decision is based on representations and information supplied by McCormack Baron Salazar, Inc. in its capacity as Housing Lead and Master Developer. If these representations and information change in a material manner without written approval of the Agency, this commitment is void. Agency's obligation to make the Loan is subject to the satisfaction of all the following terms and conditions and Borrower's execution of documentation that is in a form and in substance satisfactory to the Agency.

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

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

This commitment will expire April 30, 2022.

1. **PROJECT DESCRIPTION:** Twin Rivers (Mirasol Village) Phase 3 (Project) is a new construction, mixed-income housing development. The Project is the third phase of development for the multi-phased, Twin Rivers public housing redevelopment project. The Project will include multifamily apartment, townhome, and garden-style walk-up buildings located on a City block (Block C). In addition to a maximum of 74 on-grade parking spaces, the Project will consist of a total of seven residential buildings that will include a minimum of 84 rental housing units. The housing units will be 1-4 bedrooms in size and include a minimum of 46 replacement housing units in accordance with the

HUD-approved replacement housing plan for the Project. The Project will also contain several outdoor amenities including tot lots, barbeque areas, and bike or car share.

2. **BORROWER:** The name of the Borrower for the Loan is Twin Rivers Phase 3, L.P., a California limited partnership with McCormack Baron Salazar, Inc., or related entity as the lead development partner.
3. **PURPOSE OF LOAN:** The Loan is to be used by Borrower solely to pay the costs of development of the Project and for such other purposes as Agency expressly agrees to in the loan agreement for the Loan, as well as in such other agreements as may be generally required by the Agency for the use of the funding source for the Loan.
4. **PRINCIPAL AMOUNT:** The principal amount of the Loan will be a maximum of Three Million Thirty-Eight Thousand Dollars (\$3,038,000) or such lesser amount as may be needed and as determined by Borrower and approved by Agency prior to close of the Loan.
5. **TERM OF LOAN:** The Loan shall mature up to 55 years from the date of completion of construction, at which point any and all unpaid principal and interest on the loan will be due and payable. Final maturity date will be determined by impact of terms and conditions of other sources of financing approved for the Project.
6. **INTEREST RATE:** The Loan will bear simple interest at four percent (4%) per annum. Interest shall be calculated on a 365-day year, actual days elapsed basis.
7. **ANNUAL REPAYMENT:** Annual principal and interest payments shall be made according to the structured payment schedule contained in the final Loan Agreement and as calculated to achieve a minimum annual debt service coverage ratio of 1.2:1. Payments shall be applied first to outstanding interest accrued and unpaid and then to principal. All outstanding principal and interest is due and payable on the maturity date. Notwithstanding the preceding payment schedule, no payments shall be required on this Loan until the full balance of principal and interest on the proposed capitalized ground lease made by the Housing Authority of the County of Sacramento to Borrower pursuant to the Master Development Agreement is paid in full.
8. **SOURCE OF LOAN FUNDS:**
Agency is making the Loan from Choice Neighborhoods Implementation (CNI) grant funds and is subject to all of the requirements related to the use of these funds, whether Agency requirements or otherwise. This Loan is conditioned upon Borrower's acceptance of Agency requirements and conditions related to its lending programs and funding sources, including among others the required forms of agreements for the Loan; the requirements for covenants, conditions and restrictions upon the Property; and insurance and indemnity requirements.

Borrower acknowledges that, as a condition of the Agency's making of the Loan, the Property will be subject to restrictions on future sales and rentals which may result

in less income to Borrower than could otherwise be realized, and that such restrictions run with the land, and during their operational term, will bind all successors in interest.

_____ **(Borrower Initial)**

9. **ACCELERATION**: Agency shall have the right to accelerate repayment of the Loan in the event of a default under any Loan Document or upon sale, transfer or alienation of the Property except as specifically provided for in the Loan documents.
10. **SECURITY**: The Loan shall be evidenced by promissory note(s) secured by a deed of trust with assignment of rents against the fee and/or leasehold interest in the Property and Improvements, which shall be a lien upon the Property and Improvements subject only to additional liens senior to the Agency's lien securing loans needed for the Project and such other liens or items as the Agency may approve in writing prior to close. The Loan shall also be secured by security agreements where required. The Agency may agree to subordinate said deed of trust in order to accommodate completion of construction of the Project.
11. **LEASE AND RENTAL SCHEDULE**: All leases of the Property and Improvements shall be subject to Agency review and approval prior to execution. Borrower shall not deviate from the rental schedule presented in Borrower's application for the Loan without Agency's prior written approval provided, however, that such approval shall not be required for annual adjustments to rental rates as permitted by the California Tax Credit Allocation Committee.
12. **PROOF OF EQUITY**: Borrower shall provide proof of equity for the Property and Improvements in the amount of no less than stated in Borrower's request for the Loan. Proof of equity will generally be in the form of verified low income housing tax credit equity and deferred developer fee. If the final equity contribution is less than that as anticipated, the difference in equity must be offset by an increase in the deferred developer fee.
13. **OTHER FINANCING**: Borrower, as a requirement of the Loan, shall procure and deliver to Agency evidence satisfactory to Agency that Borrower has obtained the following described financing which may be secured by a lien upon the Property and Improvements superior or subordinate to Agency's liens, and which shall be otherwise on terms and conditions acceptable to Agency:
 - (a) As a condition precedent to disbursement of the Agency loan, construction financing from private lender(s) in an amount(s) sufficient to complete construction of the Project according to a Scope of Work as approved by Agency (Construction Financing). The term of Construction Financing must not be less than that specified in the Schedule of Performances for completion of construction and in any event not less than the time necessary to fulfill all conditions precedent to funding of the permanent financing.

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

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

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

14. EVIDENCE OF FUNDS: Prior to the first disbursement of the Loan, Borrower must demonstrate evidence of adequate and assured funding to complete the development of the Project in accordance with the Agency's requirements. Borrower's evidence of available funds must include only one or more of the following: a) Borrower equity; b) firm and binding commitments for the Project from financial institution(s) or from other lender(s) approved by Agency in its absolute discretion; and c) Agency's contribution, provided, however, that Agency is not obligated by this letter to make any contribution not stated in the terms of the letter.
15. SOILS AND TOXIC REPORTS: Borrower will submit to the Agency a hazardous substances report made in accordance with the American Society for Testing and Materials "Standard Practice for Environmental Site Assessments; Phase I Environmental Site Assessment Process" (Designation E1527-13) prepared by a licensed or registered environmental engineer or other qualified party prior to Loan closing. Borrower must, as a condition of disbursement of Loan funds, give assurances satisfactory to the Agency that hazardous materials are not present on the Property or that any hazardous materials on the Property will be remediated and that no further remediation is then required by the environmental agency having responsibility for monitoring such remediation.
16. LOAN IN BALANCE: Borrower will be required to maintain the Loan "in balance" at all times. The Loan is "in balance" whenever the amount of the undisbursed Loan funds, the remaining sums to be provided by the Borrower and the loan funds from other project lenders or the equity investor are sufficient, in the sole judgement of the Agency, to pay for the remainder of the work to be done on the project as required by written agreement with the Agency. Should the Agency determine that the Loan is not "in balance" the Agency may declare the Loan to be in default.
17. PLANS AND SPECIFICATION: Final plans and specifications, if any, for the project must be in accord with the approved proposal. Final plans and specifications will be subject to Agency's final approval prior to the disbursal of Agency Loan funds. Borrower must obtain Agency's prior written consent to any change in the approved plans and specifications or any material deviation in construction of the project. The final plans shall incorporate all related mitigation measures as required in the Mitigation Monitoring and Reporting Program of Twin Rivers (Mirasol Village) Transit Oriented Development and Light Rail Station Project as may applicable to Twin Rivers (Mirasol Village) Phase 3, environmental conditions required, if any, for compliance with approvals under CEQA, and/or NEPA, or the U.S. Department of Housing and Urban Development as conditions of approval of the project.

18. ARCHITECTURAL AGREEMENT: The architectural agreement (Agreement), if any, for the preparation of the plans and specifications and other services shall be subject to Agency's approval. Agency may require an assignment of Borrower's interest in and to the Agreement as security for the Loan.
19. CONSTRUCTION CONTRACT: The construction contract (Contract), if any, and any change orders issued thereunder, and the contractor (Contractor) to be retained by Borrower to construct the Improvements shall be subject to Agency's approval. Agency may require an assignment of Borrower's interest in and to the Contract as security for the Loan. Agency may require Contractor to provide a performance and payment bond in a form acceptable to Agency for the amount of the Contract.
20. RETENTION AMOUNT: The Agency shall retain ten percent (10.0%) of each construction disbursement as retention, not to exceed a total of ten percent (10.0%) of the total amount of the Loan.
21. COST BREAKDOWN: Borrower shall deliver to Agency for Agency's approval prior to commencement of work a detailed cost breakdown of the cost of constructing, financing and other costs of developing the Project, which breakdown conforms to the project plans and specification and the approved budget for the Project. Borrower shall also deliver a list of all contractors and subcontractors to be employed in connection with the construction of the Improvements. If required by the Agency, Borrower shall also submit copies of all bids received for each item of work to be performed as well as copies of executed contracts and subcontracts with acceptable bidders.

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

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

22. COST SAVINGS: At completion of construction, Borrower shall submit to Agency a cost certification prepared by a qualified, independent auditor acceptable to Agency which shall indicate the amounts actually spent for each item in the cost breakdown and shall indicate the final sources of funding. If there is an aggregate savings, in the total of all such cost breakdown items from the cost breakdown items in the original budget approved by the Agency, after adjusting for any decrease in any funding source including any loss of any equity investment due to an adjustment in the allowable tax credits, the Agency shall withhold for itself fifty percent (50%) of such savings from the amount of retention then held by the Agency and the Loan balance shall be reduced by the amount

so withheld. The Agency, in its sole discretion, shall determine any reduction and/or repayment of the Agency loan based upon this cost certification and the original approved budget for the project.

23. START OF CONSTRUCTION: Borrower shall commence construction at the earliest possible date subject to the conditions of this Agency and other involved lenders, but no later than sixty (60) days following the close of construction financing.
24. COMPLETION OF CONSTRUCTION: Borrower shall complete the construction of the Improvements no later than 24 months following the close of construction financing.
25. SECURITY CAMERAS AND OUTSIDE LIGHTING: Project shall include installation of a security camera system, exterior lighting, and security patrols, all as approved by the Agency.
26. INSURANCE PROVIDER: Each policy of insurance required under the Loan shall be obtained from a provider licensed to do business in California and having a current Best's Insurance Guide rating of A VII, which rating has been substantially the same or increasing for the last five (5) years, or such other equivalent rating, as may reasonably be approved by Lender's legal counsel.
27. HAZARD INSURANCE: Borrower shall procure and maintain fire and extended coverage insurance and during construction Builder's Risk completed value insurance in a form and substance approved by Agency. Coverage shall be for protection against loss of, or damage to the Improvements or materials for their construction to their full insurable value. Borrower shall also procure and maintain insurance against specific hazards affecting Agency's security for the Loan as may be required by Agency, governmental regulations, or any permanent lender. All such policies shall contain a standard mortgagee loss payable clause in favor of Agency. The insurance required shall be written with a deductible of not more than TEN THOUSAND DOLLARS (\$10,000.00).
28. PUBLIC LIABILITY AND OTHER INSURANCE: Borrower must procure and maintain public liability and property damage insurance (with Agency named as additional insured) in a form approved by Agency. Coverage must be approved by Agency and must be in at least the following limits of liability: (1) Commercial General Liability insurance in Insurance Services Office (ISO) policy form CG 00 01 Commercial General Liability (Occurrence) or better with limits of liability, which are not less than \$1,000,000, per occurrence limit; \$5,000,000 general aggregate limit, and \$5,000,000 products and completed operations aggregate limit, all per location of the Project; (2) Property damage liability of \$1,000,000 each occurrence, \$1,000,000 single limit and \$1,000,000 aggregate; (3) Contractual liability for Bodily Injury of \$1,000,000 each occurrence, for Property Damage of \$1,000,000 each occurrence and \$1,000,000 aggregate, and Personal Injury with Employment Exclusion Deleted of \$1,000,000 aggregate; and (4) Comprehensive Automobile Liability for any vehicle used for or in connection with the Work of \$1,000,000. The insurance required shall be written with a

deductible of not more than TEN THOUSAND DOLLARS (\$10,000). Borrower must also procure and maintain workers' compensation and all other insurance required under applicable law, as required by law and as approved by Agency.

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

35. LOW INCOME HOUSING TAX CREDITS (LIHTC): Borrower represents that as a condition of closing this Loan it is applying for an allocation of LIHTC's and agrees to perform all actions and meet all requirements to maintain the LIHTC allocation if granted.
36. SMOKE-FREE ENVIRONMENT: At least 50% of the buildings but no less than 50% of the units must be smoke free. All indoor common areas must be smoke-free.
37. DOCUMENTATION: This letter is not intended to describe all of the requirements, terms, conditions and documents for the Loan, which shall also include customary provisions and documents for an Agency transaction of this type. All documents to be delivered to or approved by Agency must be satisfactory to Agency in all respects. Borrower must promptly deliver to Agency any further documentation that may be required by Agency.
38. CONSISTENCY OF DOCUMENTS: As a material obligation under this commitment letter, Borrower shall assure that the loan documents for the Project are consistent with lender's commitment approved by the Agency and comply with same.
39. CHANGES OR AMENDMENTS: No documents or contracts which are to be delivered to Agency or are subject to Agency's review or approval shall be modified or terminated without the prior written approval of Agency.
40. ACCEPTANCE OF THIS COMMITMENT: Borrower's acceptance of this Commitment shall be evidenced by signing and delivering to Agency the enclosed copy of this letter. Until receipt of such acceptance by Agency, Agency shall have no obligation under this letter. Agency may withdraw this commitment at any time prior to Borrower's acceptance.

Sincerely,

La Shelle Dozier
Executive Director

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

BORROWER:

Twin Rivers Phase 3 L.P., a California limited partnership

By: McCormack Baron Salazar, Inc., or related entity

By: _____
Daniel Falcon, Managing Director



October 2, 2020

Sacramento Housing and
Redevelopment Commission
Sacramento, CA

Honorable Members in Session:

SUBJECT:

Mirasol Village Project: Commitment of Choice Neighborhoods Implementation Grant
Funds to Mirasol Village Block C Housing

RECOMMENDATION

Staff is presenting this information to the Commission for final review prior to review by
the County of Sacramento.

Respectfully submitted,


Executive Director

Attachment

**COUNTY OF SACRAMENTO
CALIFORNIA**

For the Agenda of:
October 20, 2020

To: Housing Authority of the County of Sacramento

Through: Navdeep S. Gill, County Executive
Bruce Wagstaff, Deputy County Executive

From: La Shelle Dozier, Executive Director, SHRA

Subject: Mirasol Village Project: Commitment Of Choice
Neighborhoods Implementation Grant Funds To Mirasol
Village Block C Housing

District(s): Serna

RECOMMENDED ACTION

Adopt a Housing Authority Resolution:

1. Authorizing amendment of the Choice Neighborhood Implementation (CNI) grant budget to allocate \$3,038,000 of funds for eligible Block C (Phase 3) housing costs.
2. Authorizing the Sacramento Housing and Redevelopment Agency to execute a Predevelopment Loan Agreement with Twin Rivers Phase 3, L.P. (McCormack Baron Salazar, Inc.) for an amount of up to \$3,038,000 of CNI grant funds.
3. Authorizing the execution of a Loan Commitment Letter with Twin Rivers Phase 3, L.P. (McCormack Baron Salazar, Inc.) for an amount of up to \$3,038,000 of CNI grant funds for the construction and permanent financing of Mirasol Village Block C.
4. Authorizing the Executive Director or her designee to make any budget adjustments, and execute related documents and agreements as necessary to carry out the proposed projects.

BACKGROUND

In 2015, the Housing Authority of the County of Sacramento (HACOS) and the City of Sacramento (City) were, as co-grantees, awarded a \$30 million CNI Grant from the US Department of Housing and Urban Development (HUD) for the Twin Rivers Transit Oriented Development and Light Rail Station project (Project). The Sacramento Housing and Redevelopment

Agency (SHRA) is managing the Project and McCormack Baron Salazar is the designated developer and Housing Lead (Developer) under the CNI grant. The Project is now known as Mirasol Village.

The CNI grant supports the redevelopment of the former public housing project and the transformation of the River District/Railyards neighborhood. The grant requires replacement of 218 public housing units within a mixed-income development which will include at least 487 housing units, common area and community gathering spaces, and other amenities. A new light rail station will be constructed along 12th Street as part of the Project. The total Project area includes six residential blocks and encompasses approximately 26 acres. A vicinity map and site plan of the Project is shown in Attachment 1.

The Project is being developed in five phases. Construction of the first 123 units within Blocks B and E began in July 2020. The second phase is Block A (104 units), and it will begin construction by the end of 2020. The third phase is Block C (84 units). On June 30, 2020, the California Department of Housing and Community Development awarded \$14,484,068 of Multifamily Housing Program (MHP) funds to Block C, and when this phase secures tax credits and bonds in early 2021, it can close and start construction in mid-2021. The Developer is actively seeking to secure the funds needed to construct the fourth phase, Block D (116 units). Phase 5 is the block east of 12th Street and will be the last block developed.

COMMISSION ACTION

At its meeting of October 7, 2020, the Sacramento Housing and Redevelopment Commission (SHRC) will consider the staff recommendation for this item. Staff will notify the Board in the event the item is not approved.

POLICY CONSIDERATIONS

HUD approved a five-year Public Housing Authority Plan that authorized the demolition and redevelopment of the former Twin Rivers public housing development. The recommended actions in this report are consistent with the County's commitment to the Housing Authority Asset Repositioning Guidelines and the County's executed CNI Grant Agreement for the Twin Rivers/River District-Railyards Initiative. The proposed Project will preserve 218 affordable housing units, and create a minimum of an additional 271 affordable, workforce and market rate housing units, new amenities, improved access to resident and workforce development services, new mobility options including bike share and electric car share programs,

electric car charging stations, and the construction of a new light rail station on 12th Street.

ENVIRONMENTAL REVIEW

California Environmental Quality Act (CEQA) and National Environmental Policy Act (NEPA): A combined Initial Study/Environmental Assessment (IS/EA) was prepared for the Mirasol Village (formerly Twin Rivers) Transit Oriented Development and Light Rail Station Project pursuant to CEQA requirements under 14 California Code of Regulations (CCR) §15070, and NEPA requirements under 24 Code of Federal Regulations (CFR) §58.36. The Mitigated Negative Declaration (MND) and associated Mitigation Monitoring and Reporting Program (MMRP) were adopted and a Notice of Determination (NOD) was issued pursuant to CEQA and a Finding of No Significant Impact (FONSI) was prepared pursuant to NEPA. The requested action requires no further environmental review.

M/WBE/SECTION 3 CONSIDERATIONS

Minority and Women's Business Enterprise requirements will be applied to all activities to the greatest extent possible and as required by federal funding to maintain that federal funding. Section 3 requirements will be applied to the extent applicable. Developer and General Contractor will work with the Sacramento Employment and Training Agency, the Greater Sacramento Urban League or similar programs, for employment opportunities.

FINANCIAL ANALYSIS

The proposed financing structure for Mirasol Village Block C includes tax-exempt bond financing, four-percent tax credits, MHP funds, CNI funds, local gap funds, project-based Section 8 vouchers and a below-market ground lease from HACOS. The total development cost including the ground lease, off-site improvements, hard and soft costs is approximately \$50 million.

The allocation of CNI grant funds for use in a specific phase is considered an administrative action as it relates to the HUD-approved Housing Plan. HUD has indicated it will approve the allocation of grant housing funds to Phase 3 Housing of the Project subject to prior approval by HACOS as grantee and the City of Sacramento as co-grantee. The City of Sacramento as co-grantee will consider the request to allocate the CNI funds at its meeting of October 13, 2020.

The CNI funds will be loaned to Block C in two steps. First, a predevelopment loan agreement (Attachment 2) will be executed to authorize the use of funds for architectural, engineering, permit applications and other fees. At closing, the predevelopment loan will be incorporated into a construction to permanent loan. Per the loan commitment

Mirasol Village Project: Commitment Of Choice Neighborhoods
Implementation Grant Funds To Mirasol Village Block C Housing
Page 4

(Attachment 3), grant funds will be loaned to the development entity for a term of up to 55 years at four percent simple interest. Annual principal and interest payments will be made according to a structured payment schedule per the final Loan Agreement. All outstanding principal and interest is due and payable on the maturity date. The loan will be secured by a deed of trust against the property improvements.

Respectfully Submitted,

APPROVED
NAVDEEP S. GILL,
County Executive



LA SHELLE DOZIER, Executive Director
Sacramento Housing and
Redevelopment Agency

By: _____
BRUCE WAGSTAFF
Deputy County Executive

Attachments:

- RES – HACOS Resolution CNI Commitment
- ATT 1 – Vicinity Map and Site Plan
- ATT 2 - Predevelopment Loan Agreement
- ATT 3 – Loan Commitment Letter

RESOLUTION NO.

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

**MIRASOL VILLAGE PROJECT: APPROVING A LOAN OF UP TO
\$3,038,000 OF CHOICE NEIGHBORHOODS IMPLEMENTATION (CNI)
GRANT FUNDS FOR BLOCK C (PHASE 3) HOUSING; AUTHORIZING
SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY (SHRA) TO
EXECUTE A PREDEVELOPMENT LOAN AGREEMENT AND A
CONSTRUCTION/PERMANENT LOAN COMMITMENT OF CNI FUNDS TO
TWIN RIVERS PHASE 3, L.P., OR RELATED ENTITY, FOR BLOCK C
(PHASE 3) HOUSING; AUTHORIZING BUDGET AMENDMENT; AND
RELATED FINDINGS**

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

WHEREAS, the name of the development was changed to Mirasol Village in 2019; and

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

WHEREAS, A combined Initial Study/Environmental Assessment was prepared for the Twin Rivers Transit-Oriented Development Project (Project) pursuant to California Environmental Quality Act (CEQA) requirements under Title 14, §15070 of the California Code of Regulations, and National Environmental Policy Act (NEPA) requirements under Title 24, Code of Federal Regulations Part 58.36. A Finding of No Significant Impact pursuant to NEPA and a Notice of Determination pursuant to CEQA have been filed for the Project; no further environmental review is required for the proposed actions; and

WHEREAS, on May 5, 2020 HACOS adopted Resolution No. 2452 authorizing a Loan Commitment of up to \$2,000,000 of CNI funds to Block C (Phase 3) housing; and

WHEREAS, HACOS is seeking to allocate \$3,038,000 of CNI grant funds for the development of Block C (Phase 3) Housing; and

WHEREAS, HACOS is now seeking approval to authorize Sacramento Housing and Redevelopment Agency (Agency) to execute on its behalf a Pre-Development Loan Agreement and Construction/Permanent Loan Commitment letter for \$3,038,000 of CNI funds to Twin Rivers Phase 3, L.P. or related entity for eligible housing costs; and

WHEREAS, the HACOS is seeking approval to amend the CNI grant budget and housing plan to allocate \$3,038,000 for Block C (Phase 3) Housing from the \$18,038,000 total funds currently budgeted for housing.

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

Section 1. All evidence presented having been duly considered, the findings, including environmental findings regarding this action, as stated above, are found to be true and accurate and are hereby approved adopted.

Section 2. The Agency is authorized to allocate \$3,038,000 of CNI grant funds and amend the CNI grant budget and housing plan for eligible Block C (Phase 3) housing costs.

Section 3. The Predevelopment Loan Agreement is attached hereto as Attachment 2 for the use of up to \$3,038,000 in CNI funds during the predevelopment phase of Block C (Phase 3) is approved and the Agency is authorized to execute and transmit the Loan Agreement to Twin Rivers Phase 3, L.P. (McCormack Baron Salazar or related entity).

Section 4. The Construction/Permanent Loan Commitment is attached hereto as Exhibit B for financing Block C (Phase 3) of the Project with up to \$3,038,000 in CNI funds is approved and the Agency is authorized to

execute and transmit the Permanent Loan Commitment to Twin Rivers Phase 3, L.P. (McCormack Baron Salazar or related entity).

Section 5. The Sacramento Housing and Redevelopment Agency is authorized to make any budget adjustments, and execute related documents and agreements as necessary to carry out the proposed Project.

Section 6. Resolution No. 2452 adopted by HACOS on May 5, 2020, shall be of no further force and effect, and shall be superseded and replaced in its entirety by this resolution.

On a motion by Member _____, seconded by Member _____, the foregoing Resolution was passed and adopted by the Board of the Housing Authority of the County of Sacramento this 20th day of October, 2020, by the following vote, to wit:

AYES: Members,

NOES: Members,

ABSENT: Members,

ABSTAIN: Members,

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

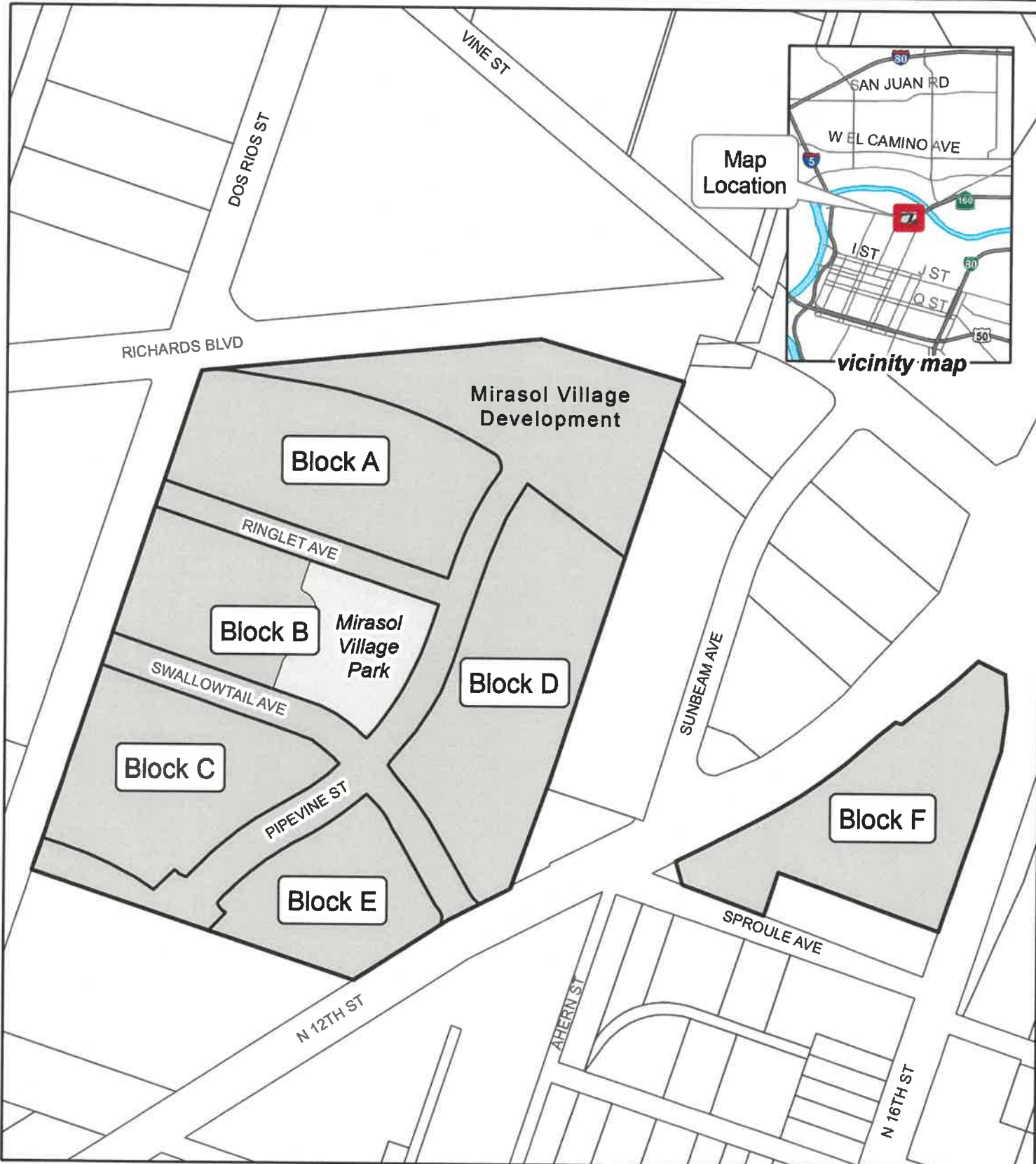
Chair of the Board of the Housing Authority
of Sacramento County, California

(SEAL)

ATTEST: _____
Clerk



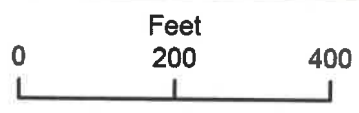
Mirasol Village Site Plan



Map Location



 Mirasol Village Development



SHRA GIS
August 28, 2020

PREDEVELOPMENT LOAN AGREEMENT**TWIN RIVERS
Housing Phase 3**

This Predevelopment Loan Agreement for Twin Rivers Housing Phase 3 (the "Agreement"), effective as of _____, 2020, is entered into by and between the **HOUSING AUTHORITY OF THE COUNTY OF SACRAMENTO**, a public body corporate and politic ("HACOS" or the "Authority") and **TWIN RIVERS PHASE 3, L.P.**, a California limited partnership ("Borrower"), with reference to the following facts:

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

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

C. HACOS and MBS have entered into a Master Development Agreement dated as of January 9, 2018 (the "Master Development Agreement" or the "MDA"), providing for MBS to serve as the master developer for the redevelopment and construction of a new, mixed-income development over multiple phases at the Property (the "Master Development"). The Borrower is an Affiliate of MBS and is the "Owner Entity" for the third "Phase" of the Master Development, as defined in the Master Development Agreement (the "Development" or "Housing Phase 3"). Unless expressly defined in this Agreement, all capitalized terms used herein shall have the meanings ascribed to such terms in the Master Development Agreement.

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

E. In accordance with Section 4.3.1 of the Master Development Agreement, HACOS desires to provide to the Borrower a predevelopment loan from Choice Grant funds for certain "Phase Predevelopment Expenses" for Housing Phase 3, pursuant to the Predevelopment Budget attached as Exhibit B hereto.

F. Borrower has requested that HACOS provide financial assistance in an amount not to exceed Three Million Eight Hundred Eighteen Thousand Dollars (\$3,038,000) (the "Loan"), subject to the conditions provided herein, to assist Borrower in performing certain predevelopment tasks associated with the Development.

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

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

ARTICLE 1. DEFINITIONS AND EXHIBITS

Section 1.1. Definitions.

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

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

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

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

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

(e) "Borrower" means Twin Rivers Phase 3, L.P., a California limited partnership.

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

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

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

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

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

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

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

Section 1.2. Exhibits.

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

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

ARTICLE 2. LOAN PROVISIONS

Section 2.1. Loan.

(a) On and subject to the terms and conditions of this Agreement, the Authority agrees to make and the Borrower agrees to accept the Loan to finance approved Predevelopment Activities for the Development in a principal amount not to exceed Three Million Eight Hundred Eighteen Thousand Dollars (\$3,038,000).

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

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

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

Section 2.2. Interest.

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

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

Section 2.3. Use of Loan Funds.

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

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

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

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

Section 2.4. Repayment of the Loan.

The Loan shall be repaid as follows:

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

(b) Payment in Full. Subject to subsection (c) below, all principal and interest, if any, on the Loan will, at the option of the Authority, be due and payable upon the

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

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

Section 2.5. Security.

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

Section 2.6. Conditions Precedent to Disbursement.

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

(a) There exists no Default nor any act, failure, omission or condition that would constitute an event of Default under this Agreement, or under any other agreement between the Authority and the Borrower or its Affiliates.

(b) Borrower has executed and/or delivered to Authority all documents and instruments required under the Loan Documents, including the Note and the Assignment and, if required by the Authority, a UCC-1 financing statement.

(c) Borrower has furnished the Authority with evidence of the insurance coverage meeting the requirements of Section 4.4 below.

(d) The Authority has received copies of all of the organizational documents of Borrower and its general partner and all resolutions authorizing Borrower and its general partner to execute this Agreement and the other agreements related to the Loan.

Section 2.7. Disbursement of Proceeds.

(a) The proceeds of the Loan will be disbursed as the work to be paid for by the Loan proceeds is performed. The Borrower shall submit draw requests to the Authority not more frequently than one time each calendar month. The draw requests are to be in a form containing sufficient detail and with sufficient supporting documentation to permit the Authority to confirm that the work to be funded by the draw request has been performed. Each draw request may not request payment in excess of the percentage of the costs attributable to the Authority pursuant to the Predevelopment Budget.

(b) The Authority will make a good faith effort to disburse the Loan proceeds under each draw request within ten (10) calendar days after receipt of a properly completed draw request with all necessary supporting documentation, except to the extent of any portion thereof as to which the Authority shall provide written notice to Borrower of its reasonable objection within five (5) days after the date of submission of the draw request to the Authority. If the Borrower fails to respond to the Authority's objection or to make any necessary corrections to the invoice, the Authority shall have the right to suspend payment of the questioned portion of such invoice only until such time as the Borrower's response or correction of the invoice to the reasonable satisfaction of the Authority has been provided, at which time the Authority shall pay the Borrower for such invoice within ten (10) days after the date of the Borrower's response or correction.

(c) Notwithstanding any other provisions of this Agreement, the Authority will have no further obligation to disburse any portion of the Loan to the Borrower following: (i) the Construction Closing; (ii) termination of this Agreement; or (iii) notification by the Authority to the Borrower of a Default under the terms of this Agreement, until such time as the Default has been cured.

Section 2.8. Prepayment of Loan.

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

ARTICLE 3. PREDEVELOPMENT ACTIVITIES

Section 3.1. Predevelopment Activities.

(a) This Article 3 and the line items of the Predevelopment Budget set forth various tasks that the Borrower will diligently seek to perform and achieve in good faith under the terms of this Agreement (collectively, the "Predevelopment Activities"). The Parties acknowledge, however, that in order for the Borrower to perform certain of the Predevelopment Activities, certain actions first must be taken by the Authority, as provided in the MDA, and that such actions are subject to the identification and commitment of outside funding and other conditions as established in the MDA. The Borrower shall endeavor to complete the Predevelopment Activities by September 30, 2021, the currently projected date of the Construction Closing. Schedule changes shall be subject to Section 4.1 of the MDA.

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

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

Section 3.2. Financing Proposal.

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

(b) The Borrower's Affiliate, MBS, has previously submitted to the Authority, an initial Financing Proposal for the Development, consisting of the then current estimate of costs for financing the Development (the "Financing Proposal"). The Borrower shall submit any material revision to the Financing Proposal to the Authority for its review in accordance with Article 2 and other applicable provisions of the MDA.

Section 3.3. Conceptual Site Plan.

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

Approvals and for the preparation of the Design Development Documents and the Construction Plans.

Section 3.4. Design Development Documents.

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

Section 3.5. Land Use Approvals.

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

Section 3.6. Tax Credit Applications and Other Financing.

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

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

Section 3.7. Financing Plan.

The Borrower has submitted, and the Authority has approved, a Financing Plan constituting the Phase Development Budget for Housing Phase 3 as required by the MDA. Further updates to the Phase Development Budget shall be made in accordance with Section 4.2 and other applicable provisions of the MDA.

Section 3.8. Construction Plans.

Borrower has submitted, and the Authority has approved, a copy of the Construction Plans for the Development. As used in this Agreement, "Construction Plans" means all construction documentation upon which Borrower shall rely on for the construction of the Development (including landscaping, parking, and common areas) and are to include, but not necessarily be limited to, final architectural drawings, landscaping plans and specifications, final elevations, building plans and specifications (also known as "working drawings"). Further updates to the Construction Plans shall be made in accordance with Section 7.1 and other applicable provisions of the MDA.

Section 3.9. Construction Contract.

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

Section 3.10. Building Permit.

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

Section 3.11. Development Contracts.

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

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

Section 3.12. Periodic Reports.

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

Section 3.13. Nondiscrimination.

The Borrower shall not discriminate or segregate in the performance of the Predevelopment Activities on the basis of race, color, ancestry, national origin, religion, sex, sexual orientation, age, marital status, family status, physical or mental disability, or any other arbitrary basis. The Borrower shall otherwise comply with all applicable local, state, and federal laws concerning discrimination.

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

(a) The Borrower shall not allow any liens to be placed upon the Property in connection with the performance of the Predevelopment Activities. If any claim of lien is filed against the Property or if a stop notice is served on the Authority or any other third party in connection with the Predevelopment Activities, and if neither the filing of such lien nor the serving of such stop notice is due to the failure of the Authority to provide funding to Borrower

on a timely basis, then Borrower shall, within ninety (90) days after such filing or service: (i) pay and fully discharge the lien or stop notice; (ii) effect the release of such lien or stop notice by delivering to the Authority a surety bond in sufficient form and amount; or (iii) provide the Authority with other assurance satisfactory to the Authority that the claim of lien or stop notice will be paid or discharged; provided, however, that the Authority provides written notice of such claim of lien or stop notice to Borrower promptly upon receipt by the Authority.

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

Section 3.15. Compliance with Laws.

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

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

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

implementing regulations of the DIR in connection with the performance of the Predevelopment Activities. The requirements of this Subsection survive the expiration of the Term.

ARTICLE 4. LOAN REQUIREMENTS

Section 4.1. Information.

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

Section 4.2. Books and Records.

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

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

Section 4.3. Transfer.

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

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

Section 4.4. Insurance Requirements.

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

Section 4.5. HUD Requirements.

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

regulations and administrative requirements governing the use of the Loan funds, the applicable laws, regulations and administrative requirements will govern.

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

ARTICLE 5. REPRESENTATIONS AND WARRANTIES OF BORROWER

Section 5.1. Representations and Warranties.

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

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

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

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

(d) Valid Binding Agreements. This Agreement and the Loan Documents and all other documents or instruments which have been executed and delivered pursuant to or in connection with this Agreement constitute or, if not yet executed or delivered, will when so executed and delivered constitute, legal, valid and binding obligations of Borrower enforceable against it in accordance with their respective terms.

(e) No Breach of Law or Agreement. To the best knowledge of Borrower, neither the execution nor delivery of this Agreement and the Loan Documents or of any other documents or instruments executed and delivered, or to be executed or delivered, pursuant to this Agreement, nor the performance of any provision, condition, covenant or other term hereof or thereof, will conflict with or result in a breach of any statute, rule or regulation, or any judgment, decree or order of any court, board, commission or agency whatsoever binding on Borrower, or any provision of the organizational documents of Borrower, or will conflict with or constitute a

breach of or a default under any agreement to which Borrower is a party, or will result in the creation or imposition of any lien upon any assets or property of Borrower, other than liens established pursuant hereto.

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

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

ARTICLE 6. DEFAULT, TERMINATION, AND REMEDIES

Section 6.1. Events of Default.

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

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

(b) Breach of Covenants. Failure by Borrower to duly perform, comply with, or observe any of the conditions, terms, or covenants of any of the Loan Documents or any other agreement between the Authority and the Borrower or, prior to the Closing of an applicable Phase, any Affiliate of the Borrower (including any uncured default under Section 10.1 of the MDA) and such failure having continued uncured for thirty (30) days after receipt of written notice thereof from the Authority to the Borrower or its Affiliates or, if the breach cannot be cured within thirty (30) days, the Borrower will not be in breach so long as Borrower is diligently undertaking to cure such breach and such breach is cured within ninety (90) days after receipt of written notice from the Authority to Borrower; provided, however, that if a different period or notice requirement is specified under any other section of this Article 6, the specific provisions will control.

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

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

Section 4.3.

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

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

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

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

Section 6.2. Remedies.

The occurrence of any Default hereunder following the expiration of all applicable notice and cure periods will, either at the option of the Authority or automatically where so specified, relieve the Authority of any obligation to make or continue the Loan and will give the Authority the right to proceed with any and all remedies set forth in this Agreement and the Loan Documents, including, but not limited to, the following; provided, however, that notwithstanding any provision to the contrary in this Agreement, the Loan shall be nonrecourse to the Borrower and its partners, members, managers or officers as provided in Section 7.5:

(a) Acceleration of Note. The Authority may cause all indebtedness of the Borrower to the Authority under this Agreement and the Note, together with any accrued interest thereon, to become immediately due and payable. The Borrower waives all right to presentment, demand, protest or notice of protest or dishonor. The Authority may proceed to enforce payment of the indebtedness and to exercise any or all rights afforded to the Authority as a creditor and secured party under the law, including the Uniform Commercial Code. The Borrower will be

liable to pay the Authority on demand all reasonable expenses, costs and fees (including, without limitation, reasonable attorney's fees and expenses) paid or incurred by the Authority in connection with the collection of the Loan and the preservation, maintenance, protection, sale, or other disposition of the security given for the Loan.

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

Section 6.3. Right of Contest.

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

Section 6.4. Remedies Cumulative.

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

Section 6.5. Termination for Infeasibility.

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

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

Section 6.6. Termination for Convenience.

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

ARTICLE 7. GENERAL PROVISIONS

Section 7.1. Relationship of Parties.

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

Section 7.2. No Claims.

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

Section 7.3. Amendments.

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

Section 7.4. Indemnification.

Except where caused by the active negligence, sole negligence, or willful misconduct of the Indemnified Parties (as hereafter defined), to the fullest extent permitted by law, the Borrower shall indemnify, defend and hold harmless the Housing Authority of the City of Sacramento, the Housing Authority of the County of Sacramento, the City of Sacramento, and the Sacramento Housing and Redevelopment Agency, their subsidiaries and their affiliates and their respective officers, directors, commission members, advisory committee members, agents and employees (collectively and individually, the "Indemnified Parties") from and against all claims, damages, losses and expenses, including, but not limited to, attorneys' fees, arising out of or resulting from the performance or non-performance of Borrower's obligations under this Agreement, but only if and to the extent caused directly by any negligent acts or omissions of the Borrower or any third-parties with whom the Borrower contracts under this Agreement. The indemnification obligation of Borrower hereunder shall not be limited in any way by any