



**NOTICE OF REGULAR MEETING**  
**Sacramento Housing and  
Redevelopment Commission**  
**TELECONFERENCE MEETING ONLY**  
**Wednesday, November 4, 2020 – 6:00 pm**  
**801 12<sup>th</sup> Street Commission Room**  
**Sacramento CA**

Meetings of the Sacramento Housing and Redevelopment Commission are closed to the public until further notice in compliance with state guidelines on social distancing, in accordance with the Brown Act, (as currently in effect under the State Emergency Services Act), the Governor's Emergency Declaration related to COVID-19, and the Governor's Executive Order N-29-20 issued on March 17, 2020. These measures facilitate participation by members of the Commission, staff, and the public and allow meetings to be conducted by teleconference, videoconference, or both.

The Sacramento Housing and Redevelopment Commission meeting will be broadcast live on YouTube. To view the meeting please visit:  
<https://youtu.be/U0Y024tE1IQ>

Members of the public who wish to make comments can do so in two ways:

1. Email comments to [publiccomments@shra.org](mailto:publiccomments@shra.org) which will be read into the record by the Clerk during the meeting.
2. Comment by phone during the meeting by dialing (888) 970-1444. Please call and indicate if you wish to comment during the general 'Citizens Comments' period or on a specific agenda item.

Please contact the Agency Clerk's office at 916-440-1363, if you have questions about the public comment procedure. Sacramento Housing and Redevelopment Agency (SHRA), in compliance with the Americans with Disabilities Act (ADA), requests that individuals who require special accommodations to access and/or participate in SHRA Commission meetings to please contact the office at (916) 440-1363 at least 24 hours before the scheduled meeting to ensure that assistance can be provided if needed. Copies of documents relating to agenda items are available for review online at [www.shra.org](http://www.shra.org). If you need assistance with locating reports or would like to request copies contact the Agency Clerk at 916-440-1363.

**ROLL CALL**

**APPROVAL OF AGENDA**

## CITIZENS COMMENTS

While the Commission welcomes and encourages participation in the Commission meetings, please limit your comments to three minutes, so that everyone may be heard. SHRA provides opportunities for the public to address the Commission at this time in order to listen to opinions regarding non-agendized matters within the subject matter jurisdiction of SHRA. Consistent with the Brown Act, the public comment periods on the agenda are not intended to be "question and answer" periods or conversations with Commission members. Members of the public with questions are encouraged to contact staff before or after the meeting. Members of the public wishing to provide comment should either email comments to [publiccomments@shra.org](mailto:publiccomments@shra.org) or be present them verbally by calling (888) 970-1444.

## APPROVAL OF MINUTES – October 21, 2020.

## DISCUSSION/BUSINESS ITEMS

1. Approval of Updated Sacramento Housing and Redevelopment Agency and Housing Authority Maintenance Schedule of Fees and Charges
2. Authorization to Submit 2020 Emergency Solutions Grant - Coronavirus (ESG-CV) Round 2 Application to the California Department of Housing and Community Development (HCD) and Amend the Sacramento Housing and Redevelopment Agency (SHRA) Budget
3. Capitol Park Hotel Temporary Emergency Shelter Summary Report
4. Capitol Park Hotel – Approval of Loan Funds and Final Loan Documents
5. River District Landing (Bercut Village and Discovery Apartment Homes) – Approval of Financing, Loan, and Operations Agreements, and Related Documents; 2020 Action Plan Amendment; and Reallocation of Innovation and Growth Funds

## EXECUTIVE DIRECTOR REPORT

## COMMISSION CHAIR REPORT

## ITEMS AND QUESTIONS OF COMMISSION MEMBERS

## ADJOURNMENT



## **MINUTES**

### **Sacramento Housing and Redevelopment Commission (SHRC)**

#### **Regular Meeting**

**October 21, 2020**

Meeting noticed on October 16, 2020

#### **ROLL CALL**

The Sacramento Housing and Redevelopment Commission meeting was called to order at 6:02 p.m. by Chair Morgan. Note that meeting was held via teleconference following the Governor's executive order during the coronavirus pandemic.

**MEMBERS PRESENT:** Alcalay, Boyd, Morgan, Nunley, Osmany, Staajabu, Starks, Woo

**MEMBERS ABSENT:** Griffin (two vacancies)

**STAFF PRESENT:** La Shelle Dozier, Brad Nakano, James Shields, Ahmad Halimi, Susana Jackson, Celia Yniguez, Vickie Smith, Lira Goff, Sylvester Donalson Tyrone Williams

#### **APPROVAL OF AGENDA**

The Agenda was approved, The Chair announced that item number four will be continued to November 4, 2020 and that items number one and two would be heard together.

#### **CITIZENS COMMENTS**

None.

**APPROVAL OF MINUTES** – October 7, 2020 minutes were approved as submitted.

#### **PUBLIC HEARING**

1. Approval of the 2021 One-Year Action Plan for the Community Development Block Grant (CDBG), HOME Investment Partnerships Program (HOME), Emergency Solutions Grant (ESG), and Housing Opportunities for Persons With AIDS (HOPWA) Funded Projects and Programs; Amendment of Prior Years' Action Plans; Amendment to the Sacramento Housing and Redevelopment Agency (SHRA) Budget; and Other Related Actions – City Report

2. Authorize The Submission for The Approval of The 2021 One-Year Action Plan for The Community Development Block Grant (CDBG), HOME Investment Partnerships Program (HOME), And Emergency Solutions Grant (ESG) Funded Projects and Programs; Amendment of Prior Years' Action Plans; Amendment to The Sacramento Housing and Redevelopment Agency (SHRA) Budget; Execute A Memorandum of Understanding for The One Year Action Plan Allocation Process – County Report

Items number 1 and 2 were presented and approved together. Celia Yniguez presented the Items.

Commissioner Boyd requested information on ADA (accessible) parks located in the City, and information on the home repair resource information.

Celia Yniguez suggested that Commissioners may want to review the current master plan for City parks currently in development.

Commissioner Nunley requested that power point presentations be sent to the members in advance.

Chair Morgan opened and closed the public hearing. Commissioner Woo motioned to approve the staff recommendation for the Items listed above. Commissioner Staajabu seconded the motion. The votes were as follows:

AYES: Alcalay, Boyd, Morgan, Nunley, Osmany, Starks, Staajabu, Woo

NOES: None

ABSENT: Griffin

ABSTAIN: None

### DISCUSSION/BUSINESS ITEMS

3. 2021 and Subsequent Years Authorization for Solicitation, Award and Approval of Annual Expenditure Caps and Per Contract Caps for Routine Services

Sylvester Donalson, the new SHRA Procurement Manager, presented the Item. Per a request from the Commission, he introduced himself and told the group a little about his background.

Commissioner Alcalay requested information on IT expenses in 2020. He also requested information on the annual cost for security.

Commissioner Nunley requested information on a long term plan for IT expenses.

Commissioner Woo motioned to approve the staff recommendation for the item listed above. Commissioner Staajabu seconded the motion. The votes were as follows:

**AYES:** Alcalay, Boyd, Morgan, Nunley, Osmany, Starks, Staajabu, Woo

**NOES:** None

**ABSENT:** Griffin

**ABSTAIN:** None

**4. River District Landing (Bercut Village and Discovery Apartment Homes) – Approval of Financing, Loan, and Operations Agreements, and Related Documents: 2020 Action Plan Amendment; and Reallocation of Innovation and Growth Funds**

Item number four was continued to November 4, 2020.

**EXECUTIVE DIRECTOR'S REPORT**

Executive Director La Shelle Dozier reviewed the following:

- The next meeting will be November 4, 2020.
- Lavender Courtyard virtual event to be held on October 29<sup>th</sup>
- Supplemental Emergency Rental Assistance (SERA) applications have been extended until October 29<sup>th</sup>
- Shooting at Marina Vista.

**COMMISSION CHAIR REPORT**

None.

**ITEMS AND QUESTIONS OF COMMISSION MEMBERS**

None.

**ADJOURNMENT**

As there was no further business to be conducted, Chair Morgan adjourned the meeting at 7:05 pm.

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Clerk

November 4, 2020



Sacramento Housing and Redevelopment Commission  
Sacramento, California

Honorable Members in Session:

**SUBJECT**    **Approval of Updated Sacramento Housing and Redevelopment Agency and Housing Authority Maintenance Schedule of Fees and Charges**

**RECOMMENDATION**

Staff recommends adoption of the attached resolution which approves the 2021 Sacramento Housing and Redevelopment Agency (Agency) and Housing Authority Maintenance Schedule of Fees and Charges.

**CONTACT PERSONS**

Mark Hamilton, Assistant Director of Housing, 916-449-6248  
Cecette Hawkins, Program Manager, 916-449-6218

**SUMMARY**

This report recommends additions and revisions to the Sacramento Housing and Redevelopment Agency (Agency) and Housing Authority Maintenance Schedule of Fees and Charges for various Agency activities and services. The proposed updated Schedule of Fees and Charges is intended to recover the actual costs incurred for materials and services performed.

**BACKGROUND**

The Agency first implemented a Schedule of Fees and Charges (Schedule) in 1983. The Schedule has been revised in subsequent years to reflect additions, deletions, and increases to the prior schedule, and it is now necessary to revise the previous Schedule. The most recent update to the Schedule was in 2019 for the 2020 calendar year.

# **SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY**

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## **FINANCIAL CONSIDERATIONS**

The proposed changes will have a minor financial impact on the Agency. The primary purpose of the proposed actions is to:

- identify fees to potential users of Agency services;
- standardize fees to the greatest extent possible; and
- charge fees to cover the cost of providing services

The fees and charges in the Schedule are intended solely to recover the Agency's actual costs in providing services. There is no change to the adopted budget.

## **POLICY CONSIDERATIONS**

There are no policy changes recommended in this report.

## **ENVIRONMENTAL REVIEW**

The proposed action does not constitute a project under the California Environmental Quality Act (CEQA) per 14 California Code of Regulations (CCR) §15378(b)(4), and is an exempt activity under the National Environmental Policy Act (NEPA) per 24 Code of Federal Regulations (CFR) §58.34(a)(3).

## **M/WBE AND SECTION 3 CONSIDERATIONS**

The items discussed in this report do not involve federal funding; therefore, there are no M/WBE or Section 3 requirements.

Respectfully submitted,

  
LA SHELLE DOZIER  
Executive Director

## **Attachments**

- 1 SHRC Resolution
2. 2021 Sacramento Housing and Redevelopment Agency Schedule of Fees and Charges
- 3 2021 Housing Authority Maintenance Schedule Fees and Charges

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

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

ON DATE OF

**November 4, 2020**

### **2021 SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY AND HOUSING AUTHORITY MAINTENANCE FEES AND CHARGES SCHEDULE**

**WHEREAS**, the schedules of fees and charges were first implemented by the Sacramento Housing and Redevelopment Agency (Agency) in 1983. It has been revised in subsequent years to reflect additions, deletions, and increases to previous versions.

**WHEREAS**, the proposed action does not constitute a project under the California Environmental Quality Act (CEQA) pursuant to 14 California Code of Regulations (CCR) §15378(b)(4), and is an exempt activity under the National Environmental Policy Act (NEPA) per 24 Code of Federal Regulations (CFR) §58.34(a)(3).

**BE IT RESOLVED BY THE SACRAMENTO HOUSING AND REDEVELOPMENT COMMISSION:**

**Section 1:** The schedules of fees and charges for the Agency, as set forth in Attachments 1 and 2, are hereby approved.

**Section 2:** All prior schedules of fees and charges for the Agency are rescinded and are replaced in full by this resolution. Additional or expanded authorities of the Agency to charge fees with respect to specific programs or activities are not rescinded by this resolution and remain in full force and effect.

**Section 3:** The Executive Director, or her designee, is authorized to implement, revise, or update the schedules of fees and charges as set forth in Attachments 1 and 2 and distribute copies to consumers of Agency services.

\_\_\_\_\_  
CHAIR

ATTEST:

\_\_\_\_\_  
CLERK

**SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY**  
**SCHEDULE OF FEES AND CHARGES**

*Effective Date – January 1, 2021*

<b>Charging Department</b>	<b>Activity</b>	<b>Current Rate</b>	<b>New Rate</b>
<b>All Agency</b>	Reproduction - Agency Employees	\$ .10 per copy	<u>No change</u>
	Hard Copy Reproduction - Outside Agency	\$ .10 per copy	<u>No change</u>
	Public Record Request –Scanned Documents	\$ .10 per page scanned in excess of 300 pages	<u>No change</u>
	Public Record Request –Agency Documents Sent to outside Scanning Service	Actual Cost	<u>No change</u>
	Public Records Request – Postage	Actual Cost	<u>No change</u>
	Tape Cassette, CD Reproduction, DVD or USB Flash Drive	\$8.00 plus any applicable postage costs.	<u>No change</u>
	Personal Fax Transmissions	\$ .10 per incoming page	<u>No change</u>
	Personal Fax Transmissions	\$ .75 per outgoing page	<u>No change</u>
<b>Development</b>	Good Faith Deposit/Option Fees	No set deposit; 10% recommended for disposition and development agreements (DDA's); Agency keeps if other party does not perform	<u>No change</u>
	Industrial Development Bond Local Fee (through Bonds for Industry Agreement)	25 basis points at bond closing	<u>No change</u>
	Mortgage Revenue Bond Issuance Fee	Fee of 25 basis points of the total bond issuance amount at bond closing for new issuances and/or re-fundings.	<u>No change</u>
	Multi-Family Loan and Mortgage Revenue Bond Full Application Fee	\$12,500	<u>No change</u>
<b>Finance</b>	Returned Checks	\$15 per check	<u>No change</u>
	Taxpayer Identification Number (TIN)	\$100 per incorrect TIN resulting in payment of penalty to IRS.	<u>No change</u>
<b>Housing Choice Voucher (HCV)</b>	Admin fee charges for tax levies imposed on Owners/Vendors' payments	\$20 per \$1000 of each levy. Levies with amount less than \$1000 will be charged an admin fee of \$20	<u>No change</u>
<b>Housing Authority Maintenance</b>	Maintenance Fees and Charges Schedule	See Maintenance Fees and Charges Schedule for Changes	<u>See Maintenance Fees and Charges Schedule for Changes</u>

Charging Department	Activity	Current Rate	New Rate
Housing Authority Management	Security Deposits	Greater of \$250 or one month's rent per unit.	<u>No change</u>
	Pet Security Deposit – Dogs and Cats	Medically Certified Companion /Service Animal: No Charge. Elderly/Disabled and all other families \$250 per pet.	<u>No change</u>
	Missed PHA Contractor Trip Charge	All Contractor and/or Vendor actual trip charge for missed appointments that were scheduled.	<u>No change</u>
	Legal Fees	All costs associated with lease enforcement or eviction will be determined by actual cost to the agency. Fees will be determined by the contract and the court.	<u>No change</u>
	Folding Clothes Line	\$30.00	<u>No change</u>
	Smoke/CO Detector - Tampering	\$50.00	<u>No change</u>
	Late Fees	\$20.00	<u>No change</u>
Legal	Assignments of OPAs or DDAs after adoption. Legal review of subordination agreement following project completion.	\$1,000 minimum legal service fee and \$200 per hour exceeding 15 hours.	<u>No change</u>
	Amendments or Modifications to OPAs or DDAs after adoption	\$1,500 minimum legal service fee, \$200 per hour exceeding 20 hours.	<u>No change</u>
	Coordination of NEPA review for HUD grants to nonprofits	\$1200 minimum environmental coordination fee and all third party costs associated with the review	<u>No change</u>
	Authorized legal review and work for other agencies.	\$165 per hour.	<u>No change</u>
Homeownership Services	Mortgage Credit Certificate Lender Participation Fee	\$350 Initial Application Fee	<u>No change</u>
	Mortgage Credit Certificate Program Application Fee	\$350 non-refundable	<u>No change</u>
	Reissued MCC Application Fee	\$300	<u>No change</u>
	Mortgage Credit Certificate Extension	\$50 for 30 days	<u>No change</u>
	Lender Participation Fee Renewal	\$300	<u>No change</u>
	Demand statement preparation fee	\$35	<u>No change</u>
	Demand update fee (if required)	\$20	<u>No change</u>
	Reconveyance fee	\$45	<u>No change</u>
	Recording fee	Per County Recorder fee schedule	<u>No change</u>
Portfolio Management	Regulatory Agreement Monitoring Fees, <u>included, but not limited to</u> –County Affordable Housing Ordinance & City Mixed Income Housing Ordinance – Multifamily	Multifamily Affordable Units x Average Public Subsidy/Unit x .125% x number of years x discount rate	<u>Minor change</u>

Charging Department	Activity	Current Rate	New Rate
Portfolio Management, cont'd	Regulatory Agreement Monitoring Fees, including, but not limited to – County Affordable Housing Ordinance & City Mixed Income Housing Ordinance – Single family Units	Single Family Affordable Units x Appreciation Differential/Unit x .15% x number of restricted years x discount rate	<b>Minor changes</b>
	Regulatory Agreement Monitoring Fees – City Zero Development Impact Fee & City and County Density Bonus	\$2,500 Fee. Plus: \$2,207 per unit for 30 Year Term \$2,742 per unit for 55 Year Term (will be updated with annual Average Subsidy/Unit data)	<b>New Activity</b>
	Assignment/Assumption Processing Fee - Multifamily	\$750 plus recording fees and appraisal charges	<b>No change</b>
	Loan Payment Late Fee – multifamily	5% of monthly payment if payment not made within 15 days after payment due date	<b>Minor change</b>
	Annual Multi-Family Mortgage Revenue Bond Administration Fee	Fee of 12.5 basis points of the original bond amount + \$100 per SHRA-funded unit for projects with SHRA loans for the longer of the life of the bonds or bond regulatory agreement, paid in advance, semi-annually. Maximum fee of \$25,000 per year.	<b>No change</b>
	Annual Multi-Family Loan Administration Fee	Fee of 12.5 basis points of the original loan amount + \$100 per SHRA-funded unit for the longer of the life of the loan or loan regulatory agreement, paid in advance, semi-annually. Maximum fee of \$15,000 per year.	<b>Relocated Item – No Rate Change</b>
	Subordination processing fee – single family	\$300	<b>Relocated Item – No Rate Change</b>
	Subordination redraw fee – single family	\$100	<b>Relocated Item – No Rate Change</b>
	Subordinate processing fee – multifamily	\$500	<b>Relocated Item – No Rate Change</b>
Portfolio Management – Multifamily Regulatory Agreement & Compliance Violations	Annual Multi-Family Loan Administration Fee	Fee of 12.5 basis points of the original loan amount + \$100 per SHRA-funded unit for the longer of the life of the loan or loan regulatory agreement, paid in advance, semi-annually. Maximum fee of \$15,000 per year.	<b>Relocated Item</b>
	Tenants over income at initial move in	Initial \$500 per unit, and again every 90 days until violation is resolved.	<b>No change</b>

<b>Charging Department</b>	<b>Activity</b>	<b>Current Rate</b>	<b>New Rate</b>
<b>Portfolio Management – Multifamily Regulatory Agreement &amp; Compliance Violations, cont'd</b>	Incorrect eligibility documentation	Initial \$50 per file for incorrect calculations, verifications, required documents; \$50 per month until corrected	<u>No change</u>
	Failure to complete annual recertification	Initial \$250 for each incomplete file; \$50 per month until corrected.	<u>No change</u>
	Failure to maintain tenant eligibility records	Initial \$500 per unit, and again every 90 days until violation is resolved.	<u>No change</u>
	Incorrect Rents	\$100 for each over-charged unit.	<u>No change</u>
	Failure to submit complete and correct monthly bond report by due date	Initial \$100 per report. \$100 per day until violation resolved.	<u>No change</u>
	Failure to comply with approved Management Plan	Initial \$100 per report. \$100 per day until violation resolved.	<u>No change</u>
	Failure to submit complete and accurate quarterly Resident Services report by due date	Initial \$100 per report. \$100 per day until violation resolved.	<u>No change</u>
	Failure to provide a resident service required by Resident Services Plan	Initial \$250 per service. \$100 per day until violation resolved.	<u>No change</u>
	Noncompliant lease	\$100 per noncompliant lease.	<u>No change</u>
	Verifiable existence of toxic mold	Initial \$200 per unit. 30 days to obtain certification unit is mold free. \$75 per day after 30 days.	<u>No change</u>
	Broken pipes and plumbing facilities	\$200 per unit.	<u>No change</u>
	Non-working smoke detectors	\$200 per unit.	<u>No change</u>
	Windows with large cracks or missing glass	\$200 per unit.	<u>No change</u>
	Infestation of roaches or vermin	\$200 per infested unit.	<u>No change</u>
	Non-working heating unit (Winter) or air conditioning unit (Summer)	\$500 per non-working unit.	<u>No change</u>
	Excessive amount of urine/feces	\$200 per unit.	<u>No change</u>

Charging Department	Activity	Current Rate	New Rate
Portfolio Management – Multifamily Regulatory Agreement & Compliance Violations, cont'd	Excessive amount of trash/garbage in unit	\$75 per unit.	<u>No change</u>
	Hazardous exterior conditions	\$500 per hazardous condition.	<u>No change</u>
	Large holes walls/ceiling	\$100 per unit.	<u>No change</u>
	Non-Operable Security Gate	\$500 per non-working gate.	<u>No change</u>
	No Security Cameras (if required)	\$250 per discovery. \$75 reinspection fee.	<u>No change</u>
	Non-working Security Cameras	\$100 per camera per discovery. \$75 reinspection fee.	<u>No change</u>
	Non-working or non-accessible amenities/services	\$100 per item per discovery. \$75 reinspection fee.	<u>No change</u>
Agency Clerk	Agenda Packets (hard copy) - Outside Agency	\$600 per year	<u>No change</u>
Facility Use	Non-resident group area of Community Room	Security Deposit \$50 (refundable cleaning deposit) Basic charge - \$5 per hour	<u>No change</u>
	Commission Room (801 12 <sup>th</sup> Street) and Riverview Plaza Meeting Room Rental	Security Deposit \$50 First Hour \$40 Each Additional Hour \$30	<u>No change</u>

Maintenance Fees and Charges			2020		Proposed		Significant Change Reason
	HOUSING MAINTENANCE CHARGES	Labor Charge (Per Each)	Material Charge (Per Each)	Current Rate (Labor + Material)	New Material Charge	Proposed New Rate (Labor + Material)	
Appliances & Accessories							
1	Freezer Door Gasket	\$ 19.80	\$ 57.91	\$ 77.71			No changes
2	Hood Fan Assembly	\$ 9.90	\$ 31.55	\$ 41.45			No changes
3	Hood Fan Filter	\$ 9.90	\$ 4.61	\$ 14.51			No changes
4	Oven Door (varying depending on make/size)	\$ 9.90	Service Only	\$ 9.90			No changes
5	Oven Door Handle	\$ 9.90	\$ 45.00	\$ 54.90			No changes
6	Range Burner, Electric	\$ 9.90	\$ 7.93	\$ 17.23			No changes
7	Range, Elec. Broiler Pan, Replace	\$ 3.30	\$ 28.69	\$ 31.99			No changes
8	Range, Gas Broiler Pan, Replace	\$ 3.30	\$ 28.69	\$ 31.99			No changes
9	Range Burner, Gas	\$ 9.90	\$ 33.85	\$ 43.75			No changes
10	Range, Clean	\$ 79.20	Service Only	\$ 79.20			No changes
11	Range Hood, 30", Replace	\$ 39.60	\$ 51.25	\$ 90.85	\$ 58.24	\$ 97.84	Actual Cost Increased.
12	Range Hood, 36", Replace	\$ 39.60	\$ 58.10	\$ 97.70	\$ 64.15	\$ 103.75	Actual Cost Increased.
13	Range Hood, 42", Replace	\$ 39.60	\$ 72.99	\$ 112.59			No changes
14	Range, Inf. Switch	\$ 9.90	\$ 29.75	\$ 39.65			No changes
15	Range, Knobs	\$ 5.30	\$ 24.26	\$ 27.56			No changes
16	Range, Oven Rack 20"	\$ 9.90	\$ 27.37	\$ 30.67			No changes
17	Range, Oven Rack 30"	\$ 9.90	\$ 43.63	\$ 46.93			No changes
18	Range, Oven Control, Gas	\$ 19.80	\$ 67.54	\$ 87.34			No changes
19	Range, Oven Control, Electric	\$ 19.80	\$ 58.45	\$ 78.25			No changes
20	Range, Replace Electric 20"	\$ 39.60	\$ 340.00	\$ 379.60	\$ 460.00	\$ 499.60	Purchase cost with appliance vendor increased
21	Range, Replace, Electric 30"	\$ 39.60	\$ 440.00	\$ 479.60			No changes
22	Range, Replace, Gas 20"	\$ 39.60	\$ 465.00	\$ 504.60	\$ 500.00	\$ 539.60	Purchase cost with appliance vendor increased
23	Range, Replace, Gas 30"	\$ 39.60	\$ 440.00	\$ 479.60			No changes
24	Range, Stove-top Grate	\$ 3.30	\$ 22.95	\$ 26.25			No changes
25	Refrigerator, Replace (All Sizes)	\$ 19.80	\$ 499.10	\$ 518.90			No changes
26	Refrigerator, Clean	\$ 79.20	Service Only	\$ 79.20			No changes
27	Refrigerator, Crisper	\$ 3.30	\$ 86.95	\$ 90.25			No changes
28	Refrigerator, Crisper Cover	\$ 3.30	\$ 64.88	\$ 68.18			No changes
29	Refrigerator, Gasket	\$ 39.60	\$ 71.95	\$ 111.55			No changes
30	Refrigerator, Shelf Front	\$ 6.60	\$ 38.40	\$ 45.00			No changes
31	Refrigerator, Door Liner	\$ 39.60	\$ 16.90	\$ 56.50			No changes
32	Top Burner, Grate / Gsk - Replace	\$ 20.00	\$ 22.92	\$ 42.92			No changes
Bath Accessories			Material Price	Current Rate			
33	Medicine Cabinet Shelf	\$ 3.30	\$ 6.44	\$ 9.74			No changes
34	Medicine Cabinet/Complete	\$ 19.80	\$ 55.99	\$ 75.79			No changes
35	Toilet Paper Holder, Replace	\$ 9.90	\$ 8.29	\$ 18.19			No changes
36	Toilet Paper Spindle, Replace	\$ 3.30	\$ 1.82	\$ 5.12			No changes
37	Toilet Seat (Elongated)	\$ 9.90	\$ 19.99	\$ 29.89			No changes
38	Toilet Seat (Regular)	\$ 9.90	\$ 21.11	\$ 31.01			No changes
39	Toilet Tank Lid, Replace	\$ 9.90	\$ 32.99	\$ 42.89			No changes
40	Tub/Shower Stopper (Fit-all)	\$ 3.30	\$ 3.29	\$ 6.59			No changes
41	Tub/Shower (Toe-stopper)	\$ 3.30	\$ 9.79	\$ 13.09			No changes
42	Towel Bar, Replace	\$ 9.90	\$ 10.29	\$ 20.19			No changes
43	Tub/Shower Curtain Rod, Replace	\$ 6.60	\$ 15.52	\$ 22.12			No changes
Carpentry			Material Price	Current Rate			
44	Banister (price per linear foot)	\$ 20.00	\$ 20.91	\$ 22.98			No changes
45	Baseboard 2 3/8 Reversible (per sq foot)	\$ 20.00	\$ 1.26	\$ 21.26			No changes
46	Breadboard, Replace	\$ 6.60	\$ 22.99	\$ 29.59			No changes
47	Bi-fold / Bypass Door, Set	\$ 59.40	\$ 57.99	\$ 117.39			No changes
48	Cabinet Drawer Track	\$ 19.80	\$ 2.85	\$ 22.65			No changes
49	Cabinet Drawer, Replace	\$ 39.60	\$ 19.95	\$ 59.55			No changes
50	Cabinet, Vanity Replace	\$ 39.60	\$ 102.00	\$ 141.60			No changes
51	Closet Bi-Fold Floor Guides	\$ 9.90	\$ 0.97	\$ 10.87			No changes
52	Closet Pole Center Support Bracket	\$ 9.90	\$ 9.99	\$ 19.89			No changes
53	Closet Pole End Brackets	\$ 9.90	\$ 0.40	\$ 10.30			No changes
54	Door Bumpers, Common Replace	\$ 3.30	\$ 1.26	\$ 4.56			No changes
55	Door Casing (per stick) *	\$ 59.60	\$ 4.99	\$ 64.59			No changes
56	Door Lamber / Repair	\$ 39.60	\$ 15.69	\$ 55.29			No changes
57	Door Viewer (Replace)	\$ 6.60	\$ 9.99	\$ 10.59			No changes
58	Door-Metal, Replacement *	\$ 143.80	\$ 120.00	\$ 263.80			No changes

Maintenance Fees and Charges			2020		Proposed	
	HOUSING MAINTENANCE CHARGES	Labor Charge (Per Each)	Material Charge (Per Each)	Current Rate (Labor + Material)	New Material Charge	Proposed New Rate (Labor + Material)
	Carpentry, Cont'd.	Labor	Material Price	Current Rate		
59	Door-Wood, Interior HC-1	\$ 143.80	\$ 38.99	\$ 182.79		No changes
60	Door, Pocket HC, Replace *	\$ 119.80	\$ 38.99	\$ 157.79		No changes
61	Door, Weather stripping	\$ 19.80	\$ 9.00	\$ 28.80		No changes
	Electrical & Lighting	Labor	Material Price	Current Rate		
62	Electric Outlet Cover	\$ 3.30	\$ 0.35	\$ 3.65		No changes
63	Electric Switch Cover	\$ 3.30	\$ 0.35	\$ 3.65		No changes
64	Light Bulb / Appliances	\$ 3.30	\$ 0.94	\$ 4.24		No changes
65	Lamp (Light Bulb), Replace (60 watt)	\$ 3.30	\$ 1.29	\$ 4.59		No changes
66	Light Bulb / 2' T-12	\$ 3.30	\$ 3.10	\$ 6.40		No changes
67	Light Bulb / 2' T-8	\$ 3.30	\$ 3.95	\$ 7.25		No changes
68	Light Bulb / 4' T-12	\$ 3.30	\$ 2.95	\$ 5.65		No changes
69	Light Bulb / 4' T-8	\$ 3.30	\$ 6.05	\$ 9.35		No changes
70	Light Bulb / 5" Circuline	\$ 3.30	\$ 3.99	\$ 7.29		No changes
71	Light Bulb / 8" Circuline	\$ 3.30	\$ 5.00	\$ 8.90		No changes
72	Light Bulb / 12" Circuline	\$ 3.30	\$ 5.50	\$ 8.80		No changes
73	Light Bulb, 25 watt quad	\$ 3.30	\$ 14.29	\$ 17.59		No changes
74	Light Diffuser, Circuline	\$ 3.30	\$ 15.99	\$ 19.29		No changes
75	Light Diffuser, Glass Drum	\$ 3.30	\$ 12.89	\$ 16.19		No changes
76	Light Diffuser, 4 ft.	\$ 3.30	\$ 24.37	\$ 27.67		No changes
77	Light Diffuser, Exterior Porch	\$ 3.30	\$ 9.99	\$ 13.29		No changes
78	Light Fixture, 2' or 4' bulb fluorescent	\$ 39.60	\$ 67.99	\$ 107.59		No changes
79	Light Fixture, Circuline	\$ 19.80	\$ 52.79	\$ 72.59		No changes
80	Light Fixture, Emergency Exit	\$ 39.60	\$ 72.99	\$ 112.59		No changes
81	Exterior wall pack (Light Fixture)	\$ 39.60	\$ 155.77	\$ 195.37		No changes
82	Porch Light Shade / Plastic	\$ 3.30	\$ 5.65	\$ 8.95		No changes
83	Porch Light Shade / Glass	\$ 3.30	\$ 24.05	\$ 27.35		No changes
84	Receptacle, Replace: 110 basic	\$ 19.80	\$ 0.70	\$ 20.50		No changes
85	Receptacle, Replace: GFI	\$ 19.80	\$ 15.99	\$ 35.79		No changes
86	Receptacle, Replace: Appliance	\$ 39.80	\$ 2.60	\$ 42.20	4.89	Purchase cost through vendor increased.
87	Smoke Detector, Replace	\$ 9.90	\$ 44.99	\$ 54.89	\$ 44.49	No changes
88	Carbon Dioxide/Smoke Detector	\$ 9.90	\$ 59.99	\$ 69.89		No changes
89	120 Volt Smoke Detector	\$ 9.90	\$ 46.99	\$ 56.89		No changes
90	Battery Smoke Detector	\$ 9.90	\$ 25.99	\$ 35.89	\$ 58.41	New battery units are combo, smoke and CO. No longer buying just battery smoke only detectors.
91	Switch, Replace	\$ 9.90	\$ 2.99	\$ 12.89		No changes
92	Splitter / TV	\$ 8.60	\$ 3.75	\$ 10.35		No changes
93	Telephone, Jack Replacement	\$ 9.90	\$ 1.25	\$ 11.15		No changes
	Floor coverings & accessories	Labor	Material Price	Current Rate		
94	Floor Tile, Replace 12" x 12" (Each)	\$ 6.60	\$ 0.87	\$ 7.47		No changes
95	Carpet/glue down (actual cost or prorated)		\$ 18.73	\$ 18.73		No changes
96	Carpetw/pad (actual cost or prorated)		\$ 12.53	\$ 12.53		No changes
97	2 1/2" or 4" Base / Per foot	\$ 6.60	\$ 0.44	\$ 7.04		No changes
	Glazing & Hardware	Labor	Material Price	Current Rate		
98	Patio Sliding Door Handle	\$ 9.90	Special Order	\$9.90 plus Material Price		No changes
99	Patio Sliding Door Latch	\$ 9.90	Special Order	\$9.90 plus Material Price		No changes
100	Window Board up/Clean up	\$ 39.60	Service Only	\$ 39.60		No changes
101	Window Glass 20" X 20" / single pane	\$ 85.00	\$ 23.70	\$ 108.70		No changes
102	Window Glass 24" X 24" / single pane	\$ 85.00	\$ 31.60	\$ 116.60		No changes
103	Window Glass 24" X 60" / single pane	\$ 85.00	\$ 79.00	\$ 164.00		No changes
104	Window Glass 36" X 36" / single pane	\$ 85.00	\$ 45.52	\$ 130.52		No changes
105	Window Glass 36" X 60" / single pane	\$ 85.00	\$ 91.59	\$ 176.59		No changes
106	Window Glass 50" X 50" / single pane	\$ 85.00	\$ 96.23	\$ 181.23		No changes
107	Window Glass 20" X 20" / dual pane	\$ 115.00	\$ 48.15	\$ 163.15		No changes
108	Window Glass 24" X 24" / dual pane	\$ 115.00	\$ 64.20	\$ 179.20		No changes
109	Window Glass 24" X 60" / dual pane	\$ 115.00	\$ 160.50	\$ 275.50		No changes
110	Window Glass 36" X 36" / dual pane	\$ 115.00	\$ 101.23	\$ 216.23		No changes
111	Window Glass 36" X 60" / dual pane	\$ 115.00	\$ 168.75	\$ 283.75		No changes
112	Window Glass 50" X 50" / dual pane	\$ 175.00	\$ 195.30	\$ 370.30		No changes
113	Window Glass 20" X 20" / screen	\$ 19.80	\$ 17.60	\$ 37.40		No changes
114	Window Glass 24" X 24" / screen	\$ 19.80	\$ 20.72	\$ 40.52		No changes
115	Window Glass 24" X 60" / screen	\$ 19.80	\$ 34.78	\$ 54.58		No changes
116	Window Glass 36" X 36" / screen	\$ 19.80	\$ 30.08	\$ 49.88		No changes

Maintenance Fees and Charges			2020		Proposed	
	HOUSING MAINTENANCE CHARGES	Labor Charge (Per Each)	Material Charge (Per Each)	Current Rate (Labor + Material)	New Material Charge	Proposed New Rate (Labor + Material)
	Glazing & Hardware, Cont'd.	Labor	Material Price	Current Rate		
117	Window Glass 36" X 60" / screen	\$ 19.80	\$ 39.44	\$ 59.24		No changes
118	Window Glass 50" X 50" / screen	\$ 19.80	\$ 41.00	\$ 60.80		No changes
119	Window Lock, Casement	\$ 9.90		\$9.90 plus Special Order Price		No changes
120	Window Operator, Casement	\$ 19.80		Special Order \$9.90 plus Material Price		No changes
	Heating & Air	Labor	Material Price	Current Rate		
121	A/C Thermostat	\$ 9.90	\$ 37.99	\$ 47.89		No changes
122	Furnace, Thermostat	\$ 9.90	\$ 37.99	\$ 47.89		No changes
123	Exhaust Fan Cover	\$ 9.90	\$ 7.59	\$ 17.49		No changes
	Locks, keys and hardware	Labor	Material Price	Current Rate		
124	Eviction Lockout	\$ 39.60		Labor only \$ 39.60		No changes
125	Combo Lock Repair	\$ 19.80		Service Only \$ 19.80		No changes
126	Combo Lock Replace	\$ 19.80	\$ 62.99	\$ 82.79		No changes
127	Deadbolt, Replace	\$ 19.80	\$ 29.11	\$ 48.91		No changes
128	Door Lever knobset (interior)	\$ 9.90	\$ 18.99	\$ 28.89		No changes
129	Door Standard knobset (interior)	\$ 9.90	\$ 9.49	\$ 19.39		No changes
130	Drawer Pulls	\$ 9.90	\$ 3.99	\$ 13.89		No changes
131	Gate Hinge	\$ 19.80	\$ 29.11	\$ 48.91		No changes
132	Gate Latch	\$ 9.90	\$ 4.97	\$ 14.87		No changes
133	Garage OH Door Handle	\$ 19.80	\$ 10.99	\$ 30.79		No changes
134	Garage Door, Bolt Lock	\$ 19.80	\$ 18.59	\$ 38.39		No changes
135	Key (Best Replacement)	\$ 9.90	\$ 7.50	\$ 17.40		No changes
136	Key, (Unit Replacement)	\$ 9.90	\$ 0.50	\$ 10.40		No changes
137	Key, (Unit Replacement) (Delivered)	\$ 9.90	\$ 0.50	\$ 10.40		No changes
138	Lock, Install-a-Lock, wrap-around (Single)	\$ 19.80	\$ 22.00	\$ 41.80		No changes
139	Lock, Install-a-Lock, wrap-around (Combo)	\$ 19.80	\$ 32.00	\$ 51.80		No changes
140	Lock / Key in knob / Entry	\$ 19.80	\$ 18.99	\$ 38.79		No changes
141	Lock Change (non-damaged lock) + 2 keys	\$ 19.80	\$ 1.00	\$ 20.80		No changes
142	Lockout After Regular Business Hours	Call Locksmith	Locksmith Replacement Key Charge	Call Locksmith		No changes
143	Lockout During Regular Business Hours	\$ 36.60	Service Only	\$ 56.60		No changes
144	Mailbox Lock Replace	\$ 9.90	\$ 6.89	\$ 16.79		No changes
145	Mechanical Door Chime	\$ 19.80	\$ 23.99	\$ 43.79		No changes
146	Privacy / Passage / Patio Locks, Replace	\$ 9.90	\$ 10.99	\$ 20.89		No changes
147	Store Room / Community Room Locks	\$ 19.80	\$ 76.00	\$ 95.80		No changes
148	Auto Gate Clickers	N/A	\$ 30.00	\$ 30.00		No changes
149	Redestran CARD Readers	N/A	\$ 7.00	\$ 7.00		No changes
	Paint & preparation	Labor	Material Price	Current Rate		
150	Paint, Int/ext Door, Stain finish	\$ 59.40	\$ 9.99	\$ 69.39		No changes
151	Paint, Int/ext Door, Paint finish	\$ 39.60	\$ 9.99	\$ 49.59		No changes
	Plumbing	Labor	Material Price	Current Rate		
152	Basin Faucet, Replace	\$ 19.80	\$ 42.56	\$ 62.36		No changes
153	Basin Stopper	\$ 3.30	\$ 4.76	\$ 8.06		No changes
154	Basin, Replace	\$ 59.40	\$ 31.49	\$ 90.89		No changes
155	Basin, P-Trap, Replace	\$ 9.90	\$ 11.79	\$ 21.69		No changes
156	Basket Strainer (crumb cup)	\$ 3.30	\$ 6.85	\$ 10.15		No changes
157	Drain Stoppage, Tub / Shower	\$ 39.60	Service Only	\$ 39.60		No changes
158	Drain Stoppage, Sink	\$ 39.60	Service Only	\$ 39.60		No changes
157	Flush Tank (Toilet)	\$ 39.60	\$ 64.40	\$ 104.00		No changes
158	Garbage Disposal Stopper	\$ 1.30	\$ 2.65	\$ 5.95		No changes
159	Garbage Disposal, Replace	\$ 38.60	\$ 62.64	\$ 102.24		No changes
160	Garbage Disposal, Splash Guard	\$ 9.90	\$ 4.51	\$ 14.41		No changes
161	Garbage Disposal, Stoppage	\$ 9.90	\$ 1.89	\$ 11.79		No changes
162	Gas Connector, Replace	\$ 19.80	\$ 19.65	\$ 39.45		No changes
163	Hand Held Shower Head (Wand Only)	\$ 9.90	\$ 24.29	\$ 34.19		No changes
164	Hose Bibb, Replace	\$ 19.80	\$ 6.49	\$ 26.29		No changes
165	Kitchen Faucet, Replace	\$ 19.80	\$ 47.29	\$ 67.09		No changes
166	Laundry Faucet, Replace	\$ 19.80	\$ 28.48	\$ 48.28		No changes
167	Lavatory	\$ 119.80	\$ 34.49	\$ 153.29		No changes
168	Toilet Bowl, Std. Only	\$ 39.60	\$ 56.00	\$ 95.60		No changes
169	Toilet Bowl, Elongated	\$ 39.60	\$ 128.40	\$ 168.00		No changes
170	Toilet Bowl, ADA	\$ 39.60	\$ 153.00	\$ 192.60		No changes
171	Toilet Stoppage / Local	\$ 19.80	Service Only	\$ 19.80		No changes
172	Toilet, Standard, Replace	\$ 39.60	\$ 120.00	\$ 159.60		No changes
173	Shower Head	\$ 6.60	\$ 5.79	\$ 12.39		No changes

Maintenance Fees and Charges			2020		Proposed	
	HOUSING MAINTENANCE CHARGES	Labor Charge (Per Each)	Material Charge (Per Each)	Current Rate (Labor + Material)	New Material Charge	Proposed New Rate (Labor + Material)
	Window Coverings & Screens	Labor	Material Price	Current Rate		
174	Screen Door Closer	\$ 9.90	\$ 10.99	\$ 20.89		No changes
175	Screen Door Grill 36" X 36"	\$ 9.90	\$ 22.99	\$ 32.89		No changes
176	Screen Door Kick Panel	\$ 39.60	\$ 22.99	\$ 62.59		No changes
177	Screen Door Latch	\$ 6.50	\$ 4.69	\$ 11.29		No changes
178	Screen Door / Passage	\$ 39.60	\$ 49.00	\$ 88.60		No changes
179	Screen Door, Storm Door, Replace	\$ 59.40	\$ 129.00	\$ 188.40		No changes
180	Screen Door / Storm / Rescreen	\$ 39.60	\$ 50.40	\$ 90.00		No changes
181	Shower Door Kit / Towel Bar	\$ 9.90	\$ 20.85	\$ 30.75		No changes
182	Sliding Screen Door/Rescreen	\$ 9.90	\$ 20.10	\$ 30.00		No changes
183	Traverse Rod 36" X 48"	\$ 19.80	\$ 15.29	\$ 35.09		No changes
184	Traverse Rod 48" X 84"	\$ 19.80	\$ 21.59	\$ 41.39		No changes
185	Traverse Rod 66" X 110"	\$ 19.80	\$ 34.99	\$ 54.79		No changes

Explanation of Charges Not Covered

- The adjusted rate in the Schedule of Fees and Charges does not reflect the trip charge. A trip charge will apply to all work determined to be resident caused. All resident requested repairs will also receive a trip charge when maintenance staff is denied access to the unit to complete the repairs. Trip charges will be \$15.00 during normal business hours and \$25.00 for after-hours and weekends.
- All charges for repairs performed by vendors will be determined by actual cost.
- Services not described in the Schedule of Fees and Charges will be charged \$99.60 per hour during normal, business hours and \$41.58 per hour for all after-hours work. Both rates are subject to a trip charge. Parts and materials costs are charged at actual cost.

\*An asterisk in the Schedule of Fees and Charges indicates that the charge is for more than one trade.

November 4, 2020



Sacramento Housing and Redevelopment Commission  
Sacramento, California

Honorable Members in Session

**SUBJECT** Authorization to Submit 2020 Emergency Solutions Grant - Coronavirus (ESG-CV) Round 2 Application to the California Department of Housing and Community Development (HCD) and Amend the Sacramento Housing and Redevelopment Agency (SHRA) Budget

**RECOMMENDATION**

Staff recommends adoption of the attached resolution which: a) finds that the ESG-CV Round 1 application remains the true, correct and accurate; and affirms continued compliance to all terms and conditions of ESG-CV Round 1 application and related Standard Agreement, b) authorizes the Executive Director or her designee to submit an application for ESG-CV Round 2, c) authorizes the Executive Director or her designee to use the grant funds from ESG-CV Round 2 NOFA in a manner consistent and in compliance with all applicable state, federal, and other statutes, rules, regulations, guidelines and laws, including without limitation all rules and laws regarding the ESG-CV Program, as well as any and all contracts SHRA may have with HCD, d) authorizes the Executive Director or her designee to receive an ESG-CV Round 2 grant from HCD, in an amount not to exceed \$6,800,000 and amend SHRA's budget accordingly. If the award is less than \$6,800,000, SHRA is authorized to amend its budget to accept the actual amount of the award, e) authorizes the Executive Director or her designee to use the ESG-CV funds for eligible activities as approved by HCD and in accordance with all Program requirements, and other rules and laws, as well as in a manner consistent and in compliance with the ESG-CV Standard Agreement and other contracts between SHRA and HCD, f) authorizes the Executive Director or her designee to execute HCD's ESG-CV Standard Agreement and any subsequent amendments or modifications thereto, as well as any other documents related to the Program or the ESG-CV Round 2 grant awarded to State ESG Administrative Entity, as HCD or SHRA may deem appropriate, and g) authorizes the Executive Director or her designee to execute a contract or contracts and any subsequent amendments with subrecipient(s) providing emergency shelter, rapid re-housing services and outreach activities.

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### **CONTACT PERSONS**

Tyrone Roderick Williams, Deputy Executive Director, 916-440-1319

Celia Yniguez, Program Manager, 916-440-1350

### **SUMMARY**

#### **Coronavirus Aid, Relief, and Economic Stimulus (CARES) Act**

On March 27, 2020, the CARES Act, Public Law 116-136 was signed by the President of the United States. This made available \$4 billion in Emergency Solutions Grant Coronavirus (ESG-CV) funds to respond to the growing effects of the historic COVID-19 public health crisis. The California Department of Housing and Community Development (Department) received approximately \$42 million in federal funds for the Emergency Solutions Grants Program and released two Emergency Solutions Grants – Coronavirus Notice of Funding Availability (NOFA). The ESG-CV Round 1 funding was released on June 1, 2020 and SHRA submitted the application for \$1,143,200 to add resources to prevent, prepare, and respond to the COVID-19 pandemic. HCD released the ESG-CV Round 2 NOFA on October 1, 2020.

### **BACKGROUND**

#### **Administrative Entity (AE) Process**

Beginning in 2016, and every two years thereafter, HCD has solicited for qualified local government entities to act as the AE within its Continuum of Care (CoC) Service Area to administer ESG funding in collaboration with its CoC. To qualify, an AE must:

- be a unit of general purpose local government that has administered ESG funds as a U.S. Department of Housing and Urban Development (HUD) entitlement during at least one of the past five years;
- have no unresolved ESG monitoring findings with HUD or HCD that has been determined to pose a substantial risk to HCD;
- demonstrate the ability and willingness to perform functions of an AE; and
- be recommended by its CoC and willing to collaborate to the maximum extent feasible with its CoC.

SHRA was designated as the AE for Sacramento County beginning in 2016. The Application requires AEs to ensure that all funded activities are available to both entitlement and non-entitlement areas within the service area using the Coordinated Entry System. In Sacramento County, the non-entitlement areas are Citrus Heights, Elk Grove and Rancho Cordova; all remaining cities are under the County of Sacramento's

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entitlement umbrella. As the AE, SHRA ensures that these funds are available to all ESG eligible residents. The AE facilitates outreach to populations in the non-entitlement areas and evaluates participation from these areas at least annually.

SHRA has, and will continue to, consult and collaborate with Sacramento Steps Forward, the County of Sacramento, and all cities within the County on client outreach and performance measures. SHRA will follow HCD's annual reporting instructions. Additionally, SHRA will provide accomplishments annually in Sacramento County's One-Year Action Plan. To satisfy HCD's annual reporting requirements, Sacramento Steps Forward will extract client Coordinated Entry System enrollment location from the Homeless Management Information System (HMIS) and provide that information to HCD.

### **Governing Board Approvals**

In April 2016, the Sacramento Housing and Redevelopment Commission (Commission) and the Sacramento County Board of Supervisors (Board) authorized and approved SHRA to receive funds and administer HCD's ESG Rapid Re-Housing (RRH) program by Commission Resolution No. 2016-04 and Board Resolution No. 2016-0233.

As part of this action, the Board also authorized SHRA, through the Commission, to apply for ESG grants, to accept grant funds, execute State agreements, and to amend its budget to administer the State ESG Program within the designated CoC Service Area of Sacramento County as determined by the State.

### **2020 State ESG-CV Round 2 Grant Award Summary**

**Anticipated State ESG-CV Round 2 - 2020 Grant Award: \$3,400,000**

#### **ESG-CV Round 2**

The anticipated ESG-CV Round 2 allocation is \$3,400,000. The County and City of Sacramento, Sacramento Steps Forward, and SHRA are working cooperatively to increase resources and efforts to existing emergency shelters and rapid re-housing programs to prevent, prepare and respond to COVID-19. The Round 2 NOFA has a new objective, to ensure that all eligible persons receive equitable services at all levels of the homeless response system. As a result, a new activity, outreach is included. The application includes funding for emergency shelter activities in the amount of \$250,000, \$2,840,300 for rapid re-housing, \$200,000 for outreach and \$109,700 for SHRA administration.

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Sacramento Housing and Redevelopment Commission

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### **Anticipated Allocation**

#### **Sacramento County ESG-CV Round 2**

ESG-CV Activity	Amount
Emergency Shelter	\$250,000 (federal ESG)
Rapid Re-Housing	\$2,840,300 (federal ESG)
Outreach	\$200,000 (federal ESG)
SHRA administration	\$109,700 (federal ESG)
<b>Total annual ESG-CV</b>	<b>\$3,400,000</b>

### **Anticipated Allocation for purposes only of the Resolution**

HCD will notify AEs of final allocations this fall. HCD encouraged AEs to request double the anticipated allocation as resolutions with a lower final award would be rejected.

ESG-CV Activity	Amount
Emergency Shelter	\$500,000
Rapid Re-Housing	\$5,680,600
Outreach	400,000
SHRA administration	\$219,400
<b>Total annual ESG-CV</b>	<b>\$6,800,000</b>

Administrative amounts and expenditure dates are established by HCD.

### **Required Vendor Solicitation and Award**

Staff is requesting authorization to submit the ESG-CV Round 2 grant application, accept funds and execute contracts with the one or more rapid re-housing provider selected through a process consistent with SHRA procurement policies, the County of Sacramento re-housing program, and existing emergency shelters operated by SHRA and/or the City and County of Sacramento. Outreach is a new program, therefore SHRA will procure consistent with the ESG-CV program requirements.

### **Anticipated Provider Contract Period**

January 1, 2020 through January 31, 2022

### **Anticipated 2020 ESG-CV Goals**

Service partners will provide RRH services to at least 275 unduplicated countywide households. Activities will/may include: housing search and placement, case management, rental application fees, security/utility deposits, utility payments, short-term rental assistance, and other ESG rapid re-housing eligible activities for literally homeless individuals and non-CalWorks eligible families. Shelter operators will provide emergency shelter and services to approximately 20 unduplicated homeless individuals.

## **SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY**

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### **FINANCIAL CONSIDERATIONS**

On October 1, 2020, the ESG-CV Round 2 NOFA was issued which identified \$3,400,000 for Sacramento County. Staff is following HCD resolution instructions to increase the resolution amount by twice the estimated funding identified by HCD.

For purposes of this report, utilizing the \$6,800,000 figure, staff anticipates \$500,000 will fund emergency shelter operations, \$5,680,600 for rapid re-housing services, \$400,000 for outreach, and the remaining \$219,400 is available to SHRA for administering the program for a total of \$6,800,000. The allocation could be less depending on final award.

### **POLICY CONSIDERATIONS**

The actions recommended in this report are consistent with previously approved policies, and state and federal requirements.

### **ENVIRONMENTAL REVIEW**

California Environmental Quality Act (CEQA) and National Environmental Policy Act (NEPA):

The Sacramento Housing and Redevelopment Agency hereby acknowledges that submission of an application for funding is considered an administrative and government funding mechanism which does not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment, and is therefore not a project subject to the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines §15378(b)(4), and is also exempt from the National Environmental Policy Act (NEPA) pursuant to 24 CFR §58.34(a)(3). Any project approved or undertaken with funds derived from such funding applications will be subject to subsequent CEQA and NEPA analysis prior to approving the project, expending any funds toward the project, or taking any choice limiting action.

Any environmental findings made by the Sacramento Housing and Redevelopment Agency (SHRA) within a resolution are in regards to only the actions and activities for which the governing body is approving at the time and do not make any findings or approvals for actions not specified within the resolution. These environmental findings are solely within the responsibility of SHRA and the governing body approving the resolution.

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Sacramento Housing and Redevelopment Commission

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### **M/WBE AND SECTION 3 CONSIDERATIONS**

Minority and Women's Business Enterprise requirements will be applied to all activities to the extent required by federal funding to maintain that federal funding. Section 3 requirements will be applied to the extent they may be applicable. LBE Considerations are not applicable to this report.

Respectfully submitted,

  
LA SHELLE DOZIER  
Executive Director

### **Attachments**

1 – Resolution ESG-CV Round 2

## **RESOLUTION NO. SHRC-**

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

ON DATE OF

**November 4, 2020**

### **AUTHORIZATION FOR THE SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY TO APPLY FOR AND ADMINISTER THE STATE OF CALIFORNIA'S EMERGENCY SOLUTIONS – CORONAVIRUS GRANT ROUND 2 PROGRAM WITHIN THE SACRAMENTO CONTINUUM OF CARE ALLOCATION SERVICE AREA; EXECUTE DOCUMENTS FOR THE ADMINISTRATION OF THE STATE ESG PROGRAM AND OTHER ENVIRONMENTAL AND RELATED FINDINGS**

**WHEREAS**, a necessary quorum and majority of the Commissioners of the Sacramento Housing and Redevelopment Agency, a public body, corporate and politic (Applicant) hereby consent to, adopt and ratify the following;

**WHEREAS**, the State of California (State), Department of Housing and Community Development (Department) issued a second Notice of Funding Availability (NOFA) dated October 2, 2020 under the Coronavirus Aid, Relief, and Economic Security (CARES) Act which allocated federal funds for the Emergency Solutions Grants Program (ESG) to the State. These funds are referred to herein as ESG-Coronavirus (ESG-CV) funds and this October 2020 ESG-CV NOFA is distributing “Round 2” of the ESG-CV Funding;

**WHEREAS**, Applicant is an approved ESG Administrative Entity that previously received ESG-CV funding under the initial ESG-CV NOFA date June 1, 2020 (hereinafter referred to as “ESG-CV Round 1”);

**WHEREAS**, the Department may approve funding allocations for the ESG-CV Program, subject to the terms and conditions of the NOFA, Program regulations and requirements, and the Standard Agreement and other contracts between Department and ESG-CV grant recipients;

**WHEREAS**, the Sacramento Housing and Redevelopment Agency hereby acknowledges that submission of an application for funding is considered an administrative and government funding mechanism which does not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment, and is therefore not a project subject to the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines §15378(b)(4), and is also exempt from the National Environmental Policy Act

Authorization For The Sacramento Housing And Redevelopment Agency To Apply For And Administer The State Of California's Emergency Solutions – Coronavirus Round 2 Grant Program Within The Sacramento Continuum Of Care Allocation Service Area; Execute Documents For The Administration Of The State ESG Program And Other Environmental And Related Findings

Page 2

(NEPA) pursuant to 24 CFR §58.34(a)(3). Any project approved or undertaken with funds derived from such funding applications will be subject to subsequent CEQA and NEPA analysis prior to approving the project, expending any funds toward the project, or taking any choice limiting action. Any environmental findings made by the SHRA within a resolution are in regards to only the actions and activities for which the governing body is approving at the time and do not make any findings or approvals for actions not specified within the resolution. These environmental findings are solely within the responsibility of SHRA and the governing body approving the resolution.

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

Section 1. The above recitals, including the environmental determinations are found to be true and correct.

Section 2. All information submitted by Applicant on its ESG-CV Round 1 application remains true, correct, and accurate, or the Department approved in writing a change to Applicant's ESG-CV Round 1 application. Applicant affirms its continued compliance to all of the terms and conditions of ESG-CV Round 1 application and related Standard Agreement.

Section 3. Applicant is authorized to submit an application for ESG-CV Round 2 and be subject to the terms thereof.

Section 4. If Applicant receives a grant of ESG-CV Round 2 funds from Department pursuant to the above-referenced ESG-CV (Round 2) NOFA, it represents and certifies that it will use all such funds in a manner consistent and in compliance with all applicable state and federal statutes, rules, regulations, and laws, including, without limitation, all rules, rules and laws regarding the ESG-CV Program, as well as any and all contracts Applicant may have with Department.

Section 5. In addition to its ESG-CV Round 1 grant, Applicant is hereby authorized and directed to receive an ESG-CV Round 2 grant in an amount not to exceed \$6,400,000 in accordance with all applicable rules and laws. The Executive Director is authorized to amend the Applicant's budget to reflect the actual grant amount.

Authorization For The Sacramento Housing And Redevelopment Agency To Apply For And Administer The State Of California's Emergency Solutions – Coronavirus Round 2 Grant Program Within The Sacramento Continuum Of Care Allocation Service Area; Execute Documents For The Administration Of The State ESG Program And Other Environmental And Related Findings  
Page 3

Section 6. Applicant hereby agrees to use the ESG-CV funds for eligible activities as approved by the Department and in accordance with all Program requirements, and other rules and laws, as well as in a manner consistent and in compliance with the ESG-CV Standard Agreement, including any amendments incorporating new terms and conditions to such Standard Agreement, and other contracts between the Applicant and Department.

Section 7. La Shelle Dozier, the Executive Director, or her designee, Tyrone Roderick Williams, Deputy Executive Director are authorized to execute the ESG-CV Standard Agreement and any subsequent amendments or modifications thereto, as well as any other documents which are related to the Program or the ESG-CV grant awarded to Applicant, as the Department may deem appropriate.

Section 8. The Executive Director, her designee or Deputy Executive Director are authorized to execute all contracts and any subsequent amendments or agreements Applicant deems appropriate with subrecipient(s) providing ESG emergency shelter services, rapid re-housing programs and outreach activities, all as approved by Applicant's legal counsel.

This resolution was passed and adopted at a regular meeting of the Sacramento Housing and Redevelopment Commission this 4th day of November, 2020, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

RECUSAL:

---

Gale Morgan, Chair

ATTEST:

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Vickie Smith, Clerk



October 30, 2020

Sacramento Housing and  
Redevelopment Commission  
Sacramento, CA

Honorable Members in Session:

SUBJECT:

Capitol Park Hotel Temporary Emergency Shelter Summary Report

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

**Informational Presentation**  
**November 17, 2020**

**Honorable Mayor and Members of the City Council**

**Title: Capitol Park Hotel Temporary Emergency Shelter Summary Report**

**Location/Council District: 1125 9<sup>th</sup> Street, Sacramento, District 4**

**Recommendation:** Informational presentation only, no specific action required.

**Contact:** MaryLiz Paulson, Assistant Director, (916) 440-1310, Christine Weichert, Assistant Director, (916) 440-1353, Sacramento Housing and Redevelopment Agency

**Presenters:** MaryLiz Paulson, Assistant Director, (916) 440-1310, Christine Weichert, Assistant Director, (916) 440-1353, Sacramento Housing and Redevelopment Agency

**Department:** Sacramento Housing and Redevelopment Agency

**Description/Analysis:** In the Spring of 2019, the Capitol Park Hotel (CPH) was operating as a 180-unit single-room occupancy residential hotel in downtown Sacramento. Located across the street from the State Capitol, this 108 year old building was home to about 80 residents, most of whom were elderly men on a fixed income. The hotel was privately owned and managed and also housed six (6) commercial businesses on the first floor. Mercy Housing California was negotiating with the owner to purchase the CPH and had plans to rehabilitate the structure, preserving the historic amenities and convert it to 134 units of permanent supportive housing for previously homeless persons. This was a complex project, expected to take time to access the multiple funding streams and then to complete the physical changes to the building necessary to make this project real. This building was scheduled to remain vacant, or mostly vacant, during the process. About this time, the 2019 Sacramento County Point in Time Count reported that 2,800 persons within the City were experiencing unsheltered homelessness.

On April 23, 2019, the City Council approved 1) funding a loan to Mercy Housing California to acquire Capitol Park Hotel and relocate the current residents, 2) leasing CPH for 18 months, and 3) funding a temporary shelter located at CPH for approximately 18 months. The City asked Sacramento Housing and Redevelopment Agency (SHRA) to oversee the operation of the Capitol Park Hotel Temporary Shelter.

Mercy Housing purchased Capitol Park Hotel on July 13. The City entered into a lease with Mercy Housing California for the property and SHRA contracted with John Stewart Company, Inc (JSCo) to act as property manager at the site. JSCo collected monthly rent, managed the utilities and building repairs and ensured the residents' needs were met.

SHRA contracted with Sacramento Steps Forward (SSF) to develop a process to reach out to the homeless people living in the downtown area to connect them to services and make referrals to CPH. SSF took referrals from the Downtown Sacramento Partnership and the Impact Team as well.

SHRA contracted with Volunteers of America of Northern California and Northern Nevada (VOA) to be the on-site shelter operator. An office was added and the Capitol Park Hotel Temporary Shelter opened on September 3, 2019. Guests received 3 meals each day and were given access to supportive services, clean linens, laundry facilities and showers. Examples of on-site service providers include: California State University, Sacramento, Elica, Wellspace, Sacramento County Mental Health, Alcoholics Anonymous and American River College.

The Capitol Park Hotel Temporary Shelter provided shelter for about 115 people each night until COVID-19 when sleeping arrangements changed from double-occupancy rooms to single-occupancy rooms. Referrals to the shelter ended in mid-June after it was announced that tax credits were awarded for the conversion of the CPH to permanent supportive housing and construction was planned to begin in the fall.

During the time the shelter was operational, the long-term renters living at CPH received relocation assistance and slowly moved into other permanent housing. The last residents moved out of Capitol Park on September 25, 2020 and the last homeless guests moved out on October 1, 2020.

Over the life of the Capitol Park Hotel Temporary Shelter:

- There were 428 enrollments or 420 unduplicated people sheltered,
- 42,613 meals were served,
- Guests stayed for 27,182 bed nights,
- 149 guests moved into permanent housing,
- 8 guests left the Hotel to move in with friends or family
- 8 guests moved into transitional housing.

Additional information, including program costs to date, will be included in staff's presentation.

**Policy Considerations:** Not applicable

**Economic Impacts:** Not applicable

**Environmental Considerations:** Not applicable

**Sustainability Considerations:** Not applicable

**Commission Action:** At its November 4, 2020, the Sacramento Housing and Redevelopment Commission reviewed the information contained in this report.

**Rationale for Recommendation:** Not applicable

**Financial Considerations:** Not applicable

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

Respectfully Submitted by:

  
LA SHELLE DOZIER  
Executive Director

**Attachments**

1-Description/Analysis



October 30, 2020

Sacramento Housing and  
Redevelopment Commission  
Sacramento, CA

Honorable Members in Session:

SUBJECT:

Capitol Park Hotel – Approval of Loan Funds and Final Loan Documents

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

**Discussion Item  
November 17, 2020**

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

**Title: Capitol Park Hotel – Approval of Loan Funds and Final Loan Documents**

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

**Recommendation:** Adopt: 1) a City Council Resolution authorizing the Sacramento Housing and Redevelopment Agency (SHRA) to a) enter into and execute a \$10,100,000 Acquisition, Construction and Permanent Loan Agreement comprised of \$3,200,000 in HOME Investment Partnerships Program (HOME) funds, \$1,700,000 in Community Development Block Grant (CDBG) funds, \$1,100,000 in Housing Opportunities for Persons with AIDS (HOPWA) funds, \$1,800,000 in Housing Trust Funds (HTF), and \$2,300,000 in Mixed Income Housing Funds (MIHF) with Mercy Housing California, or related entity (Developer) for the Capitol Park Hotel affordable, permanent supportive and workforce housing development (Project); b) execute all necessary documents associated with this action; c) amend the SHRA budget; and d) make related findings; and 2) a Housing Authority Resolution authorizing the Executive Director, or designee, to a) enter into and execute a \$3,200,000 Acquisition, Construction and Permanent Loan Agreement comprised of Housing Authority Successor Agency (HASA) funds with the Developer for the Project; b) execute all necessary documents associated with this action; c) release a deed of trust and regulatory agreement related to an existing Housing Authority loan; d) amend the Housing Authority budget; and e) make related findings.

**Contact:** Christine Weichert, Assistant Director, (916) 440-1353; Tyrone Roderick Williams, Deputy Executive Director, (916) 440-1316, Sacramento Housing and Redevelopment Agency

**Presenter:** Anne Nicholls, Management Analyst, (916) 440-1353, Sacramento Housing and Redevelopment Agency

**Department:** Sacramento Housing and Redevelopment Agency

## **Description/Analysis**

**Issue Detail:** Capitol Park Hotel (Property), located at 1125 9th Street in downtown Sacramento, was built in 1912 and was operated as a 180-unit single room occupancy (SRO) residential hotel and temporary shelter. The current owner of the Property is 1121 9th Street, LLC, a related entity to Mercy Housing California.

### Prior Approvals

On February 11, 2020, the Sacramento City Council (Council) adopted a resolution approving the Single Room Occupancy (SRO) Withdrawal, Conversion Certificate and Replacement Housing Plan for Capitol Park Hotel.

Also on February 11, 2020, the Council and Board of the Housing Authority of the City of Sacramento (Board) approved a \$7,600,000 Loan Commitment (Loan Commitment) comprised of \$1,700,000 in City Community Development Block Grant (CDBG) funds, \$1,100,000 in Housing Opportunities for Persons with AIDS (HOPWA) funds, \$800,000 in City Housing Trust Funds (HTF), \$2,300,000 in Mixed Income Housing Funds (MIHF) and \$1,700,000 Housing Authority Successor Agency (HASA) funds to assist Mercy Housing California, or related entity (Developer) with acquisition, construction and permanent financing for the Capitol Park Hotel affordable, permanent supportive and workforce housing development located downtown at 1125 9th Street (Project).

The Board also adopted a resolution on February 11, 2020, authorizing the Executive Director, or designee, of the Housing Authority of the City of Sacramento (HACS) to enter into and execute a \$1,500,000 predevelopment loan agreement and related documents comprised of HASA funds with the Developer for the Project (Predevelopment Loan). Subject to approval by the Board, the Developer and HACS are requesting to refinance and incorporate the Predevelopment Loan with the previously approved HASA funds for a total of \$3,200,000 in HASA funds for an acquisition, construction and permanent loan to the Developer for the Project.

Between March to August 2020, the final structural and electrical testing and investigation on the building, and the State Historic Preservation Officer's (SHPO) historic preservation were completed. These latest developments have resulted in significant Project costs to satisfy the structural, electrical and SHPO requirements, which include: 1) reinforced concrete frames and structural steel to provide the Project with seismic force-resisting systems in the building to resist earthquakes, 2) exterior brick repair and reinforcement, 3) structural shear reinforcement in the floor structure and historic stairwells, 4) increased gypsum underlayment onto the floors to meet current fire codes and prepare a uniform, level surface for floor covering installation, 5) increased fire barriers and assemblies, 6) new transformer and 7) entirely new electrical system.

On August 3, 2020, the Developer submitted a funding application to Sacramento Housing and Redevelopment Agency (SHRA) requesting an additional \$4,200,000 loan to finance this increased scope of development in the Project. SHRA's construction staff reviewed and approved the additional scope of development and construction budget.

Subject to approval by Council, the additional loan will be comprised of \$3,200,000 in HOME Investment Partnerships Program (HOME) funds and \$1,000,000 in HTF.

**Project Description**

The Capitol Park Hotel Project is the proposed rehabilitation of a historic 180-unit single room occupancy building into 134 studios, affordable, permanent supportive and workforce housing units that include new kitchenettes with a small refrigerator, sink, two-burner cooktop and microwave shelving; new full bathrooms; and new furnishings include twin bed frames and mattresses, nightstands, dressers and window blinds. Inclusive of the 134 units, there will be 17 Americans with Disabilities Act (ADA) compliant accessible units and seven (7) additional units will have communication features. There will be improvements made to the structural and seismic systems, two elevators, stairwells, plumbing, electrical, lighting, fire systems, heating, ventilation and air conditioning (HVAC) systems, flooring, ceiling, walls, basement for storage, and sidewalk support systems. New community amenities include management and services office space, 24/7 desk clerk area, community room, community kitchen area, laundry facility, restrooms, and meeting areas for individual and group settings. Bicycle parking will be available onsite. Further details of the Project's scope of development are attached to the Loan Documents as Exhibit 2. The vicinity map and picture of the Project are included as Attachments 2 and 3.

**Project Based Vouchers and No Place Like Home**

In 2018, SHRA awarded 134 Project Based Vouchers (PBV) to house homeless households at Capitol Park Hotel. In 2019, the State Department of Housing and Community Development (HCD) awarded the Project \$9,690,825 in No Place Like Home Program (NPLH) funds. The NPLH Program provides funding to households that have been designated homeless and that include at least one household member living with mental illness

Inclusive of the 134 PBV units, 65 of the units will also be designated as NPLH units. Of the 65 NPLH units, 26 units will be allocated to the category of "Chronically Homeless," 19 units to the category of "Homeless," and 20 units to the category "At Risk of Homelessness."

**Developer:** Mercy Housing California, or related entity, will serve as the Developer. The Developer is a nonprofit public benefit corporation dedicated to providing quality affordable housing with supportive programs to low-income individuals in California. The Developer has developed more than 11,000 affordable homes, including over 8,000 rental and 3,000 homeownership units. Their portfolio includes 20 properties with over 1,400 units in Sacramento County. The Developer is qualified to repurpose the Capitol Park Hotel given its experience in the rehabilitation of the Budget Inn on Stockton Boulevard into the 74-unit Boulevard Court Apartments, and the 92-unit Courtyard Inn Apartments, both permanent supportive housing developments.

**Property Management Agent:** The Project will be managed by Mercy Housing Management Group, an affiliate of the Developer. The Property Management Agent manages more than 220 properties nationally (more than 11,000 affordable housing

units), including over 100 properties in California. The management plan has been reviewed and approved by SHRA staff.

**Supportive Services:** The Sacramento County Department of Health Services (DHS) will be responsible for the mental health supportive services and the coordination of other supportive services needed by the 65 NPLH residents for a minimum of 20 years as required by the State NPLH program and SHRA. In addition to DHS on-site supportive services, WellSpace Health will provide supportive services to the remaining 69 PBV homeless residents not served by NPLH.

**Resident Services:** Resident services will be provided by Mercy Housing California. The resident services staff will include one coordinator and one case manager. Resident Services include, but are not limited to education, workforce development, enrichment and transportation assistance (e.g., light rail/bus passes). Case management programs include, but are not limited to coordination with DHS and WellSpace Health, housing retention services, crises intervention, and life skills instruction such as budgeting, cooking and nutrition. SHRA staff has reviewed Mercy Housing's qualifications and the resident services plan, and has found that the proposed resident services provider and resident services plan meet SHRA requirements.

**Security Plan:** SHRA staff has reviewed and approved the security plan which includes a 24/7 desk clerk, installation of security cameras and recording equipment, and installation of new lighting in common areas.

**Project Financing:** In addition to the SHRA \$10,100,000 loan comprised of CDBG, HOME, HOPWA, HTF and MIHF program funds, and HACS \$3,200,000 loan comprised of HASA funds with the Developer, the financing structure of the Project includes competitive nine percent Low Income Housing Tax Credits (LIHTC), competitive state tax credits in the form of a general partnership loan, historic tax credits, competitive NPLH loan, noncompetitive NPLH loan, Affordable Housing Program (AHP) loan, general partnership contribution and fee waivers.

HOPWA funds are allocated to the City of Sacramento to be used for projects and programs that serve eligible HIV or AIDS individuals within the HOPWA grant service area which includes Sacramento, Yolo, Placer, and El Dorado counties.

In addition, SHRA has committed a total of 134 PBVs to this Project. Project Based Vouchers are awarded in accordance with SHRA's administration of the Housing Choice Voucher Program as authorized by section 8(o)(13) of the U.S. Housing Act of 1937 (42 U.S.C. 1437f(o)(13)) and is based on the Public Housing Authority's Annual Plan. The Plan is approved annually by the federal Department of Housing and Urban Development (HUD).

**Low-Income Set-Aside Requirements:** As a condition of receiving tax credits, federal law requires that rental units be set aside for targeted-income groups. Income restrictions from LIHTC financing require that no households have income above 60 percent of Area Median Income (AMI). All affordable housing units will be regulated for a period of 55 years by the California Tax Credit Allocation Committee as a LIHTC

funding requirement. Regulatory restrictions on the property will be specified in the HASA regulatory agreement between the Developer and HACS for a period of 55 years. Regulatory restrictions on the property will be specified in the HTF and MIHO regulatory agreement between the Developer and SHRA for a period of 30 years. Regulatory restrictions on the property will be specified in CDBG, HOME and HOPWA regulatory agreements between the Developer and SHRA for a period of 15 years. The 134 Project Based Vouchers (PBV) to house homeless households at the Project will be administered by HACS. Compliance with the regulatory agreement will be monitored by SHRA staff on an annual basis during the 55-year regulatory period.

Funding sources and uses and cash flow for the Project are included in Attachments 4 and 5. A schedule of maximum income and rents are included as Attachment 6. The anticipated affordability requirements are summarized in the below table.

Affordability Restrictions (55 years) <sup>1</sup>	Units	% of Units
Extremely Low Income (20% AMI)	65	49%
Very Low Income (40% AMI)	69	51%
Total	134	100%

<sup>1</sup>Pursuant to 24CFR 983.301, contract rents approved by HUD may exceed the tax-credit rent limits. The tenant rent will not exceed 30% of the household adjusted gross income with PBV.

**Policy Considerations:** The recommended actions for both phases of the development are consistent with: a) SHRA approved Multifamily Lending and Mortgage Revenue Bond Policies (Council Resolution 2019-0452 and Board Resolution 2019-0022), Affordable Housing Priority 2(i), Conversion of Non-Residential to Residential Use for Permanent Supportive Housing and Homeless Housing, and Priority 2(iii), Workforce Housing; b) the 2013-2021 Housing Element, Goals H-1.1.1 Sustainable housing practices; H-1.2.9, in part, Workforce Housing, especially in and around downtown; H-1.3.2 Economic integration of multifamily affordable housing projects; H-2.2.4, in part, Pursue and maximize the use of all appropriate state, federal, local and private funding for the development of housing affordable for extremely low-, very low-, and low-income households, while maintaining economic competitiveness in the region; H-3.1.1 Promote extremely low income housing; H-3.2.8 Provide funding and other resources for permanent supportive housing; H-3.2.9, in part, Prioritization of Special Needs Housing, such as chronically homeless individuals or families for available local affordable housing financing as set forth in the City's Multifamily Lending and Mortgage Revenue Bond Policies administered by SHRA; and projects that augment or safeguard the City's inventory of single room occupancy units will also have the same priority; and H-5.1 to 5.4, in part, Promote and create accessible residential development (Resolution No. 2013-415); and 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).

In addition, the recommended actions for the development are located in a) the Downtown Housing Initiative and Initiation of the Downtown Specific Plan, to bring 10,000 places to live to Downtown Sacramento by 2025 (Resolution No. 2015-282), and

b) the Opportunity Zone that provides a federal tax incentive for investors, who invest in real estate projects and operating businesses located in designated low-income communities through deferral and partial tax reductions of reinvested capital gains and forgiveness of tax on new capital gains (enacted into federal law through the Tax Cuts and Jobs Act of 2017).

The Sacramento City Code Section 4.04.020 and Council Rules of Procedure (Chapter 7, Section E.2.d) mandate that unless waived by a 2/3 vote of the City Council, all labor agreements and all agreements greater than \$1,000,000 shall be made available to the public at least ten (10) days prior to council action. This item was published for 10-day review on November 5, 2020 as required.

**Economic Impacts:** The Capitol Park Hotel multifamily residential project is expected to create 411.60 total jobs (233.24 direct jobs and 178.36 jobs through indirect and induced activities) and create \$34,300,000 in total economic output (\$20,907,987 of direct output and another \$13,392,013 of output through indirect and induced activities).

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

#### **Environmental Considerations:**

**California Environmental Quality Act (CEQA):** The Capitol Park Hotel Project has been found to be exempt from the provisions of the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines, Article 19, Categorical Exemptions, Section 15332, In-Fill Development Projects.

**National Environmental Policy Act (NEPA):** An Environmental Assessment (EA) was prepared for this project pursuant to the National Environmental Policy Act (NEPA), and it was found that with mitigation measures incorporated, the project will not result in a significant impact on the quality of the human environment.

**Sustainability:** The Project has been reviewed for consistency with the goals, policies and targets of the Sustainability Master Plan and the 2030 General Plan. If approved, this Project will advance the following goal, policy and target of goal number one – Energy Independence, specifically by reducing the use of fossil fuels and providing long-term affordable and reliable energy.

**Commission Action:** *Sacramento Housing and Redevelopment Commission:* At its November 4, 2020 meeting, the Sacramento Housing and Redevelopment Commission reviewed the staff recommendation for this item. The votes were as follows:

AYES:

NOES:

ABSENT:

**Rationale for Recommendation:** The actions recommended in this report enable SHRA to continue to fulfill its mission of providing a range of affordable housing opportunities in the City and are consistent with the SHRA's approved Multifamily Lending and Mortgage Revenue Bond Policies, the City of Sacramento's 2013-2021 Housing Element as part of Sacramento's 2035 General Plan, Promise Zone Plans and Goals, Downtown Housing Initiative and Initiation of the Downtown Specific Plan and the Opportunity Zone Program.

**Financial Considerations:** The \$13,300,000 loan comprised of \$3,200,000 in HOME, \$1,700,000 in CDBG, \$1,100,000 in HOPWA, \$1,800,000 in HTF, \$2,300,000 in MIHF and \$3,200,000 in HASA program funds will have a term of 57 years with a zero percent (0%) interest rate. SHRA will receive a one-time lender fee of 0.25 percent of the loan amount, which is payable at loan closing, and annual payment for monitoring the regulatory restrictions and administration of the loans in the amount of 0.125 percent of the loan amount. SHRA will also receive a \$100 annual administrative fee for each assisted unit. The total administrative fee will not exceed \$15,000 annually for the affordable units during the 55-year regulatory term.

**Local Business Enterprise (LBE) - M/WBE and Section 3 requirements:** Local Business Enterprise requirements do not apply to this report. Minority and Women's Business Enterprise requirements and Section 3 will be applied to all activities to the greatest extent feasible and as required by federal funding and in accordance with SHRA's Section 3 Economic Opportunity Plan. The Developer and general contractor will work with SHRA's Section 3 Administrator, the Sacramento Employment and Training Agency, the Greater Sacramento Urban League or similar entities, to promote employment opportunities.

Respectfully Submitted by



LA SHELLE DOZIER  
Executive Director

**Attachments**

01-Description/Analysis

02-Vicinity Map

03-Picture of Project

04-Residential Project Summary

05-Cash Flow Proforma

06-Maximum Income and Rent Limits

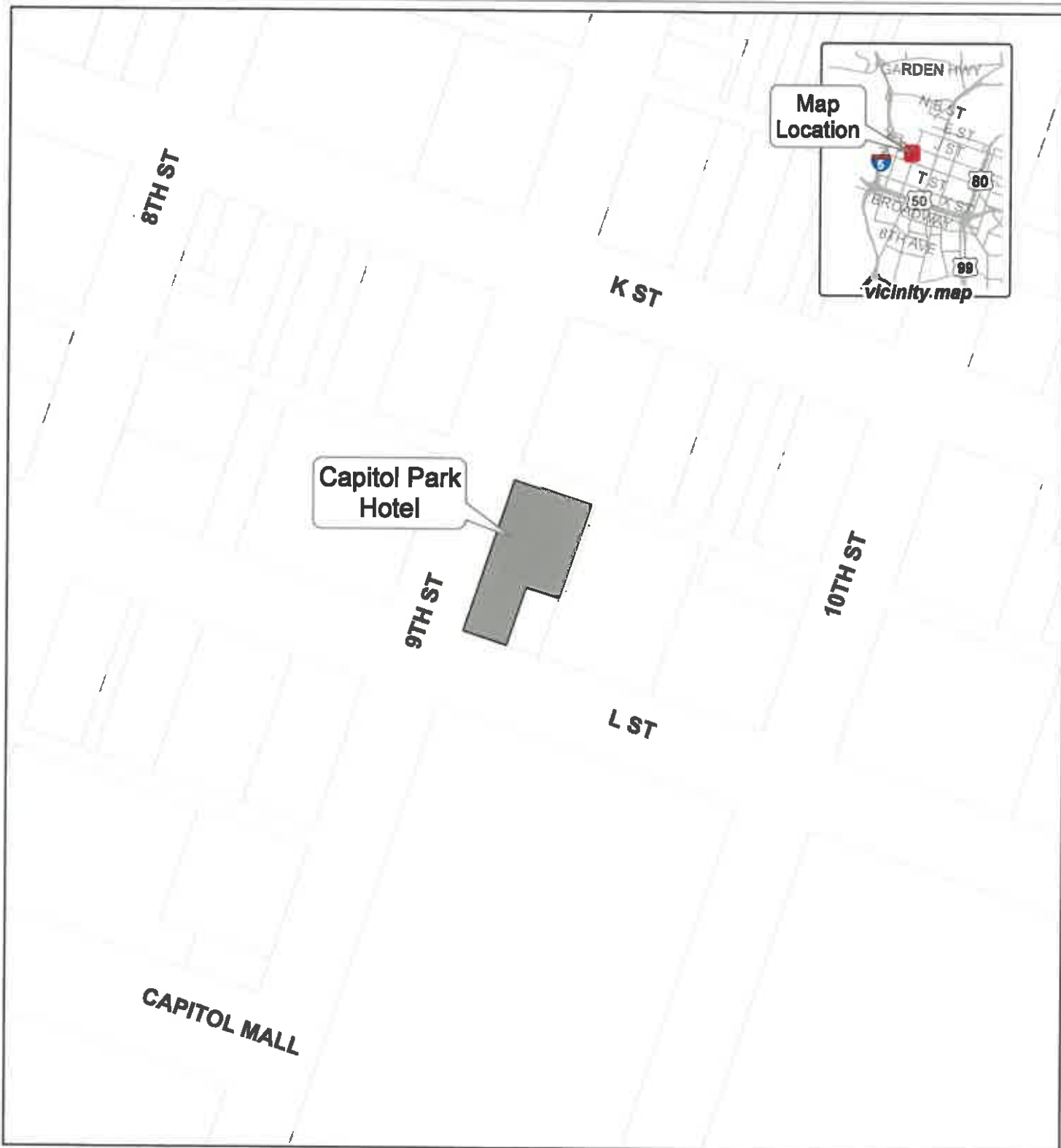
07-City Council Resolution – CDBG, HOME, HOPWA, HTF and MIHF

08-Exhibit A: CDBG, HOME, HOPWA, HTF and MIHF Loan Documents

09-Housing Authority Resolution – HASAF

10-Exhibit A: HASAF Loan Documents

# Capitol Park Hotel



Capitol Park Hotel



SHRA GIS  
October 5, 2020

Capitol Park Hotel



**Capitol Park Hotel  
Residential Project Summary**

<b>Address</b>	1117, 1121, 1125, 1127, 1129 & 1131 9th Street		
<b>Number of Units</b>	134		
<b>Year Built</b>	1912 and 1932		
<b>Acreage</b>	0.26 (11,326 sq. ft.)		
<b>No Place Like Home (NPLH) Units</b>	65 of the 134 units will be designated as NPLH.		
<b>Unit Mix and Rents<sup>1</sup></b>	<b>ELI (20% AMI) NPLH &amp; PBV</b>	<b>VLI (40% AMI) PBV</b>	
Studio/1 Bath	65	69	
<b>Square Footage</b>	<b>Unit Size (sq.ft.)</b>	<b>Total</b>	
Studio/1 Bath	228	14,820	sq. ft.
Community Area and Other		29,330	sq. ft.
<b>Total Gross</b>		<b>44,150</b>	<b>sq. ft.</b>
<b>Resident Facilities</b>	The development will be a conversion of a historic 180-unit Single Room Occupancy (SRO) building into 134 Permanent Supportive Housing studio units with kitchenettes and full bathrooms. This conversion includes 14 units that meet Americans with Disabilities Act requirements. Amenities include a management office, 24/7 desk clerk, community room, and meeting areas for individual and group settings. Bicycle parking is also available on site.		
<b>Permanent Sources</b>	<b>Total</b>	<b>Per Unit</b>	<b>Per Square Foot</b>
Federal Tax Credit Equity	21,935,306	163,696	496.84
GP Certificated Credit Sale Loan	8,944,159	66,747	202.59
Historic Tax Credit Equity	8,211,716	61,261	186.00
NPLH Competitive Loan	6,890,825	51,424	156.08
NPLH Non-Competitive Loan	2,800,000	20,896	63.42
Affordable Housing Program (AHP) Loan	1,340,000	10,000	30.35
SHRA and HACS Loan	13,300,000	99,254	301.25
GP Contribution	100	1	0.00
Fee Waivers	85,969	642	1.95
<b>TOTAL SOURCES</b>	<b>\$ 63,508,075</b>	<b>\$ 473,941</b>	<b>\$ 1,438.46</b>
<b>Permanent Uses</b>			
Acquisition	10,066,000	75,045	227.77
Construction Costs	34,300,000	255,970	776.90
Architecture & Engineering	2,735,291	20,413	61.95
Permits and Fees	420,969	3,142	9.53
Hard Cost Contingency	4,773,800	35,624	108.12
Soft Cost Contingency	361,800	2,700	8.19
Financing Cost	2,771,718	20,684	62.78
Relocation	3,335,000	24,888	75.54
Operating Reserve	726,084	5,419	16.45
Rent Reserve	243,945	1,820	5.53
Replacement Reserve	134,000	1,000	3.04
Legal Fees	110,000	821	2.49
Developer Fee	2,000,000	14,925	45.30
Third Party Fees, Marketing, Other	1,539,668	11,490	34.87
<b>TOTAL USES</b>	<b>\$ 63,508,075</b>	<b>\$ 473,941</b>	<b>\$ 1,438.46</b>
<b>Leverage</b>	<b>SHRA \$ per Unit</b>	<b>Per Unit Cost</b>	<b>Leverage</b>
	<b>\$ 99,254</b>	<b>\$ 473,941</b>	<b>SHRA : Other</b>
<b>Management / Operations</b>			<b>\$1.00 : \$4.78</b>
Proposed Developer	Mercy Housing California		
Property Management Company	Mercy Housing Management Group		
Operations Budget	1,018,339	7,600	
Property Management	94,739	707	
Resident Services	179,966	1,343	
Replacement Reserves	67,000	500	
Taxes and Insurance	114,444	854	

<sup>1</sup>Pursuant to 24CFR 983.301, contract rents approved by HUD may exceed the tax-credit rent limits. The tenant rent will not exceed 30% of the household adjusted gross income with PBV.

Capitol Park Hotel Cash Flow Proforma

Attachment 5

Capitol Park Hotel	Unit Type	Number	Square Feet	Total Sq Feet	Gross Rent*	Rent per Sq Feet	Total Mo.	Annual Rent
Ball / Bath @ 20% AMI	65	228	14,820	\$ 302	\$ 1.32	\$ 10,830	\$ 235,500	
Studio / Bath @ 40% AMI	89	228	15,732	\$ 805	\$ 2.85	\$ 41,745	\$ 500,940	
Total	154	456	30,552			\$ 61,375	\$ 736,500	

\*Pursuant to 24CFR 982.301, contract rents approved by HUD may exceed the fair-market rent limits; the tenant rent will not exceed 30% of the household adjusted gross income with PIW.

Account	Per Unit	Year 1 2023	Year 2 2024	Year 3 2025	Year 4 2026	Year 5 2027	Year 6 2028	Year 7 2029	Year 8 2030	Year 9 2031	Year 10 2032	Year 11 2033	Year 12 2034	Year 13 2035	Year 14 2036	Year 15 2037	Year 16 2038	Year 17 2039	Year 18 2040
<b>Operating Expenses</b>																			
Proffited Gross Income		773,785	793,130	812,958	833,282	854,114	875,487	897,354	919,798	942,782	966,352	990,552	1,005,338	1,020,762	1,036,862	1,053,662	1,071,198	1,089,508	1,107,752
Rental Subsidy	2.50%	965,380	1,020,244	1,045,750	1,071,983	1,098,891	1,126,158	1,154,312	1,183,170	1,212,749	1,243,066	1,274,077	1,305,817	1,338,332	1,371,682	1,405,912	1,440,062	1,475,182	1,511,252
Other Income	2.50%	7,390	7,571	7,790	7,954	8,153	8,380	8,595	8,790	8,999	9,224	9,456	9,694	9,938	10,187	10,440	10,697	10,957	11,220
Less Vacancy	5.00%	(86,827)	(81,047)	(83,223)	(85,686)	(88,349)	(91,109)	(94,072)	(97,237)	(100,602)	(104,167)	(107,932)	(111,897)	(116,062)	(120,427)	(124,992)	(130,757)	(136,722)	(142,887)
Effective Gross Income		\$1,651,704	\$1,729,887	\$1,773,144	\$1,817,473	\$1,862,910	\$1,909,482	\$1,957,220	\$2,006,160	\$2,056,284	\$2,107,511	\$2,159,842	\$2,213,277	\$2,267,816	\$2,323,459	\$2,380,206	\$2,438,056	\$2,496,999	\$2,557,036
<b>Operating Expenses</b>																			
Property Management	3.50%	1,018,330	1,053,880	1,080,870	1,120,050	1,168,887	1,208,487	1,251,708	1,295,611	1,340,957	1,387,891	1,437,362	1,489,412	1,544,082	1,591,412	1,641,452	1,694,252	1,749,762	1,808,032
Resident Services	3.50%	94,739	98,655	101,487	105,090	108,716	112,520	116,459	120,535	124,753	129,120	133,642	138,322	143,162	148,162	153,332	158,672	164,182	169,872
Replacement Reserves	0.00%	1,343	179,980	182,794	189,531	206,515	213,743	221,224	229,067	236,981	245,066	253,332	261,782	270,412	279,222	288,212	297,382	306,732	316,262
Taxes and Insurance	2.00%	654	114,444	119,080	121,449	123,878	126,362	128,902	131,502	134,162	136,882	139,662	142,502	145,402	148,362	151,382	154,462	157,602	160,792
Total Expenses		\$1,194,466	\$1,552,433	\$1,571,258	\$1,622,089	\$1,674,075	\$1,729,086	\$1,788,363	\$1,846,573	\$1,903,761	\$1,960,067	\$2,017,419	\$2,075,816	\$2,135,268	\$2,195,776	\$2,257,340	\$2,319,960	\$2,383,636	\$2,448,368
<b>Net Operating Income</b>																			
<b>\$457,238</b>																			
<b>Debt Service</b>																			
HCD Monitoring Fee	0.42%	40,701	40,701	40,701	40,701	40,701	40,701	40,701	40,701	40,701	40,701	40,701	40,701	40,701	40,701	40,701	40,701	40,701	40,701
SHRA Monitoring Fee	0.125%	15,200	15,200	15,200	15,200	15,200	15,200	15,200	15,200	15,200	15,200	15,200	15,200	15,200	15,200	15,200	15,200	15,200	15,200
Debt Service Subtotal		\$55,901	\$55,901	\$55,901	\$55,901	\$55,901	\$55,901	\$55,901	\$55,901	\$55,901	\$55,901	\$55,901	\$55,901	\$55,901	\$55,901	\$55,901	\$55,901	\$55,901	\$55,901
<b>Priority Distributions</b>																			
Partnership Management Fee (LP)	3.00%	20,000	20,000	21,218	21,855	22,510	23,186	23,881	24,597	25,335	26,095	26,875	27,675	28,495	29,335	30,195	31,075	31,975	32,900
Asset Management Fee (GP)	3.00%	3,000	3,000	3,305	3,464	3,628	3,798	3,970	4,144	4,324	4,509	4,698	4,890	5,084	5,282	5,484	5,690	5,900	6,115
Priority Distributions Subtotal		\$23,000	\$23,000	\$24,523	\$25,319	\$26,138	\$26,984	\$27,851	\$28,741	\$29,659	\$30,594	\$31,554	\$32,534	\$33,534	\$34,554	\$35,594	\$36,654	\$37,734	\$38,835
<b>Net Cash after Transaction &amp; Capital Operating Subsidy Reserve</b>																			
<b>\$401,337</b>																			
<b>HCD No-Financial Home (NFI) Loan</b>																			
Principal Balance		\$9,080,825	\$9,080,825	\$9,080,825	\$9,080,825	\$9,080,825	\$9,080,825	\$9,080,825	\$9,080,825	\$9,080,825	\$9,080,825	\$9,080,825	\$9,080,825	\$9,080,825	\$9,080,825	\$9,080,825	\$9,080,825	\$9,080,825	\$9,080,825
Interest for Period		280,725	280,725	280,725	280,725	280,725	280,725	280,725	280,725	280,725	280,725	280,725	280,725	280,725	280,725	280,725	280,725	280,725	280,725
Payment		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Balance		\$9,081,550	\$9,081,550	\$9,081,550	\$9,081,550	\$9,081,550	\$9,081,550	\$9,081,550	\$9,081,550	\$9,081,550	\$9,081,550	\$9,081,550	\$9,081,550	\$9,081,550	\$9,081,550	\$9,081,550	\$9,081,550	\$9,081,550	\$9,081,550
<b>SHRA &amp; MACS Loan</b>																			
Principal Balance		\$13,300,000	\$13,300,000	\$13,300,000	\$13,300,000	\$13,300,000	\$13,300,000	\$13,300,000	\$13,300,000	\$13,300,000	\$13,300,000	\$13,300,000	\$13,300,000	\$13,300,000	\$13,300,000	\$13,300,000	\$13,300,000	\$13,300,000	\$13,300,000
Payment		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Balance		\$13,300,000	\$13,300,000	\$13,300,000	\$13,300,000	\$13,300,000	\$13,300,000	\$13,300,000	\$13,300,000	\$13,300,000	\$13,300,000	\$13,300,000	\$13,300,000	\$13,300,000	\$13,300,000	\$13,300,000	\$13,300,000	\$13,300,000	\$13,300,000
<b>Alford Housing Program (AHP) Loan</b>																			
Principal Balance		\$1,340,000	\$1,340,000	\$1,340,000	\$1,340,000	\$1,340,000	\$1,340,000	\$1,340,000	\$1,340,000	\$1,340,000	\$1,340,000	\$1,340,000	\$1,340,000	\$1,340,000	\$1,340,000	\$1,340,000	\$1,340,000	\$1,340,000	\$1,340,000
Payment		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Balance		\$1,340,000	\$1,340,000	\$1,340,000	\$1,340,000	\$1,340,000	\$1,340,000	\$1,340,000	\$1,340,000	\$1,340,000	\$1,340,000	\$1,340,000	\$1,340,000	\$1,340,000	\$1,340,000	\$1,340,000	\$1,340,000	\$1,340,000	\$1,340,000
<b>GP Capitalized Credit Sale Loan</b>																			
Principal Balance		\$8,944,159	\$8,944,159	\$8,944,159	\$8,944,159	\$8,944,159	\$8,944,159	\$8,944,159	\$8,944,159	\$8,944,159	\$8,944,159	\$8,944,159	\$8,944,159	\$8,944,159	\$8,944,159	\$8,944,159	\$8,944,159	\$8,944,159	\$8,944,159
Payment		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Balance		\$8,944,159	\$8,944,159	\$8,944,159	\$8,944,159	\$8,944,159	\$8,944,159	\$8,944,159	\$8,944,159	\$8,944,159	\$8,944,159	\$8,944,159	\$8,944,159	\$8,944,159	\$8,944,159	\$8,944,159	\$8,944,159	\$8,944,159	\$8,944,159
<b>Net Cash after Debt Service and Priority Distributions</b>																			
<b>\$357,134</b>																			
<b>Transaction &amp; Capital Operating Subsidy Reserve</b>																			
Beginning Balance		0	133,940	282,855	388,303	503,765	614,242	717,055	811,382	898,386	971,164	1,038,782	1,101,252	1,168,682	1,240,012	1,316,242	1,397,372	1,482,412	1,571,362
Deposit (or Withdrawal)		133,940	133,940	133,940	133,940	133,940	133,940	133,940	133,940	133,940	133,940	133,940	133,940	133,940	133,940	133,940	133,940	133,940	133,940
Interest Earned		1,315	2,500	3,328	4,358	5,602	7,102	8,882	10,952	13,422	16,302	19,602	23,342	27,542	32,202	37,442	43,262	49,682	56,702
Ending Balance		\$135,255	\$270,380	\$420,123	\$586,595	\$763,670	\$951,684	\$1,150,937	\$1,362,764	\$1,586,708	\$1,825,666	\$2,080,744	\$2,352,986	\$2,643,328	\$2,951,770	\$3,278,212	\$3,622,654	\$3,985,096	\$4,365,538

**CAPITOL PARK HOTEL  
MAXIMUM INCOME AND RENT LIMITS 2020**

*Rents at 30% and 40% of Area Median Income (AMI)*

*Low Income Housing Tax Credits (LIHTC), No Place Like Home (NPLH), Community Development Block Grant (CDBG), HOME Investment Partnerships Program (HOME), Housing Opportunities for Persons with AIDS (HOPWA), Housing Trust Funds (HTF), Mixed Income Housing Funds (MIHF) and Housing Authority Successor Agency (HASA) Funds*

**Maximum Gross Income Limits**

<b>Family Size</b>	<b>20% AMI</b>	<b>40% AMI</b>
1 person	\$ 12,100	\$ 24,200
2 person	\$ 13,820	\$ 27,640

**Maximum Gross Rent Limits<sup>1</sup>**

<b>Unit Size</b>	<b>20% AMI</b>	<b>40% AMI</b>
Studio	\$ 302	\$ 605

<sup>1</sup>Pursuant to 24CFR 983.301, contract rents approved by HUD may exceed the tax-credit rent limits. The tenant rent will not exceed 30% of the household adjusted gross income with PBV.

## **RESOLUTION NO. 2020 -**

**Adopted by the Sacramento City Council**

on date of

**CAPITOL PARK HOTEL: APPROVAL OF \$10,100,000 LOAN AGREEMENT AND RELATED DOCUMENTS COMPRISED OF \$3,200,000 IN HOME INVESTMENT PARTNERSHIPS PROGRAM, \$1,700,000 IN COMMUNITY DEVELOPMENT BLOCK GRANT, \$1,100,000 IN HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS, \$1,800,000 IN HOUSING TRUST FUNDS, AND \$2,300,000 IN MIXED INCOME HOUSING FUNDS; EXECUTION OF LOAN AGREEMENT AND RELATED DOCUMENTS WITH MERCY HOUSING CALIFORNIA, OR RELATED ENTITY; RELATED BUDGET AMENDMENT; AND ENVIRONMENTAL FINDINGS**

### **BACKGROUND**

- A. Capitol Park Hotel was built in 1912 and was operating as a 180-unit single room occupancy (SRO) residential hotel and temporary shelter in downtown Sacramento at 1125 9th Street, corner of 9th and L Streets, (Property). The current owner of the Property is 1121 9th Street, LLC, a related entity to Mercy Housing California.
- B. On February 11, 2020, Sacramento City Council (Council) adopted a resolution approving the SRO Withdrawal, Conversion Certificate and Replacement Housing Plan for Capitol Park Hotel on February 11, 2020 (Resolution 2020-0048).
- C. Also on February 11, 2020, the Council and Board of the Housing Authority of the City of Sacramento (Board) approved a \$7,600,000 Loan Commitment (Loan Commitment) comprised of \$1,700,000 in City Community Development Block Grant (CDBG) funds, \$1,100,000 in Housing Opportunities for Persons with AIDS (HOPWA) funds, \$800,000 in City Housing Trust Funds (HTF), \$2,300,000 in Mixed Income Housing Funds (MIHF) and \$1,700,000 Housing Authority Successor Agency (HASA) funds to assist Mercy Housing California, or related entity (Developer) for the financing of the Capitol Park Hotel affordable, permanent supportive and workforce housing development located downtown at 1125 9th Street, including the tenant addresses of 1117, 1121, 1125, 1127, 1129 and 1131 9th Street (Project) (Council Resolution 2020-0049 and Board Resolution 2020-0003).
- D. The Board adopted a resolution authorizing the Executive Director, or designee, of the Housing Authority of the City of Sacramento (HACS) to enter into and execute a \$1,500,000 predevelopment loan agreement and related documents comprised of HASA funds with the Developer for the Project (Predevelopment Loan) (Resolution 2020-0003) also on February 11, 2020. The Developer and HACS would like to refinance and incorporate the \$1,500,000 predevelopment loan with the \$1,700,000 of previously approved HASA funds in the Loan Commitment for a total \$3,200,000 loan in HASA funds to the Developer, subject to Board approval in a separate resolution.

- E. On August 3, 2020, the Developer submitted a funding application to Sacramento Housing and Redevelopment Agency (SHRA) requesting an additional \$4,200,000 loan to assist in funding the acquisition, construction and permanent financing of the Project. The need for additional assistance is due to increased scope of development to satisfy the structural, electrical and State Historic Preservation Officer's (SHPO) requirements. SHRA's construction staff reviewed and approved the additional scope of development and construction budget. Subject to Council approval, the additional \$4,200,000 loan will be comprised of \$3,200,000 in City HOME Investment Partnerships Program (HOME) funds and \$1,000,000 in City Housing Trust Funds.
- F. The Project is consistent with: a) the Agency's previously approved Multifamily Lending and Mortgage Revenue Bond Policies (Council Resolution 2019-0452 and Board Resolution 2019-0022), Affordable Housing Priority 2(i), Conversion of Non-Residential to Residential Use for Permanent Supportive Housing and Homeless Housing, and Priority 2(iii), Workforce Housing; b) the 2013-2021 Housing Element, Goals H-1.1.1 Sustainable housing practices; H-1.2.9, in part, Workforce Housing, especially in and around downtown; H-1.3.2 Economic integration of multifamily affordable housing projects; H-2.2.4, in part, Pursue and maximize the use of all appropriate state, federal, local and private funding for the development of housing affordable for extremely low-, very low-, and low-income households, while maintaining economic competitiveness in the region; H-3.1.1 Promote extremely low income housing; H-3.2.8 Provide funding and other resources for permanent supportive housing; H-3.2.9 Prioritization of Special Needs Housing, such as chronically homeless individuals or families for available local affordable housing financing as set forth in the City's Multifamily Lending and Mortgage Revenue Bond Policies. Projects that augment or safeguard the City's inventory of single room occupancy units will also have the same priority; and H-5.1 to 5.4, in part, Promote and create accessible residential development (Resolution No. 2013-415); and 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).
- G. In addition, the recommended actions for the development are located in a) the Downtown Housing Initiative and Initiation of the Downtown Specific Plan, to bring 10,000 places to live to Downtown Sacramento by 2025 (Resolution No. 2015-282); and b) the Opportunity Zone that provides a federal tax incentive for investors, who invest in real estate projects and operating businesses located in designated low-income communities through deferral and partial tax reductions of reinvested capital gains and forgiveness of tax on new capital gains (enacted into federal law through the Tax Cuts and Jobs Act of 2017).
- H. The Capitol Park Hotel Project has been found to be exempt from the provisions of the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines, Article 19, Categorical Exemptions, Section 15332, In-Fill Development Projects.
- I. An Environmental Assessment was prepared for this project pursuant to the National Environmental Policy Act, and it was found that with mitigation measures incorporated, the project will not result in a significant impact on the quality of the human environment.

**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.** SHRA is authorized to amend the budget and allocate an additional loan amount up to \$4,200,000 comprised of \$3,200,000 in HOME funds and \$1,000,000 in HTF funds for the Project to the Developer.
- Section 3.** The \$10,100,000 Acquisition, Construction and Permanent Loan Agreement and related documents, attached as Exhibit A, for financing of the Project with the listed amounts and funding programs (Loan Documents) are approved, and SHRA is authorized to enter into, execute and transmit the Loan Documents to the Developer, and enter into and execute other documents, as approved to form by its Office of the General Counsel, and perform other actions SHRA deems necessary to fulfill the intent and to ensure proper repayment of the listed funding programs, including without limitation, subordination, loan restructuring, and extensions, consistent with its adopted policy and with this resolution:
- a. \$3,200,000 in HOME Investment Partnerships Program funds;
  - b. \$1,700,000 in Community Development Block Grant funds;
  - c. \$1,100,000 in Housing Opportunities for Persons with AIDS funds;
  - d. \$1,800,000 in Housing Trust Funds; and
  - e. \$2,300,000 in Mixed Income Housing Funds.

**Table of Contents:**

**Exhibit A: Loan Documents (HOME, CDBG, HOPWA, HTF and MIHF)**

## ACQUISITION, CONSTRUCTION, AND PERMANENT LOAN AGREEMENT CAPITOL PARK HOTEL

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

1. **LOAN.** Lender is making the Loan pursuant to the terms and conditions of this Loan Agreement. Lender and Borrower have entered this Loan Agreement as of the Effective Date.
2. **DEFINITIONS TABLES.** The capitalized terms in this Loan Agreement shall have the meanings assigned in the following Definitions Tables and in Section 3 Definitions. Terms being defined are indicated by quotation marks. If an item in the Definitions Table is marked "None", "Not Applicable", "N/A" or equivalent or is left blank, that defined term is not applicable to this Loan or the referenced item is not required or is not included in this Loan as the context may indicate.

A. "LOAN INFORMATION" The general loan provisions of the Loan:		
"EFFECTIVE DATE"	[DATE]	The date as of which this Loan Agreement shall be effective.
"LENDER"	The following public agency that is making the Loan, and whose legal status and address are:	
Name	Sacramento Housing and Redevelopment Agency	
Legal Status	A joint powers authority	
Principal Address	801 12th Street, Sacramento, CA 95814	
"BORROWER"	The borrower of the Loan funds whose name, legal status and address are:	
Name	Mercy Housing California 90, L.P.	
Legal Status	A California limited partnership	
Principal Address	2512 River Plaza Drive, Suite 200, Sacramento, CA 95833	
"LOAN"	The Loan made by this Loan Agreement.	
"LOAN COMMITMENT"	Lender's loan commitment, made by letter dated as of February 11, 2020	
"LOAN PROGRAM"	Lender's Loan Program, commonly known as	\$3,200,000.00 in HOME Investment Partnerships Program (HOME), \$1,700,000.00 in Community Development Block Grant (CDBG), \$1,100,000.00 in Housing Opportunities for Persons With AIDS (HOPWA), \$1,800,000.00 in Housing Trust Funds (HTF), and \$2,300,000.00 Mixed Income Housing Fund (MIHF).
"LOAN AMOUNT"	Ten Million One Hundred Thousand Dollars and No Cents (\$10,100,000.00)	
"INTEREST RATE"	The interest rate is 0% per year.	
"MATURITY DATE"	The first day of the 684th calendar month following the Effective Date: [DATE]	

	<p>Annual Loan payments will be made on a Residual Receipts basis (as defined below) beginning on August 1st following conversion to permanent financing and the initial annual audited financial statement, as defined below, until the Maturity Date. Annual Loan payments shall be applied first to outstanding interest accrued and unpaid and then to principal.</p> <p>“Residual Receipts” means Net Operating Income (or “NOI”) (as defined below) less each of the following payments made in the order of priority set forth below during each installment period, as confirmed by Financial Statements (as defined in Section 3.10 herein) from the preceding year. In no event shall any item be paid during any installment period unless all items prioritized above it have received its full payment during such installment period. Payment priority shall be as follows, with the highest priority starting with item one (1) and descending downward to item four (4):</p> <ol style="list-style-type: none"> <li>1) Partnership management fee up to \$20,000 annually as of the Loan’s Effective Date escalating at 3% annually, which payment shall accrue to the extent unpaid in any given year.</li> <li>2) Asset management fees up to \$5,000 annually as of the Loan’s Effective Date escalating at 3% annually, which payment shall accrue to the extent unpaid in any given year.</li> <li>3) After Sections one (1) and two (2) of Residual Receipts are paid, available cash flow from NOI will go into a transition reserve account until such account has a balance of the higher of \$1,245,000 or the final amount required by the California Department of Housing Community Development (HCD) No Place Like Home (NPLH) program regulatory agreement, then available cash flow will go into a separate services and operating reserves account to cover supportive and/or resident services or operating deficits of the Project. Any remaining available cash flow from NOI will be paid under Section four (4) of Residual Receipts.</li> <li>4) After Sections one (1) through three (3) of Residual Receipts are paid, 100% of the available cash flow from NOI proportionately divided in the following manner: <ol style="list-style-type: none"> <li>a) 50% to Borrower;</li> <li>b) 21.08% to HCD to repay the NPLH loan until it has been fully repaid (with interest);</li> <li>c) 21.96% to the Sacramento Housing and Redevelopment Agency (SHRA) to repay the HOME loan until it has been fully repaid (with interest); and then to repay the CDBG loan until it has been fully repaid (with interest); and then to repay the HOPWA loan until it has been fully repaid (with interest); and then to repay the HTF loan until it has been fully repaid (with interest); and then to repay the MIHF loan until it has been fully repaid (with interest); and</li> <li>d) 6.96% to the Housing Authority of the City of Sacramento (HACS) to repay the HASAF loan until it has been fully repaid (with interest).</li> </ol> </li> </ol> <p>The Net Operating Income is defined as periodic “Revenue” less “Operating Expenses.” “Revenue” means all revenue from the leasing of the Project, including but not limited to all rents, fees, and charges paid by tenants as well as rental subsidy payments regardless of the source of these subsidies, forfeited tenant deposits, rent increases, proceeds from vending machines and laundry room machines. Revenue shall not include tenants’ security deposits (unless forfeited), interest on those deposits, loan proceeds, capital contributions or similar advances, or amounts released from reserves or interest on reserves.</p> <p>“Operating Expenses” shall mean actual costs, fees and expenses as evidenced by invoices attributable to the operation, recordkeeping, maintenance, taxes and management of the Project, including property management fees; taxes and assessments; payroll, benefits and payroll taxes for Project employees; insurance; security; painting, cleaning, repairs, and alterations; landscaping; sewer charges; utility charges; advertising, promotion and publicity; cable television, satellite, cable; elevator and other similar services; office, janitorial, cleaning and building supplies; recreational amenities and supplies; purchase, repair, servicing and installation of appliances; costs and expenses associated with the provision of social and/or community services to the residents of the Project; equipment, fixtures and furnishing; fire alarm and elevator monitoring; fees and expenses of accountants, attorneys, consultants and other professionals; and monitoring fees to: a) HCD with respect to the NPLH loan, b) SHRA with the respect to the HOME, CDBG, HOPWA, HTF and MIHF loans, and c) HACS with the respect to the HASAF loan. The definition will include deposits into operating and/or replacement reserves maintained by the Borrower.</p>
<p>“PAYMENT SCHEDULE”</p>	<p>“BORROWER EQUITY”</p> <p>Thirty Nine Million Dollars and No Cents (\$39,000,000.00)</p> <p>Which is the minimum amount of cash or cash equivalent (excluding land equity or other non-cash investment in the Project) that Borrower is investing in the Project.</p>

	None	Which is Borrower's non-cash contribution to the Project (such as deferred Developer fees).
"PROJECT"	Which is the Project to be developed on the Property with the Loan funds, described as:	Capitol Park Hotel will be an acquisition and rehabilitation of a historic 180-unit single room occupancy building into 134 affordable, permanent supportive and workforce housing units which are studios that include kitchenettes and full bathrooms. Amenities will include a 24/7 desk clerk, community room, and meeting areas for individual and group settings. Bicycle parking will be available onsite. Acquisition and rehabilitation also includes approximately 3,300 square feet of commercial space restricted to the Approved Uses and Disapproved Use as set forth in Section H, Special Provisions of this Loan Agreement.

B. "COLLATERAL." The Collateral securing repayment of the Loan, which Collateral consists of the following:			
"PROPERTY"		The following described real property, which is security for the Loan and the site of the Project:	
Address		1121 9th Street, Sacramento, CA 95814	
Assessor's Number(s)	Parcel	006-0102-016-0000 and 006-0102-018-0000	
"Legal Description"		The Property is situated in the State of California, County of Sacramento, and is more particularly described in <u>Exhibit 1: Legal Description</u> attached and incorporated by reference.	
Borrower's Interest	Title	Borrower has fee interest in the Property or, if the Additional Escrow Instructions so indicate, Borrower will acquire fee interest in the Property at Close of Escrow.	
"ADDITIONAL COLLATERAL"		The Additional Collateral securing repayment of the Loan is any additional security required by Lender under this Loan Agreement, including without limitation the following items, if any	
"PERSONAL PROPERTY"		Borrower's interest in the following personal property, tangible and intangible, and all other such property listed as security in this Loan Agreement:	Materials and supplies for the Project
OTHER ADDITIONAL COLLATERAL		Borrower's interest in the following property:	None

C. "ESCROW INFORMATION":		
"Title Company" and "Escrow Agent"	Fidelity National Title Company	Which is the title company that will issue the Title Policy and that will act as Escrow Agent for the Escrow.
"Escrow"	The escrow with Escrow Agent	
"Closing Date"	November 23, 2020	Which is the date for close of the Escrow, as it may be extended.

D. "LIST OF EXHIBITS" (The following are attached and incorporated in this Loan Agreement):	
EXHIBIT	DEFINED TERM
<u>Exhibit 1: Legal Description</u>	"Legal Description"
<u>Exhibit 2: Scope of Development</u>	"Scope of Development"
<u>Exhibit 3: Notes</u>	Collectively, the "Note" or "Notes"
<u>Exhibit 3A: HOME Note</u>	
<u>Exhibit 3B: CDBG Note</u>	
<u>Exhibit 3C: HOPWA Note</u>	
<u>Exhibit 3D: HTF Note</u>	
<u>Exhibit 3E: MIHF Note</u>	
<u>Exhibit 4: Trust Deed Forms</u>	Collectively, the "Trust Deed" or "Trust Deeds"
<u>Exhibit 4A: HOME Deed</u>	
<u>Exhibit 4B: CDBG Deed</u>	
<u>Exhibit 4C: HOPWA Deed</u>	

<u>Exhibit 4D: HTF Deed</u>	
<u>Exhibit 4E: MIHF Deed</u>	
<u>Exhibit 5: Regulatory Agreements</u>	Collectively, the "Regulatory Agreement" or "Regulatory Agreements"
<u>Exhibit 5A: 15-Year Federal Funding Regulatory Agreement</u>	
<u>Exhibit 5B: 30-Year Local Funding Regulatory Agreement</u>	
<u>Exhibit 6: Escrow Instructions</u>	"Escrow Instructions"
<u>Exhibit 7: Funding Requirements</u>	Collectively, the "Funding Requirements"
<u>Exhibit 7A: HOME Funding and Other Funding Requirements</u>	
<u>Exhibit 7B: CDBG and Other Funding Requirements</u>	
<u>Exhibit 7C: HOPWA and Other Funding Requirements</u>	
<u>Exhibit 7D: HTF Funding Requirements</u>	
<u>Exhibit 7E: MIHF Funding Requirements</u>	

**E. "APPROVAL DOCUMENTS"** Borrower shall submit the following documents for Lender approval:

Construction Agreements for the Project

Architectural Agreement for the Project

Borrower's organizational documents, such as partnership agreements or corporate articles and by-laws

"Budget" for the Project

Evidence of financing as described in this Loan Agreement

Plans and Specifications as defined in this Loan Agreement

**F. "ASSIGNED DOCUMENTS"** Borrower shall assign the following documents to Lender:

Construction Contract

Architectural Contract

**G. "CONSTRUCTION INFORMATION":**

"Completion Date"	December 31, 2022	Which is the date on or before which the Completion of the Project must occur.
"General Contractor"	Mid-State Construction Corporation, a California corporation	Which is the general contractor for construction of the Project.
"Project Architect"	Page & Turnbull, Inc., a California corporation	Which is the architect for design of the Project
"Retention"	The following percentage of the Loan Amount, which shall be retained by Lender for disbursement with the final disbursement of the Loan:	Percentage of Loan: Ten Percent (10.0%)

**H. "SPECIAL PROVISIONS"** The following special provisions shall be in addition to the provisions of this Loan Agreement:

1. Lender acknowledges and consents to Wincopin Circle LLLP, a Maryland limited liability limited partnership, whose address is:

Wincopin Circle LLLP  
c/o Enterprise Community Asset Management, Inc.  
70 Corporate Center  
11000 Broken Land Parkway, Suite 700  
Columbia, MD 21044  
Attention: General Counsel  
Telephone: (410) 964-0552  
Facsimile: (410) 772-2630 (the "Tax Credit Limited Partner")

With a copy to:  
Gallagher Evelius & Jones LLP  
218 N. Charles Street, Suite 400  
Baltimore, Maryland 21201  
Attention: Kenneth S. Gross, Esq.  
Telephone: (410) 727-7702  
Facsimile: (410) 468 2786

The Tax Credit Limited Partner may transfer its interests to any other third party, so long as such change does not affect the identity, powers or duties of Borrower's general partners or the ability of the limited partners to change the general partner or its powers. If the Tax Credit Limited Partner removes the Borrower's general partner for cause, Lender consent shall not be required, provided that the general partner that has been removed for cause is replaced with an affiliate of the Tax Credit Limited Partner and Lender has been provided written notice from the Tax Credit Limited Partner immediately after the general partner has been removed.

2. The "Approved Uses" of the Property are as follows: Borrower shall assure that the residential space on the Property is used as a residential property available for rent. Borrower shall assure that the approximate 3,300 square feet of commercial space open to the public on the Property will enhance the living environment of the residents of the Project, and is subject to approval by Lender.

3. Borrower shall assure that the Property is not used, in whole or in part, for any Disapproved Use. A "Disapproved Use" of the Property is any use other than the Approved Uses, and includes, but is not limited to a liquor store/bar, adult store/film, veterinarian office/kennel, funeral, video arcade/pool hall, bowling alley, music, dancing, manufacturing, repair facility, vehicle related, service stations, hazardous materials, storage or warehousing facilities, tattoo and/or piercing establishment, pawn shop, check cashing or paycheck advance business, passive activity (e.g., switching station), nuisances, and/or medical marijuana.

4. Mercy Housing Management Group is approved by Lender as "Property Manager" for the Property and Project.

3. **DEFINITIONS.** Terms not defined in this Loan Agreement shall have the definitions assigned in the Trust Deed. As used in this Loan Agreement, the following terms shall have the following meanings:

3.1. "Budget" is the budget approved by Lender for the development of the Project.

3.2. "California Environmental Quality Act" or "CEQA" is established in the California Public Resources Codes § 21000 et seq. and is applicable to private activities requiring discretionary governmental approvals (Pub. Res. Code §210001.1, 21001, 21080 and 14 California Code of Regulations § 15002(c).

3.3. "Change" means any extra work or installation of materials not included in the Plans and Specifications or any change in or deviation from the Plans and Specifications.

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

3.5. "Completion of the Project" means that, in Lender's sole judgment the Project has been constructed, rehabilitated, completed, equipped, and furnished in a good and proper manner in accordance with the Plans and Specifications, the Scope of Development and the Budget as approved by Lender; all notices of completion with respect to the Project have been filed and all statutory lien periods have expired (or lien waivers have been obtained); all costs of constructing the Project have been paid, including, without limitation, interest on the Note which may be due prior to the Completion Date; all necessary certificates of occupancy or building permit sign offs by the Building Department of the City of Sacramento have been issued; and all of the conditions to final disbursement of the Loan have been satisfied.

3.6. "Environmental Review" means the investigation and analysis of the Project's impacts on the environment as may be required by CEQA and/or National Environmental Policy Act (NEPA), or of the Project's impacts on any species of

plant or animal listed as a species of concern, or a threatened or endangered species under California or federal laws or regulations.

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

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

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

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

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

3.12. "General Contractor" means the general contractor named by Borrower in its application or supporting documents as the general contractor to do the Project, or any other general contractor so designated by Borrower and approved in writing in advance by Lender.

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

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

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

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

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

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

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

3.20. "Mitigation Measure(s)" means those feasible measures, actions, or features that are to be incorporated into the Project in order to avoid or substantially reduce the Projects significant impact on the environment.

3.21. "National Environmental Policy Act" or "NEPA" contains the federally required procedures to review and analyze the effect and impact of the Project on the environment as applied to the Project under 24 Code of Federal Regulations Parts 50 and 58 et seq.

3.22. "Note" means that certain promissory note evidencing the Loan and attached hereto as Exhibit 3.

3.23. "Other Lender Draw" means a draw request or other request for disbursement submitted to another lender for the Project.

3.24. "Person" means any natural person, corporation, firm, partnership, association, trust, government, governmental agency, or any other entity, whether acting in an individual, fiduciary, or other capacity.

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

3.26. "Plans and Specifications" means the final set of architectural, structural, mechanical, electrical, grading, sewer, water, street, and utility plans and specifications for the Project, including all supplements, amendments, and modifications.

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

3.28. "Project" means the development of the Property in accordance with the Plans and Specifications including, without limitation, all existing buildings, improvements, and appurtenances on the Property, all work of demolition and rehabilitation to be conducted on the Property, and all improvements, additions, and replacements constructed or placed at any time on the Property.

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

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

3.31. "Trust Deed" means that certain Deed of Trust and Assignment of Rents between Borrower, as trustor, Lender, as beneficiary, and trustee which secures the Note and is attached hereto as Exhibit 4.

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

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

**4.1. LEGAL ORGANIZATION.** Borrower is duly formed and validly exists in the form stated in Section 2 hereof, is qualified to do business in California, and has full power to consummate the transactions contemplated.

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

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

**4.4. LITIGATION.** There are no actions, suits, or proceedings pending or, to the best knowledge of Borrower, threatened against or affecting Borrower, the Property, or any part of it, or involving the validity or enforceability of the

Trust Deed, the priority of the lien, or the validity or enforceability of any of the other Loan Documents, at law or in equity, or before or by any Governmental Authority. Borrower is not in default with respect to any order, writ, injunction, decree, or demand of any court or other Governmental Authority.

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

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

**4.7. TITLE TO PROPERTY.** Borrower is the sole legal and beneficial owner of the Property, which is free of all claims, liens, and encumbrances other than those shown in the Title Policy.

**4.8. NO UNAPPROVED LOANS.** Borrower has not received financing for either the acquisition of the Property, the construction of the Project or the permanent financing of the Project except as has been specifically disclosed to and approved by Lender in writing.

**4.9. TITLE OF PERSONALTY.** All Personalty is vested solely in Borrower, free of all claims, liens, and encumbrances, and the security interest of Lender in the Personalty is a first lien except as has been previously disclosed to Lender in writing.

**4.10. USE OF PROCEEDS.** All Loan Proceeds will be disbursed as provided in this Loan Agreement and used only for payment of the costs of: (1) acquisition of the Property by Borrower; (2) construction of the Project as specified in the Plans and Specifications; and (3) other purposes specified in the Loan.

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

**4.12. PLANS AND SPECIFICATIONS.** The Plans and Specifications are satisfactory to Borrower and the General Contractor and have been approved by Lender and all other construction lenders. There are no structural defects in the Project as shown in the Plans and Specifications that are known to or reasonably should have been known to Borrower or its agents and employees, and to the best of Borrower's knowledge, no violation of any Governmental Requirement, including but not limited to an environmental requirement, exists.

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

**5. BORROWER'S COVENANTS AND CONDITIONS.** From the Effective Date until payment and performance in full of all obligations of Borrower under this Loan Agreement, the Note, the Security Documents, and the other Loan Documents or the earlier release of the liens of the Loan Documents (and all related obligations) in accordance with the terms of this Loan Agreement, the Note, the Security Documents, and the other Loan Documents, Borrower hereby covenants and agrees with Lender that:

**5.1. USE OF PROCEEDS.** Borrower shall ensure all Loan Proceeds are disbursed as provided in this Loan Agreement and used only for: (1) payment of the costs of acquisition of the Property by Borrower; (2) construction of the Project in accordance with the Plans and Specifications; and (3) other purposes specified in the Loan.

**5.2. PROPERTY MANAGEMENT.** Subject to Lender's written approval, Borrower shall obtain and maintain for the life of the Loan a top quality property management agreement with a duly accredited real estate property management company for the management of the Property, and shall assure compliance of the property manager with the property management agreement. Lender shall not disburse any funds under this Loan Agreement unless and until it has reviewed and approved the agreement as adequate and the property management company as top quality and duly accredited. Lender shall have the right to review and approve or reject any proposed changes to scope of said agreement and to changes in the real estate

property management company prior to making such changes. Any such changes made without Lender approval shall be an Event of Default under this Agreement. Lender has approved Mercy Housing Management Group as the qualified property management company for the Project.

**5.3. BORROWER'S RESPONSIBILITIES.** To prevent and avoid construction defects, Borrower shall inspect, review, supervise, and assure the high quality, adequacy, and suitability of: (i) the Plans and Specifications and all changes and amendments; and (ii) architects, contractors, subcontractors, and material suppliers employed or used in the Project, and the workmanship of and the materials used by all of them; and (iii) the progress and course of construction and its conformance with the Plans and Specifications and any amendments, alterations, and changes that may be approved by Lender. Borrower will, at Borrower's expense, defend, indemnify, save, and hold Lender harmless against all claims, demands, losses, expenses, damages (general, punitive, or otherwise), and causes of action (whether legal or equitable) asserted by any Person arising out of the use of the proceeds of the Loan. Borrower will pay Lender on demand all claims, judgments, damages, losses, or expenses (including attorney fees and expenses) incurred by Lender as a result of any legal action arising out of the use of the proceeds of the Loan. The provisions of this Section will survive the termination of this Loan Agreement and the repayment of the Loan.

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

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

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

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

**5.5. BORROWER RESERVES.** Borrower shall maintain reserves for replacement and repairs required to be made to the Property, fixtures on the Property or personal property used on the Property, or otherwise as approved by Lender, in an amount, at all times, of not less than -Sixty-Seven Thousand Dollars and No Cents (\$67,000.00) per year.

**5.6. FINANCIAL REPORTING.** During the term of the Loan, Borrower shall deliver to Lender within 120 days of the end of each calendar year audited Financial Statements prepared in accordance with generally accepted accounting principles and signed by authorized officers of Borrower. Prior to the Close of Escrow and during the term of the Loan, Borrower shall deliver to Lender any such additional Financial Statement as may be requested by Lender. Lender reserves the right to review and approve Financial Statements and other credit information and references prior to the Close of Escrow. During the term of the Loan, Borrower must deliver to Lender a monthly rent-roll including household composition information and operating statements with respect to the Property and improvements, as Lender may request.

**5.7. ANNUAL ADMINISTRATIVE FEE.** Borrower agrees to pay an annual administrative fee ("Fee") to Lender as compensation for monitoring compliance with regulatory restrictions and the administration of the Loan. Borrower shall pay annually a Fee equal to 12.5 basis points (0.125%) of the Loan Amount and One Hundred and No/100 Dollars (\$100.00) for each unit assisted by the Loan Program, not to exceed an annual amount of Fifteen Thousand Dollars and No Cents (\$15,000.00) per project. Fee payments shall commence on the Closing Date for the prorated semiannual period from the Closing Date to and including November 2020, and in equal semiannual installments in advance on each May 1 and November 1 of each year thereafter throughout the longest term provided in the Regulatory Agreement.

**6. LOAN.** Lender agrees to lend to Borrower, and Borrower agrees to borrow from Lender, an amount not to exceed the Loan Amount, to finance the development of the Project and for other purposes as specified in the Scope of Development, subject to the terms, conditions, representations, warranties, and covenants in this Loan Agreement.

**6.1. PRINCIPAL AMOUNT.** The principal amount of the Loan shall be the actual disbursements of Lender on account of the Project, not to exceed the amounts stated in the Budget (as the Budget may be adjusted by written approval of Lender). In any event, the principal amount of the Loan shall not exceed the Loan Amount.

**6.2. USE OF LOAN FUNDS.** Loan funds shall be used solely for actual costs of the Project as stated in the Budget. No Loan funds shall be used for any costs, except as provided in the Budget. Unless otherwise noted in the Budget, allowed predevelopment costs, if any, are not subject to the withholding as Retention.

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

**6.4. CLOSING IN ADVANCE OF SENIOR LOAN.** Lender will subordinate this Loan to the senior loan, provided that the senior loan does not require modification of this Loan Agreement or Lender's entry into any agreements containing new or modified Loan terms.

**6.5. NOTE AND SECURITY DOCUMENTS.** The Loan is evidenced by the Note executed by Borrower in favor of Lender and delivered to Lender upon Close of Escrow. Repayment of the Note is secured by the Trust Deed covering the Property and the Project. Borrower shall execute the Trust Deed in favor of the Title Company as Trustor in trust for the benefit of Lender and deliver it to Escrow for recordation. The Loan is also secured by the Additional Collateral, if any, as evidenced by the applicable Security Documents.

**6.6. REGULATORY AGREEMENT.** The Regulatory Agreement imposing covenants, conditions and restrictions running with the land is a material consideration for the making of the Loan. Borrower shall execute the Regulatory Agreement prior to Close of Escrow and deliver it to Escrow for recordation. Violation of the Regulatory Agreement is an Event of Default of this Loan.

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

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

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

**7. TITLE INSURANCE.** Borrower must procure and deliver to Lender an ALTA Lender's Policy of Title Insurance, together with such endorsements as Lender may require, including but not limited to CLTA endorsement nos. 100, and 102.5/102.7, and 116 insuring Agency in an amount equal to the principal amount of the Loan, that Lender's Trust Deed constitutes a third lien or charge upon the Property and improvements subject only to such items as shall have been approved by Lender. There must be no exceptions permitted for mechanics liens. Title insurance for the Loan must be issued by a title insurer approved by Lender.

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

**8.1. CONDITION OF TITLE.** Lender shall cause Escrow Agent to issue to Borrower (with a copy to Lender) the Preliminary Report, together with copies of all documents relating to title exceptions referred to in the Preliminary Report. At Close of Escrow, Lender's Trust Deed shall be a valid lien against the Property securing the Loan and subject to no

exceptions to title (of record or off record) other than the exceptions listed in the "Conditions of Title" in the Escrow Instructions.

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

**8.3. CONDITIONS TO BORROWER'S PERFORMANCE.** Borrower's obligation to perform under this Loan Agreement is subject to satisfaction of all of the following conditions: (a) the closing conditions as defined in the Escrow Instructions have been fulfilled as of Close of Escrow; (b) Lender has met the Additional Conditions to Close of Escrow and applicable Special Provisions, if any; (c) Lender's representations and warranties in this Loan Agreement are true and correct as of the date of this Loan Agreement and as of the Close of Escrow; and (d) this Loan Agreement continues to be in full force and effect, and no default on the part of Lender has occurred under this Loan Agreement.

## **9. INTENTIONALLY OMITTED.**

**10. CONSTRUCTION.** As a condition of the Loan, Borrower will diligently proceed with construction in accordance with the Scope of Development as approved by Lender. Borrower shall complete such work on or before the Completion Date, subject to Unavoidable Delay.

**10.1. CHANGES.** In order to assure sufficient funding for the Project, Borrower shall not authorize any Change without the prior written consent of Lender. If in the judgment of Lender, a Change, together with all other Changes contemplated or previously approved by Lender, will cause an increase in the cost of the Project in excess of the contingency reserve identified in the Budget, then Borrower will, as a condition precedent to Lender's consent, provide Lender with proof that the contingency reserve has been increased as necessary to pay for all such Changes. Borrower will submit any such Change to Lender for approval on a form acceptable to Lender, together with approvals by the Project Architect, if any, and the General Contractor. Borrower shall maintain funds available in the contingency reserve that are in substantially the same percentage of the original contingency reserve as the percentage of the Project then remaining to be completed.

**10.2. CONTRACTORS AND CONTRACTS.** All contracts, subcontracts, contractors, and subcontractors shall be subject to Lender's approval prior to the Closing Date. Lender 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 in form and substance to Lender, as it determines to its sole satisfaction. Upon Lender's request, Borrower will furnish to Lender correct lists of all contractors, subcontractors and material suppliers employed in connection with the Project, specifying their addresses, their respective portion of the Project and their respective Project cost. Lender may contact directly each contractor, subcontractor, and material supplier to verify the facts disclosed by the list or for any other purpose related to the Loan. All contracts by Borrower or its contractors relating to the Project will require terms sufficient to permit disclosure to Lender of any information Lender deems, in its sole determination, necessary to make such verifications.

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

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

**10.3.2. ECONOMIC OPPORTUNITY EMPLOYMENT REQUIREMENTS.** This Loan requires that to the greatest extent feasible, opportunities for training and employment be given to lower income residents in and around the area of the project. Borrower will instruct its General Contractor and its subcontractors to utilize lower income project area residents as employees to the greatest extent feasible by:

(1) Identifying the number of positions in the various occupational categories including skilled, semi-skilled, and unskilled labor, needed to perform each phase of the Project;

(2) Identifying, within the positions identified in Paragraph (1) of this subsection, the number of positions in the various occupational categories which are currently occupied by regular, permanent employees;

(3) Identifying, within the positions described in Paragraph (1) of this subsection, the number of positions in the various occupational categories which are not currently occupied by regular, permanent employees;

(4) Establishing the positions identified in Paragraph (3) of this subsection, a goal which is consistent with the purpose of this subsection within each occupational category of the number of positions to be filled by lower income Project area residents; and

(5) Making a good faith effort to fill all of the positions established in Paragraph (4) of this subsection with lower income Project area residents through Greater Sacramento Urban League, Sacramento Works, Sacramento Employment Training Agency, or similar local workforce agencies.

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

**10.3.4. MONITORING PROVISIONS.** Borrower, the General Contractor and subcontractors shall comply with the requirements of Lender for monitoring the anti-discrimination and all applicable labor requirements.

**10.4. INSPECTION.** Lender may, at any time and without notice to Borrower, enter on the Property and inspect the Project; and, during regular business hours, examine the books, records, accounting data, plans, shop drawings, specifications, and other documents of Borrower pertaining to the Project and to make extracts or copies. Borrower shall make all such documents available to Lender promptly on demand. Borrower agrees to cooperate fully (and to cause the General Contractor to cooperate fully) with Lender and its Lender's designated agent and to permit all appropriate access to the Property and to all relevant books and records. Borrower shall bear the cost of reasonable inspections, except that Lender shall bear its costs of inspection. If however, Lender's inspection discovers issues of a nature that require further third-party review or investigation, Borrower shall bear the costs of such third party review.

**10.5. PROTECTION AGAINST LIEN CLAIMS.** Borrower shall promptly and fully discharge all claims for labor, materials and services in connection with the Project. Borrower shall promptly file a valid Notice of Completion on completion of the Project. Borrower shall promptly file a Notice of Cessation in the event of a cessation of labor on the Project for a continuous Period of (30) days or more. Borrower shall take all other reasonable steps to protect against the assertion of lien claims against the Property. Within ten (10) days after the filing of any claim of lien against the Property, Borrower shall record a surety bond in the office of the Recorder of the County where the Property is located in an amount sufficient to release the claim of lien or deliver to Lender any other assurance as may be acceptable to Lender as evidenced by Lender's written acceptance of such assurance.

**10.5.1.** Lender, at any time, may require Borrower to obtain a lien waiver with respect to each payment to the General Contractor and each payment by the General Contractor or Borrower to each of the various subcontractors and material suppliers. Lender, at any time, may require Borrower to make any payments for the Project by joint check made payable to the General Contractor and subcontractor for whose account the payment is to be made, as joint payees.

**10.5.2.** In any event, Borrower is not required to pay, prior to adjudication, any claims for labor, materials, or services that Borrower, in good faith, reasonably disputes, and that Borrower, at its own expense, is currently and diligently contesting in the proper forum, provided that Borrower has filed the surety bond or given Lender such other assurance as Lender accepts in writing.

**10.6. INTENTIONALLY OMITTED.**

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

**10.8. OTHER LENDER DRAW.** Borrower shall concurrently submit to Lender any Other Lender Draw. Delivery of such Other Lender Draw shall be made in the same manner as any other notice, except that it shall also be marked "OTHER LENDER DRAW REQUEST" and delivered to the person named in writing by Lender as the recipient of such requests or, in the absence thereof, to Lender's Portfolio Management office. Borrower shall provide Lender with true, accurate and correct copies of each Other Lender Draw, if any, including without limitation all supporting information, documents, and other required submittals. Lender shall have the right to reject an Other Lender Draw, for failing to comply with the Loan, for changing the Project in any material way, or for impairing the ability of Lender to enjoy the practical realization of its rights under the Loan and its related instruments. If Lender rejects an Other Lender Draw, Borrower shall withdraw the notice for such Other Lender Draw and shall not accept and shall return to Lender any disbursement on account of such Other Lender Draw.

**10.8.1. ACKNOWLEDGMENT OF RELIANCE.** Borrower acknowledges that Lender is making Loan disbursements in advance of disbursements of other lenders in reliance upon Borrowers compliance with this provision.

**10.8.2. LIQUIDATED DAMAGES.** IF BORROWER FAILS TO PROVIDE TO LENDER ANY OTHER LENDER DRAW, AS AND WHEN REQUIRED UNDER THIS LOAN AGREEMENT, LENDER SHALL BE IRREPARABLY HARMED IN THAT BORROWER'S ABILITY TO REPAY THE LOAN AND LENDER'S SECURITY FOR THE LOAN SHALL BE IMPAIRED TO AN UNKNOWN EXTENT. BORROWER AND LENDER AGREE THAT IT WOULD BE IMPRACTICAL OR EXTREMELY DIFFICULT TO FIX ACTUAL RESULTING DAMAGES IN SUCH EVENT. BORROWER AND LENDER, THEREFORE, AGREE THAT AN AMOUNT EQUAL TO TWO PERCENT (2%) OF THE LOAN AMOUNT SHALL CONSTITUTE LIQUIDATED DAMAGES PAYABLE TO LENDER ON ACCOUNT OF SUCH EVENT, RECEIPT OF WHICH SHALL CONSTITUTE THE EXCLUSIVE REMEDY OF LENDER FOR SUCH EVENT, AND ONLY FOR SUCH EVENT. PAYMENT OF SAID AMOUNT TO LENDER AS LIQUIDATED DAMAGES IS NOT INTENDED AS A FORFEITURE OR PENALTY WITHIN THE MEANING OF CALIFORNIA CIVIL CODE SECTIONS 3275 OR 3369, BUT INSTEAD, IS INTENDED TO CONSTITUTE LIQUIDATED DAMAGES TO LENDER PURSUANT TO SECTIONS 1671, 1676 AND 1677 OF THE CALIFORNIA CIVIL CODE. SAID AMOUNT SHALL BE IMMEDIATELY DUE AND PAYABLE AS OF THE DATE ON WHICH BORROWER DELIVERED SUCH OTHER LENDER DRAW TO THE OTHER LENDER. LENDER SHALL HAVE THIRTY (30) DAYS AFTER RECEIVING ACTUAL NOTICE OF SUCH EVENT TO NOTIFY BORROWER IN WRITING THAT LIQUIDATED DAMAGES UNDER THIS SECTION ARE DUE. BORROWER SHALL HAVE FIFTEEN (15) DAYS AFTER SUCH WRITTEN NOTIFICATION TO CURE THE DEFAULT BY WITHDRAWING THE OTHER LENDER DRAW AND RETURNING ANY DISBURSEMENT ON ACCOUNT OF SUCH OTHER LENDER DRAW. IF BORROWER FAILS TO PAY LIQUIDATED DAMAGES WHEN DUE UNDER THIS SECTION, THE LOAN SHALL BE ALL DUE AND PAYABLE AT THE ELECTION OF LENDER.

\_\_\_\_ Lender's Initials

\_\_\_\_ Borrower's Initials

**10.9. PROJECT SIGN.** If Borrower places a sign on the Property during construction stating the names of the Project participants, it shall also name Lender as a participant in the Project. Lender's name on the sign shall be in letters not less than size of letters used to name any of the other participants.

**10.10. NO PRIOR LIENS.** Borrower shall not allow the Project construction to begin or materials to be delivered to the Project until after Close of Escrow.

**10.11. PREVAILING WAGES.** Unless stated otherwise above, Lender advises Borrower that the Project is subject to the payment of prevailing wages under California law. Borrower shall inform the General Contractor and shall require the General Contractor to inform all subcontractors and materialmen furnishing goods or services to the Project of Lender's determination of the applicability of California prevailing wage requirements. Borrower and General Contractor have had the opportunity to meet with their respective legal counsel and to request a determination of the matter before the California

Department of Industrial Relations and any other appropriate governmental bodies. Borrower and General Contractor have made their own independent determinations of the applicability of prevailing wage laws and have independently implemented such determinations. Borrower indemnifies, holds harmless and defends Lender from all additional wages, benefits, fees, penalties, fines, legal fees, court costs, arbitration costs, and other costs arising from the improper application of California prevailing wage laws to the Project by Borrower or General Contractor or both of them. If more than eleven (11) units are assisted with HOME funds as the Funding Source (as indicated in the Regulatory Agreement), Borrower shall comply with Davis-Bacon prevailing wage requirements as described in the HOME Funding Requirements.

#### **11. LOAN DISBURSEMENT PROCEDURES.**

**11.1. CONDITIONS PRECEDENT TO EACH LOAN DISBURSEMENT.** The obligation of Lender to make any disbursements of Loan Proceeds shall be subject to the following conditions precedent:

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

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

11.1.3. Borrower has obtained and maintained, and Lender has approved a loan approval from a financial institution or other lender approved by Lender in its sole discretion, to make the permanent financing obtained by Borrower, which repays after completion of the Project all construction and other loans secured by the Project and which is secured by a senior lien against the Property. Such permanent financing approval must provide: (a) that it is subject only to those conditions that are usual and customary in the industry and that can be satisfied by the proposed closing date of the permanent financing; (b) that it is in full force with no default by any party; (c) any such loan approval or commitments for financing shall not require modification of the Loan Documents, or any term of this commitment letter, (d) any such loan approval or commitments shall not be based upon sources and uses of Project funds that are different from those approved by Lender for the Project, and (e) that Lender will have notice of, and a reasonable opportunity to cure, any Borrower defaults;

11.1.4. Lender is satisfied that all completed work has been done using sound, new materials and fixtures, in a good and proper manner, and all materials, fixtures, and furnishings installed on or acquired for the Property will be owned by Borrower free of any liens, encumbrance, or other interests of any kind other than Lender's lien or security interest;

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

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

11.1.7. Borrower shall provide assurances, satisfactory to Lender in its sole discretion, 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; and

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

**11.2. CONDITIONS PRECEDENT TO FIRST DISBURSEMENT.** Borrower's request for the first disbursement of Loan Proceeds (the "First Disbursement") is a representation and warranty by Borrower that there has been no material adverse change in Borrower's financial capacity or in any representation made to Lender in Borrower's application for the Loan or Borrower's supporting documentation. Lender shall make the First Disbursement when the following conditions precedent and the conditions precedent stated in Section 11.1 have been met:

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

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

11.2.3. Borrower has obtained and Lender has approved a loan approval from a financial institution or other lender approved by Lender in its sole discretion, to make the permanent financing obtained by Borrower, or has obtained commitments to issue bonds, which repays after completion of the Project all construction and other loans secured by the Project and which is secured by a senior lien against the Property. Such permanent financing approval must provide: (a) that it is subject only to those conditions that are usual and customary in the industry and that can be satisfied by the proposed closing date of the permanent financing; (b) that it is in full force with no default by any party; and (c) that Lender will have notice of, and a reasonable opportunity to cure, any Borrower defaults;

11.2.4. Borrower has provided proof of all insurance required by the Loan Documents;

11.2.5. The construction lender's commitment to make a construction loan is in full force, has not been modified and no event has occurred that with notice or the passage of time or both could result in the termination of it. Nothing in the permanent loan commitment, or submissions and approvals made under it, conflicts with this Loan Agreement. Borrower has done all things necessary to keep unimpaired its rights under the loan commitment for the construction lender's construction loan;

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

11.2.7. Borrower must request the First Disbursement consistent with the terms and conditions of this Loan Agreement no later than 11 months following the Effective Date of this Loan Agreement.

11.3. **CONDITIONS PRECEDENT TO FINAL DISBURSEMENT.** Lender shall make the final loan disbursement under this Loan Agreement when the following conditions precedent and the conditions precedent stated in Section 11.1 have been met:

11.3.1. As applicable, the Project architect and Lender's designated agent will have certified to Lender, on AIA Form G704 and in a manner satisfactory to Lender:

- a. That the Project has been duly completed in a good and proper manner using sound, new materials;
- b. That the Project complies with the Plans and Specifications, the requirements of all Governmental Authorities and any other party having enforceable rights regarding the construction of the Project; and
- c. That the Project is structurally sound.

11.3.2. Borrower has provided to Lender a true, accurate and complete copy of the final draw request to all other lenders for the Project;

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

11.3.4. Title policy endorsements in form and amount satisfactory to Lender (including an endorsement insuring lien-free completion of the Project) have been furnished to Lender;

11.3.5. Borrower has furnished evidence, in form and substance satisfactory to Lender, that:

- a. The General Contractor and subcontractors and material suppliers and their subcontractors and material suppliers have been paid in full;
- b. Borrower has obtained final certificates of occupancy for all of the Project or building permit sign offs by the Building Department of the City of Sacramento for all of the Project;
- c. All other permits and approvals necessary for the acquisition, construction, furnishing, equipping, management, operation, use, or ownership of the Project have been obtained, subject only to those conditions approved by Lender, and

d. The completed Project complies with all applicable zoning regulations, subdivision map acts, building code provisions, and similar governmental laws and regulations, and has all utilities and adequate ingress and egress from public streets, that evidence to be in the form of a certificate executed by Borrower in favor of Lender.

11.3.6. That Borrower has provided to Lender an inventory showing make, model, value, cost, and location of all furniture, fixtures, and equipment and other personal property of a value in excess of \$1,000 and used in the management, maintenance, and operation of the Project, that are included in the collateral for the Loan;

11.3.7. Borrower has filed a notice of completion of the Project necessary to establish the commencement of the shortest statutory period for filing of mechanics' and materialmen's liens;

11.3.8. Lender has received written approval from the surety on any bond required by Lender;

11.3.9. Borrower has submitted to Lender a final cost certification prepared by a CPA; and

11.3.10. Borrower must request Final Disbursement consistent with terms and conditions of this Loan Agreement no later than 3 years and 11 months following the Effective Date of this Loan Agreement. If Borrower fails to request Final Disbursement consistent with the terms and conditions of this Loan Agreement within 3 years and 11 months of the Effective Date the remaining funds will be recaptured.

**11.4. MAKING DISBURSEMENT.** Lender shall pay each disbursement request within twenty (20) business days after the disbursement request is submitted to Lender, subject to fulfillment of the conditions precedent as stated in Section 11.1. Lender shall disburse the actual cost of the work represented in the disbursement request by Borrower, reduced by the cost of work included in the request and not satisfactorily completed and by the amount of the Retention to be withheld.

**11.5. DISBURSEMENT OF LESS THAN FULL REQUEST.** If Lender makes a disbursement which is less than the full amount of the disbursement requested, Lender shall inform Borrower of the items disallowed for disbursement and the reason for disallowing them. Lender shall disburse the Loan in the following order of priority, except as expressly provided and unless paid by Borrower from other funds: (a) first, to pay Lender's Loan fees and expenses due; (b) second, to pay Lender the interest due on the Loan; (c) third, at Lender's option to pay all impositions due; (d) fourth, at Lender's option, to make any other payments that Lender may in its sole discretion deem necessary or advisable to protect Lender's security under the Loan Documents; and (e) fifth, to make the disbursement of funds then due in response to Borrower's current request for disbursement. For purposes of this section, impositions means all real estate and personal property taxes and other taxes and assessments, water and sewer rates and charges, and all other charges of a Governmental Authority and any interest or costs or penalties with respect to them, ground rent and charges for any easement or agreement maintained for the benefit of the Property, of every nature and any kind that at any time may be assessed, levied, imposed, or become a lien on the Property, Fixtures or income received from the Property or Fixtures, or any use or occupancy of the Property; and any charges, expenses, payments, or assessments of any nature that are or may become a lien on the Property or the income received from it.

**11.6. NO WAIVER BY DISBURSEMENT.** Regardless of the failure of any condition precedent to Lender's obligation to make disbursements to Borrower, Lender may make a disbursement if Lender, in its sole discretion, determines it to be advisable. The making of any disbursement shall not be deemed to constitute an approval or acceptance by Lender of the work completed or a waiver of the condition with respect to a subsequent disbursement.

**11.7. COMPLIANCE.** To the best of Borrower's knowledge, the construction, use, and occupancy of the Property and Project comply in full with, or if built according to the Plans and Specifications, will comply in full with, all Governmental Requirements. No right to construct or use the Project is to any extent dependent on any real property other than the Property. All approvals, licenses, permits, certifications, filings, and other actions normally accepted as proof of compliance with all Governmental Requirements by prudent lending institutions that make investments secured by real property in the general area of the Property, to the extent available as of the date of this Loan Agreement, have been given or taken, or Borrower is entitled to have them given or taken as the ministerial act of the applicable Governmental Authority.

## **12. RESIDENTIAL OPERATIONS.**

**12.1. VERIFICATION OF NET INCOME.** When requested by Lender, Borrower shall provide Financial Statements and such other evidence as Lender may deem necessary to verify the Project net income, including without limitation copies of certified rent rolls, bank statements, billing statements and invoices.

**12.2. SECURITY AND LIGHTING.** Project shall include a security camera system approved by Lender and lighting adequate to properly illuminate the parking area and all common spaces. In addition, Project will include security cameras and desk clerk coverage 24 hours per day, seven (7) days per week, including holidays.

**12.3. RESIDENT SERVICES PLAN:** Borrower shall provide Lender with a detailed resident services plan including but not limited to the following information: (1) identification of all entities responsible for providing resident services to Project tenants and each entity's role in the provision of those services; (2) a description of the services to be provided; (3) a resident services budget; and (4) Prior to execution, Borrower must submit to Lender any agreement providing for the resident services by a third party which agreement is subject to Lender approval. The agreement must include a minimum of twenty (20) hours per week of on-site resident services, including an on-site service coordinator for six (6) hours, and the remaining fourteen (14) hours for educational, workforce development, enrichment, case management, and transportation assistance programs.

**12.4. SMOKE FREE ENVIRONMENT.** Fifty percent of the residential units and all indoor common areas must be smoke free.

### **13. DEFAULT.**

**13.1. EVENTS OF DEFAULT.** At the option of Lender, each of the following events will constitute an Event of Default, subject to applicable cure rights, if any, including, without limitation, cure rights provided in Section 16 of the Trust Deed:

13.1.1. Borrower's non-performance of any obligation or breach of this Agreement;

13.1.2. The occurrence of an event of default under any of the Loan Documents;

13.1.3. Subject to Borrower's legal rights to contest a Governmental Requirement, Borrower's failure to comply with any Governmental Requirement, unless within ten (10) days after notice of such failure by Lender or the respective governmental entity or after any action has been commenced to enforce such requirement, Borrower has cured such failure; provided that if such failure cannot be cured within such ten (10) days, Borrower shall have such additional time as is necessary to effect such cure, provided that Borrower has commenced the cure within such ten (10) days and diligently pursues the cure; however, in no event shall such additional time exceed 45 days;

13.1.4. Borrower's failure to keep in full force any permit, license, consent, or approval with respect to the construction, occupancy, or use of the Project, unless within ten (10) days after notice by the issuing entity or Lender of such failure, Borrower has promptly cured such failure; provided that if such failure cannot be cured within such ten (10) days, Borrower shall have such additional time as is necessary to effect such cure, provided that Borrower has commenced the cure within such ten (10) days and diligently pursues the cure; however, in no event shall such additional time exceed 45 days;

13.1.5. Any material deviation from the Plans and Specifications in the construction of the Project, or the appearance or use of defective workmanship or materials in the construction of the Project, if Borrower fails to remedy them or to diligently proceed to remedy them to Lender's satisfaction within ten (10) days after Lender's written demand to do so;

13.1.6. Borrower's failure to complete the construction of the Project by the Completion Date, subject to Unavoidable Delays;

13.1.7. The filing of any lien against the Property or Project or the service on Lender of any bonded stop notice related to the Loan, if the claim of lien or bonded stop notice continues for thirty (30) days without discharge, satisfaction, or the making of provision for payment (including bonding) to the satisfaction of Lender;

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

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

13.1.10. Notwithstanding the foregoing, the Lender agrees that any notice of a default under this Loan Agreement or under any other Loan Document also shall be provided to Borrower's limited partner pursuant to Section 16.10 below, and such limited partner shall have the right, but not the obligation, to cure any such default during the applicable cure period. Lender agrees that a cure of any default by such limited partner shall be deemed a cure by Borrower, and shall be accepted or rejected on the same basis as if made or tendered by Borrower.

#### 14. REMEDIES.

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

14.1.1. Terminate its obligation to make disbursements;

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

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

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

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

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

14.3. **DISCLAIMER.** Whether Lender elects to employ any of the remedies available to it in connection with an Event of Default, Lender will not be liable to construct, complete, or protect the Project; to pay any expense in connection with the exercise of any remedy; or to perform any other obligation of Borrower.

14.4. **GRANT OF POWER.** Subject to the prior rights of lenders whose loans are secured by the Property and senior to the rights of Lender, Borrower irrevocably appoints Lender as its attorney-in-fact, with full power and authority, including the power of substitution, exercisable on the occurrence of an Event of Default, to act for Borrower in its name, place, and stead as provided in this Loan Agreement, to take possession of the Property and Project, remove all employees, contractors, and agents of Borrower, to complete or attempt to complete the work of construction, and to market, sell, or lease the Property and Project; to make any additions, changes, and corrections in the Plans as may be necessary or desirable, in Lender's sole discretion, or as it deems proper to complete the Project; to employ any contractors, subcontractors, suppliers, architects, inspectors, consultants, property managers, and other agents that Lender, in its sole discretion, deems proper for the completion of the Project, for the protection or clearance of title to the Property or Personalty, or for the protection of Lender's interests, to employ security guards to protect the Property and Project from injury or damage; to pay, settle, or compromise all bills and claims then existing or later arising against Borrower that Lender, in its sole discretion, deems proper for the completion of the Project, for the protection or clearance of title to the Property, or for the protection of Lender's interests; to prosecute and defend all actions and proceedings in connection with the Property or Project; and to execute, acknowledge, and deliver all other instruments and documents in the name of

Borrower that are necessary or desirable, to exercise Borrower's rights under all contracts concerning the Property or Project, and to do all other acts with respect to the Property or Project that Borrower might do on its own behalf, in each case as Lender in its reasonable discretion deems proper.

**15. LIABILITY INSURANCE.** With regard to this Loan Agreement, Borrower shall obtain and maintain for the life of the Regulatory Agreements, and require the General Contractor and subcontractors for the Project to obtain and maintain for the term of the development of the Project, such insurance as will protect them, respectively, from the following claims which may result from the operations of Borrower, General Contractor, subcontractor or anyone employed by any of them, or by anyone for whose acts any of them may be liable: (a) claims under workers' compensation benefit acts; (b) claims for damages because of bodily injury, occupational sickness or disease, or death of his employees; (c) claims for damages because of bodily injury, sickness or disease, or death of any person other than his employees; (d) claims for damages insured by usual personal injury liability coverage which are sustained (1) by any person as a result of a liability arising out of the employment of such person by Borrower, or (2) by any other person; claims for damages, other than to the construction itself, because of injury to or destruction of tangible property, including resulting loss of use; and (e) claims for damages because of bodily injury or death of any person or property damage arising out of the ownership, maintenance or use of any motor vehicle.

**15.1. LIABILITY INSURANCE POLICY LIMITS.** Borrower shall obtain all insurance under this Section 15 written with a deductible of not more than Ten Thousand Dollars (\$10,000) or an amount approved by Lender, and for limits of liability which shall not be less than the following:

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

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

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

**15.1.4. INTENTIONALLY OMITTED.;**

**15.1.5. PERSONAL INJURY.** Borrower shall obtain and maintain contractual liability for coverage for bodily injury of \$1,000,000 for each occurrence;

**15.1.6. HAZARD.** 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 Lender. 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 Lender's security for the Loan as may be required by Lender, governmental regulations, or any permanent lender; and

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

**15.2. INSURANCE PROVISIONS.** Each policy of insurance required under this Loan Agreement shall be obtained from a provider licensed to do business in California and having a current Best's Insurance Guide rating of A VII or better, which rating has been substantially the same or increasing for the last five (5) years, or such other equivalent rating, as may

reasonably be approved by Lender's legal counsel. Each policy shall contain the following provisions as applicable, unless otherwise approved by Lender's legal counsel in writing in advance:

**15.2.1. ADDITIONAL INSURED.** Borrower shall obtain a policy in ISO form CG 20 33, or equivalent, naming Lender as additional insured under the Commercial General Liability Policy at the same limits as required in section 16.1.2, above.

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

**15.2.3. CERTIFIED POLICY COPY.** Borrower shall provide Lender with a certified copy of each required policy of insurance, upon request by Lender. Borrower shall provide Lender with a Certificate of Insurance of Insurance for each policy on the applicable ACORD form. And, specific sections of the policy may be requested by Lender for review. The ACORD form shall not substitute for the policy, if the policy is requested. The most current ACORD 25-S "Certificate of Liability Insurance shall be used for liability insurance.

**15.3. CANCELLATION.** Borrower will provide Lender with the cancellation clause and/or any amendatory endorsements that modify or change the policy cancellation clause of the insurance policies in force. It is Borrower's responsibility to notify Lender of any notice of cancellation, non-renewal or non-payment of premium in accordance with your policy provisions. In the event insurance is cancelled or not renewed, Borrower shall notify Lender within forty-eight (48) hours of such cancellation or non-renewal.

\_\_\_\_\_**Borrower's Initials**

**15.4. FAILURE TO MAINTAIN.** If Borrower fails to obtain or maintain, or cause to be obtained and maintained, any insurance required by this Loan Agreement, Lender shall have the right, upon five (5) days written notice and opportunity to cure, to purchase the insurance on Borrower's behalf, and Borrower shall promptly reimburse the full cost of such insurance to Lender. If Borrower fails to reimburse Lender for insurance, the amount of unpaid reimbursement shall bear interest, at the maximum rate permissible under the law, until paid.

**15.5. BLANKET COVERAGE.** Borrower's obligation to carry insurance as required under this Section 15 may be satisfied by coverage under a "blanket" policy or policies of insurance (as the term is customarily used in the insurance industry); provided, however, that Lender shall nevertheless be named as an additional insured under such blanket policy or policies to the extent required by this Section, the coverage afforded Lender will not be reduced or diminished thereby, and all of the other requirements of this Section 15 with respect to such insurance shall otherwise be satisfied by such blanket policy.

## **16. MISCELLANEOUS.**

**16.1. NONRECOURSE.** Notwithstanding any provision of this Loan Agreement or any document evidencing or securing this Loan, Borrower, and Borrower's principals, partners, members, agents, officers, and successors in interest shall not be personally liable for the payment of the Loan or any obligation of the Loan.

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

**16.3. CONDEMNATION.** The proceeds of any award or claim for damages, direct or consequential, in connection with any condemnation or other taking of all or any part of the Property, or for conveyance in lieu of condemnation, are hereby assigned and shall be paid to Lender. In the event of a taking of all of the Property, the proceeds shall be applied to the sums provided by this Loan, subject to any claims of prior lienholder, with the excess, if any, paid to junior lienholders and Borrower, as they may determine. In the event of the partial taking of the Property, unless Borrower and Lender otherwise

agree in writing, and subject to any claims of prior lienholders, there shall be applied to the sums secured by the Trust Deed such proportion of the proceeds as is equal to that proportion which the amount of the sums secured by the Trust Deed immediately prior to the date of taking bears to the fair market value of the Property immediately prior to the date of taking, with the balance of the proceeds paid to junior lienholders and Borrower, as they may determine.

If the condemnor offers to make an award or settle a claim for damages to the Property and: (1) the Property is abandoned by Borrower; or (2) after notice by Lender to Borrower of the condemnor's offer, Borrower fails to respond to Lender within 30 days after the date such notice is mailed; Lender is authorized to collect and apply the proceeds, at Lender's option, either to restoration or repair of the Property or to the sums secured by the Trust Deed.

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

**16.4. SUBORDINATION.** Lender may subordinate this Loan to a senior loan, provided that any senior loan for the Project indicated in the Budget meets all requirements of this Loan Agreement, and that such senior loan does not require modification of this Loan Agreement.

**16.5. FUNDING REQUIREMENTS.** Borrower shall comply with all laws, rules, regulations and funding requirements that govern the use of any such funds used to fund the Loan. Lender, to the extent required by law, shall cooperate with and assist Borrower in fulfillment of such obligations. If Lender, as a result of actions of Borrower, shall be obligated to repay the Loan Program any amount of the Loan Proceeds, Borrower shall make such repayment on account of Lender and failure to do so shall be an Event of Default.

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

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

**16.8. NO THIRD PARTIES BENEFITED.** This Loan Agreement is made and entered into for the sole protection and benefit of the parties and their permitted successors and assigns, and no other Person will have any right of action or any rights to funds at any time on deposit in any construction account or impound account, if established.

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

**16.10. NOTICES.** Borrower irrevocably appoints Lender as its agent (the agency being coupled with an interest) to file for record any notices of completion, cessation of labor, or any other notice that Lender deems necessary or desirable to protect its interests under this Loan Agreement or under the Loan Documents. All notices to be given under this Loan Agreement shall be in writing and sent to the addresses stated above for the respective recipient by one or more of the following methods. Any notices provided to the Borrower under this Loan Agreement or under the Loan Documents shall also be provided to Borrower's limited partner as follows: Wincopin Circle LLLP, c/o Enterprise Community Asset

Management, Inc., 70 Corporate Center, 11000 Broken Land Parkway, Suite 700, Columbia, MD 21044, Attention: General Counsel.

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

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

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

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

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

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

16.13. **SIGNS.** Borrower agrees that on the request of Lender, Borrower will erect and place on or in the immediate vicinity of the Property a sign indicating that Lender has provided acquisition and construction financing for the Project, which sign shall remain for the duration of construction. If Borrower places a sign on the Property during construction stating the names of the Project participants, it shall also name "Sacramento Housing and Redevelopment Agency" as a participant in the Project. Lender's name on the sign shall be in letters not less than size of letters used to name any of the other participants.

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

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

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

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

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

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

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

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

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

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

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

**16.25. SEVERABILITY.** If any term, provision, covenant, or condition or any application is held by a court of competent jurisdiction to be invalid, void, or unenforceable, all terms, provisions, covenants, and conditions and all

applications not held invalid, void, or unenforceable will continue in full force and will in no way be affected, impaired, or invalidated.

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

**16.27. INDEMNITY.** Borrower agrees to defend, indemnify, and hold Lender harmless from all losses, damages, liabilities, claims, actions, judgments, costs, and reasonable attorney fees that Lender may reasonably incur as a direct or indirect consequence of the making of the Loan, Borrower's failure to perform any obligations as and when required by this Loan Agreement or any of the other Loan Documents, the failure at any time of any of Borrower's representations or warranties to be true and correct, or any act or omission by Borrower, any contractor, subcontractor, engineer, architect, or other Person with respect to the Property, the Project, or any portion of them except to the extent caused by the gross negligence or willful misconduct of Lender. Borrower will pay immediately on Lender's demand any amounts owing under this indemnity, together with interest at the maximum rate permitted by law from the date Lender makes a payment or incurs a loss. Borrower's duty to indemnify Lender will survive the release and cancellation of the Note and the reconveyance or partial reconveyance of the Trust Deed.

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

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

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

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

**16.32. NUMBER, IDENTITY AND GENDER.** When the context and construction so require, all words used in the singular will be deemed to have been used in the plural and vice versa. When the context and construction so require, all words which indicate a gender will be deemed to have been used to indicate the gender as indicated by the context.

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

**BORROWER:**

**MERCY HOUSING CALIFORNIA 90, L.P., A  
CALIFORNIA LIMITED PARTNERSHIP**

By: 1121 9th Street LLC,  
a California limited liability company,  
its general partner

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

By: \_\_\_\_\_  
Stephan Daues, Vice President

**LENDER:**

**SACRAMENTO HOUSING AND REDEVELOPMENT  
AGENCY, A JOINT POWERS AUTHORITY**

By: \_\_\_\_\_  
La Shelle Dozier, Executive Director

Approved as to form:

\_\_\_\_\_  
Lender Counsel

Exhibit 1: Legal Description

**For APN/Parcel ID(s): 006-0102-016 and 006-0102-018**

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

**PARCEL ONE**

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

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

**PARCEL TWO**

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

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

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

## **CAPITOL PARK HOTEL**

Capitol Park Hotel was originally built in 1912 and was a 180-room Single Room Occupancy (SRO) hotel on approximately 0.26 acres located in the Central City/Downtown area of the City of Sacramento. The preservation and development plan consists of 134 studio apartments located within six and eight story brick, wood and concrete buildings that are joined at almost every level. There is currently a full basement and partial mezzanine. There is approximately 7,000 sf of retail space on the ground floor that will be reduced to approximately 3300 sf and will be double height (i.e., no mezzanine above retail locations). There are minimal existing common areas. Approximately 4,000 sf of office, common utility and community space amenities will be created on the ground floor with the retail space adjoining the current lobby. On the mezzanine level, approximately 4,800 sf of office, common, community space in additional circulation is created from mostly currently unused space. Additional multipurpose rooms will be created by converting SRO rooms on each of the upper residential floors. There is no on-site parking or landscaping. Bicycle parking will be available on-site with most of it occurring in a secured basement area and some available on the ground floor, off the alley. This area is shared space with the adjacent office building. A central trash shoot will be created at the building to this area. The trash dumpsters will then be taken by motorized cart to the alley on pick-up days.

### **I. Site Work:**

1. **Asphalt Pavement:** It is assumed that the Kayak Alley pavement will need to be repaved where adjacent to the building and at utility connections on 9<sup>th</sup> Street.
2. **Hollow Sidewalks:** After conferring with City of Sacramento Planning, an allowance is provided to fill the sidewalks and recreate the look of the prism lights. The alley between the buildings will be repaved.

### **II. Building Exteriors**

1. **Electrical:** All wiring and equipment will be replaced with new wiring and equipment. All exterior lights will be replaced and updated with energy efficient fixtures.
2. **Entryway Doors:** The front entry doors and threshold will be replaced to be ADA compliant.
3. **Roof:** Roofing will be replaced, and insulation will be added. Additionally, roof safety anchors will be installed for safer construction, window cleaning, and future maintenance. All unnecessary existing structures on the roof will be removed.
4. **Siding:** The existing brick and concrete facades will be repaired and repainted. The cement plaster in a light well will be removed and replaced. Decorative sheet metal will be repaired and repainted. A mechanical shaft covered in metal siding will be repurposed as a stair and reclad in new metal siding.
5. **Commercial Storefronts:** The existing (not original) raw clay brick will be painted to match the building. One new storefront and two small windows will be replaced.
6. **Windows:** Existing wood windows will be repainted and repaired as required by historic/SHPO requirements. New windows will be installed in the light well and added stair.

### **III. Building Interiors**

1. **Structural/Seismic Improvements:** The building and exterior brick walls will be reinforced with a series of interior shotcrete walls that will come to concrete moment frames on the ground floor. The moment frames allow for larger openings on the ground floor and better preserve the historic look and function of the ground floor commercial spaces. This system was decided upon after consultation with SHPO.
2. **Americans with Disabilities Act (ADA) Units:** There will be a total of 17 Americans with Disabilities Act (ADA) compliant accessible units. Seven additional units will have communication features.

3. **Appliances:** All units will have new kitchenette style appliances, including a sink, a two-burner cooktop and a small refrigerator. A microwave shelf will be provided, but not a microwave.
4. **Blinds, Shades and Curtains:** All units will have new blinds installed.
5. **Bathtubs and Toilets:** All units will have new bathtub enclosures. Restrooms shall have new toilets and accessories.
6. **Cabinets, Counters and Sinks:** All units will have new cabinets, solid surface or granite countertops and sinks in the kitchen and bathroom.
7. **Ceilings and Walls:** All existing unit interior demising walls separating the units will be removed entirely. Corridor wall framing on the northern building will remain, but lath and plaster, wood trim and doors will be either restored or reproduced to match the original. Gypsum board insulation and sealant will be added for better acoustics.
8. **Electrical and Lighting:** All units will have all new electrical, lighting, data, smoke detection and fire alarms.
9. **Flooring:** The units will have new luxury vinyl plank (LVP) flooring. Wear layer of LVP shall be at least 12 mils inside dwelling units. The bathrooms will have sheet vinyl flooring to provide a cleanable, impervious surface.
10. **Furnishings:** All units will be furnished with twin bed frames and mattresses, nightstands and dressers.
11. **Plumbing Fixtures:** All units will have new code compliant plumbing fixtures.

#### **IV. Community Amenities**

1. **Ceilings and Walls:** All ceilings and walls will be stripped of lath and plaster or drywall. Selective framing to be removed per demolition plan.
2. **Community/Staff Restrooms:** Two accessible restrooms will be provided on the ground floor and one of the mezzanine levels.
3. **Community Room – 1<sup>st</sup> Floor:** A community room that will function more like a large community living room will be created on the first floor in the old Salad Bar space with double height ceilings in the center and the mezzanine at front and back with connecting open corridors with railings looking over the first floor. All new flooring, electrical fixtures, and furniture will be provided.
4. **Community rooms/lounges – Mezzanine level:** two multipurpose rooms will be created out of the two spaces overlooking 9<sup>th</sup> Street. These rooms will serve as staff conference rooms, spaces for group therapy/AA/NA type meetings, as well as social event space. The larger northern room will have a sink, counter, and fridge. These spaces currently have very low dropped ceilings that will be rebuilt at a higher level.
5. **Multipurpose Rooms** –There are five small and one large multipurpose rooms on the upper floors to be used as either storage, a lounge, or additional office/meeting space.
6. **Community Room Kitchen:** A separate warming/prep/storage kitchen for staff and event use is planned at the mezzanine level.
7. **Elevator:** The two elevators will be completely rebuilt to current building code.
8. **Hallways and Stairs:** Hallways will have new vinyl plank flooring and new paint. The southern stair will be rebuilt to meet code requirements. Per SHPO consultation, the northern stair will be repaired in place.
9. **HVAC & Plumbing Systems:** All new plumbing and HVAC, fire sprinklers, electrical, data and lighting is planned.

10. **Laundry Facility:** A single laundry room is planned at a central location.
11. **Lobby:** The lobby will be remodeled in its current location with an added front desk and ramp up to the level of the northern building floor.
12. **Signage:** All unit numbers will be remounted after hallways are completed. Exterior building signage will include replacing the historic signage with a plan to be developed in collaboration with the City Planning Dept and SHPO. New code-required signage will be provided.
13. **Trash Room:** A central trash chute and room will be created at the center of the 2 buildings, but in the northern half. The southern half will also have small trash rooms, but they are not connected to a chute system.
14. **Basement:** The basement will be cleared out of all equipment and furniture. The basement will be accessed by one of the elevators and by two stairs. The basement will be used for equipment and staff/maintenance storage only.

**Attachment 1: Rental Property Minimum Construction Standards are attached and incorporated in this Scope of Development.**

**Attachment 1: Rental Property Minimum Construction Standards**  
This attachment is from Exhibit 2 from the Lender's Multifamily Lending and Mortgage Revenue Bond Policies.

The following is a list of the required minimum construction standards that must be incorporated into projects participating in SHRA's Multifamily Financing and/or Mortgage Revenue Bond programs. All rental units and sites associated with these projects must meet or exceed these standards. Exceptions to these standards may be made for properties subject to U.S. Department of Housing and Urban Development replacement reserve requirements that allow for renovation over time rather than at recapitalization (e.g., Rental Assistance Demonstration conversions for conventional public housing).

**Note:** For rehabilitation projects, all of the following standards shall apply. The non-rehabilitation sections below shall apply to new construction projects.

**Useful Life Expectancy – Rehabilitation only**

SHRA shall reference the current edition of FannieMae's "Instructions for Performing a Multifamily Property Condition Assessment, Appendix F. Estimated Useful Life Tables" in determining the useful life for all building components and systems located within the project. A remaining useful life of 15 years or more is required for all building components and systems located within the approved complex. All items on the FannieMae tables with useful lives indicated to be less than 15 years shall be replaced.

**General Requirements**

- A. All materials funded under this loan must be new unless previously approved. Recycled items must be approved in writing by SHRA prior to their use.
- B. All work shall comply with Federal and State ADA accessibility requirements, as well as any other requirements stipulated by the funding source(s). When there are differences the stricter of the two shall apply. The developer is responsible for notifying their architect and/or engineer of all funding sources used on the project. The architect and/or engineer must indicate these funding requirements in the project's plans/scope.
- C. All units shall be approved for occupancy by the local Building Department or any other Agency Having Jurisdiction (AHJ) at the conclusion of the work and prior to occupancy.
- D. Web-based security cameras and the equipment to record events are required for primary ingress/egress points to and from the site and for the principal parking and indoor and outdoor common areas where people will be congregating.
- E. Site lighting is required for all parking and outside public spaces, and shall be of LED or similarly energy efficient type. The lenses on the exterior lights shall be cleaned with all oxidation removed or replaced. Light poles shall be new or painted, and shall be structurally sound and stable.
- F. The developer's architect is responsible for providing an Operating Procedure Outline Sheet (OPOS) for window washing systems where applicable, per Cal-OSHA requirements.
- G. SHRA encourages the use of energy and water-efficient systems wherever they may be incorporated into the project.

**General Requirements – Rehabilitation only**

- A. Any component of the project which does or may present a health or safety hazard to the public or tenants shall be corrected to the satisfaction of the local Building Department or AHJ.
- B. A clear pest inspection report will be required at the conclusion of the construction work for rehabilitation projects.
- C. For all structures where disturbance of any hazardous materials (e.g. lead, asbestos, mold, etc.) will occur, a clearance report from an environmental consultant is required.
- D. Projects deemed historically significant landmark by either the City of Sacramento or the National Register of Historic Places shall consult with the State Historic Preservation Officer (SHPO), and shall conform to the Secretary of the Interior Standards for the Treatment of Historic Properties.

### **Site Work**

- A. Trees and large shrubs must be trimmed, grass areas must be mowed, and all planter areas must be weed-free. The landscape design shall incorporate a sustainable design appropriate for the Sacramento Valley. Vegetation that assists in minimizing crime and enhances public safety is preferred. Trees compromising building envelope materials (roofing, siding, windows, etc.) and/or structural integrity (including foundations) must be removed. An arborist shall be consulted for an opinion on trees prior to major branch trimming, root cutting or tree removal. All trees, bushes and other plants that are to be removed shall have the root ball removed by grinding or by mechanical means. A landscape plan describing the above must be provided to SHRA for approval.
- B. All landscaped areas must be served by a programmable automated irrigation system. The irrigation controller shall be a "Smart Controller" that senses rain to reduce water use. Irrigation shall be designed to use bubblers and other water saving measures. Irrigation must not spray on building. Sprinklers should minimize overspray that runs to storm drain drop inlets. Areas that show evidence of erosion of soil shall be landscaped to eliminate problems. The landscape plan must be approved by SHRA and applied.
- C. For gated communities containing swinging vehicle gates, driveways shall be striped to show the area under the gate swings for safety purposes.
- D. All projects shall contain trash enclosures with concrete aprons. Trash enclosures shall be made of cinder block or stucco. Trash enclosures shall be accessible to all tenants. Provisions for tenants with disabilities must be addressed in the project Scope of Development or the project plans.
- E. All projects shall meet the parking requirements of the local Agency Having Jurisdiction (AHJ) over the project. "Grandfathered Projects" will need to show that they are in fact "Grandfathered" or otherwise exempted by the local AHJ. Otherwise, all projects shall meet the governing ADA requirements for parking.
- F. A two percent (2%) slope shall be maintained for a distance of five feet from all structures and no standing water shall remain on the site. Provide an on- site drainage system if necessary.
- G. Stairways in common areas must include closed risers and non-slip concrete finish or other slip-resistant material on the treads.
- H. Exterior mounted electrical, mechanical, and plumbing systems must be protected from vandalism.
- I. For family projects of 50 or more units, a minimum of one school age-appropriate play structure is required. For family projects of 100 or more units, a minimum of one school age and one toddler-appropriate play structure is required.

### **Site Work – Rehabilitation only**

- A. All landscaping and irrigation systems must be in a well-maintained condition.
- B. All fencing must be in good and serviceable condition. Existing fencing that is to remain shall be free of flaking paint, rust, or any other signs of failure. If existing fencing shows any signs of failure, it shall be repaired, painted and restored to look new. All chain link fencing must be removed and replaced with fencing of another approved material. All pedestrian gates hardware must be functional and in new or near-new condition. Access Control systems are required at exterior pedestrian gates.
- C. All driveways and sidewalks must be in good condition. All cracked or uplifted areas (more than ¼") shall be repaired or replaced.
- D. The asphalt shall be in good condition, with no alligator cracking, longitudinal cracking, potholes, or standing water. Repairs to portions of parking lots not suitable for new coatings shall be performed by removing and replacing damaged paving. A new seal-coat or slurry-coat shall then be applied to the entire parking lot surface. Parking spaces shall be restriped, including ADA aisles and other applicable striping/painting.
- E. All site accessories (bollards, benches, tables, play equipment, bike racks, mailboxes, shade structures, BBQs, sheds, etc.) shall be replaced or in good repair (cleaned, painted and/or re-coated).

### **Building Envelope and Moisture Protection – Rehabilitation only**

- A. All areas exposed to moisture must be sealed and watertight. Buildings showing evidence of water intrusion shall have the areas inspected by a licensed architect/engineer or by a certified water intrusion expert. A water intrusion report shall be submitted to SHRA, and shall include the cause of the issue and a resolution to eradicate the water intrusion. If the inspection cannot be completed until the demolition phase of the project, the report shall describe a procedure to inspect the issue during demolition.
- B. Roofing must have 15 years or more of remaining life with no visible signs of leakage. For roofs containing composition shingles, a maximum of two layers of shingles are allowed (including any proposed new layers). Provide evidence that the roof system has a 15-year life remaining on the manufacturer's warranty.
- C. All siding must have 15 years or more of remaining life. Hairline cracks in stucco must be sealed and painted with elastomeric paint. If requested by SHRA, a statement by a licensed architect and/or engineer that the existing siding contains at least 15 years of useful life remaining shall be provided.
- D. Fireplaces must be clean and meet applicable air quality standards. Chimneys shall be clean and must be inspected by a certified chimney inspector for structural integrity. All recommended structural repairs shall be performed.

### **Doors and Windows**

- A. All dwelling/tenant units must have screens on all windows that are designed to open. Windows designed to open must have functional locks and must operate freely without excessive effort. All windows must be dual-paned (minimum), and shall meet or exceed the State of California's currently applicable efficiency standards, and any other efficiency standards that may be dictated by the funding source or other governing bodies for the project.
- B. All doors must have matching hardware finishes.
- C. All exterior doors must have deadbolt locks, keyed latch assemblies, viewers, and screws in strike plates long enough to penetrate the door jamb framing by at least one inch. The dwelling entry door hardware shall have single action hardware to release deadbolt and latch assembly.
- D. All sliding exterior doors shall have screen doors and shall have functional locks and must operate freely without excessive effort.
- E. All doors and windows must meet current egress standards.

### **Doors and Windows – Rehabilitation only**

- A. Any windows showing signs of condensation or leakage of any kind shall be replaced. SHRA allows window replacement using retrofit windows when those windows are installed by trained professionals following manufacturer's specifications. Retrofit windows must have a similar useful life as "new, construction" (i.e., nail fin) windows.
- B. All doors and doorjamb must be in good condition. No damaged or worn doorjamb or doors are allowed. Doors and/or jamb beyond their useful life shall be replaced.

### **Casework**

- A. New cabinet boxes shall be made of plywood or solid wood. No particle board boxes will be allowed.
- B. All counter tops shall be of solid surface or granite, and in very good condition with no significant scratches, burns or other imperfections.
- C. Face frames, doors and drawer faces shall be solid hardwood. No plastic laminate finishes will be allowed.

### **Casework – Rehabilitation only**

- A. All cabinets shall be replaced or in very good condition, within their 15 year useful life, both structurally and in appearance.

### **Finishes**

- A. All dwelling unit kitchens shall contain luxury vinyl plank (LVP) flooring. Bathrooms must be floored with LVP, sheet vinyl or ceramic tile to provide a cleanable, impervious surface. Bedrooms, hallways, and living and dining rooms may be floored with carpeting, LVP or hardwood. Wear layer of LVP shall be at least 12 mils inside dwelling units. Tenant unit entries shall be floored with LVP or ceramic tile.

In common areas, corridors may be floored with LVP, glue-down carpeting, or carpet tiles. Community rooms and kitchens shall be floored with LVP. Wear layer of LVP in common/commercial areas shall be a minimum of 20 mils thick.

Carpet shall meet or exceed the minimum standards as set by HUD's UM-44D bulletin.

### **Finishes – Rehabilitation only**

- A. Floor coverings must be in good, useable condition - no holes, tears, rips, or stains.
- B. All exterior and interior surfaces must be painted. No peeling, cracking, chipping, or otherwise failing paint will be allowed. All painted surfaces must be new, or in near new condition and appearance.
- C. Acoustic (popcorn) ceiling texture must be removed and refinished with new texture to match wall texture.

### **Equipment**

- A. Dishwashers, refrigerator/freezer, oven, stoves and garbage disposals are required in all dwelling unit kitchens. All appliances must be new or in very good operating condition. All appliances must be Energy Star rated, as applicable. Appliances slated for ADA units shall be per code requirements.
- B. SRO projects are encouraged to provide the appliances listed above and will be reviewed and approved on a case-by-case basis.
- C. All kitchens must have adequate cabinet and counter space. Installation of shelving for microwaves is required if over-the-range microwaves are not used, with the exception of ADA units.

### **Furnishings**

- A. Dwelling units must have window coverings on all windows.

### **Special Construction**

- A. Non-habitable structures on property must be painted to match primary buildings and must be structurally sound.
- B. Laundry facilities must, at a minimum, be consistent with CTCAC requirements of one washer and dryer for every ten dwelling units for family housing and one for every 15 units for senior and special needs projects. Ten percent of the total number of washer/dryers must be ADA-accessible machines (unless the ADA units contain their own laundry facilities). Solid surface countertops will be required within laundry rooms and countertops shall meet all ADA requirements.
- C. Public pool areas shall have self-closing gate(s). Fences and gates at pool areas shall meet applicable current codes and standards. Joints between coping and concrete deck shall be appropriately caulked. Existing pools shall have no cracks in plaster or tile grout joints. The Developer is responsible for ensuring pool and surroundings meet all applicable current codes and standards. If a project contains two or more pools, at least one must remain following rehabilitation.

### **Mechanical/Plumbing**

- A. Water heaters must be installed per current applicable codes.
- B. All common areas and tenant units must have heating and air conditioning. Wall mount (i.e. PTAC units) or central systems are acceptable. Evaporative coolers are not acceptable. HVAC units should be protected from vandalism, pursuant to discretion of SHRA.
- C. Toilets, showerheads, faucets, and mixing valves shall be new and meet current water conservation codes.
- D. Tub surrounds must be one unbroken piece per wall and must be of solid surfaces (such as "Swanstone" or other solid acrylic materials, quartz composites), or other similar materials. Fiberglass/acrylic surrounds are acceptable.

### **Mechanical/Plumbing – Rehabilitation only**

- A. All toilets, sinks, and tubs shall be chip and stain free.

### **Electrical**

- A. All units must have smoke/carbon monoxide detectors installed per current code.
- B. Wiring from telephone/data/cable suppliers shall be installed within walls, attic spaces, and/or crawl spaces. No conduits are allowed to be mounted on the exterior of the buildings in new construction.
- C. Broadband infrastructure meeting the requirements of 24 CFR 5.100\* is required in all new construction projects of 4 or more units.

*\*Broadband infrastructure means cables, fiber optics, wiring, or other permanent (integral to the structure) infrastructure, including wireless infrastructure, that is capable of providing access to Internet connections in individual housing units, and that meets the definition of "advanced telecommunications capability" determined by the Federal Communications Commission under section 706 of the Telecommunications Act of 1996 (47 U.S.C. 1302).*

### **Electrical – Rehabilitation only**

- A. All electrical panels shall meet current code.
- B. Any rehabilitation projects with un-grounded electrical systems shall be re-wired with grounded systems to meet current code.
- C. For rehabilitation projects, switches, outlets and light fixtures shall be replaced with devices that meet current applicable codes.
- D. Wiring mounted on the exterior of the surface may be allowed if it is concealed in conduit and conduit is painted to match exterior siding. For projects where exterior siding will be removed, this wiring shall be installed within walls, attic spaces, and/or crawl spaces.

### **Resident Services Community Space**

All properties, regardless of project type (i.e. senior, family, or large family), must devote a minimum of 1,200 s.f. to actual resident services/community space. Resident services space includes common kitchens, computer rooms, meeting rooms and general gathering space. It does not include public restrooms, leasing offices, laundry facilities and lobbies. Common kitchens are required, including refrigerator, stove, garbage disposal, and dishwasher.

For existing buildings, these requirements shall apply unless SHRA deems there to be significant physical constraints.

### **End of Scope of Development**

Exhibit 3A: HOME Note

**PROMISSORY NOTE**  
**FOR CAPITOL PARK HOTEL**  
**ACQUISITION, CONSTRUCTION AND PERMANENT LOAN AGREEMENT**

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

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

DEFINED TERM:	DEFINITION:
"Effective Date"	[ , 2020]
"Lender"	Sacramento Housing and Redevelopment Agency, a joint powers authority
"Borrower"	Mercy Housing California 90, L.P.
"Borrower Legal Status"	a California limited partnership
"Loan Agreement"	The Loan Agreement between the Borrower and Lender as of the Effective Date for making of the loan ("Loan") evidenced by this Note.
"Principal Amount"	Three Million Two Hundred Thousand Dollars and No Cents (\$3,200,000.00)
"Interest Rate"	The interest rate is 0% per year.
<b>PAYMENT SCHEDULE.</b> Repayment of this Note shall be made as follows:	
"Maturity Date"	The first day of the 68 <sup>th</sup> calendar month following the Effective Date: [DATE].
"Payment Amount(s)"	<p>Annual Loan payments will be made on a Residual Receipts basis (as defined below) beginning on August 1st following conversion to permanent financing and the initial annual audited financial statement, as defined below, until the Maturity Date. Annual Loan payments shall be applied first to outstanding interest accrued and unpaid and then to Principal Amount.</p> <p>"Residual Receipts" means Net Operating Income (or "NOI") (as defined below) less each of the following payments made in the order of priority set forth below during each installment period, as confirmed by Financial Statements (as defined in Section 3.10 herein) from the preceding year. In no event shall any item be paid during any installment period unless all items prioritized above it have received its full payment during such installment period. Payment priority shall be as follows, with the highest priority starting with item one (1) and descending downward to item four (4):</p> <ol style="list-style-type: none"><li>1) Partnership management fee up to \$20,000 annually as of the Loan's Effective Date escalating at 3% annually, which payment shall accrue to the extent unpaid in any given year.</li><li>2) Asset management fees up to \$5,000 annually as of the Loan's Effective Date escalating at 3% annually, which payment shall accrue to the extent unpaid in any given year.</li><li>3) After Sections one (1) and two (2) of Residual Receipts are paid, available cash flow from NOI will go into a transition reserve account until such account has a balance of the higher of \$1,245,000 or the final amount required by the California Department of</li></ol>

	<p>Housing Community Development (HCD) No Place Like Home (NPLH) program regulatory agreement, then available cash flow will go into a separate services and operating reserves account to cover supportive and/or resident services or operating deficits of the Project. Any remaining available cash flow from NOI will be paid under Section four (4) of Residual Receipts.</p> <p>4) After Sections one (1) through three (3) of Residual Receipts are paid, 100% of the available cash flow from NOI proportionately divided in the following manner:</p> <p>a) 50% to Borrower;</p> <p>b) 21.08% to HCD to repay the NPLH loan until it has been fully repaid (with interest);</p> <p>c) 21.96% to the Sacramento Housing and Redevelopment Agency (SHRA) to repay the HOME loan until it has been fully repaid (with interest); and then to repay the CDBG loan until it has been fully repaid (with interest); and then to repay the HOPWA loan until it has been fully repaid (with interest); and then to repay the HTF loan until it has been fully repaid (with interest); and then to repay the MIHF loan until it has been fully repaid (with interest); and</p> <p>d) 6.96% to the Housing Authority of the City of Sacramento (HACS) to repay the HASAF loan until it has been fully repaid (with interest).</p> <p>The Net Operating Income is defined as periodic "Revenue" less "Operating Expenses." "Revenue" means all revenue from the leasing of the Project, including but not limited to all rents, fees, and charges paid by tenants as well as rental subsidy payments regardless of the source of these subsidies, forfeited tenant deposits, rent increases, proceeds from vending machines and laundry room machines. Revenue shall not include tenants' security deposits (unless forfeited), interest on those deposits, loan proceeds, capital contributions or similar advances, or amounts released from reserves or interest on reserves.</p> <p>"Operating Expenses" shall mean actual costs, fees and expenses as evidenced by invoices attributable to the operation, recordkeeping, maintenance, taxes and management of the Project, including property management fees; taxes and assessments; payroll, benefits and payroll taxes for Project employees; insurance; security; painting, cleaning, repairs, and alterations; landscaping; sewer charges; utility charges; advertising, promotion and publicity; cable television, satellite, cable; elevator and other similar services; office, janitorial, cleaning and building supplies; recreational amenities and supplies; purchase, repair, servicing and installation of appliances; costs and expenses associated with the provision of social and/or community services to the residents of the Project; equipment, fixtures and furnishing; fire alarm and elevator monitoring; fees and expenses of accountants, attorneys, consultants and other professionals; and monitoring fees to: a) HCD with respect to the NPLH loan, b) SHRA with the respect to the HOME, CDBG, HOPWA, HTF and MIHF loans, and c) HACS with the respect to the HASAF loan. The definition will include deposits into operating and/or replacement reserves maintained by the Borrower.</p>
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FOR VALUE RECEIVED, THE UNDERSIGNED, JOINTLY AND SEVERALLY, PROMISES TO PAY to Lender, or its successors or assigns, the Principal Amount or such lesser amount as may be endorsed on this Note on behalf of Lender. The Loan shall bear interest on the outstanding principal balance, computed from the Accrual Date at the Interest Rate.

1. This Note evidences the obligation of Borrower to Lender for repayment of the Loan. The terms and covenants of the Loan Agreement are incorporated in this Note by reference. The Loan Agreement provides for and incorporates the Regulatory Agreement (as defined in the Loan Agreement), the making of which is further consideration for this Note.

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

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

4. This Note is secured by a Deed of Trust and Assignment of Rents against the real property described in the Loan Agreement ("Property"), recorded in the office of the County Recorder of Sacramento County ("Trust Deed"). The Trust Deed securing this Note provides that Lender may at its option, declare all funds secured by the Trust Deed immediately due and payable, if any interest in the Property is refinanced, sold, hypothecated, transferred or conveyed to any person, whether voluntarily or involuntarily, except as permitted under Section 6.9 of the Loan Agreement. The Trust Deed further provides that if Borrower does not comply with the requirements of the Regulatory Agreement and fails to come into compliance with the Regulatory Agreement within thirty (30) days after Lender's written notice to Borrower of such failure, Lender may at its option, declare all funds secured by the Trust Deed immediately due and payable.

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

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

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

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

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

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

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

f. The sale, transfer of title, conveyance or further encumbrance of the Property, whether by sale, exchange, gift, inheritance or other means, without prior written consent of Lender.

g. Any of the following occur:

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

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

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

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

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

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

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

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

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

**Borrower:**

**Mercy Housing California 90, L.P.**

**By:** 1121 9th Street LLC,  
a California limited liability company,  
its general partner

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

**By:** \_\_\_\_\_  
Stephan Daues, Vice President