



April 7, 2021

**Sacramento Housing and
Redevelopment Commission
Sacramento, CA**

Honorable Members in Session:

SUBJECT:

Cornerstone North, South and Habitat For Humanity Project: Tax Equity and Fiscal Responsibility Act (TEFRA) Hearing, Conditional Loan Commitment, Predevelopment Loan Documents, Conditional Construction Grant Documents, Inducement, Disposition And Development Agreements And Transfer Of Water Connection Fee Credits

RECOMMENDATION:

Staff is presenting this information to the Commission for review, prior to final review by the Board of Supervisors and Housing Authority.

Respectfully Submitted


LA SHELLE DOZIER
Executive Director

Attachment

801 12th Street, Sacramento, CA 95814

**COUNTY OF SACRAMENTO
CALIFORNIA**

For the Agenda of:
April 20, 2021
Public Hearing

To: Board of Supervisors and the Housing Authority of the
County of Sacramento

Through: Ann Edwards, Interim County Executive
Bruce Wagstaff, Deputy County Executive, Social Services

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

Subject: Cornerstone North, South and Habitat for Humanity
Project: Tax Equity and Fiscal Responsibility Act (TEFRA)
Hearing, Conditional Loan Commitment, Predevelopment
Loan Documents, Conditional Construction Grant
Documents, Inducement, Disposition and Development
Agreements and Transfer of Water Connection Fee Credits

District(s): Kennedy

RECOMMENDED ACTION

1. Adopt a Board of Supervisors Resolution which indicates that the TEFRA public hearing has been conducted related to the proposed acquisition, construction and permanent financing of Cornerstone South development.
2. Adopt a Board of Supervisors Resolution approving the Sacramento Housing and Redevelopment Agency (SHRA) budget amendment and the following:
 - a. Conditional Loan Commitment comprised of \$10,000,000 in Affordable Housing Funds, HOME Investment Partnerships Program funds and Housing Trust Funds for the predevelopment, acquisition, construction and permanent financing of the Cornerstone North and South developments (Loan Commitment), and authorization to execute the Loan Commitment, Predevelopment Loan Documents for the Cornerstone South development, and related documents associated with this transaction with Cornerstone North Mutual

- Housing Associates, L.P., and Cornerstone South Mutual Housing Associates, L.P., or related entities; and
- b. Conditional Construction Grant comprised of \$1,175,000 in Affordable Housing Funds for the Habitat for Humanity development, and authorization to execute Conditional Construction Grant Documents and related documents associated with this transaction with Habitat for Humanity of Greater Sacramento, or related entity, and make related findings.
3. Adopt a Housing Authority Resolution authorizing the issuance of up to \$20,000,000 in tax-exempt mortgage revenue bonds for the Cornerstone South development, and authorizing submittal of an application to the California Debt Limit Allocation Committee (CDLAC) for allocation authority to issue the bonds.
 4. Adopt a Housing Authority Resolution authorizing the Executive Director, or her designee, to perform the following actions:
 - a. Execute the Loan Commitment for the Cornerstone North and South developments in association with the seller carryback land loans, and related documents associated with this transaction with Cornerstone North Mutual Housing Associates, L.P., and Cornerstone South Mutual Housing Associates, L.P., or related entities; and
 - b. Execute the Disposition and Development Agreements for Cornerstone North, South and Habitat for Humanity developments, and related documents associated with these transactions with Cornerstone North Mutual Housing Associates, L.P., Cornerstone South Mutual Housing Associates, L.P., Habitat for Humanity of Greater Sacramento, or related entities (collectively, Developer); and
 - c. Transfer water connection fee credits to the Developer, and make related findings.

BACKGROUND

On October 31, 2001, Sacramento Housing and Redevelopment Agency (SHRA) acquired title to an approximately seven-acre site through a deed in lieu of foreclosure. The property is located south of 46th Street and Lang Avenue, east of Highway 99 (Property). A Vicinity Map is included as Attachment 1.

SHRA released five Request for Proposals (RFP) over the years. The first four RFP's either received no responses or were not selected due to infeasibility. On March 14, 2019, SHRA, on behalf of the Housing Authority, issued the fifth Request for Proposals seeking an affordable housing developer to

acquire and build affordable housing on the property. On May 13, 2019, three affordable housing developers submitted proposals to SHRA and the selection panel awarded the Property to Mutual Housing California (Mutual Housing) and Habitat for Humanity of Greater Sacramento, a nonprofit self-help housing organization (Habitat for Humanity) proposal for a 108-unit permanent supportive/homeless and workforce housing development and 18 single family detached homes within one master development referred to as Cornerstone (Project).

On October 1, 2019, Mutual Housing and Habitat for Humanity submitted a funding application to SHRA for predevelopment, acquisition, construction and permanent financing of the Project.

On April 3, 2020, SHRA, on behalf of the Housing Authority, issued a Request for Proposals seeking owners and developers interested in receiving Project Based Vouchers (PBV) to serve homeless families/individuals. On May 5, 2020, Mutual Housing submitted a proposal and were awarded 16 PBV, eight (8) PBV assisted units at each Cornerstone North and South developments.

Project Description

The proposed new construction of Cornerstone is comprised of three affordable housing developments, Cornerstone North, Cornerstone South, and Cornerstone Habitat for Humanity. Cornerstone North and Cornerstone South is part of a four percent and nine percent Low Income Housing Tax Credit (LIHTC) hybrid structure that allows affordable housing developers with the flexibility to leverage tax credit funding to build new or rehabilitate affordable housing developments. The Site Plan and Project Renderings are included as Attachments 2, 3, and 4.

Cornerstone North is a multifamily, permanent supportive/homeless, workforce housing development composed of garden-style walk-up buildings and includes a total of five (5) buildings and 48 units comprised of one-, two- and three-bedroom units. Amenities on site include landscaped courtyards, barbecue areas, picnic tables, laundry facility, and 28 car parking and 62 bicycle parking spaces. The community room with kitchen, management and resident services offices, restroom and playground for school-aged youth is located in this parcel of the development. The residents of Cornerstone South will have access to the amenities. The residents of Cornerstone North will have access to parking in Cornerstone South.

Cornerstone South is also a multifamily, permanent supportive/homeless, workforce housing development composed of garden-style walk-up buildings and includes a total of eight (8) buildings and 60 units comprised of one-, two- and three-bedroom units. Amenities on site include landscaped courtyards, barbecue areas, picnic tables, laundry facility, and 83 car parking, three (3) motorcycle parking and 60 bicycle parking spaces. Residents will have access to all of the amenities, including park stalls, located in the North parcel of the development.

Cornerstone Habitat for Humanity is a workforce housing development of 13 single- and five (5) two-story single family detached homes. The single story homes will provide three bedrooms and two bathrooms. The two-story homes will provide four bedrooms and two bathrooms. The homes range from 1,100 to 1,300 square feet, and will provide laundry connectivity, one-car garages, front yards landscaped and backyards. Residents will have access to the playground and community building amenities at the multifamily development.

Entitlements: The site plan approval for the Project was approved by the Planning Commission on January 11, 2021.

Neighborhood Amenities: The proposed Project is near recreational facilities and transit options. As seen in the attached Vicinity Map, the Nicholas Park is immediately northeast and includes a new playground, picnic area and baseball fields. It recently received a \$3,600,000 grant from the Statewide Park Program administered through California State Parks to renovate the park which is anticipated to be complete in the summer of 2023. Bus line Number 68 runs on 47th Avenue and it is located approximately 1.5 miles from the 47th Avenue Light Rail station. The County is underway with the pedestrian and bicycle improvements on 47th Avenue from Stockton Boulevard to the light rail station.

Developer: Cornerstone North and South multifamily community will be developed by the respective limited partnerships, Cornerstone North Mutual Housing Associates and Cornerstone South Mutual Housing Associates. Mutual Housing California (Mutual Housing) is a nonprofit public benefit corporation dedicated to developing affordable housing and has developed 22 affordable properties in California, including 14 properties in Sacramento.

Cornerstone Habitat for Humanity homeownership community will be developed by Habitat for Humanity of Greater Sacramento. Habitat for Humanity is a nonprofit self-help housing organization dedicated to developing affordable homeownership housing and has developed over 225

single family homes in Sacramento. Mutual Housing and Habitat for Humanity are collectively, the Developer of the Project.

Property Management: Mutual Housing Management (MHM) will manage the Cornerstone North and South developments. MHM manages 22 properties in California. SHRA staff has reviewed MHM's qualifications and management plan, and has found that the proposed property management agent and management plan meet SHRA requirements.

Supportive Services: Lutheran Social Services (LSS) will dedicate one Full-Time Equivalent (FTE) case manager to provide services needed by the 16 PBV formerly homeless residents. LSS provides a wide array of social services in Northern California for the past 45 years. LSS has been providing housing services to formerly homeless youth, single adults, and families in Sacramento for nearly 25 years. SHRA staff has reviewed the qualifications of LSS and the supportive services plan, and has found that the proposed supportive services provider and supportive services plan meet SHRA requirements.

Resident Services: Resident Services will be provided by Mutual Housing. A minimum of 20 hours per week of on-site services will be available to all residents and includes after school, education and enrichment programs, and transportation assistance (e.g., light rail/bus passes). An on-site coordinator will be assigned to the property. SHRA staff has reviewed Mutual 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 security patrol services available 24 hours a day and seven days a week; installation of web-based security cameras and recording equipment; and installation of exterior lighting. Additionally, one management staff will live at the development.

Project Financing: The Developer applied to SHRA for predevelopment, acquisition, construction and permanent financing. The financing structure of Cornerstone North and South is part of a four percent and nine percent Low Income Housing Tax Credit (LIHTC) hybrid structure that allows affordable housing developers with the flexibility to leverage tax credit funding to build new or rehabilitate affordable housing developments.

The proposed Cornerstone North includes nine percent LIHTC, conventional loan, Housing Authority seller carryback land loan and development impact

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fee waivers. The proposed Cornerstone South includes four percent LIHTC, conventional loan, SHRA predevelopment loan, SHRA construction and permanent financing loan, Housing Authority seller carryback land loan, general partnership equity, deferred developer fee and development impact fee waivers. The Jones Hall law firm will serve as Bond Counsel for the Housing Authority.

The financing structure of Cornerstone Habitat for Humanity includes the Housing Authority conveyance of a portion of the Property for one dollar, an SHRA conditional construction grant, project sponsor funding, contribution from Habitat for Humanity and fundraising and donations.

In addition, SHRA has committed a total of 16 PBV. Project Based Vouchers for homeless families/individuals are awarded in accordance with the 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).

Funding sources and uses for the Project are provided in the Project Summary as Attachments 5 and 6. A Proforma is provided as Attachment 7. The following table summarizes the SHRA and Housing Authority financing of the Project:

DESCRIPTION OF SHRA AND HOUSING AUTHORITY FINANCING	AMOUNT
Cornerstone North	
Seller Carryback Land Loan (NSP)	\$59,000
Subtotal	\$59,000
Cornerstone South	
Seller Carryback Land Loan (NSP)	\$92,000
Affordable Housing Funds (AHF) Loan (Includes \$120,000 Predevelopment Loan)	\$6,432,000
County HOME Investment Partnerships Program (HOME) Loan	\$2,752,000
County Housing Trust Funds (HTF) Loan	\$816,000
Subtotal	\$10,092,000
Total Loans to Cornerstone North and South	\$10,151,000
Cornerstone Habitat for Humanity	
Land Conveyance	\$1
AHF Grant	\$1,175,000
Subtotal	\$1,175,001
TOTAL SHRA AND HOUSING AUTHORITY FINANCING	\$11,326,001

Low-Income Set-Aside Requirements: As a condition of receiving LIHTC and the benefits of tax-exempt bond financing, federal law requires that units be set aside for targeted income groups. Income restrictions from LIHTC financing require that 20 percent of the units have rents that are affordable to households with income up to 50 percent of Area Median Income (AMI). SHRA further requires at least 15 percent of the units have rents that are affordable to households with income up to 50 percent AMI and at least five percent of the units have rents that are affordable to households with income up to 30 percent AMI, based on financial feasibility. Project affordability restrictions will be specified in regulatory agreements with the respective ownership entities of the Cornerstone North and South developments. A schedule of Maximum Income and Rent Limits is included as Attachment 8. These anticipated affordability requirements are summarized in the following tables:

CORNERSTONE NORTH AFFORDABILITY RESTRICTIONS (55 YEARS)¹	UNITS	% OF UNITS
Extremely Low Income (30% AMI)	9	19%
Very-Low Income (40% AMI)	5	10%
Very-Low Income (50% AMI)	18	38%
Low Income (60% AMI)	15	31%
Management Unit (Exempt)	1	2%
TOTAL	48	100%

CORNERSTONE SOUTH AFFORDABILITY RESTRICTIONS (55 YEARS)¹	UNITS	% OF UNITS
Extremely Low Income (30% AMI)	8	13%
Very-Low Income (40% AMI)	6	10%
Very-Low Income (50% AMI)	25	42%
Low Income (60% AMI)	21	35%
TOTAL	60	100%

¹Cornerstone North and South Developments: Pursuant to 24CFR 983.301, contract rents approved by HUD may exceed the tax-credit rent limits; and the AMI change is due to income averaging regulation by CDLAC. The tenant rent will not exceed 30% of the household adjusted gross income with PBV.

CORNERSTONE HABITAT FOR HUMANITY AFFORDABILITY RESTRICTIONS (30 YEARS)	UNITS	% OF UNITS
Very-Low Income (50% AMI)	5	28%
Low Income (80% AMI)	13	72%
TOTAL	18	100%

COMMISSION ACTION

At its meeting of April 7, 2021, the Sacramento Housing and Redevelopment Commission considered the staff recommendation for this item. Staff will notify the Board in the event the item is not approved.

POLICY CONSIDERATIONS

The recommended actions for this Project are consistent with: a) SHRA's Multifamily Lending and Mortgage Revenue Bond Policies adopted by the Board on September 24, 2019, Subsection 1.1.(2)(i), new construction of permanent supportive housing and homeless housing and Subsection 1.1(2)(iii), Workforce housing (30% AMI to 60% AMI); and b) the 2013-2021 Housing Element Goals and Strategies, Subsection 4.1.1, support efforts to improve accessibility for both dwelling units and residential neighborhoods to meet the special needs of persons with disabilities; Subsection 4.1.9, support programs that address long-term solutions to homelessness, including work skills assessment, job training/placement, permanent housing and supportive services; Subsection 4.1.11, support the development of housing to meet the needs of large households; Subsection 4.2.1, facilitate the development of new extremely low-income rental units; Subsection 4.2.3, in part, assist extremely low-income households through the use of project based vouchers; and Subsection 6.1.2, encourage residential developers to maximize energy efficiency through building design and through the use of energy efficient materials, equipment, appliances, strategies and techniques.

All affordable housing units in the Cornerstone North and South developments 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 Cornerstone North development will be specified in an NSP regulatory agreement between the Cornerstone North ownership entity and SHRA for a period of 20 years. Regulatory restrictions on the Cornerstone South development will be specified as follows: a) Bond regulatory agreement between the Cornerstone South ownership entity and the Housing Authority of the County of Sacramento for a period of 55 years; b) NSP PRP and HOME regulatory agreement between the Cornerstone South ownership entity and SHRA for a period of 20 years; and c) AHF and HTF regulatory agreement between the Cornerstone South ownership entity and SHRA for a period of 55 years. Regulatory restrictions on the Cornerstone Habitat for Humanity homeownership development will be specified in an NSP and AHF regulatory agreement between Habitat for Humanity and SHRA which will commence on the effective date and terminate after the close of escrow of qualified sales to eligible households as verified by SHRA. Regulatory restrictions on each homeownership lot will be specified in an

individual NSP and/or AHF regulatory agreement between the eligible household/homebuyer and SHRA. Compliance with the SHRA and Housing Authority regulatory agreements will be monitored by SHRA on an annual basis.

ENVIRONMENTAL REVIEW

California Environmental Quality Act (CEQA): Pursuant to the provisions of the California Environmental Quality Act (CEQA), the County of Sacramento, as the CEQA Lead Agency, prepared an Initial Study (IS) for the proposed project and adopted a Mitigation Monitoring and Reporting Program (MMRP) on January 11, 2021. This action does not constitute a new project or a change in the project under CEQA; therefore, no further environmental review is required per CEQA Guidelines Sections 15378 and 15162.

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

M/WBE/SECTION 3 CONSIDERATIONS

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.

FINANCIAL ANALYSIS

Cornerstone North: SHRA will receive an annual payment for monitoring the regulatory restrictions and administration of the loan 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 regulatory term. The Housing Authority loan for Cornerstone North is comprised of \$59,000 in NSP program funds with an interest rate of three percent and a term of 55 years after the construction period is complete.

Cornerstone South: SHRA will receive a one-time issuance fee of 0.25 percent of the bond amount, which is payable at bond closing, and annual payment for monitoring the regulatory restrictions and administration of the bonds, in the amount of 0.125 percent of the bond amount. SHRA will also receive a \$100 annual administrative fee for each assisted unit. The total administrative fee will not exceed \$25,000 annually for the affordable units during regulatory terms. The Cornerstone South ownership entity will be responsible for payment of all costs, fees, and deposits relating to the bond application. Mortgage revenue bonds do not represent a financial obligation of SHRA, Housing Authority, or County of Sacramento. The Jones Hall law firm is acting as bond counsel for the Housing Authority. The SHRA and Housing Authority loans for Cornerstone South is comprised of \$10,092,000 in NSP, AHF, HOME and HTF program funds with an interest rate of three percent and a term of 55 years after the construction period is complete.

Cornerstone Habitat for Humanity: The Housing Authority will convey the property for the proposed 18 single family detached homes for one dollar and the \$1,175,000 SHRA construction grant is comprised of AHF program funds.

Cornerstone TEFRA, Loan Commitment, Predevelopment Loan, Construction Grant, Inducement, Disposition And Development Agreements And Transfer of Water Connection Fee Credits
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Respectfully Submitted,

APPROVED
ANN EDWARDS
Interim County Executive


LA SHELLE DOZIER, Executive Director
Sacramento Housing and
Redevelopment Agency

By: _____
BRUCE WAGSTAFF
Deputy County Executive

Attachment(s):

- RES – BOS Resolution TEFRA
- RES – BOS Resolution Conditional Loan Commitment, Predevelopment Loan Documents and Conditional Construction Grant Documents
- RES – HACOS Resolution Inducement
- RES – HACOS Resolution DDAs and Transfer of Water Fee Credits
- ATT 1 – Vicinity Map
- ATT 2 – Site Plan
- ATT 3 – Rendering of Cornerstone North and South
- ATT 4 – Rendering of Cornerstone Habitat for Humanity
- ATT 5 – Project Summary of Cornerstone North and South
- ATT 6 – Project Summary of Cornerstone Habitat for Humanity
- ATT 7 – Cash Flow Proforma of Cornerstone North and South
- ATT 8 – Maximum Income and Rent Limits of Cornerstone North and South
- ATT 9 – Conditional Loan Commitment Cornerstone North and South
- ATT 10 – Predevelopment Loan Documents Cornerstone South
- ATT 11 – Construction Grant Documents Cornerstone Habitat for Humanity
- ATT 12 – DDA Cornerstone North
- ATT 13 – DDA Cornerstone South
- ATT 14 – DDA Cornerstone Habitat for Humanity

RESOLUTION NO. _____

**CORNERSTONE SOUTH BY MUTUAL HOUSING CALIFORNIA:
APPROVAL OF THE ISSUANCE OF OBLIGATIONS BY THE HOUSING
AUTHORITY OF THE COUNTY OF SACRAMENTO ON BEHALF OF
CORNERSTONE SOUTH MUTUAL HOUSING ASSOCIATES, L.P., OR
ANOTHER ENTITY CREATED OR TO BE CREATED BY MUTUAL
HOUSING CALIFORNIA**

WHEREAS, the Housing Authority of the County of Sacramento, a housing authority organized and existing under the laws of the State of California (Authority), proposes a plan of financing providing for the issuance of exempt facility bonds for a qualified residential rental project pursuant to Section 142(a)(7) of the Internal Revenue Code of 1986 in one or more series issued from time to time, including bonds issued to refund such exempt facility bonds in one or more series from time to time, and at no time to exceed \$20,000,000 (Obligations) and to lend the proceeds thereof to Cornerstone South Mutual Housing Associates, L.P., a California limited partnership, or another entity created or to be created by Mutual Housing California, a California nonprofit public benefit corporation, or an affiliate thereof, to be used to provide funds to finance or refinance the acquisition, construction and development of a 60-unit multifamily rental housing facility to be known as Cornerstone South and located within a master-planned development on an approximately 3.15-acre site located east of 44th Street, west of Underwood Way, northeast of California State Road 99 (Golden State Highway), north of Maynard Way and south of Masonry Way in the County of Sacramento, in an amount not to exceed \$20,000,000; and

WHEREAS, a public hearing was held by the Board of Supervisors on April 20, 2021, following duly published notice thereof, and all persons desiring to be heard have been heard; and

WHEREAS, it is in the public interest and for the public benefit that the Board of Supervisors, as the elected representative of the County of Sacramento and the host jurisdiction of the subject multifamily housing

residential facility, approves the execution and delivery by the Authority of the Obligations; and

WHEREAS, pursuant to the provisions of the National Environmental Policy Act, an Environmental Assessment was prepared for the project and it was determined that the project will not result in a significant impact on the quality of the human environment, with mitigation measures incorporated; and

WHEREAS, pursuant to the provisions of the California Environmental Quality Act, the County of Sacramento prepared an Initial Study for the proposed project and adopted a Mitigation Monitoring and Reporting Program on January 11, 2021.

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

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

Section 2. The Board of Supervisors of the County of Sacramento hereby finds, determines and declares that issuance by the Authority of the Obligations in the maximum principal amount of \$20,000,000 for the purposes described above is hereby approved.

Section 3. This resolution shall take effect immediately upon its adoption.

On a motion by Supervisor _____, seconded by Supervisor _____, the foregoing Resolution was passed and adopted by the Board of Supervisors of the County of Sacramento this 20th day of April, 2021, by the following vote, to wit:

Cornerstone TEFRA, Loan Commitment, Predevelopment Loan, Construction Grant, Inducement, Disposition And Development Agreements And Transfer of Water Connection Fee Credits
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AYES: Supervisors,

NOES: Supervisors,

ABSENT: Supervisors,

ABSTAIN: Supervisors,

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

**Chair of the Board of Supervisors
of Sacramento County, California**

(SEAL)

ATTEST: _____
Clerk, Board of Supervisors

RESOLUTION NO.

CORNERSTONE NORTH, CORNERSTONE SOUTH AND CORNERSTONE, HABITAT FOR HUMANITY (PROJECT): A RESOLUTION OF THE BOARD OF SUPERVISORS OF THE COUNTY OF SACRAMENTO APPROVING THE CONDITIONAL LOAN COMMITMENT, PREDEVELOPMENT LOAN DOCUMENTS AND CONDITIONAL CONSTRUCTION GRANT DOCUMENTS; CONVEYANCE OF A PORTION OF THE PROPERTY FOR LESS THAN FAIR MARKET VALUE TO HABITAT FOR HUMANITY OF GREATER SACRAMENTO; EXECUTION OF THE CONDITIONAL LOAN COMMITMENT AND RELATED DOCUMENTS WITH CORNERSTONE NORTH MUTUAL HOUSING ASSOCIATES, L.P., OR RELATED ENTITY; EXECUTION OF THE CONDITIONAL LOAN COMMITMENT, PREDEVELOPMENT LOAN DOCUMENTS AND RELATED DOCUMENTS WITH CORNERSTONE SOUTH MUTUAL HOUSING ASSOCIATES, L.P., OR RELATED ENTITY; EXECUTION OF CONDITIONAL CONSTRUCTION GRANT DOCUMENTS WITH HABITAT FOR HUMANITY OF GREATER SACRAMENTO; RELATED BUDGET AMENDMENT; RELATED FINDINGS; AND ENVIRONMENTAL FINDINGS

WHEREAS, on October 31, 2001, Sacramento Housing and Redevelopment Agency (SHRA) acquired title to an approximately seven-acre site through a deed in lieu of foreclosure. The property is located south of 46th Street and Lang Avenue, east of Highway 99 and a Trustee's Deed was recorded in Sacramento County in Book 20011031 at Page 0822 (Property); and

WHEREAS, between late 2001 and early 2006, SHRA worked with the former Franklin Boulevard Redevelopment Advisory Committee and surrounding neighborhoods to plan for an affordable housing development on the Property. SHRA released a Request for Proposals; however, the results were unsuccessful, largely due to water capacity issues with the California American Water Company (formerly Fruitridge Vista Water Company), a private water company (Water Company), that serves the Property; and

WHEREAS, on April 11, 2006, the Board of Supervisors adopted a resolution to authorize SHRA to pay the Water Company \$420,000 in County HOME funds for water connection fees associated with the future development of the Property (Resolution No. 2006-0409); and

WHEREAS, on February 24, 2009, the Board of Supervisors and the Board of the Housing Authority adopted resolutions to authorize SHRA to amend and submit changes to the Neighborhood Stabilization Program (NSP) in the 2009 One-Year Action Plan to the U.S. Department of Housing and Urban Development (HUD), authorizing SHRA to establish and implement the Vacant Properties Program, the Block Acquisition and Rehabilitation Program, and the Property Recycling Program (PRP) to undertake NSP activities (Resolution No. 2009-0104 and HA-2304); and

WHEREAS, on June 16, 2009, the Board of Supervisors approved the NSP Property Recycling Program Guidelines allowing SHRA to purchase foreclosed properties within the NSP Target Areas to be transferred for redevelopment purposes (Resolution No. 2009-0512); and

WHEREAS, on January 29, 2013, the Housing Authority of the County of Sacramento (Housing Authority) acquired the Property from SHRA in a manner consistent with PRP Guidelines. The Grant Deed was recorded in Sacramento County in Book 20130129 at Page 0562. Associated with this acquisition, the aforementioned water connection fees credits were transferred to the Housing Authority; and

WHEREAS, in a separate resolution subject to approval by the Housing Authority Board on April 20, 2021, the Housing Authority is recommending approval to assign the water connection fee credits to the new ownership entities of the Property; and

WHEREAS, on November 1, 2016 the Housing Authority Board adopted a resolution approving the Vacant Lot Disposition Strategy that permitted the sale of the Property (Resolution No. HA-2396); and

WHEREAS, on March 14, 2019, SHRA, on behalf of the Housing Authority, issued a Request for Proposals (RFP#1915-VK) seeking an affordable housing developer to acquire and build affordable housing on the property. On May 13, 2019, Mutual Housing California (Mutual Housing) and

Habitat for Humanity of Greater Sacramento, a nonprofit self-help housing organization (Habitat for Humanity) partnered and submitted a proposal for a 108-unit permanent supportive/homeless and workforce housing development and 18 single family detached homes within one master development, and were awarded the Property; and

WHEREAS, in a separate resolution subject to approval by the Housing Authority Board on April 20, 2021, the Housing Authority is recommending approval of the three Disposition and Development Agreements (DDA) for the three respective projects associated with the master development referred to as Cornerstone, a Mutual Housing and Habitat for Humanity for Greater Sacramento Community:

1. Cornerstone North (DDA with 48 multifamily units) will be developed by Cornerstone North Mutual Housing Associates, L.P., a partnership of which Mutual Housing California (Cornerstone North Developer) or a related entity to the Cornerstone North Developer is the general partner; and
2. Cornerstone South (DDA with 60 multifamily units) will be developed by Cornerstone South Mutual Housing Associates, L.P., a partnership of which Mutual Housing California (Cornerstone South Developer) or a related entity to the Cornerstone South Developer is the general partner; and
3. Cornerstone, a Habitat for Humanity Greater Sacramento Community (DDA with 18 single family detached homes) will be developed by Habitat for Humanity or a related entity.

WHEREAS, on October 1, 2019, Mutual Housing and Habitat for Humanity submitted a funding application to SHRA for predevelopment, acquisition, construction and permanent financing of the Project:

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1. Cornerstone North: \$59,000, the current fair market value appraisal, as a seller carryback land loan for a portion of the Property acquired with NSP funds; and
2. Cornerstone South: a) \$92,000, the current fair market value appraisal, as a seller carryback land loan for a portion of the Property acquired with NSP funds; b) \$120,000 predevelopment loan comprised of Affordable Housing Funds (AHF); c) \$9,880,000 construction and permanent loan consisting of \$6,312,000 in AHF, \$2,752,000 in HOME Investment Partnerships Program Funds (HOME) and \$816,000 in Housing Trust Funds (HTF); and d) a tax-exempt mortgage revenue bonds issuance not to exceed \$20,000,000, which is subject to approval by the Housing Authority Board on April 20, 2021, in a separate resolution; and
3. Cornerstone, a Habitat for Humanity of Greater Sacramento Community: a) \$1.00 to convey a portion of the Property acquired with NSP funds, which has a current fair market value appraisal of \$640,000; and b) \$1,175,000 conditional construction grant comprised of AHF.

The administration of the NSP, AHF, HOME and HTF program funds are subject to approval of this resolution; whereas, in a separate resolution, the seller carryback land loans and conveyance are subject to approval by the Housing Authority Board on April 20, 2021; and

WHEREAS, on April 3, 2020, SHRA, on behalf of the Housing Authority, issued a Request for Proposals (RFP#2013-DS) seeking owners and developers interested in receiving Project Based Vouchers (PBV) to serve homeless families/individuals. On May 5, 2020, Mutual Housing submitted a proposal and were awarded 16 PBV, and there will be eight (8) PBV assisted units at each Cornerstone North and South developments; and

WHEREAS, the Project is consistent with SHRA's approved Neighborhood Stabilization Program Property Recycling Program Guidelines, Multifamily Lending and Mortgage Revenue Bond Policies (Resolution No. 2019-0673 and HA-2435), Priority 2(i) - New Construction of Permanent Supportive Housing and Homeless Housing and Priority 2(iii) - Workforce Housing; November 30, 2018 County of Sacramento Homeless Plan; and meets the housing development goals and strategies to increase the supply of affordable housing in the County's Housing Element 2013-2021; and

WHEREAS, pursuant to the provisions of the National Environmental Policy Act, an Environmental Assessment was prepared for the project and it was determined that the project will not result in a significant impact on the quality of the human environment, with mitigation measures incorporated; and

WHEREAS, pursuant to the provisions of the California Environmental Quality Act, the County of Sacramento prepared an Initial Study for the proposed project and adopted a Mitigation Monitoring and Reporting Program on January 11, 2021.

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

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

Section 2. The \$10,151,000 Conditional Loan Commitment for Cornerstone North and South is approved and Sacramento Housing and Redevelopment Agency (SHRA) is delegated authority to execute and transmit the Conditional Loan Commitment to Cornerstone North Mutual Housing Associates, L.P., and Cornerstone South Mutual Housing Associates, L.P., or a partnership of which Mutual Housing California (Developer) or a related entity

to the Developer is the general partner for purposes of predevelopment, acquisition, construction, permanent financing of Cornerstone North and South as described below (Loan Commitment):

1. **Cornerstone North:** \$59,000, the current fair market value appraisal, as a seller carryback land loan for the property acquired with NSP funds; and
2. **Cornerstone South:** The \$10,092,000 loan is comprised of the following: a) \$92,000, the current fair market value appraisal, as a seller carryback land loan for the property acquired with NSP funds; b) \$120,000 Predevelopment Loan comprised of Affordable Housing Funds; and c) \$9,880,000 Construction and Permanent Loan consisting of \$6,312,000 in AHF, \$2,752,000 in HOME Investment Partnerships Program Funds and \$816,000 in Housing Trust Funds.

In a separate resolution, the seller carryback land loans and conveyance are subject to approval by the Housing Authority Board on April 20, 2021.

Section 3. The Predevelopment Loan Documents for financing the predevelopment activities at the Cornerstone South vacant site, is approved and SHRA is delegated authority to execute and transmit the Predevelopment Loan Documents to Cornerstone South Mutual Housing Associates, L.P., or a partnership of which Mutual Housing California (Developer) or a related entity to the Developer is the general partner.

Section 4. The conveyance of a portion of the Property for \$1.00 to Habitat for Humanity of Greater Sacramento Community, a nonprofit self-help housing organization, to develop 18 single family homes is consistent with the administration of the NSP PRP program and is approved.

Section 5. The \$1,175,000 Conditional Construction Grant comprised of AHF for financing the development activities at Cornerstone, a Habitat for Humanity of Greater Sacramento Community is approved and SHRA is delegated authority to execute and transmit the Conditional Construction

Grant Documents to Habitat for Humanity of Greater Sacramento or a related entity.

Section 6. SHRA is authorized to enter into and execute other documents it deems necessary, as approved to form by SHRA Office of the General Counsel, and perform other actions SHRA deems necessary to fulfill the intent of the Loan Commitment and Predevelopment Loan Documents that accompany this resolution, in accordance with their terms, and to ensure proper repayment of SHRA funds including without limitation, subordination, restructuring and extensions consistent with SHRA adopted policies and with this resolution.

Section 7. SHRA finds that an economically feasible alternative method of financing on substantially comparable terms and conditions, without subordination is not available. Therefore, SHRA is authorized to subordinate the SHRA loans to the senior loans.

Section 8. SHRA is authorized to enter into and execute other documents it deems necessary, as approved to form by its Office of the General Counsel, and perform other actions SHRA deems necessary to fulfill the intent of the Conditional Construction Grant Documents that accompany this resolution, in accordance with their terms, including without limitation, restructuring and extensions consistent with SHRA adopted policies and with this resolution.

Section 9. SHRA is authorized to amend its budget and allocate up to a) \$120,000 Predevelopment Loan comprised of AHF; and b) \$9,880,000 Construction and Permanent Loan consisting of \$6,312,000 in AHF, \$2,752,000 in HOME and \$816,000 in HTF program funds for the Cornerstone South development.

Section 10. SHRA is authorized to amend its budget and allocate up to \$1,175,000 Conditional Construction Grant comprised of AHF for the Cornerstone, a Habitat for Humanity of Greater Sacramento Community.

Cornerstone TEFRA, Loan Commitment, Predevelopment Loan, Construction Grant, Inducement, Disposition And Development Agreements And Transfer of Water Connection Fee Credits
Page 8

Section 11. This resolution shall take effect immediately upon its adoption.

On a motion by Supervisor _____, seconded by Supervisor _____, the foregoing Resolution was passed and adopted by the Board of Supervisors of the County of Sacramento this 20th day of April, 2021, by the following vote, to wit:

AYES: Supervisors,

NOES: Supervisors,

ABSENT: Supervisors,

ABSTAIN: Supervisors,

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

Chair of the Board of Supervisors
of Sacramento County, California

(SEAL)

ATTEST: _____
Clerk, Board of Supervisors

RESOLUTION NO. _____

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

**CORNERSTONE SOUTH: A RESOLUTION OF THE HOUSING
AUTHORITY OF THE COUNTY OF SACRAMENTO DECLARING
INTENTION TO REIMBURSE EXPENDITURES FROM THE PROCEEDS OF
TAX-EXEMPT OBLIGATIONS AND DIRECTING CERTAIN ACTIONS**

WHEREAS, the Housing Authority of the County of Sacramento (Authority) intends to issue tax-exempt obligations (Obligations) for the purpose, among other things, of making a loan to Cornerstone South Mutual Housing Associates, L.P., a California limited partnership, or another entity created or to be created by Mutual Housing California, a California nonprofit public benefit corporation, or an affiliate thereof (collectively, Developer), the proceeds of which shall be used by the Developer to finance the acquisition, construction and development of a 60-unit multifamily rental housing facility to be known as Cornerstone South and located within a master-planned development on an approximately 3.15-acre site located east of 44th Street, west of Underwood Way, northeast of California State Road 99 (Golden State Highway), north of Maynard Way and south of Masonry Way in the County of Sacramento (Project), in an amount not to exceed \$20,000,000; and

WHEREAS, United States Income Tax Regulations section 1.150-2 provides generally that proceeds of tax-exempt debt are not deemed to be expended when such proceeds are used for reimbursement of expenditures made prior to the date of issuance of such debt unless certain procedures are followed, among which is a requirement that (with certain exceptions), prior to the payment of any such expenditure, the issuer must declare an intention to reimburse such expenditure; and

WHEREAS, it is in the public interest and for the public benefit that the Authority declare its official intent to reimburse the expenditures referenced herein; and

WHEREAS, pursuant to the provisions of the National Environmental Policy Act, an Environmental Assessment was prepared for the project and it was determined that the project will not result in a significant impact on the

quality of the human environment, with mitigation measures incorporated; and

WHEREAS, pursuant to the provisions of the California Environmental Quality Act, the County of Sacramento prepared an Initial Study for the proposed project and adopted a Mitigation Monitoring and Reporting Program on January 11, 2021.

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

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

Section 2. The Authority intends to issue the Obligations for the purpose of paying the costs of financing the acquisition, construction and development of the Project.

Section 3. The Authority hereby declares that it reasonably expects that a portion of the proceeds of the Obligations will be used for reimbursement of expenditures for the acquisition, construction and development of the Project that are paid before the date of initial execution and delivery of the Obligations.

Section 4. The maximum amount of proceeds of the Obligations to be used for reimbursement of expenditures for the acquisition, construction and development of the Project that are paid before the date of initial execution and delivery of the Obligations is not to exceed \$20,000,000.

Section 5. The foregoing declaration is consistent with the budgetary and financial circumstances of the Authority in that there are no funds (other than proceeds of the Obligations) that are reasonably expected to be (i) reserved, (ii) allocated or (iii) otherwise set aside, on a long-term basis, by or on behalf of the Authority, or any public entity controlled by the Authority, for

the expenditures for the acquisition, construction and development of the Project that are expected to be reimbursed from the proceeds of the Obligations.

Section 6. The Developer shall be responsible for the payment of all present and future costs in connection with the issuance of the Obligations, including, but not limited to, any fees and expenses incurred by the Authority in anticipation of the issuance of the Obligations, any fees required by the California Debt Limit Allocation Committee (CDLAC), the cost of printing any official statement, rating agency costs, bond counsel fees and expenses, underwriting discount and costs, trustee fees and expenses, and the costs of printing the Obligations. The payment of the principal, redemption premium, if any, and purchase price of and interest on the Obligations shall be solely the responsibility of the Developer. The Obligations shall not constitute a debt or obligation of the Authority.

Section 7. The appropriate officers or the staff of the Authority are hereby authorized, for and in the name of and on behalf of the Authority, to make an application to CDLAC for an allocation of private activity bonds for the financing of the Project.

Section 8. The adoption of this Resolution shall neither obligate (i) the Authority to provide financing to the Developer for the acquisition, construction and development of the Project or to issue the Obligations for purposes of such financing, nor (ii) the Authority or any department of the Authority or the County of Sacramento to approve any application or request for, or take any other action in connection with, any environmental, General Plan, zoning or any other permit or other action necessary for the acquisition, construction, development or operation of the Project.

Section 9. This resolution shall take effect immediately upon its adoption.

Cornerstone TEFRA, Loan Commitment, Predevelopment Loan, Construction Grant, Inducement, Disposition And Development Agreements And Transfer of Water Connection Fee Credits
Page 4

On a motion by Member _____, seconded by Member _____, the foregoing Resolution was passed and adopted by the Board of the Housing Authority of the County of Sacramento this 20th day of April 2021, by the following vote, to wit:

AYES: Members,

NOES: Members,

ABSENT: Members,

ABSTAIN: Members,

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

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

(SEAL)

ATTEST: _____
Clerk

RESOLUTION NO.

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

CORNERSTONE NORTH, CORNERSTONE SOUTH AND CORNERSTONE, HABITAT FOR HUMANITY (PROJECT): A RESOLUTION OF THE HOUSING AUTHORITY APPROVING THE CONDITIONAL LOAN COMMITMENT AND DISPOSITION AND DEVELOPMENT AGREEMENTS; TRANSFER WATER CONNECTION FEE CREDITS; CONVEYANCE OF A PORTION OF THE PROPERTY FOR LESS THAN FAIR MARKET VALUE TO HABITAT FOR HUMANITY OF GREATER SACRAMENTO; EXECUTION OF THE CONDITIONAL LOAN COMMITMENT, DISPOSITION AND DEVELOPMENT AGREEMENTS AND RELATED DOCUMENTS WITH CORNERSTONE NORTH MUTUAL HOUSING ASSOCIATES, L.P., AND CORNERSTONE SOUTH MUTUAL HOUSING ASSOCIATES, L.P., OR RELATED ENTITY; EXECUTION OF THE DISPOSITION AND DEVELOPMENT AGREEMENT AND RELATED DOCUMENTS WITH HABITAT FOR HUMANITY OF GREATER SACRAMENTO; RELATED BUDGET AMENDMENT; RELATED FINDINGS; AND ENVIRONMENTAL FINDINGS

WHEREAS, on February 24, 2009, the Board of Supervisors and the Board of the Housing Authority adopted resolutions to authorize Sacramento Housing and Redevelopment Agency (SHRA) to amend and submit changes to the Neighborhood Stabilization Program (NSP) in the 2009 One-Year Action Plan to the U.S. Department of Housing and Urban Development (HUD), authorizing SHRA to establish and implement the Vacant Properties Program, the Block Acquisition and Rehabilitation Program, and the Property Recycling Program (PRP) to undertake NSP activities (Resolution No. 2009-0104 and HA-2304); and

WHEREAS, on January 29, 2013, the Housing Authority of the County of Sacramento (Housing Authority) acquired title to an approximately seven-acre site located south of 46th Street and Lang Avenue, east of Highway 99 and a Grant Deed was recorded in Sacramento County in Book 20130129 at Page 0562 (Property). The Property was acquired from SHRA in a manner consistent with PRP Guidelines. Associated with the acquisition, water connection fees credits were transferred to the Housing Authority. The

Cornerstone TEFRA, Loan Commitment, Predevelopment Loan, Construction Grant, Inducement, Disposition And Development Agreements And Transfer of Water Connection Fee Credits
Page 2

Housing Authority is recommending approval of the Housing Authority to transfer the water connection fees credits to the new owners upon or shortly after the completion of the acquisition transaction; and

WHEREAS, on November 1, 2016 the Housing Authority Board adopted a resolution approving the Vacant Lot Disposition Strategy that permitted the sale of the Property (Resolution No. HA-2396); and

WHEREAS, on March 14, 2019, SHRA, on behalf of the Housing Authority, issued a Request for Proposals (RFP#1915-VK) seeking an affordable housing developer to acquire and build affordable housing on the property. On May 13, 2019, Mutual Housing California (Mutual Housing) and Habitat for Humanity of Greater Sacramento, a nonprofit self-help housing organization (Habitat for Humanity) partnered and submitted a proposal for a 108-unit permanent supportive/homeless and workforce housing development and 18 single family detached homes within one master development, and were awarded the Property; and

WHEREAS, the Housing Authority, Mutual Housing and Habitat for Humanity desire to enter into three Disposition and Development Agreements (DDA) for the three respective projects associated with the master development referred to as Cornerstone, a Mutual Housing and Habitat for Humanity for Greater Sacramento Community (Project):

1. Cornerstone North (DDA with 48 multifamily units) will be developed by Cornerstone North Mutual Housing Associates, L.P., a partnership of which Mutual Housing California (Cornerstone North Developer) or a related entity to the Cornerstone North Developer is the general partner; and
2. Cornerstone South (DDA with 60 multifamily units) will be developed by Cornerstone South Mutual Housing Associates, L.P., a partnership of which Mutual Housing California

(Cornerstone South Developer) or a related entity to the Cornerstone South Developer is the general partner; and

3. Cornerstone, a Habitat for Humanity Greater Sacramento Community (DDA with 18 single family detached homes): will be developed by Habitat for Humanity or a related entity; and

WHEREAS, on October 1, 2019, Mutual Housing and Habitat for Humanity submitted a funding application to SHRA for predevelopment, acquisition, construction and permanent financing of the Project:

1. Cornerstone North: \$59,000, the current fair market value appraisal, as a seller carryback land loan for a portion of the Property acquired with NSP funds; and
2. Cornerstone South: a) \$92,000, the current fair market value appraisal, as a seller carryback land loan for a portion of the Property acquired with NSP funds; b) \$120,000 predevelopment loan comprised of Affordable Housing Funds (AHF); c) \$9,880,000 construction and permanent loan consisting of \$6,312,000 in AHF, \$2,752,000 in HOME Investment Partnerships Program Funds (HOME) and \$816,000 in Housing Trust Funds (HTF); and d) a tax-exempt mortgage revenue bonds issuance not to exceed \$20,000,000, which is subject to approval by the Housing Authority Board on April 20, 2021, in a separate resolution; and
3. Cornerstone, a Habitat for Humanity of Greater Sacramento Community: a) \$1.00 to convey a portion of the Property acquired with NSP funds, which has a current fair market value appraisal of \$640,000; and b) \$1,175,000 conditional construction grant comprised of AHF.

In a separate resolution, the administration of the NSP, AHF, HOME and HTF program funds are subject to approval by the Board of Supervisors on April

20, 2021; whereas, the seller carryback land loans and conveyance are subject to approval in this resolution; and

WHEREAS, on April 3, 2020, SHRA, on behalf of the Housing Authority, issued a Request for Proposals (RFP#2013-DS) seeking owners and developers interested in receiving Project Based Vouchers (PBV) to serve homeless families/individuals. On May 5, 2020, Mutual Housing submitted a proposal and were awarded 16 PBV, and there will be eight (8) PBV assisted units at each Cornerstone North and South developments; and

WHEREAS, the Project is consistent with SHRA's approved Neighborhood Stabilization Program Property Recycling Program Guidelines, Multifamily Lending and Mortgage Revenue Bond Policies (Resolution No. 2019-0673 and HA-2435), Priority 2(i) - New Construction of Permanent Supportive Housing and Homeless Housing and Priority 2(iii) - Workforce Housing; November 30, 2018 County of Sacramento Homeless Plan; and meets the housing development goals and strategies to increase the supply of affordable housing in the County's Housing Element 2013-2021; and

WHEREAS, pursuant to the provisions of the National Environmental Policy Act, an Environmental Assessment was prepared for the project and it was determined that the project will not result in a significant impact on the quality of the human environment, with mitigation measures incorporated; and

WHEREAS, pursuant to the provisions of the California Environmental Quality Act, the County of Sacramento prepared an Initial Study for the proposed project and adopted a Mitigation Monitoring and Reporting Program on January 11, 2021.

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

Cornerstone TEFRA, Loan Commitment, Predevelopment Loan, Construction Grant, Inducement, Disposition And Development Agreements And Transfer of Water Connection Fee Credits
Page 5

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

Section 2. The \$10,151,000 Conditional Loan Commitment for Cornerstone North and South is approved and the Executive Director, or her designee, is authorized to enter into, execute and transmit the Conditional Loan Commitment to Cornerstone North Mutual Housing Associates, L.P., and Cornerstone South Mutual Housing Associates, L.P., or a partnership of which Mutual Housing California (Developer) or a related entity to the Developer is the general partner for purposes of predevelopment, acquisition, construction, permanent financing of Cornerstone North and South as described below (Loan Commitment):

1. **Cornerstone North:** \$59,000, the current fair market value appraisal, as a seller carryback land loan for the property acquired with NSP funds; and
2. **Cornerstone South:** The \$10,092,000 loan is comprised of the following: a) \$92,000, the current fair market value appraisal, as a seller carryback land loan for the property acquired with NSP funds; b) \$120,000 Predevelopment Loan comprised of Affordable Housing Funds (AHF); and c) \$9,880,000 Construction and Permanent Loan consisting of \$6,312,000 in AHF, \$2,752,000 in HOME Investment Partnerships Program Funds (HOME) and \$816,000 in Housing Trust Funds (HTF).

In a separate resolution, the NSP, AHF, HOME and HTF program funds are subject to approval by the Board of Supervisors on April 20, 2021.

Section 3. The Disposition and Development Agreement for financing the Cornerstone North vacant site, is approved and the Executive Director, or her designee, is authorized to enter into, execute and transmit the Disposition and Development Agreement to Cornerstone North Mutual Housing

Associates, L.P., or a partnership of which Mutual Housing California (Developer) or a related entity to the Developer is the general partner.

Section 4. The Disposition and Development Agreement for financing the Cornerstone South vacant site, is approved and the Executive Director, or her designee, is authorized to enter into, execute and transmit the Disposition and Development Agreement to Cornerstone South Mutual Housing Associates, L.P., or a partnership or related entity to the Developer is the general partner.

Section 5. The Disposition and Development Agreement for financing the Cornerstone, Habitat for Humanity of Greater Sacramento Community vacant site, is approved and the Executive Director, or her designee, is authorized to enter into, execute and transmit the Disposition and Development Agreement to Habitat for Humanity of Greater Sacramento or related entity.

Section 6. The conveyance of a portion of the Property for \$1.00 to Habitat for Humanity of Greater Sacramento Community, a nonprofit self-help housing organization, to develop 18 single family homes is consistent with the NSP PRP program obligation in the Grant Deed and is approved.

Section 7. The Executive Director, or her designee, is authorized to enter into and execute other documents related to the Property, as approved to form by the Housing Authority Office of the General Counsel, and perform any other actions the Housing Authority deems necessary to fulfill the intent of transferring the water connection fee credits to Cornerstone North Mutual Housing Associates, L.P., Cornerstone South Mutual Housing Associates, L.P., Habitat for Humanity of Greater Sacramento, or related entities.

Section 8. The Executive Director, or her designee, is authorized to enter into and execute other documents it deems necessary, as approved to form by its Office of the General Counsel, and perform other actions the Housing Authority deems necessary to fulfill the intent of the Loan

Commitment and Disposition and Development Agreements that accompany this resolution, in accordance with their terms, and to ensure proper repayment of the Housing Authority funds including without limitation, subordination, restructuring and extensions consistent with SHRA adopted policies and with this resolution.

Section 9. The Executive Director, or her designee, is authorized to enter into and execute the Disposition and Development Agreements and all other documents and agreements the Executive Director may deem necessary, as approved to form by its Office of the General Counsel, as well as amend the budget, perform other actions deemed necessary to ensure proper repayment of the Housing Authority funds including, without limitation, extensions and restructuring of loans consistent with the Housing Authority adopted policies and with this resolution.

Section 10. The Housing Authority finds that an economically feasible alternative method of financing on substantially comparable terms and conditions, without subordination is not available. Therefore, the Executive Director, or her designee, is authorized to subordinate the Housing Authority loans to the senior loans.

Section 11. This resolution shall take effect immediately upon its adoption.

On a motion by Member _____, seconded by Member _____, the foregoing Resolution was passed and adopted by the Board of the Housing Authority of the County of Sacramento this 20th day of April, 2021, by the following vote, to wit:

AYES: Members,

NOES: Members,

Cornerstone TEFRA, Loan Commitment, Predevelopment Loan, Construction Grant, Inducement, Disposition And Development Agreements And Transfer of Water Connection Fee Credits
Page 8

ABSENT: Members,

ABSTAIN: Members,

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





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

(SEAL)

ATTEST: _____
Clerk

Cornerstone (46th and Lang Avenue)

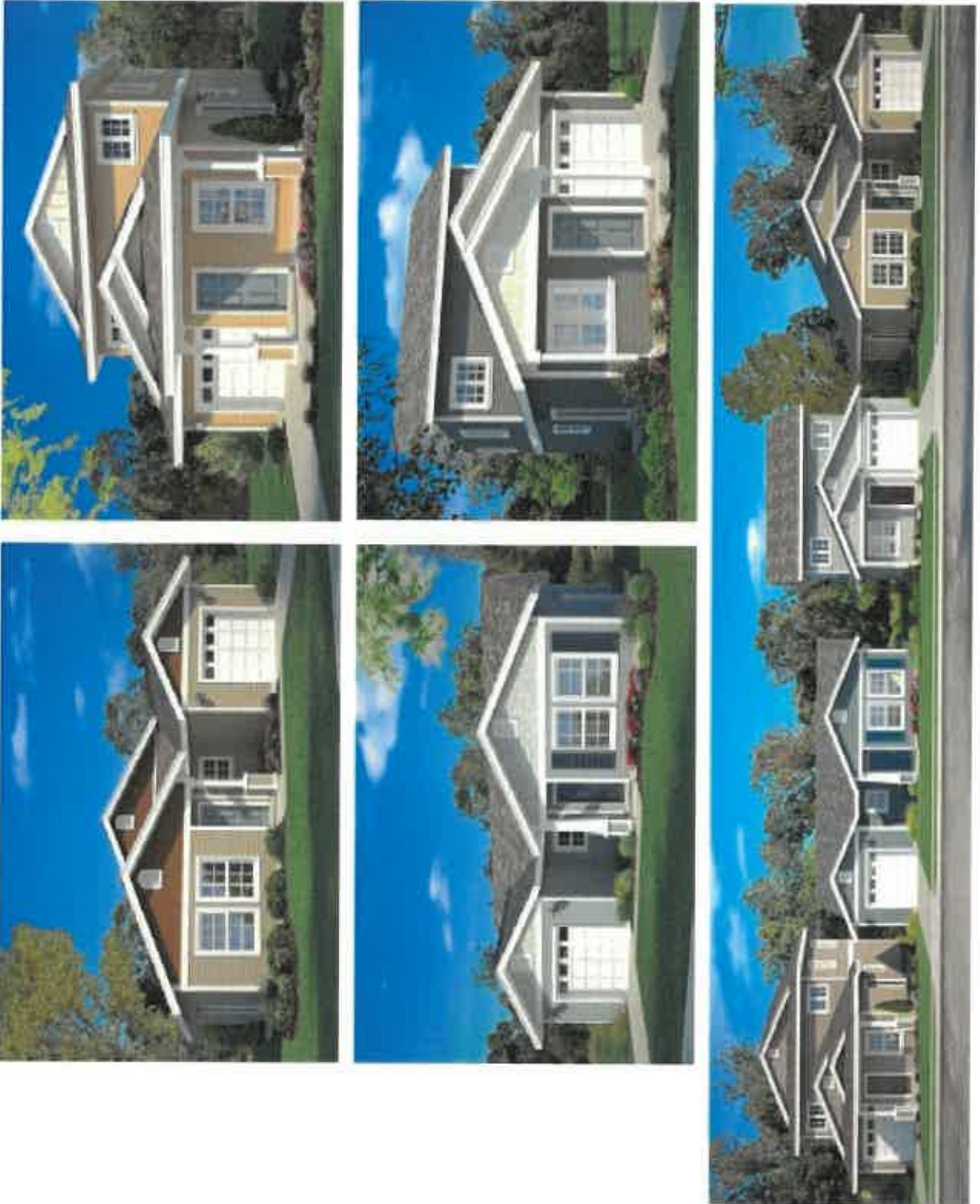


 Cornerstone North	 Habitat for Humanity (18 Single Family Homes)			SHRA GIS March 1, 2021
 Cornerstone South				

Rendering of Cornerstone North and South



Rendering of Cornerstone Habitat for Humanity



Cornerstone North and South Residential Project Summary

Address	46th Street, Sacramento 95823						
Number of Units	108						
Construction Type	New Construction						
Acreage	3.13 (136,342.8 sq. ft.)						
Unit Mix¹	<u>ELI 30% AMI PBV</u>	<u>ELI 30% AMI</u>	<u>VLI 40% AMI</u>	<u>VLI 50% AMI</u>	<u>VLI 60% AMI</u>	<u>Exempt Management Unit</u>	<u>Total</u>
1 Bedroom/1 Bath	10	0	2	5	7	0	24
2 Bedroom/1 Bath	4	1	4	24	20	1	54
3 Bedroom/2 Bath	2	0	5	14	9	0	30
TOTAL	16	1	11	43	36	1	108
Square Footage	<u>Per Unit</u>			<u>Total</u>			
1 Bedroom/1 Bath	638			15,312			sq.ft.
2 Bedroom/1 Bath	782			42,228			sq.ft.
3 Bedroom/2 Bath	957			28,710			sq.ft.
Common Areas	3,342			3,342			sq.ft.
TOTAL				80,592			sq.ft.
Resident Facilities	Management offices, resident community space with kitchen, laundry facilities, landscape courtyards, school-aged play ground, barbecue areas, picnic tables, 111 vehicle and 122 bicycle parking.						
Permanent Sources	<u>Current Total</u>		<u>Per Unit</u>		<u>Per Sq Ft</u>		
Federal Tax Credit Equity	\$ 20,627,001		\$ 190,991		\$ 230.23		
Permanent Loan	\$ 6,441,859		\$ 59,647		\$ 71.90		
SHRA Predevelopment Loan	\$ 120,000		\$ 1,111		\$ 1.34		
SHRA Construction & Permanent Loan	\$ 9,880,000		\$ 91,481		\$ 110.28		
HACOS Seller Carryback Loan	\$ 151,000		\$ 1,398		\$ 1.69		
GP Contribution	\$ 39,820		\$ 367		\$ 0.44		
Deferred Developer Fee	\$ 1,450,000		\$ 13,426		\$ 16.18		
Fee Waiver	\$ 685,320		\$ 6,346		\$ 7.65		
TOTAL SOURCES	\$ 39,394,800		\$ 364,767		\$ 439.71		
Permanent Uses							
Acquisition	\$ 151,000		\$ 1,398		\$ 1.69		
Construction	\$ 26,446,009		\$ 244,870		\$ 295.18		
Permits and Fees	\$ 2,645,300		\$ 24,494		\$ 29.53		
Architecture and Engineering	\$ 1,352,800		\$ 12,526		\$ 15.10		
Hard Cost Contingency	\$ 1,322,300		\$ 12,244		\$ 14.76		
Soft Cost Contingency	\$ 100,000		\$ 926		\$ 1.12		
Financing Costs	\$ 1,734,780		\$ 16,063		\$ 19.36		
Operating Reserves	\$ 750,160		\$ 6,948		\$ 8.37		
Legal Fees	\$ 310,000		\$ 2,870		\$ 3.46		
Developer Fee	\$ 3,881,451		\$ 35,939		\$ 43.32		
Insurance, Third Party, Marketing, Other	\$ 701,000		\$ 6,491		\$ 7.82		
TOTAL USES	\$ 39,394,800		\$ 364,767		\$ 439.71		
Leverage	<u>SHRA \$ per Unit</u>		<u>Per Unit Cost</u>		<u>Leverage</u>		
	\$ 93,991		\$ 364,767		\$1.00 : \$3.68		
Management/Operations North and South (108 Units)							
Proposed Developer	Mutual Housing California						
Property Management Company	Mutual Housing Management						
Operations Budget	\$ 480,661		\$ 4,451				
Property Management	\$ 76,768		\$ 711				
Resident Services	\$ 38,912		\$ 360				
Replacement Reserves	\$ 27,000		\$ 250				
Taxes and Insurance	\$ 113,983		\$ 1,055				

¹Pursuant to 24CFR 983.301, contract rents approved by HUD may exceed the tax-credit rent limits; and the AMI change is due to income averaging regulation by CDLAC. The tenant rent will not exceed 30% of the household adjusted gross income with PBV.

**Cornerstone Habitat for Humanity
Residential Project Summary**

Address	46th Street, Sacramento 95823		
Number of Units	18		
Construction Type	New Construction		
Acreage	2.21 (96,267.6 sq. ft.)		
Unit Mix	<u>VLI 50% AMI</u>	<u>MI 80% AMI</u>	<u>Total</u>
3 Bedroom/2 Bath	3	10	13
4 Bedroom/2 Bath	2	3	5
TOTAL	5	13	18
Square Footage		<u>Per Unit</u>	<u>Total</u>
3 Bedroom/2 Bath		1,100	14,300 sq.ft.
4 Bedroom/2 Bath		1,300	6,500 sq.ft.
TOTAL			<u>20,800</u> sq.ft.
Resident Features	One- and two-story homes with varied rooflines will be available. Each home will have laundry hook-ups, fenced side and backyards, landscaped front yard and driveway leading to a single car garage.		
Acquisition and Construction Sources	<u>Current Total</u>	<u>Per Unit</u>	<u>Per Sq Ft</u>
HACOS Land Conveyance	\$ 1	\$ 0	\$ 0.00
SHRA Construction Grant	\$ 1,175,000	\$ 65,278	\$ 58.49
Sponsors	\$ 1,800,000	\$ 100,000	\$ 86.54
Habitat for Humanity Contribution	\$ 1,240,832	\$ 68,824	\$ 59.65
Fundraising/Donations	\$ 12,103	\$ 672	\$ 0.58
TOTAL SOURCES	\$ 4,227,736	\$ 234,874	\$ 203.26
Acquisition and Construction Uses			
Acquisition	\$ 1	\$ 0	\$ 0.00
Construction	\$ 3,410,792	\$ 189,488	\$ 163.98
Permits and Fees	\$ 810,440	\$ 33,813	\$ 29.35
Architecture and Engineering	\$ 72,794	\$ 4,044	\$ 3.50
Hard Cost Contingency	\$ 90,000	\$ 5,000	\$ 4.33
Insurance, Third Party, Marketing, Other	\$ 43,709	\$ 2,428	\$ 2.10
TOTAL USES	\$ 4,227,736	\$ 234,874	\$ 203.26
Leverage	<u>SHRA \$ per Unit</u>	<u>Per Unit Cost</u>	<u>Leverage</u>
	\$ 65,278	\$ 234,874	\$1.00 : \$3.60

Comerstone North and South		Unit Type	Number	Square Feet	Total Sq Feet	Max Gross Rent ¹	Utility Allowance	Max Net Rent	Rent per Sq Foot	Total Mo. Rent	Current Annual Rent
<i>Comerstone North (48 Units)</i>											
1	Bedroom ¹ Bath (30% AMI) PBV	4	638	2,562 \$	488 \$	72 \$	414 \$	0.16 \$	\$	1,856 \$	19,872
1	Bedroom ¹ Bath (40% AMI)	2	638	1,276 \$	648 \$	72 \$	576 \$	0.45 \$	\$	1,152 \$	13,824
1	Bedroom ¹ Bath (50% AMI)	6	638	3,190 \$	810 \$	72 \$	738 \$	0.23 \$	\$	3,690 \$	44,280
1	Bedroom ¹ Bath (60% AMI)	4	638	2,562 \$	972 \$	72 \$	900 \$	0.35 \$	\$	3,600 \$	43,200
2	Bedroom ¹ Bath (30% AMI) PBV	4	782	1,564 \$	582 \$	88 \$	494 \$	0.32 \$	\$	988 \$	11,856
2	Bedroom ¹ Bath (40% AMI)	1	782	782 \$	582 \$	88 \$	494 \$	0.83 \$	\$	494 \$	5,928
2	Bedroom ¹ Bath (50% AMI)	2	782	1,564 \$	777 \$	88 \$	689 \$	0.44 \$	\$	1,378 \$	16,536
2	Bedroom ¹ Bath (60% AMI)	10	782	7,820 \$	971 \$	88 \$	883 \$	0.11 \$	\$	8,830 \$	105,960
3	Bedroom ² Bath (30% AMI) PBV	2	957	1,914 \$	673 \$	108 \$	1,077 \$	0.17 \$	\$	8,816 \$	103,382
3	Bedroom ² Bath (40% AMI)	1	957	957 \$	898 \$	108 \$	792 \$	0.30 \$	\$	1,134 \$	13,608
3	Bedroom ² Bath (50% AMI)	3	957	2,871 \$	1,122 \$	108 \$	1,016 \$	0.83 \$	\$	792 \$	9,504
2	Bedroom ¹ Bath (60% AMI)	3	957	2,871 \$	1,347 \$	108 \$	1,241 \$	0.35 \$	\$	3,048 \$	36,576
2	Bedroom ¹ Bath (Exempt Management)	1	782	782		108 \$	1,241 \$	0.43 \$	\$	3,723 \$	44,878
<i>Comerstone South (60 Units)</i>											
1	Bedroom ¹ Bath (30% AMI) PBV	6	638	3,828 \$	488 \$	72 \$	414 \$	0.85 \$	\$	2,484 \$	29,808
1	Bedroom ¹ Bath (60% AMI)	3	638	1,914 \$	972 \$	72 \$	900 \$	1.41 \$	\$	2,700 \$	32,400
2	Bedroom ¹ Bath (30% AMI) PBV	2	782	1,564 \$	582 \$	88 \$	494 \$	0.63 \$	\$	988 \$	11,856
2	Bedroom ¹ Bath (40% AMI)	2	782	1,564 \$	777 \$	88 \$	689 \$	0.88 \$	\$	1,378 \$	16,536
2	Bedroom ¹ Bath (50% AMI)	14	782	10,948 \$	971 \$	88 \$	883 \$	1.13 \$	\$	12,362 \$	148,944
3	Bedroom ² Bath (60% AMI)	12	782	9,394 \$	1,165 \$	88 \$	1,077 \$	1.38 \$	\$	12,824 \$	155,088
3	Bedroom ² Bath (40% AMI)	4	957	3,828 \$	898 \$	108 \$	792 \$	0.83 \$	\$	3,168 \$	36,078
3	Bedroom ² Bath (50% AMI)	2	957	1,914 \$	1,122 \$	108 \$	1,016 \$	1.08 \$	\$	2,032 \$	24,384
3	Bedroom ² Bath (60% AMI) ²	9	957	8,613 \$	1,078 \$	108 \$	972 \$	1.02 \$	\$	8,748 \$	104,976
3	Bedroom ² Bath (60% AMI)	6	957	5,742 \$	1,347 \$	108 \$	1,241 \$	1.30 \$	\$	7,446 \$	88,352
Totals		108		68,760						\$ 54,230	\$ 1,119,972

¹Pursuant to 24CFR 883.301, contract rents approved by HUD may exceed the tax-credit rent limits, and the AMI change is due to income averaging regulation by COLAC. The tenant rent will not exceed 30% of the household adjusted gross income with PBV.

²Comerstone South includes eleven 3 Bedroom units at 50% AMI, of which nine are AHF assisted units with more restrictive rents than CTCAC.

**Cornerstone North, South and Habitat for Humanity
MAXIMUM INCOME AND RENT LIMITS 2021**

Rents at 30%, 40%, 50%, 60% and 80% of Area Median Income (AMI)

*Low Income Housing Tax Credits, Mortgage Revenue Bonds, Neighborhood Stabilization Program,
Affordable Housing Funds, HOME Investment Partnerships Program and Housing Trust Funds*

Maximum Gross Income Limits

Family Size	30% AMI	40% AMI	50% AMI	60% AMI	80% AMI
1 person	\$ 18,150	\$ 24,200	\$ 30,250	\$ 36,300	\$ 48,350
2 person	\$ 20,730	\$ 27,640	\$ 34,550	\$ 41,460	\$ 55,250
3 person	\$ 23,310	\$ 31,080	\$ 38,850	\$ 46,620	\$ 62,150
4 person	\$ 25,890	\$ 34,520	\$ 43,150	\$ 51,780	\$ 69,050
5 person	\$ 27,990	\$ 37,320	\$ 46,650	\$ 55,980	\$ 74,600
6 person	\$ 30,060	\$ 40,080	\$ 50,100	\$ 60,120	\$ 80,100
7 person	\$ 32,130	\$ 42,840	\$ 53,550	\$ 64,260	\$ 85,650
8 person	\$ 34,200	\$ 45,600	\$ 57,000	\$ 68,400	\$ 91,150

Maximum Gross Rent Limits¹

Unit Size	30% AMI	40% AMI	50% AMI	60% AMI	80% AMI
1 Bedroom	\$ 486	\$ 648	\$ 810	\$ 972	\$ 1,295
2 Bedroom	\$ 582	\$ 777	\$ 971	\$ 1,165	\$ 1,553
3 Bedroom ²	\$ 673	\$ 898	\$1,078 to 1,122	\$ 1,347	\$ 1,795

¹Pursuant to 24CFR 983.301, contract rents approved by HUD may exceed the tax-credit rent limits; and the AMI change is due to income averaging regulation by CDLAC. The tenant rent will not exceed 30% of the household adjusted gross income with PBV.

²Cornerstone South includes eleven 3 Bedroom units at 50% AMI, of which nine are AHF assisted units with more restrictive rents than CTCAC.



Effective Date: April 20, 2021

Cornerstone North Mutual Housing Associates, L.P. and
 Cornerstone South Mutual Housing Associates, L.P.
 c/o Mutual Housing California
 Roberto Jiménez, CEO
 3321 Power Inn Road, Suite 320
 Sacramento, CA 95826

RE: Conditional Loan Commitment for Cornerstone North and South

Dear Mr. Jiménez:

On behalf of Sacramento Housing and Redevelopment Agency and the Housing Authority of the County of Sacramento (collectively, Agency), we are pleased to advise you of this Conditional Loan Commitment (Commitment) of predevelopment, acquisition, construction and permanent loan funds (Loan) comprised of funds listed in the chart below for the purpose of financing the acquisition, rehabilitation and development of that certain real property known as Cornerstone North and South (collectively, Cornerstone, a Mutual Housing Community) located at 46th Street, Sacramento, California 95811 (APN: 039-0011-013-0000) (Property).

CORNERSTONE NORTH	AMOUNT
Seller Carryback Land Loan (Neighborhood Stabilization Program or NSP)	\$59,000.00 or an amount justified by an updated fair market value appraisal
Total Commitment to Cornerstone North	\$59,000.00
CORNERSTONE SOUTH	
Seller Carryback Land Loan (NSP)	\$92,000.00 or an amount justified by an updated fair market value appraisal
Affordable Housing Funds (AHF) Loan (includes \$120,000.00 Predevelopment Loan ¹)	\$ 6,432,000.00
County HOME Investment Partnerships Program funds (HOME) Loan, which includes Community Housing Development Organization (CHDO) funds	\$ 2,752,000.00
County Housing Trust Funds (HTF) Loan	\$ 816,000.00
Total Commitment to Cornerstone South	\$10,092,000.00
TOTAL COMMITMENT TO CORNERSTONE NORTH AND SOUTH	\$10,151,000.00

¹The terms of the Predevelopment Loan are incorporated in Section 7 of this Commitment.

The Agency's decision is based on your application, and all representations and information supplied by you to it. If these representations and information change in a material manner without written approval of the Agency, this Commitment is void. Agency's obligation to make the Loan is subject to the satisfaction of all the following terms and conditions and Borrower's execution of documentation that is in a form and in substance satisfactory to the Agency.

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

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

This Commitment will expire **October 20, 2022**, unless a mutually agreed upon extension is made.

1. **PROJECT DESCRIPTION:**

Cornerstone North is composed of garden-style walk-up buildings and includes a total of five (5) buildings and 48 units comprised of one-, two- and three-bedroom units. Amenities on site include landscaped courtyards, barbecue areas, picnic tables, laundry facility, and 28 car parking and 62 bicycle parking spaces. The community room with kitchen, management and resident services offices, restroom and playground for school-aged youth is located in this parcel of the development. The residents of Cornerstone South will have access to the community building, playground amenities, parking stalls, and all other site amenities in this development.

Cornerstone South is composed of garden-style walk-up buildings and includes a total of eight (8) buildings and 60 units comprised of one-, two- and three-bedroom units. Amenities on site include landscaped courtyards, barbecue areas, picnic tables, laundry facility, and 83 car parking, three (3) motorcycle parking and 60 bicycle parking spaces. Residents will have access to the community room with kitchen, management and resident services offices, restroom and playground for school-aged youth is located in the North parcel of the development. The residents of Cornerstone North will have access to parking stalls, and all other site amenities in this development.

2. **BORROWER:** The Borrower for the respective loan of Cornerstone North is Cornerstone North Mutual Housing Associates, L.P. (an affiliate of Mutual Housing California, or related entity) and the Borrower for the respective loan of Cornerstone South is Cornerstone South Mutual Housing Associates, L.P. (an affiliate of Mutual Housing



California, or related entity) collectively, Borrower. Mutual Housing California, or related entity is the lead development partner of the Project.

3. **PURPOSE OF LOAN:** The Loan is to be used by Borrower solely to pay the costs of acquisition, construction, permanent financing and for such other purposes as Agency expressly agrees to in the loan agreement for the Loan, and such other agreements as may be generally required by the Agency for the use of the funding source for the Loan.

4. **PRINCIPAL AMOUNT:** The combined principal amount of the Loan will be the lesser of the following:

Cornerstone North – Seller Carryback Land Loan

- a. One dollar and no cents (\$59,000.00), or
- b. an amount justified by an updated fair market value appraisal.

Cornerstone South – Seller Carryback Land Loan

- a. One dollar and no cents (\$92,000.00), or
- b. an amount justified by an updated fair market value appraisal.

Cornerstone South – Construction and Permanent Loan

- a. Ten Million Dollars and No Cents (\$10,00,000.00), which is inclusive of the One Hundred Twenty Thousand Dollars and No Cents (\$120,000.00) Predevelopment Loan with terms described in Section 7 of this Commitment, or
- b. an amount to be determined prior to close of the Loan based on a project budget approved by Agency.

5. **TERM OF LOAN:** The Loan shall mature 57 years or 684 months from the date of closing, at which point any and all unpaid principal and interest on the loan will be due and payable.

6. **INTEREST RATE:** The Loan will bear simple interest at three percent (3%) per annum. Interest shall be calculated on the basis of a 365-day year and actual number of days elapsed.

7. **PREDEVELOPMENT LOAN**

The following terms and conditions will apply to the Predevelopment Loan:

- a. **Project:** Cornerstone South
- b. **Borrower:** The name of the Borrower is Cornerstone South Mutual Housing Associates, L.P. (an affiliate of Mutual Housing California, or related entity).
- c. **Predevelopment Loan:** The principal amount of the Agency’s Predevelopment Loan is comprised of AHF program funds associated with Cornerstone South is One Hundred Twenty Thousand Dollars and No Cents (\$120,000.00) with a zero percent interest rate (0.00%).
- d. **Maturity Date:** The maturity date for the Loan shall be the date which is the earlier to occur of: (i) May 1, 2024; or (ii) the close of a construction and permanent loan from Lender to Borrower for the Cornerstone South affordable housing project (“Construction Loan”). Upon Borrower’s satisfaction of all conditions precedent to the funding of that Construction Loan for the Property, all funds advanced by



Lender pursuant to this Loan Agreement and the Note not yet repaid to Lender shall become part of the outstanding principal amount of such Construction Loan and secured by the security instruments, if any, executed by Borrower in connection therewith and shall be repaid pursuant to the terms of the documents evidencing such Construction Loan. Subject to the funding of the Construction Loan, the Note will be cancelled.

- e. Subordination: The Predevelopment Loan may be subordinated to any new Agency debt that is recorded against the property.
8. **ANNUAL REPAYMENT:** Annual principal and interest payments shall be deferred during the initial 15 years or 180 months after conversion to permanent finance and made according to the structured payment schedule contained in the final Loan Agreement and as calculated to achieve a minimum annual debt service coverage ratio of 1.2:1. Payments shall be applied first to outstanding interest accrued and unpaid and then to principal. All outstanding principal and interest is due and payable on the maturity date.
 9. **SOURCE OF LOAN FUNDS:** Agency is making the Loan from the following sources of funds, and the Loan is subject to all requirements related to the use of such, whether Agency requirements or otherwise: NSP, HOME, HTF and AHF Programs. This Loan is conditioned upon Borrower's acceptance of Agency's requirements and conditions related to such lending programs and funding sources, including among others, the required forms of agreements for the Loan; the requirements for covenants, conditions and restrictions upon the Property; and insurance and indemnity requirements.
 10. **Borrower acknowledges that, as a condition of the Agency's making of the Loan, the Property will be subject to restrictions on future sales and rentals which may result in less income to Borrower than could otherwise be realized, and that such restrictions run with the land, and during their operational term, will bind all successors in interest.**

_____ (Borrower Initial)

11. **ACCELERATION:** Agency shall have the right to accelerate repayment of the Loan in the event of a default under any Loan Document or upon sale, transfer or alienation of the Property except as specifically provided for in the Loan documents.
12. **SECURITY:** The Loan shall be evidenced by promissory note(s) secured by a deed of trust with assignment of rents against the fee and/or leasehold interest in the Property and Improvements, which shall be a lien upon the Property and Improvements subject only to liens senior to the Agency's lien securing loans from a conventional lender or other lender and such other items as the Agency may approve in writing. The Loan shall also be secured by security agreements. The Agency may subordinate said deeds of trust in order to accommodate completion of the development of the Property. The Agency will not subordinate the regulatory agreement(s) to said deeds of trust in order to preserve the affordable housing covenants.



13. **LEASE AND RENTAL SCHEDULE:** All leases of the Property and Improvements shall be subject to Agency's review and approval prior to execution. Borrower shall not deviate from the rental schedule presented in Borrower's application for the Loan without Agency's prior written approval; provided, however, that such approval shall not be required for annual adjustments to rental rates as permitted by the California Tax Credit Allocation Committee.
14. **PROOF OF EQUITY:** Borrower shall provide proof of equity for the Property and Improvements in the amount of no less than an aggregate of \$20,000,000 in Low Income Housing Tax Credit Equity and no less than \$1,400,000 in deferred developer fee. If LIHTC equity goes below \$20,000,000 the equity must be offset by an increase in deferred developer fee, general partnership contribution, or other non-Agency funding source.
15. **OTHER FINANCING:** Borrower, as a requirement of the Loan, shall procure and deliver to Agency evidence satisfactory to Agency that Borrower has obtained the following described financing which may be secured by a lien upon the Property and Improvements superior or subordinate to Agency's liens, and which shall be otherwise on terms and conditions acceptable to Agency:
- a. As a condition precedent to disbursement of the remainder of the Agency loan, construction financing from a private lender(s) in an amount(s) sufficient to complete construction of the Property according to a scope of work as approved by Agency and made for a term not less than that specified in the Schedule of Performances for completion of construction, and in any event not less than the time necessary to fulfill all conditions precedent to funding of the permanent financing.
 - b. Commitments for permanent financing sufficient to "take out" all liens senior to the Agency's lien.
 - c. Such commitments for financing shall not require modification of Agency loan documents, or any term of this commitment letter.
 - d. Such commitments shall not be based upon sources and uses of Project funds that are different from those approved by Agency for the project or be subject to conditions which require amendment of the DDA, OPA or other agreements.
16. **EVIDENCE OF FUNDS:** Prior to the first disbursement of the Loan, Borrower must demonstrate evidence of adequate and assured funding to complete the development of the Project in accordance with the Agency's requirements. Borrower's evidence of available funds must include only one or more of the following: a) Borrower equity; b) firm and binding commitments for the Project from financial institution(s) or from other lender(s) approved by Agency in its absolute discretion; and c) Agency's contribution, provided, however, that Agency is not obligated by this letter to make any contribution not stated in the terms of the letter.
17. **SOILS AND TOXIC REPORTS:** Borrower has submitted to the Agency a hazardous substances report made in accordance with the American Society for Testing and Materials "Standard Practice for Environmental Site Assessments; Phase I Environmental Site Assessment Process" (Designation E1527-05) prepared by a licensed or registered



environmental engineer or other qualified party prior to Loan closing. Borrower must, as a condition of disbursement of Loan funds, provide assurances satisfactory to the Agency that hazardous materials are not present on the Property or that any hazardous materials on the Property will be remediated and that no further remediation is then required by the environmental agency having responsibility for monitoring such remediation.

18. **LOAN IN BALANCE:** Borrower will be required to maintain the Loan "in balance". The Loan is "in balance" whenever the amount of the undisbursed Loan funds, the remaining sums to be provided by the Borrower and the loan funds from other project lenders or the equity investor are sufficient, in the sole judgement of the Agency, to pay for the remainder of the work to be done on the project as required by written agreement with the Agency. Should the Agency determine that the Loan is not "in balance", the Agency may declare the Loan to be in default.
19. **PLANS AND SPECIFICATION:** Final plans and specifications, if any, for the project must be in accord with the proposal approved as part of the Loan application. Final plans and specifications will be subject to Agency's final approval prior to the disbursal of Agency Loan funds. Borrower must obtain Agency's prior written consent to any change in the approved plans and specifications or any material deviation in construction of the project. The final plans shall incorporate all related mitigation measures, environmental conditions required, if any, for compliance with approvals under CEQA, and/or NEPA, or the U.S. Department of Housing and Urban Development as conditions of approval of the project.
20. **ARCHITECTURAL AGREEMENT:** The architectural agreement (Agreement), if any, for the preparation of the plans and specifications and other services shall be subject to Agency's approval. Agency may require an assignment of Borrower's interest in and to the Agreement as security for the Loan.
21. **CONSTRUCTION CONTRACT:** The construction contract (Contract), if any, and any change orders issued thereunder, and the contractor (Contractor) to be retained by Borrower to construct the Improvements shall be subject to Agency's approval. Agency may require an assignment of Borrower's interest in and to the Contract as security for the Loan. Agency may require Contractor to provide a performance and payment bond in a form acceptable to Agency for the amount of the Contract.
22. **ECONOMIC OPPORTUNITY EMPLOYMENT REQUIREMENTS:** The Loan will require 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 Contractor and its subcontractors to utilize lower income project area residents as employees to the greatest extent feasible.
23. **RETENTION AMOUNT:** The Agency shall retain ten percent (10.0%) of the total amount of the Loan as retention and shall be released when the Agency determines all conditions to final disbursement of the Loan have been satisfied.



24. **COST BREAKDOWN:** Borrower shall deliver to Agency for Agency's approval prior to commencement of work a detailed cost breakdown of the cost of constructing, financing and other costs of developing the Improvements, which breakdown conforms to the project plans and specification and the budget approved with this Commitment. Borrower shall also deliver a list of all contractors and subcontractors to be employed in connection with the construction of the Improvements. If required by the Agency, Borrower shall also submit copies of all bids received for each item of work to be performed as well as copies of executed contracts and subcontracts with acceptable bidders.

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

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

25. **COST SAVINGS:** At completion of construction, Borrower shall submit to Agency a cost certification for Cornerstone North and a cost certification for Cornerstone South, each cost certification must be prepared by a qualified, independent auditor acceptable to Agency, which cost certification shall indicate the amounts actually spent for each item in the cost breakdown and shall indicate the final sources of funding. If there is an aggregate savings, in the total of all such cost breakdown items from the cost breakdown items in the original budget approved in Cornerstone South by the Agency, after adjusting for any decrease in any funding source including any loss of any equity investment due to an adjustment in the allowable tax credits, the Agency shall withhold for itself as loan repayment, one-half of such savings from the amount of retention then held by the Agency, and the Loan balance shall be reduced by the amount so withheld. The Agency, in its sole discretion, shall determine any reduction and/or repayment of the Agency loan based upon this cost certification and the original approved budget for the Cornerstone South development.
26. **START OF CONSTRUCTION:** Borrower shall commence construction at the earliest possible date subject to the conditions of this Agency and other involved lenders, but no later than sixty (60) days following the close of construction financing.
27. **COMPLETION OF CONSTRUCTION:** Borrower shall complete the construction of the Improvements no later than twenty-four (24) months following the close of construction financing.
28. **SECURITY CAMERAS AND OUTSIDE LIGHTING:** Project shall include installation of a security camera system at vehicular driveways and additional exterior lighting, and security patrols, all as approved by the Agency.



29. **INSURANCE PROVIDER:** Each policy of insurance required under the Loan shall be obtained from a provider licensed to do business in California and having a current Best's Insurance Guide rating of A VII, which rating has been substantially the same or increasing for the last five (5) years, or such other equivalent rating, as may reasonably be approved by Lender's legal counsel.
30. **PROPERTY INSURANCE:** Borrower shall procure and maintain property insurance and during construction Builder's Risk completed value insurance in a form and substance approved by Agency. Coverage shall be for protection against loss of, or damage to the Improvements or materials for their construction to their full insurable value. Borrower shall also procure and maintain insurance against specific hazards affecting Agency's security for the Loan as may be required by Agency, governmental regulations, or any permanent lender. All such policies shall contain a standard mortgagee loss payable clause in favor of Agency. The insurance required shall be written with a deductible of not more than \$25,000.00.
31. **COMMERCIAL GENERAL LIABILITY AND OTHER INSURANCE:**
Borrower shall carry insurance as set forth below effective prior to the disbursement of the Loan, and such insurance shall be maintained in full force and effect at all times and work is performed in connection with the project. Such insurance coverage must list the Agency as an additional insured, and must be approved in writing by Agency prior to the disbursement of the Loan.
- a. Commercial general liability insurance, in Insurance Services Office (ISO) policy form CG 00 01 or equivalent, with limits of liability not less than: \$1,000,000 per occurrence, and \$5,000,000 general aggregate, all per location of the project, such coverage to include contractual liability to include bodily injury, property damage and personal injury;
 - b. Personal injury insurance with the employment exclusion deleted, unless the Agency gives prior written approval for the employment exclusion to remain in the policy;
 - c. Commercial automobile liability insurance for any vehicle used for or in connection with the project, in an amount not less than \$1,000,000 and approved in writing by Agency; and
 - d. Workers' compensation and all other insurance required under applicable law, in the amount required by applicable law or by Agency, whichever amount is greater.
32. **TITLE INSURANCE:** Borrower must procure and deliver to Agency an ALTA Lender's Policy of Title Insurance, together with such endorsements as Agency may require, including but not limited to ALTA endorsement nos. 9.6 and 9.7 (or CLTA endorsement nos. 100 and 116) and ALTA endorsement no. 25 (or CLTA endorsement no. 116) insuring Agency in an amount equal to the principal amount of the Loan and covenants, conditions or restrictions of the Loan, that Agency's Deed of Trust constitutes a third lien or charge upon the Property and Improvements subject only to such items as shall have been approved by Agency. There must be no exceptions permitted for mechanics liens. Title insurance for the Loan must be issued by a title insurer approved by Agency.



33. **ORGANIZATIONAL AGREEMENTS:** Borrower must submit to Agency certified copies of all of Borrower's organizational documents, including all amendments, modifications or terminations: if a corporation, Borrower's Articles of Incorporation and By-Laws; if a partnership, its Partnership Agreement and, as applicable, Certificate of Limited Partnership or Statement of Partnership; if a Limited Liability Company, its Articles of Organization and its Operating Agreement; and in all cases with all exhibits and amendments to such documents, fictitious business name statements, other related filings or recorded documents and such related documents as Agency may request. If it is a corporation, Borrower must submit a corporate borrowing resolution referencing this Loan. If Borrower is other than a corporation, Borrower must submit such proof of authority to enter this Loan as may be required under the organizational documents.
34. **PURCHASE OF PROPERTY:** Borrower shall provide Agency with copies of all documents relating to Borrower's purchase of the Property.
35. **FINANCIAL INFORMATION:** During the term of the Loan, Borrower shall deliver to Agency within 120 days of the end of each fiscal year an audited income and expense statement, a balance sheet, and a statement of all changes in financial position signed by authorized officers of Borrower. Prior to close of the Loan and during its term, Borrower must deliver to Agency such additional financial information as may be requested by Agency. Agency reserves the right to review and approve financial statements and other credit information and references prior to closing. During the term of the Loan, Borrower must deliver to Agency a monthly rent-roll including household composition information and operating statements with respect to the Property and Improvements, as Agency may request.
36. **MANAGEMENT AGREEMENT:** Prior to execution, Borrower must submit to Agency any agreement providing for the management or operation of the Property or Improvements by a third party which agreement is subject to Agency Approval.
37. **AFFIRMATIVE FAIR MARKETING:** Borrower agrees to follow the Agency's Affirmative Marketing Policies that require outreach to groups least likely to apply for the housing based on local demographic information, providing sufficient marketing time prior to lease Up (as defined in the Affirmative Marketing Policies), and lotteries or other method for initial Lease Up and initial waiting list creation, as agreed upon by the Agency and Borrower prior to the start of Lease Up.
38. **RESIDENT SERVICES AGREEMENT:** Prior to execution, Borrower must submit to Agency any agreement providing for the resident services by a third party which agreement is subject to Agency Approval. The agreement must include on-site resident services according to the following minimum schedule of twenty (20) hours per week:
- a. Coordinator: Six (6) hours per week (maximum)
 - b. After School Programming: Eight (8) hours per week (two hours per day and four days per week, minimum)
 - c. Additional Programming: Balance of minimum six (6) hours per week shall include, but are not limited to:
 - i. Workforce development support and activities.



- ii. Education classes such as nutrition, exercise, health resources, health insurance application assistance, Annual onsite health fair and ESL classes.
 - iii. Socialization activities such as bingo, gardening and community building events.
 - iv. Other services such as transportation assistance, counseling assistance and employee readiness and job search assistance.
39. **LOW INCOME HOUSING TAX CREDITS (LIHTC)**: Borrower represents that as a condition of closing this Loan it is applying for an allocation of LIHTC's and agrees to perform all actions and to meet all requirements to maintain the LIHTC allocation if granted.
40. **SMOKE-FREE ENVIRONMENT**: 100% of the buildings and units must be smoke free (including all forms of smoking that create secondhand smoke that impacts the health of nonsmokers). In addition, all indoor common areas must be smoke-free. Clearly-marked designated smoking areas must be provided.
41. **DOCUMENTATION**: This letter is not intended to describe all of the requirements, terms, conditions and documents for the Loan, which shall also include customary provisions and documents for an Agency transaction of this type. All documents to be delivered to or approved by Agency must be satisfactory to Agency in all respects. Borrower must promptly deliver to Agency any further documentation that may be required by Agency.
42. **CONSISTENCY OF DOCUMENTS**: As a material obligation under this Commitment, Borrower shall assure that the loan documents for the Project are consistent with lender's commitment approved by the Agency and comply, in all respects, with this Commitment.
43. **CHANGES OR AMENDMENTS**: No documents or contracts which are to be delivered to Agency or are subject to Agency's review or approval shall be modified or terminated without the prior written approval of Agency.
44. **ACCEPTANCE OF THIS COMMITMENT**: Borrower's acceptance of this Commitment shall be evidenced by signing and delivering to Agency the enclosed copy of this letter. Until receipt of such acceptance by Agency, Agency shall have no obligation under this letter. Agency may withdraw this Commitment at any time prior to Borrower's acceptance.

Signatures appear on the following page.



Sincerely,

La Shelle Dozier, Executive Director

The undersigned acknowledges and accepts the terms and conditions of the Commitment and Scope of Development and Rental Property Minimum Construction Standards (Exhibit 1), and has executed this Commitment as of the Effective Date.

BORROWER of Cornerstone North Development:

Cornerstone North Mutual Housing Associates, L.P., a California limited partnership

BY: Cornerstone Mutual Housing Association LLC, a California limited liability company

Its: Managing General Partner

By: Mutual Housing California, a California nonprofit public benefit corporation

Its: sole and managing member

By: Roberto Jiménez

Its: CEO

BORROWER of Cornerstone South Development:

Cornerstone South Mutual Housing Associates, L.P., a California limited partnership

BY: Cornerstone Mutual Housing Association LLC, a California limited liability company

Its: Managing General Partner

By: Mutual Housing California, a California nonprofit public benefit corporation

Its: sole and managing member

By: Roberto Jiménez

Its: CEO

Attachment:

Exhibit 1 - Scope of Development and Rental Property Minimum Construction Standards



Exhibit 1 - Scope of Development

Cornerstone, a Mutual Housing Community (North and South Developments)

I. Project Description

Cornerstone, a Mutual Housing Community, is in the unincorporated area of Sacramento County (County), South Sacramento community. The site is generally located adjacent to 44th Street and LeDonne Drive. The new construction project will bring 108 units of affordable housing to South Sacramento. The Project will comply with the American with Disabilities Act (ADA).

The scope of development below covers both Cornerstone North (48 units) and Cornerstone South (60 units). Sacramento County is considering entitlements for the two lots as a single project. As such, the County is not considering site-wide items such as stormwater retention, play areas, trash enclosures, and parking minimums on a parcel-by-parcel basis, but together as a full 108-unit project. Additionally, the project will be constructed as a single construction project and will be operated as a single project. Construction materials will be new, excepting recycled items with written pre-approval from SHRA. All building and site improvements will adhere to SHRA's minimum construction standards.

II. Site Improvements

1. **Landscaping:** Project will be designed in accordance with County requirements and subject to SHRA approval.
 - a) Existing trees shall be evaluated by an arborist and trimmed/removed according to the evaluation. Any tree trimming or tree removal will either occur outside the nesting season for nesting birds.
 - b) All soil shall be covered in mulch, bark or some other ground cover with a weed barrier. Soil in planter areas shall be established to a depth that ensures the ground cover does not freely spill into the adjacent concrete pathway. Planters shall be sloped away from the building foundation with a minimum two percent (2%) slope.
2. **Irrigation System:** The automated irrigation system incorporates a "SMART controller" that senses rain to reduce water use. Irrigation piping and fixtures shall be installed with new system that includes appropriate water efficient fixtures.
3. **Playground Equipment:** A playground with equipment suitable for children up to age 12, and equipment suitable for toddlers, will be installed onsite.



4. **Pedestrian and Fire-access Gates:** Gates will meet code requirements.
5. **Site Accessories:** Bike racks, tables, benches, barbeques, etc., will be included in the development.
6. **Perimeter Fence:** The site will not include full perimeter fencing, but will construct a CMU wall on the site's western border adjacent to Chateau Lang Apartments.
7. **Asphalt Parking Lot and Drive Aisles:** Parking lot and drive aisles will be designed in accordance with geotechnical recommendations. The parking lot will meet current code and ADA requirements, with respect to including required ADA van accessible parking. There will be a total of 111 parking spaces.

III. Building Exterior Improvements

8. **Roof:** The roofing of all buildings have a minimum 20-year warranty Asphalt Composition Shingles.
9. **Gutters, Downspouts and Downspout Extensions:** All gutters, downspouts and downspout extensions will be new and connected to a storm drain system and/or routed to surface drain to site bio-retention planters.
10. **Siding:** Exterior siding of the residential buildings will be a cementitious siding (lap and panel).
11. **Balcony and Patio Enclosures:** Ground floor apartments will have private patios on grade; while upper level apartments will have balconies with composite decking.
12. **Paint:** Building will have interior and exterior painting. Non-habitable structures on the property will match the habitable buildings.
13. **Windows and Sliders:** All windows will be energy-efficient windows. Windows will be designed to open and will have screens. Operable windows will have functional locks, and will be operable without excessive effort.
14. **Trash Enclosures:** The site will contain three trash enclosures with concrete aprons located in Auto Court's 1, 2, and 3.
15. **Lighting:** The exterior wall light fixtures will feature energy efficient wallpacks to increase visibility. Site pole lights will have LED fixtures.
16. **Sidewalks and Ramps:** The sidewalks and ramps will meet current code and ADA requirements throughout the Project.



17. **Mailbox Units:** New cluster mailbox units will be installed and shall include space for larger parcels delivered to site.
18. **Stairways, Railings and Landings:** Common area stairs will meet current accessible codes for treads and risers, guardrails and handrails. Bottom of stairs will either be closed off for storage or provided with cane rails. Stairways in common areas will include closed risers and non-slip concrete finish or other slip-resistant material on the treads.
19. **Signage:** Monument signage, buildings, apartments, garages, parking, ADA, and property signage throughout as required by current code.
20. **Security:** New CCTV system with web-based cameras at primary automobile entrances, parking, common areas, mailboxes and community room(s).
21. **Exterior Building Systems:** Exterior mounted electrical, mechanical, and plumbing systems will be protected from vandalism

IV. Building Interior

1. **ADA units:** There will be a total of 11 accessible units. 10% (11 units) will be fully accessible and 4% (5 units) will have hearing / visual equipment.
2. **Central Heating, Ventilation and Air Conditioning Systems (HVAC):** All of the buildings will have a) the duct work, air distribution and air supply and exhaust systems will be installed b) new EnergyStar or better HVAC split systems installed; new air output; and c) new intake vents will be installed.
3. **Water heaters:** All units will have EnergyStar water heaters.
4. **Water distribution System:** Water distribution system will be made of PEX piping for the branch lines and Aquatherm piping for the main water lines.
5. **Kitchens:** All kitchens will have new solid-surface counters, cabinets, drawers, refrigerator/freezer combination appliances, free-standing electric range/oven combination appliances, ventilation hood appliances, dishwashers, sinks, garbage disposals, angle stops, low-flow faucets and finishes. All appliances will be EnergyStar or better. All kitchens will have adequate counter space and cabinet space. Shelving for microwaves will be provided in non-ADA units.
6. **Bathrooms:** All bathrooms will have solid-surface counters, sinks, tubs and surrounds, accessories (i.e., toilet paper holders, towel racks, shower rods and curtains), low-flow showerheads, low-flow toilets and low-flow faucets. Vanities will have cabinets and drawers. A humidistat fan will be installed in all bathrooms. Tub surrounds will be one single solid surface per wall.



7. **Ceilings and Walls:** All interior walls and ceilings will have a drywall finish. In select areas of common areas (lobbies, community room, office areas, etc.) higher grade finishes (wood, tile, etc.) and acoustic panels / clouds may be used.
8. **Doors:** All doors will be new and will meet current egress standards. All door hardware will have matching finishes. Exterior doors will 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 will have single action hardware to release deadbolt and latch assembly. All sliding exterior doors will have screen doors and shall have functional locks and must operate freely without excessive effort.
9. **Flooring:** New vinyl sheet flooring will be installed in all residential unit kitchens and living rooms. Carpet will be installed in bedrooms.
10. **Windows:** New window blinds will be installed on all windows and sliders.
11. **Paint:** Paint will be applied to all walls, ceilings, and trim, in all rooms, closets and storage rooms.
12. **Electrical:** GFI outlets will be installed to code. New hardwired smoke and CO detectors will be installed in the hallways of all units. New hardwired smoke detectors will be installed in the bedrooms of all units. Broadband infrastructure will be provided.
13. **Lighting:** All kitchens, dining rooms, bedrooms, bathrooms and hallways will have new energy efficient light fixtures installed.

V. Community Areas

1. **Community Room, Office, Kitchen and Restroom:**
 - a) The amenity space at Lot 1 will be 3,350 SF and includes a community room with shared kitchen, offices, and other community space.
 - b) The kitchen will have solid-surface counters, refrigerator/freezer combination appliance, free-standing electric range/oven combination appliances, micro-hood combination appliance, dishwasher, sink, garbage disposal and low-flow faucets. All appliances will be EnergyStar or better. Furniture, fixtures, and cabinets will be installed.
 - c) The restrooms will meet current code and ADA requirements.
 - d) Flooring in common areas will be LVP (minimum 20 mil wear layer) or carpet.



2. **Laundry Facilities:** All laundry facilities will meet code and ADA requirements. New vinyl sheet flooring, windows, doors, washer and dryer appliances, counter for folding laundry, lighting fixtures, humidistat, and paint on walls and ceilings will be installed. A total of 13 washers and 13 dryers will be installed. Cornerstone South will have seven (7) laundry sets, including six (6) ADA laundry sets. Cornerstone North will have six (6) ADA laundry sets. In the three story building, there will be one laundry room on each floor.

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



**UNSECURED PREDEVELOPMENT LOAN AGREEMENT
CORNERSTONE SOUTH**

"EFFECTIVE DATE"	May 1, 2021
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ARTICLE I TERMS AND DEFINITIONS:

LENDER AND BORROWER HAVE ENTERED THIS LOAN AGREEMENT AS OF THE EFFECTIVE DATE. This Loan Agreement includes Article II Loan Provisions and the attachments and Exhibits listed below, all of which are incorporated in this Loan Agreement by this reference. The capitalized terms in this Loan Agreement shall have the meanings assigned in Article I Terms and as defined in Article II Loan Provisions. (Terms being defined are indicated by quotation marks. If an item in this Article 1 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.) Lender is making the Loan pursuant to the terms and conditions of this Loan Agreement.

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

A. "Loan Information" The general loan provisions of the Loan	
"LENDER"	The following public agency that is making the Loan, and whose legal status and address are:
Name	Sacramento Housing And Redevelopment Agency
Legal Status	A joint powers agency
Principal Address	801 12 th Street, City of Sacramento, Sacramento County, California 95814
"BORROWER"	The borrower of the Loan funds whose name, legal status and address are:
Name	Cornerstone South Mutual Housing Associates, L.P.
Legal Status	A California limited partnership
Principal Address	3321 Power Inn Rd Suite 320, Sacramento, CA 95826
"LOAN"	The Loan made by this Loan Agreement.
"LOAN PROGRAM"	Lender's Loan Program, commonly known as Affordable Housing Funds
"LOAN AMOUNT"	One Hundred Twenty Thousand Dollars and No Cents (\$120,000.00)
"INTEREST RATE"	None (0.00%)
"DISBURSEMENT TERMS"	Lender shall make the loan disbursement under this Loan Agreement when the following conditions precedent stated in Section 7 have been met: Borrower has presented invoices or similar documentation from third party contractors for actual costs of the Project, and is more particularly described in the Lender approved budget.
"MATURITY DATE"	The maturity date for the Loan shall be the date which is the earlier to occur of: (i) May 1, 2024; or (ii) the close of a construction and permanent loan from Lender to Borrower for the Cornerstone South affordable housing project ("Construction Loan"). Upon Borrower's satisfaction of all conditions precedent to the funding of that Construction Loan for the Property, all funds advanced by Lender pursuant to this Loan Agreement and the Note not yet repaid to Lender shall become part of the outstanding principal amount of such Construction Loan and secured by the security instruments, if any, executed by Borrower in connection therewith and shall be repaid pursuant to the terms of the documents evidencing such Construction Loan. Subject to the funding of the Construction Loan, the Note will be cancelled.
"PAYMENT START DATE"	The payment shall be in lump sum on the Maturity Date.

"PAYMENT SCHEDULE"	The unpaid balance of the Note is due and payable on the Maturity Date, including without limitation all unpaid principal, interest, fees and charges.
"SPECIAL TERMS" Which is the Project to be developed on the Property with the Loan funds, described as:	<p>1. The Loan shall be unsecured.</p> <p>2. The Loan is a predevelopment loan and the loan proceeds shall be used solely for the following: Reimbursement for and not limited to Architect and Engineering work, Permits and Fees, all subject to Lender review and approval.</p> <p>3. The Project is limited to the following predevelopment activities: obtaining architectural drawings, engineering, planning, Planning fees and other predevelopment activities all subject to Lender's prior written approval.</p> <p>Cornerstone South is part of the vacant 46th and Lang master development which includes a three phase affordable development of multifamily apartments and single family detached homes. Cornerstone South will have 60 affordable units developed by the Borrower or related entity.</p>

B. "PROPERTY" The following described real property, which is the site of the Project: The Loan is unsecured, there is no collateral for repayment of the Loan, and the Property is not collateral for the Loan	
Address	46th Street, Sacramento, CA 95823
Assessor's Parcel Number	039-0011-013-0000
"Legal Description"	The Property is situated in the State of California, County of Sacramento, and is more particularly described in Exhibit: Legal Description attached and incorporated by reference.
Borrower's Title Interest	None

C. "LIST OF EXHIBITS" (The following are attached and incorporated in this Loan Agreement):	
EXHIBIT	DEFINED TERM
Exhibit 1: Legal Description	"Legal Description"
Exhibit 2: Note Form	"Note"

D. "APPROVAL DOCUMENTS" Borrower shall submit the following documents for Lender approval Borrower's organizational documents, such as partnership agreements or corporate articles and by-laws. Budget for use of the Loan proceeds.
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E. "ASSIGNED DOCUMENTS" Borrower assigns the following documents to Lender Subject to the interests of any senior lender, all lease and rental agreements for the Property, or any part of it.
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ARTICLE II LOAN PROVISIONS

LENDER AND BORROWER HAVE ENTERED THIS LOAN AGREEMENT AS OF THE EFFECTIVE DATE. The capitalized terms in this Loan Agreement shall have the meanings assigned in Article I General Terms and as defined in Section 1 of this Article II Loan Provisions. (Terms being defined are indicated by quotation marks.) Lender is making the Loan pursuant to the Loan Commitment and the terms and conditions of this Loan Agreement.

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

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

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

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

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

1.4. "Financial Statements" means the 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.

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

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

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

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

1.9. "Loan Documents" means the Note, this Loan Agreement, the Regulatory Agreement, and all other documents evidencing, securing, or relating to the Loan.

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

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

1.12. "Note" means that certain promissory note evidencing the Loan and attached hereto as Exhibit 2.

1.13. "Permanent Lender" is the lender for the Permanent Loan.

1.14. "Permanent Loan" means the permanent financing obtained by Borrower.

1.15. "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.

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

1.17. "Project" means the Property as developed for the use stated in Article I, 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.

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

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

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

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

2.4. **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 any of the other Loan Documents, at law or in equity, or before or by any Governmental Authority. Borrower is not in default with respect to any order, writ, injunction, decree, or demand of any court or other Governmental Authority.

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

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

2.7. **NO UNAPPROVED LOANS.** Borrower has not received financing for the Project except as has been specifically disclosed to and approved by Lender in writing.

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

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

3. 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:

3.1. USE OF LOAN PROCEEDS. Borrower shall use Loan Proceeds solely on a reimbursement basis for pre-development financing of Property and such specific Property costs as Lender may approve in writing in advance.

3.2. PROPERTY MANAGEMENT.

3.2.1. Borrower agrees that at all times the Project shall be managed by a property manager (i) approved by Lender in its reasonable discretion, and (ii) who has successfully managed at least five projects over forty units in size and subject to a recorded regulatory agreement for at least three years' prior to the application, without any record of material violations of discrimination restrictions or other state or federal laws or regulations or local governmental requirements applicable to such projects (the "Manager"). Borrower shall submit to Lender from time to time such information about the background, experience and financial condition of any existing or proposed Manager as Lender may reasonably require to determine whether such Manager meets the requirements for a Manager set forth herein. Lender reserves the right to conduct periodic reviews of the management practices and of Manager to determine if the Project is being operated and managed in accordance with the requirements and standards of this Loan. Borrower agrees to cooperate with Lender in such reviews.

3.2.2. If Lender determines in its reasonable judgment that the Project is not being operated and managed in accordance with one or more of the material requirements or standards of this Loan, Lender may deliver notice to Borrower requesting replacement of the Manager, which notice shall state clearly the reasons for such request. Borrower agrees that, upon receipt of such notice, Borrower shall within 60 days submit to the Lender, a proposal to engage a new Manager meeting the requirements of this provision. Lender shall respond within 30 days to such proposal or such approval shall be deemed given. Upon receipt of such consent or deemed consent, Borrower shall promptly terminate the existing Manager's engagement and engage the new Manager.

3.2.3. Borrower shall not enter into any management agreement or arrangement with any party with respect to the management of the Project without Lender's prior written consent, such consent not to be unreasonably withheld or delayed. Borrower shall not materially modify, amend or terminate any approved management agreement (other than as required to comply with the terms of this Loan and/or applicable law or without Lender's prior written consent, which consent will not be unreasonably withheld or delayed; provided, however, that such consent shall not be required to extend the term of an existing management agreement.

3.3. FINANCIAL STATEMENTS. Borrower shall provide to Lender, upon request, certified Financial Statements and such other evidence as Lender may deem necessary to verify the Property's net income, including without limitation copies of certified rent roles, bank statements, billing statements and invoices.

3.3.1. Borrower shall not materially modify, amend or terminate any approved security plan, other than as required to comply with the terms of this Loan Agreement and/or applicable law or without Lender's prior written consent, which consent will not be unreasonably withheld or delayed; provided, however, that such consent shall not be required to extend the term of an existing security plan.

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

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

4.2. USE OF LOAN FUNDS. Loan funds shall be used only for purposes specified in this Loan Agreement.

4.3. 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.

4.4. NOTE. The Loan is evidenced by the Note executed by Borrower in favor of Lender and delivered to Lender upon execution.

4.5. REGULATORY AGREEMENT. The Regulatory Agreement imposing covenants, conditions and restrictions running with the land is a material consideration for the making of the Loan.

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

5.1. CONDITIONS TO LENDER'S PERFORMANCE. Lender's obligation to perform under this Loan Agreement is subject to all of the following conditions: (a) Borrower has performed all of its obligations then to be performed pursuant to this Loan Agreement; (b) Borrower has met the applicable Special Provisions, if any; (c) Borrower's representations and warranties in this Loan Agreement are true and correct as of the date of this Loan Agreement; (e) this Loan Agreement continues to be in full force and effect, no default on the part of Lender 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.

5.2. CONDITIONS TO BORROWER'S PERFORMANCE. Borrower's obligation to perform under this Loan Agreement is subject to satisfaction of all of the following conditions: (a) Lender's representations and warranties in this Loan Agreement are correct as of the date of this Loan Agreement; and (b) no event has occurred that, with the giving of notice or the passage of time, will constitute a default by Lender under this Loan Agreement.

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

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

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

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

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

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

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

7.6. If Borrower has obtained a loan commitment from a financial institution (or other lender approved by Lender in its sole discretion) to make the Permanent Loan, Lender has approved the loan commitment. For Lender to approve such commitment it must provide (a) that Lender will have notice of, and a reasonable opportunity to cure, any Borrower defaults, and (b) it does not require any change in the Loan or Loan Documents;

7.7. 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

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

8. MAKING DISBURSEMENT. Lender shall make disbursement as provided in the Disbursement Terms.

9. DEFAULTS. At the option of Lender, each of the following events will constitute a default (each an "Event of Default"):

9.1. Failure to comply with the terms of the Loan Documents, including without limitation, the failure to make any payment under the Loan when due;

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

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

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

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

10. REMEDIES

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

10.1.1. Terminate its obligation to make disbursements;

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

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

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

10.1.5. Make any unauthorized payment from Loan Proceeds or other funds of Lender that may be reasonably necessary to protect Lender's rights under this Loan Agreement; and

10.1.6. Recover its funds expended in exercising or enforcing any of its rights or remedies under any of the Loan Documents, together with interest at the Default Rate from the date the funds were spent until repaid.

11. **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.

11.1. **DISCLAIMER.** Whether Lender elects to employ any of the remedies available to it in connection with an Event of Default, Lender will not be liable for the continuation or protection of the Project; the payment of any expense incurred in connection with the exercise of any remedy available to Lender or the Project; or the performance or nonperformance of any other obligation of Borrower.

12. **LIABILITY INSURANCE.** With regard to this Loan Agreement, Borrower shall obtain and maintain, and require the contractor and subcontractors for the Project to obtain and maintain such insurance as will protect them, respectively, from

the following claims which may result from the operations of Borrower, any contractor, subcontractor or anyone directly or indirectly employed by any of them, or by anyone for whose acts any of them may be liable: (a) claims under workers' compensation benefit acts; (b) claims for damages because of bodily injury, occupational sickness or disease, or death of 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 an offense directly or indirectly related to 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; (e) claims for damages because of bodily injury or death of any person or property damage arising out of the ownership, maintenance or use of any motor vehicle; and (f) claims for contractual liability arising from Borrower's obligations under this Loan Agreement.

12.1. INSURANCE PROVIDER: Each policy of insurance required under the Loan shall be obtained from a provider licensed to do business in California and having a current Best's Insurance Guide rating of A VII, which rating has been substantially the same or increasing for the last five (5) years, or such other equivalent rating, as may reasonably be approved by Lender's legal counsel.

12.2. COMMERCIAL GENERAL LIABILITY AND OTHER INSURANCE: Borrower shall carry insurance as set forth below effective prior to the disbursement of the Loan, and such insurance shall be maintained in full force and effect at all times and work is performed in connection with the project. Such insurance coverage must list the Agency as an additional insured, and must be approved in writing by Agency prior to the disbursement of the Loan.

12.2.1. Commercial general liability insurance, in Insurance Services Office (ISO) policy form CG 00 01 or equivalent, with limits of liability not less than: \$1,000,000 per occurrence, and \$5,000,000 general aggregate, all per location of the project, such coverage to include contractual liability to include bodily injury, property damage and personal injury;

12.2.2. Personal injury insurance with the employment exclusion deleted, unless the Agency gives prior written approval for the employment exclusion to remain in the policy;

12.2.3. Commercial automobile liability insurance for any vehicle used for or in connection with the project, in an amount not less than \$1,000,000 and approved in writing by Agency; and

12.2.4. Workers' compensation and all other insurance required under applicable law, in the amount required by applicable law or by Agency, whichever amount is greater.

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

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

12.5. BLANKET COVERAGE. Developer's obligation to carry insurance as required under this Section 10 may be satisfied by coverage under a "blanket" policy or policies of insurance (as the term is customarily used in the insurance industry); provided, however, that Agency shall nevertheless be named as an additional insured under such blanket policy or policies to the extent required by this Section, the coverage afforded Agency will not be reduced or diminished thereby, and all of the other requirements of this Section 12 with respect to such insurance shall otherwise be satisfied by such blanket policy.

13. MISCELLANEOUS

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

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

Borrower in fulfillment of such obligations. 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.

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

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

13.5. NO THIRD PARTIES BENEFITED. This Loan Agreement is made and entered into for the sole protection and benefit of the parties and their permitted successors and assigns, and no other Person will have any right of action or any rights to funds of Lender or held by Lender on account of this Loan.

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

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

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

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

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

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

13.8. 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 without the prior written consent of Lender, in Lender's sole discretion. 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. Lender may at any time assign the Loan Documents and its interest in any accounts to any political subdivisions or successor in interest to Lender, provided that 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.

13.9. 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.

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

13.10.1. 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 made mandatory on Lender by the Loan Documents.

13.10.2. 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.

13.11. 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

13.12. 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.

13.13. 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 Indebtedness or the termination of any Loan Document.

13.14. RECORDING AND FILING. Borrower, at its expense, will cause the Regulatory Agreement 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

13.15. LOAN EXPENSES. Borrower will pay directly any expenses related to the Loan, 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, and all amendments to the Loan Documents requested by Borrower; and (ii) the enforcement of any rights or remedies under the Loan Documents. All costs and expenses, together with interest at the Interest Rate, will be added to the principal balance of the Loan.

13.16. 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, 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.

13.17. 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.

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

13.19. 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.

13.20. 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.

13.21. 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.

13.22. 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. Borrower will pay immediately on Lender's demand any amounts owing under this indemnity, together with interest at the lesser of the Default Rate or the maximum rate permitted by law from the date Lender makes a payment or incurs a loss. Borrower's duty to indemnify Lender will survive the release and cancellation of the Note.

13.23. 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.

13.24. DISCLOSURE OF INFORMATION. If Lender elects to sell the Loan, Lender may forward to assignee 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.

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

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

13.27. NUMBER, IDENTITY AND GENDER. When the context and construction so require, all words used in the singular will be deemed to have been used in the plural and vice versa. 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 date first written above.

BORROWER:
CORNERSTONE SOUTH MUTUAL HOUSING ASSOCIATES, L.P., A CALIFORNIA LIMITED PARTNERSHIP

LENDER:
SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY, A JOINT POWERS AGENCY

BY: Cornerstone Mutual Housing Association LLC,
a California limited liability company
Its: Managing General Partner

By: _____
La Shelle Dozier
Executive Director

By: Mutual Housing California, a California
nonprofit public benefit corporation
Its: sole and managing member

Approved as to form:

Lender Counsel

By: Roberto Jiménez
Its: CEO

Exhibit: Legal Description

The land referred to is situated in the unincorporated area of the County of Sacramento, State of California, and is described as follows:

PARCEL ONE:

ALL THAT PORTION OF THE NORTHEAST 1/4 OF SECTION 32, TOWNSHIP 8 NORTH, RANGE 5 EAST, M.D.B.&M., DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE SOUTH LINE OF SAID NORTHEAST 1/4, SAID POINT BEING ON THE NORTHEASTERLY LINE OF THAT CERTAIN TRACT OF LAND DESCRIBED IN THE DEED RECORDED AUGUST 5, 1955, IN BOOK 2891 OF OFFICIAL RECORDS, AT PAGE 156, EXECUTED BY CHARLES W. BARDIN, AS ADMINISTRATOR WITH THE WILL ANNEXED OF THE ESTATE OF LILLIAN BARDIN, DECEASED TO THE STATE OF CALIFORNIA, FROM WHICH POINT OF BEGINNING THE SOUTHWEST CORNER OF THE NORTHEAST 1/4 BEARS SOUTH 89° 54' WEST 642.41 FEET; THENCE FROM SAID POINT OF BEGINNING ALONG THE NORTHEASTERLY LINE OF SAID STATE OF CALIFORNIA PROPERTY NORTH 39° 51' 46" WEST 179.23 FEET; THENCE NORTH 00° 08' WEST 905.73 FEET TO A POINT ON THE SOUTH LINE OF THAT CERTAIN 11.00 ACRE TRACT OF LAND DESCRIBED IN THE DEED EXECUTED BY TONY CHILELLY, ET AL TO MARGARET K. BAKER, ET AL, RECORDED IN THE OFFICE OF THE RECORDER OF SACRAMENTO COUNTY IN BOOK 1074 OF OFFICIAL RECORDS, AT PAGE 492; THENCE ALONG SAID SOUTH LINE NORTH 89° 54' EAST 305.39 FEET TO A POINT ON THE WEST LINE OF THAT CERTAIN 20.00 ACRE TRACT OF LAND DESCRIBED IN THE DEED EXECUTED BY J.B. SMITH, ET AL TO VIOLA MAY WILDER, ET UX, RECORDED IN THE OFFICE OF THE RECORDER OF SACRAMENTO COUNTY IN BOOK 825 OF OFFICIAL RECORDS, AT PAGE 270; THENCE ALONG THE WEST LINE OF SAID 20.00 ACRE TRACT OF LAND AND THE SOUTHERLY PRODUCTION THEREOF SOUTH 00° 08' EAST 164.89 FEET TO THE NORTHWEST CORNER OF THAT CERTAIN 10.00 ACRE TRACT OF LAND DESCRIBED IN THE DEED EXECUTED BY MAYBELLE K. DANNSEY TO J.L. JONES, RECORDED IN THE OFFICE OF THE RECORDER OF SACRAMENTO COUNTY IN BOOK 1055 OF OFFICIAL RECORDS, AT PAGE 330; THENCE ALONG WEST LINE OF SAID 10.00 ACRE TRACT OF LAND SOUTH 00° 08' EAST 878.61 FEET TO A POINT ON THE SOUTH LINE OF THE NORTHEAST 1/4 OF SAID SECTION 32; THENCE ALONG SAID SOUTH LINE SOUTH 89° 54' WEST 190.83 FEET TO A POINT OF BEGINNING.

PARCEL TWO:

AN EASEMENT NAMELY FOR INGRESS AND EGRESS AND FOR ALL PUBLIC UTILITIES FOR THE REAL PROPERTY DESCRIBED ABOVE AND ANY PART THEREOF, OVER, UNDER, ALONG AND ACROSS THAT PORTION OF THE NORTHEAST 1/4 OF SAID SECTION 32, DESCRIBED AS FOLLOWS: A STRIP OF LAND 42 FEET IN WIDTH, MEASURED AT RIGHT ANGLES, THE CENTERLINE OF WHICH IS DESCRIBED AS FOLLOWS: BEGINNING AT A POINT ON THE SOUTH LINE OF THAT CERTAIN 11.00 ACRE TRACT OF LAND DESCRIBED IN THE DEED EXECUTED BY TONY CHILELLY, ET AL, TO MARGARET K. BAKER, ET AL, RECORDED IN THE OFFICE OF THE RECORDER OF SACRAMENTO COUNTY IN BOOK 1074 OF OFFICIAL RECORDS, AT PAGE 492, FROM WHICH POINT OF BEGINNING THE SOUTHWEST CORNER OF SAID NORTHEAST BEARS SOUTH 89° 54' WEST 402.55 FEET AND THENCE SOUTH 00° 12' EAST 1043.49 FEET; THENCE FROM SAID BEGINNING SOUTH 00° 12' EAST 121.00 FEET; THENCE NORTH 89° 54' EAST 126.51 FEET.

APN: 039-0011-013-0000

Exhibit 2: Note Form

**UNSECURED PROMISSORY NOTE
FOR CORNERSTONE SOUTH
PREDEVELOPMENT LOAN AGREEMENT**

“EFFECTIVE DATE” May 1, 2021

ARTICLE I TERMS AND DEFINITIONS:

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, in addition to attachments and Exhibits listed below includes Article II Note Provisions, which is attached to and incorporated in this Note by this reference. The capitalized terms in this Note shall have the meanings assigned in this Article I Terms and Definitions and as defined in Article II Note Provisions. (Terms being defined are indicated by quotation marks. If an item in a table in this Article 1 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’s making this Note and delivering it to Lender.

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

DEFINED TERM:	DEFINITION:
“Loan Date”	The Effective Date
“Lender”	Sacramento Housing and Redevelopment Agency, a joint powers agency
“Borrower”	Cornerstone South Mutual Housing Associates, L.P.
“Borrower Legal Status”	A California limited partnership
“Loan Agreement”	The Unsecured Predevelopment Loan Agreement between the Borrower and Lender as of the Loan Date for making of the loan (“Loan”) evidenced by this Note
“Principal Amount”	One Hundred Twenty Thousand Dollars and No Cents (\$120,000.00)
“Interest Rate”	None (0.00%)
“Special Terms”	1. The Loan shall be unsecured. 2. The Loan is a predevelopment loan and the loan proceeds shall be used solely for the following: Reimbursement for and not limited to Architect and Engineering work, Permits and Fees, all subject to Lender review and approval. 3. The Project is limited to the following predevelopment activities: obtaining architectural drawings, engineering, planning, Planning fees and other predevelopment activities all subject to Lender’s prior written approval.
PAYMENT SCHEDULE. Repayment of this Note shall be made in the following amounts:	
“Maturity Date”	The maturity date for the Loan shall be the date which is the earlier to occur of: (i) May 1, 2024; or (ii) the close of a construction and permanent loan from Lender to Borrower for the Cornerstone South affordable housing project (“Construction Loan”). Upon Borrower’s satisfaction of all conditions precedent to the funding of that Construction Loan for the Property, all funds advanced by Lender pursuant to this Loan Agreement and the Note not yet repaid to Lender shall become part of the outstanding principal amount of such Construction Loan and secured by the security instruments, if any, executed by Borrower in connection therewith and shall be repaid pursuant to the terms of the documents evidencing such Construction Loan. Subject to the funding of the Construction Loan, the Note will be cancelled.

ARTICLE II NOTE PROVISIONS:

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 date of each advance by Lender to Borrower at the Interest Rate.

1. This Note evidences the obligation of Borrower to Lender for repayment of funds loaned to Borrower under the Loan Agreement. The terms and covenants of the Loan Agreement are incorporated in this Note by reference.
2. Borrower shall make payments monthly in the amounts shown in the Payment Schedule, on the first day of each month, beginning on the First Payment Date and continuing for the number of payments shown in the Payment Schedule. On the day of the last payment, the unpaid balance of said principal sum, if any, together with all unpaid interest, fees and charges due, if any, shall become due and payable. All payments on this Note shall be applied first to fees and charges due under the Loan Agreement, if any, then interest and then to the principal due on this Note. Borrower shall make the payments to the Lender at 801 12th Street, Sacramento, CA 95814, or to such other person or organization as may be designated by Lender to Borrower and noticed as provided in the Loan Agreement.
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. Borrower shall comply with and fulfill the Special Terms.
5. Upon occurrence of any one or more of the following, Lender may, at its sole discretion, declare all unpaid principal immediately due and payable, together with all unpaid interest at the Interest Rate from the date of the advancement of the Loan's proceeds, subject to applicable cure periods, if any:
 - a. Borrower defaults in the payment of any principal or interest when due;
 - b. Lender discovers that Borrower, in any application to Lender in connection with the Loan, had failed to disclose or misrepresented any fact that would have prevented Borrower from being eligible for the Loan;
 - c. Lender discovers that Borrower had made any misrepresentations or failed to disclose any fact in the Loan Agreement or this Note that would affect the interests of Lender;
 - d. Borrower defaults or breaches any of the terms of Loan Agreement, or this Note;
 - e. Borrower fails to perform any covenant, term or condition in any instrument creating a lien upon the Property described in Loan Agreement;
 - f. The sale, transfer of title, conveyance or further encumbrance of the Property, whether by sale, hypothecation, exchange, gift, inheritance or other means, without prior written consent of Lender; and
 - g. The occurrence of any of the following:
 - 1) Borrower becoming insolvent or bankrupt or being unable or admitting, in writing, its inability to pay its debts as they mature or making a general assignment of or entering into any arrangement to restructure debt 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; and
 - 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.

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

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

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

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

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

BORROWER:

CORNERSTONE SOUTH MUTUAL HOUSING ASSOCIATES, L.P., A CALIFORNIA LIMITED PARTNERSHIP

**BY: Cornerstone Mutual Housing Association LLC, a California limited liability company
Its: Managing General Partner**

**By: Mutual Housing California, a California nonprofit public benefit corporation
Its: sole and managing member**

**By: Roberto Jiménez
Its: CEO**

**CONDITIONAL CONSTRUCTION GRANT AGREEMENT
CORNERSTONE, A HABITAT FOR HUMANITY OF GREATER SACRAMENTO COMMUNITY**

The Sacramento Housing and Redevelopment Agency ("Grantor"), whose address is 801 12th Street, Sacramento, California 95814, hereby grants to the Habitat for Humanity of Greater Sacramento, a California nonprofit corporation, ("Grantee"), with its principal office at 819 North 10th Street, Sacramento, CA 95811, the principal amount ("Conditional Grant") of One Million One Hundred Seventy-Five Thousand Dollars and No Cents (\$1,175,000), or so much as may be actually advanced under this Conditional Grant Agreement ("Agreement") and the Disposition and Development Agreement between Grantor and Grantee, dated May 1, 2021.

The Conditional Grant is *regulated by a regulatory agreement ("Regulatory Agreement")* recorded against the real property ("Site") described in the "Legal Description" incorporated in this Agreement by this reference and attached hereto as Attachment 1. This Agreement is subject to the terms and conditions of the DDA and to the terms and conditions stated below.

The Conditional Grant shall become unconditional when the Project is constructed in accordance with the Plans and to the satisfaction of Agency in its sole and absolute discretion, provided that all conditions have then been met and Grantee is not then in default of the DDA or this Agreement. Grantee's obligations regarding repayment of the amount of the Conditional Grant shall cease on a pro rata basis after the completion of each home to the satisfaction of Agency in its sole and absolute discretion, until the entire Conditional Grant becomes unconditional as described above at the completion of the Project. Grantee shall repay the Conditional Grant if Grantee is in default of any of the following covenants and conditions and has not immediately commenced and diligently cured such default:

GRANT PURPOSE AND USE OF FUNDS. Grantor is making this Conditional Grant for the public benefits derived from the use of the proceeds in Cornerstone, a Habitat for Humanity Community ("Project"). The Project is part of the vacant 46th and Lang master development which includes a three phase affordable development of multifamily apartments and single family detached homes. The Project will have 18 single family homes developed by Habitat for Humanity of Greater Sacramento. The proceeds of the Conditional Grant shall be used solely for the Project. Furthermore, the proceeds of the Conditional Grant shall be used solely for the following Project Activities: utility connections from lot line to home, engineering, surveys, building permits and fees, entitlement fees, parcel map fees and school fees.

1. DISBURSEMENT. The proceeds of this Conditional Grant shall be disbursed upon execution by each party and delivery to the other party of this Agreement and subject to the following conditions and procedures:

1.1 CONDITIONS TO DISBURSEMENT. Grantor shall not be obligated to disburse any of the Conditional Grant proceeds unless and until all of the conditions are met with respect to each such disbursement:

i) The proceeds of the Conditional Grant are used solely for the following: Project Activities. Grantee is not and shall not be in default of the DDA, subject to the rights of Grantee to cure such default as provided in the DDA.

ii) Grantee is not in default of any provision of this Conditional Grant, subject to the rights of Grantee to cure such default.

iii) Grantee has fully complied with the following disbursement procedures.

1.2 DISBURSEMENT PROCEDURES. Grantor shall disburse the Conditional Grant proceeds according to the following procedures:

i) Grantee has made written demand for disbursement stating the amount requested and the intended use of the proceeds to be disbursed.

ii) Grantee has provided evidence of approved construction plans, drawings and specifications that comply with this Agreement and of necessary building permits from governmental entities having jurisdiction over the Project.

iii) Grantor has determined that the work, for which disbursement is requested, has been satisfactorily completed.

iv) No mechanics liens have been filed or recorded on the Property.

v) Grantor shall pay each disbursement request within twenty (20) business days after the disbursement request is submitted to Grantor, subject to fulfillment of the conditions precedent as stated in Section 1.1. Grantor shall disburse the actual cost of the work represented in the disbursement request by Grantee.

2. PREVAILING WAGES. Agency advises Developer that if the Project qualifies as a self-help project as defined in the California Labor Code Section 1720(c)(6)(A) then the Project is not subject to the payment of prevailing wages under California law. The Agency advises the Developer and Contractor 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. Additionally, the Agency advises the Developer and Contractor make their own independent determinations of the applicability of prevailing wage laws and independently implement such determinations. Developer indemnifies, holds harmless and defends the Agency from all additional wages, benefits, fees, penalties, fines, legal fees, court costs, arbitration costs, and other costs arising from the improper application of California prevailing wage laws to the Project by Developer or Contractor or both of them. If the Project is subject to the payment of prevailing wages under California law. The Grantee is also the licensed General Contractor for this Project (the "General Contractor") and shall require the General Contractor to inform all subcontractors and materialmen furnishing goods or services to the Project of Grantor's determination of the applicability of California prevailing wage requirements.

3. DEFAULT OF DDA. Grantee shall not be default in any material provision of the DDA, subject to the rights of Grantee to cure such default as provided in the DDA.

4. NO SALE OR EXCESS REFINANCING. Grantee shall not, without Grantor's written consent: (a) sell or transfer all or any portion of the Site; or (b) refinance the Site for an amount greater than One Hundred Percent (100%) of the independently appraised, fair market value of the Site reduced by the amount of this Conditional Grant remaining unpaid. Grantor shall not withhold consent to sell to an otherwise financially qualified buyer who assumes Grantees obligations under this Conditional Grant and accepts the terms of this Conditional Grant.

5. MAINTAIN LOANS. Grantee shall comply with the provisions of all loans secured by the Site and shall promptly and timely cure any default in said loans.

6. NO NUISANCE. Grantee shall permit no activity on the Site that may be construed to be a nuisance to any tenant on the Site, to any adjacent tenants or property owners or to the general public. In the event that such a nuisance is occurring on the Site, Grantee shall take immediate action to stop such nuisance and to prevent future occurrences of such nuisance.

7. OCCUPANCY. Grantee shall not permit the occupancy of any residential unit on the Site to exceed the occupancy limits established by the U.S. Department of Housing and Urban Development for subsidized housing units.

8. SIGNS. Grantee shall not install or permit the installation or use of any sign on the Site which creates a hazard by protruding, overhanging, blinking, flashing, exhibiting animation or other dangerous conditions. Grantee shall not install or permit the installation or use of any billboards, pennants, bunting or similar devices for advertising or commercial display which are not in accordance with all applicable ordinances, regulations and codes. All nonconforming signs shall be removed within the time specified by the organization have jurisdiction over the sign or by Grantor.

9. FUNDING REQUIREMENTS. Grantee represents that Grantee has reviewed the "Funding Requirements" incorporated in this Agreement by this reference and attached to the Regulatory Agreement for Development of Homeownership Property. Grant shall fully comply with all applicable requirements stated in such attachment.

10. REGULATORY AGREEMENT. The Regulatory Agreement for Development of Homeownership Property incorporated in this Agreement by this reference and attached hereto as **Attachment 2**. The Regulatory Agreement sets out certain provisions of this Agreement.

11. INDEMNITY. Grantee indemnifies, and will hold harmless and defend, Grantor, its officers, directors, commissioners, employees and agents against all claims, demands, penalties, judgments, awards, orders, expenses and liabilities related to the Property, Grantee's activities on the Property or arising from Grantee's rights and obligations under this Agreement. Such liabilities include without limitation, strict liability in tort or liability resulting from a finding that Grantor or Grantee are engaged in a joint venture or partnership. Such expenses include without limitation, court costs, arbitration or mediation fees, witness fees, investigator fees and attorney's fees, whether or not litigation is commenced. The indemnity provisions of this Section 11 shall survive the termination of this Agreement, whatever the reason for such termination.

12. ATTORNEY'S FEES AND COSTS. If a party institutes any action (including without limitation, arbitration, mediation, motions, hearings, suits and appeals) to enforce a provision of this Agreement, the prevailing party shall be entitled to recover from the non-prevailing party its fees, costs and expenses in connection with such action, including without limitation, the prevailing party's expert witness fees, investigator fees and attorney's fees. Payment of such fees shall include payment for such services whether provided by employees of the prevailing party or independent providers. Prevailing party shall mean the party who obtains a more favorable result than that offered by it in settlement of the issues, or in the absence of such settlement offer, the party obtaining a favorable result.

13. NOT ASSIGNABLE. Grantee shall have no right to, and shall not, assign this Agreement or the Conditional Grant, whether directly, by operation of law, or otherwise. Any purported assignment shall be void *ab initio*.

14. BOOKS AND RECORDS. Grantee shall maintain complete and accurate books and records related to the operation of the Project as are considered reasonable and necessary under generally accepted accounting principals and shall permit Grantor to view the books and records at any time during regular business hours.

15. INTERPRETATION. This Agreement incorporates the Regulatory Agreement and the DDA in this document by this reference. This Agreement integrates all of the terms and conditions related or incidental to its subject matter, and supersedes all negotiations or previous agreements between the parties with respect to its subject matter. As the context may indicate, the singular and plural forms each include the other and gender references include all other genders. If any provision of this Agreement is held invalid for any reason, the other provisions shall be given full force and effect to the extent that the purpose and intent of this Agreement Grant can then be met.

16. WAIVERS AND AMENDMENTS. All waivers of the provisions of this Agreement must be in writing and duly executed by the waiving party. All amendments to this Agreement must be in writing and duly executed by Grantor and the Developer.

17. CUMULATIVE RIGHTS AND REMEDIES. No right, power or remedy given to Grantor by the terms of this Agreement or the DDA is intended to be exclusive of any other right, power or remedy, and each such right, power or remedy will be cumulative and in addition to every other right, power or remedy given to Grantor by the terms of any instrument, by any statute or otherwise.

18. NONLIABILITY OF GRANTOR OFFICIALS AND EMPLOYEES. No member, official or employee of Grantor shall be personally liable to the Developer, or any successor in interest, in the event of any default or breach by Grantor or for any obligations under the terms of this Agreement.

19. NOTICES AND DEMANDS. A notice, demand or other communication under this Agreement by either party to the other shall be sufficiently given or delivered if it is dispatched by registered or certified mail postage or prepaid, return receipt requested, or delivered personally or by national courier service, delivery charges prepaid, to the address set out above, or at such other address for the receiving party as has been duly noticed under this Section.

EXECUTED AT SACRAMENTO, CALIFORNIA, as of the date first written above.

GRANTEE:

HABITAT FOR HUMANITY OF GREATER SACRAMENTO, INC., A CALIFORNIA NONPROFIT CORPORATION

By: _____
Leah Miller
Chief Executive Officer

GRANTOR:

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY, A JOINT POWERS AGENCY

By: _____
La Shelle Dozier
Executive Director

Approval as to form:

General Counsel

Attachment 1: Legal Description

The land referred to is situated in the unincorporated area of the County of Sacramento, State of California, and is described as follows:

PARCEL ONE:

ALL THAT PORTION OF THE NORTHEAST 1/4 OF SECTION 32, TOWNSHIP 8 NORTH, RANGE 5 EAST, M.D.B.&M., DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE SOUTH LINE OF SAID NORTHEAST 1/4, SAID POINT BEING ON THE NORTHEASTERLY LINE OF THAT CERTAIN TRACT OF LAND DESCRIBED IN THE DEED RECORDED AUGUST 5, 1955, IN BOOK 2891 OF OFFICIAL RECORDS, AT PAGE 156, EXECUTED BY CHARLES W. BARDIN, AS ADMINISTRATOR WITH THE WILL ANNEXED OF THE ESTATE OF LILLIAN BARDIN, DECEASED TO THE STATE OF CALIFORNIA, FROM WHICH POINT OF BEGINNING THE SOUTHWEST CORNER OF THE NORTHEAST 1/4 BEARS SOUTH 89° 54' WEST 642.41 FEET; THENCE FROM SAID POINT OF BEGINNING ALONG THE NORTHEASTERLY LINE OF SAID STATE OF CALIFORNIA PROPERTY NORTH 39° 51' 46" WEST 179.23 FEET; THENCE NORTH 00° 08' WEST 905.73 FEET TO A POINT ON THE SOUTH LINE OF THAT CERTAIN 11.00 ACRE TRACT OF LAND DESCRIBED IN THE DEED EXECUTED BY TONY CHILELLY, ET AL TO MARGARET K. BAKER, ET AL, RECORDED IN THE OFFICE OF THE RECORDER OF SACRAMENTO COUNTY IN BOOK 1074 OF OFFICIAL RECORDS, AT PAGE 492; THENCE ALONG SAID SOUTH LINE NORTH 89° 54' EAST 305.39 FEET TO A POINT ON THE WEST LINE OF THAT CERTAIN 20.00 ACRE TRACT OF LAND DESCRIBED IN THE DEED EXECUTED BY J.B. SMITH, ET AL TO VIOLA MAY WILDER, ET UX, RECORDED IN THE OFFICE OF THE RECORDER OF SACRAMENTO COUNTY IN BOOK 825 OF OFFICIAL RECORDS, AT PAGE 270; THENCE ALONG THE WEST LINE OF SAID 20.00 ACRE TRACT OF LAND AND THE SOUTHERLY PRODUCTION THEREOF SOUTH 00° 08' EAST 164.89 FEET TO THE NORTHWEST CORNER OF THAT CERTAIN 10.00 ACRE TRACT OF LAND DESCRIBED IN THE DEED EXECUTED BY MAYBELLE K. DANNSEY TO J.L. JONES, RECORDED IN THE OFFICE OF THE RECORDER OF SACRAMENTO COUNTY IN BOOK 1055 OF OFFICIAL RECORDS, AT PAGE 330; THENCE ALONG WEST LINE OF SAID 10.00 ACRE TRACT OF LAND SOUTH 00° 08' EAST 878.61 FEET TO A POINT ON THE SOUTH LINE OF THE NORTHEAST 1/4 OF SAID SECTION 32; THENCE ALONG SAID SOUTH LINE SOUTH 89° 54' WEST 190.83 FEET TO A POINT OF BEGINNING.

PARCEL TWO:

AN EASEMENT NAMELY FOR INGRESS AND EGRESS AND FOR ALL PUBLIC UTILITIES FOR THE REAL PROPERTY DESCRIBED ABOVE AND ANY PART THEREOF, OVER, UNDER, ALONG AND ACROSS THAT PORTION OF THE NORTHEAST 1/4 OF SAID SECTION 32, DESCRIBED AS FOLLOWS: A STRIP OF LAND 42 FEET IN WIDTH, MEASURED AT RIGHT ANGLES, THE CENTERLINE OF WHICH IS DESCRIBED AS FOLLOWS: BEGINNING AT A POINT ON THE SOUTH LINE OF THAT CERTAIN 11.00 ACRE TRACT OF LAND DESCRIBED IN THE DEED EXECUTED BY TONY CHILELLY, ET AL, TO MARGARET K. BAKER, ET AL, RECORDED IN THE OFFICE OF THE RECORDER OF SACRAMENTO COUNTY IN BOOK 1074 OF OFFICIAL RECORDS, AT PAGE 492, FROM WHICH POINT OF BEGINNING THE SOUTHWEST CORNER OF SAID NORTHEAST BEARS SOUTH 89° 54' WEST 402.55 FEET AND THENCE SOUTH 00° 12' EAST 1043.49 FEET; THENCE FROM SAID BEGINNING SOUTH 00° 12' EAST 121.00 FEET; THENCE NORTH 89° 54' EAST 126.51 FEET.

APN: 039-0011-013-0000

Attachment 2: Regulatory Agreement

NO FEE DOCUMENT:

Entitled to free recording
per Government Code 27383.

When recorded, return to:

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY
801 12th Street
Sacramento, CA 95814

**REGULATORY AGREEMENT FOR DEVELOPMENT OF HOMEOWNERSHIP PROPERTY
INCLUDING COVENANTS, CONDITIONS AND RESTRICTIONS RUNNING WITH THE LAND**

INCLUDING CONDITIONS PRECEDENT TO RESALE

PROJECT NAME:	Cornerstone, a Habitat for Humanity of Greater Sacramento Community
PROJECT ADDRESS:	46 th Street, Sacramento
EFFECTIVE DATE:	May 1, 2021
APN:	039-0011-013-0000

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

WARNING: A SALE IN VIOLATION OF THIS REGULATORY AGREEMENT IS **VOID**.

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

1. **GENERAL.** This Regulatory Agreement incorporates the Exhibits listed below in Definitions, which are attached to this Regulatory Agreement.

2. **DEFINITIONS.** The capitalized terms in this Regulatory Agreement shall have the meanings assigned in the following Definitions Table and as defined in the body of the Regulatory agreement, which terms being defined are indicated by quotation marks.

TERM	DEFINITION
"Effective Date"	This Regulatory Agreement shall be effective as of the following date: May 1, 2021
"Agency"	The Housing Authority of the County of Sacramento, a public body, corporate and politic and Sacramento Housing and Redevelopment Agency, a joint powers agency
"Owner"	Habitat for Humanity of Greater Sacramento, a California Nonprofit Public Benefit Corporation
"Agency Address"	Agency's business address is as follows: 801 12 th Street, Sacramento, California 95814
"Owner Address"	Owner's business address is as follows: 819 North 10th Street, Sacramento, CA 95811-0324
"Jurisdiction"	County of Sacramento
"Property"	That certain real property which is subject to this Regulatory Agreement as further described in the legal description, attached as Exhibit 1 – Legal Description of the Property.

“Funding Agreement”	The Funding Agreement between Agency and Owner, named and dated as follows:	Disposition and Development Agreement and Conditional Grant Agreement, dated May 1, 2021, concurrently with this Regulatory Agreement
“Agency Funding”	Agency Funding made by Agency to Owner under the Funding Agreement for development of the Property	
“Agency Funding Amount “	The total amount of Agency Funding, as follows: \$640,000.00 appraised land value of the Property to be conveyed to the Owner for \$1.00, which the Agency acquired with Neighborhood Stabilization Program (NSP) funds; and \$1,175,000.00 Grant in Affordable Housing Funds (AHF).	
“Funding Requirements”	The legal restrictions on the use of the funds that Agency has used to make Agency Funding, as applicable to and restricting the Property. The Funding Requirements are set out in <u>Exhibit 2 – Funding Requirements</u> .	
“Project Development Funds”	The total of all funds expended to develop the Project (and for a mixed use project, for the residential portion of the Project only), including without limitation payments for land acquisition, costs of financing, costs of predevelopment, and, as applicable, the costs of development or rehabilitation.	\$4,300,000.00 + 500 hours of sweat equity for this self-help housing development.
“Restricted Units”	The individual housing parcels within the Property that are encumbered by this Regulatory Agreement with affordability restrictions that limit the price for which each may be sold and resold. The units shall be restricted for the period of years stated in the Funding Requirements.	
“Individual Regulatory Agreement”	The agreement containing conditions, covenants and restrictions running with the land and restricting the use and resale of the Restricted Units as provided in this Regulatory Agreement, the form of which is attached as <u>Exhibit 3 – Individual Regulatory Agreement</u> .	
“Approved Use”	The only permitted use of the Property, which is as a residential property available for sale to the general public and containing not less than the following number of units:	18 Single Family Detached (SFD) Homes

3. RESTRICTED UNITS: The following units are Restricted Units for the respective Funding Source or Funding Sources specified. For purposes of this Regulatory Agreement, the “Sales Price” is the amount actually paid to Owner by the purchaser (“Buyer”), including all additions or reductions (for changes to the Restricted Unit or otherwise) made to the initial purchase price shown in the purchase and sale agreement between Owner and the Buyer. The initial Sales Price for the respective Restricted Units is the following, determined to be an Affordable Price, not to exceed the after-constructed appraised value of the property as of the Effective Date.

a. Of the 18 parcels covered by this Regulatory Agreement, five (5) shall be sold to very-low income owner-occupants earning 50% or less of Sacramento Metropolitan Statistical Area median income (AMI), and an Individual Regulatory Agreement substantially in the form of Exhibit 3 shall be recorded against these five (5) properties; and thirteen (13) shall be sold to moderate to low income owner-occupants earning 80% or less of AMI, and an Individual Regulatory Agreement substantially in the form of Exhibit 3 shall be recorded against these thirteen (13) properties. The Restricted Units are further described as follows:

Agency Funding Source:	Affordability Level	Number of Units	Restricted Units	Size (Square Feet)
NSP and AHF	Very-Low Income 50% AMI	3	3 Bedrooms with 2 Bathrooms	1,100 SF
NSP and AHF	Low Income 80% AMI	10	3 Bedrooms with 2 Bathrooms	1,100 SF
NSP and AHF	Very-Low Income 50% AMI	2	4 Bedrooms with 2 Bathrooms	1,300 SF
NSP and AHF	Low Income 80% AMI	3	4 Bedrooms with 2 Bathrooms	1,300 SF
	Total Units	18 SFD Homes		

b. If the applicable Sacramento Metropolitan Statistical Area median income is adjusted by the federal Department of Housing and Urban Development prior to the sale of a Restricted Unit or if other factors considered in making the determination of the following prices (in accordance with Agency policy and practice) change prior to the sale of a Restricted Unit, then the following schedule shall be adjusted to assure compliance with the Funding Requirements as of the date when the Restricted Unit is sold (and the new schedule recorded in the same manner as the original).

4. NO RENTAL. Owner shall not rent the Restricted Units without the prior written approval of Agency. Agency may withhold such approval in its sole discretion if the proposed rental would violate provisions of the Funding Requirements.

5. RECAPTURE. If Owner rents a Restricted Unit without Agency authorization or sells a Restricted Unit at a price that exceeds the Affordable Price, Owner shall repay to Agency, as "Recapture", all of Agency Funding allocable to the Restricted Unit, plus interest from the date of this Regulatory Agreement until paid, at the then market rate for construction loans for projects similar to the Project, as reasonably determined by Agency.

6. TERMINATION OF COVENANTS. If Agency is paid the Recapture, the covenants, conditions and restrictions contained in this Regulatory Agreement shall terminate, except as to covenants which provide otherwise, including without limitation, the covenant against discrimination, all of which continue in effect. Representations. Agency has provided Agency Funding, subject to the terms of the Funding Agreement, in consideration of the property interests conveyed to Agency under this Regulatory Agreement. The funds used by Agency under the Funding Agreement are funds from public funding sources administered by Agency and their use is subject to certain requirements, some of which are embodied in this Regulatory Agreement. Further, Agency has made Agency Funding in accordance with the laws, rules and regulations to which Agency is subject. This Regulatory Agreement represents a portion of this entire transaction. Therefore, Agency has made Agency Funding conditioned upon Owner's agreement, for itself and its successors and assigns, to comply with all provisions of this Regulatory Agreement, including without limitation, the Funding Agreement. Owner has had full opportunity to make itself independently familiar with such limitations and restrictions, and Owner accepts them and agrees to comply fully with them.

7. MULTIPLE FUNDING REQUIREMENTS. The Project is restricted to NSP and AHF Funding Requirements, each Restricted Unit shall be subject to the Funding Requirements for every Funding Source applied to the respective Restricted Unit. If the terms of the Funding Requirements shall conflict as to any Restricted Unit, the Funding Requirements shall be construed so as to meet all applicable requirements for the respective Restricted Unit, including without limitation the use of the most restrictive requirements and the use of the "Recapture" formula that results in the greatest repayment to the Agency.

8. PROHIBITION ON SALE WITHOUT APPROVAL; CONDITION PRECEDENT. Owner is prohibited from selling the Property, including the Restricted Units, unless and until (a) Agency has reviewed and determined that the sales price complies with the Funding Requirements, (b) that the sales price to be paid by the buyer on sale is an "Affordable Price" as defined in and required by the Funding Source, and (c) that the purchaser of the Property has been certified as income eligible by the Agency and has acknowledged and accepted the Individual Regulatory Agreement. The Sales Price must be in compliance with the Restricted Units. Owner shall receive no consideration for additions or improvements made to the Property, except those improvements (such as the addition of bedrooms) that affect the affordability calculations of the Funding Requirements. Pursuant to Section 9.a below, the foregoing is a condition precedent to any resale of the Property.

9. COVENANTS. Owner makes the following covenants. Unless Owner has received the prior written consent of Agency otherwise, Owner shall fully comply with each and every covenant. Except as otherwise stated in this Regulatory Agreement, the following covenants shall have a term that is the same as the longest term specified in the Funding Requirements.

a. Owner shall comply with the foregoing covenant prohibiting resale without Agency approval. Such compliance is a condition precedent to any such resale. If Owner fails to comply with said covenant, such resale shall be null and void, and the purported purchaser and anyone claiming any interest in the Property on account of such resale, including without limitation trustors and beneficiaries under deeds of trusts or others claiming lien or mortgage interests in the Properties, shall have no interests in or rights regarding the Property.

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

c. Owner shall assure full compliance with the Funding Requirements.

d. Owner shall not transfer or encumber any of the Property or permit the conveyance, transfer, or encumbrance of the Property unless such assignee, transferee or encumbrancer has agreed, in writing and in form and substance satisfactory to Agency, to be bound by the terms of this Regulatory Agreement.

e. Owner shall not cause and shall not permit expansion, reconstruction, or demolition of any part of improvements on the Property, except as provided by the Funding Agreement.

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

g. Owner shall not cause and shall not permit discrimination on the basis of sex, race, color, religion, ancestry, national origin, disability, medical condition, marital status, or sexual orientation in the sale, lease, or rental or in the use or occupancy of the Property. Owner covenants by and for himself, his heirs, executors, administrators, and assigns, and all persons claiming under or through them that there shall be no discrimination against or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the Property. This covenant against discrimination shall continue in perpetuity.

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

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

11. TERM. The term of this Regulatory Agreement shall commence on the Effective Date and continue until the terms of all of the covenants, including without limitation, until the closing of a qualified sale to an eligible household as verified by the Agency.

12. RECORDKEEPING AND REPORTING. Upon written request of Agency, Owner shall promptly provide any additional information or documentation to verify Owner's compliance with the provisions of this Regulatory Agreement. At the written request of Agency, Owner shall, within a reasonable time following receipt of such request, furnish reports and shall give specific answers to questions regarding the income, assets, liabilities, contracts, operations, and condition of the property and their compliance with the Funding Agreement and this Regulatory Agreement.

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

14. INDEMNITY FOR OWNER'S FAILURE TO MEET LEGAL REQUIREMENTS. Owner shall indemnify and hold Agency, its officers, directors, and employees harmless from any and all liability arising from Owner's failure to comply with the covenants, conditions and restrictions contained in this Regulatory Agreement and its failure to comply with all other laws, rules, regulations and restrictions related to the use of Agency Funding. Without limitation, such indemnity shall include repayment to the appropriate parties of rents or sales proceeds in excess of amounts authorized to be charged and repayment to Agency of the

costs of funds and the value of lost opportunities resulting from the required repayment by Agency to the funding source of funds improperly used.

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

16. DEFAULT. Upon a breach of any of the provisions of this Regulatory Agreement by Owner, Agency may give written notice of such breach to Owner by registered or certified mail. If such breach is not corrected to the satisfaction of Agency within sixty (60) days after the date such notice is mailed or within such further time as Agency may reasonably determine is necessary to correct the breach, and without further notice to Owner, Agency may declare a default under the Agreement, effective on the date of such declaration of default, and upon such default Agency may: (a) take any action then available under the Funding Agreement for a default under the Funding Agreement; (b) apply to any court for specific performance of this Regulatory Agreement, for an injunction against any breach of the Agreement; (c) apply to any court for the appointment of a receiver to take over and operate the Property in accordance with the terms of this Regulatory Agreement; and (d) apply to any court for money damages or for such other relief as may be appropriate. The injury to Agency arising from a default under any of the terms in this Regulatory Agreement would be irreparable, and the amount of damage would be difficult to ascertain. Agency may institute or prosecute in its own name, any suit Agency may consider advisable in order to compel performance of any obligation of any owner to develop and maintain the subject property in conformity with this Regulatory Agreement and to remedy any default of this Regulatory Agreement. Agency may also seek a decree requiring removal of any improvements constructed on the Property which improvements are designed for uses not permitted under this Regulatory Agreement and which improvements are unsuitable only for uses not permitted under this Regulatory Agreement.

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

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

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

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

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

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

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

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

**OWNER:
HABITAT FOR HUMANITY OF GREATER
SACRAMENTO, A CALIFORNIA NONPROFIT PUBLIC
BENEFIT CORPORATION**

**AGENCY:
HOUSING AUTHORITY OF THE COUNTY OF
SACRAMENTO, A PUBLIC BODY CORPORATE AND
POLITIC, OF THE STATE OF CALIFORNIA**

By: _____
Leah Miller
Chief Executive Officer

By: _____
La Shelle Dozier, Executive Director

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

By: _____
La Shelle Dozier, Executive Director

Approved as to form: _____
Agency Counsel

Exhibit 1 – Legal Description of the Property

The land referred to is situated in the unincorporated area of the County of Sacramento, State of California, and is described as follows:

[Legal Description specific to the 18 parcels for the SFD homes when the Final Map is recorded].

Exhibit 2 – Funding Requirements

FUNDING REQUIREMENTS FOR NEIGHBORHOOD STABILIZATION PROGRAM FUNDS (NSP)

These “Funding Requirements for Neighborhood Stabilization Program Funds (NSP)” (or “NSP Requirements”) are attached to and incorporated in the Disposition and Development Agreement (“DDA”), Regulatory Agreement for Development of Homeownership Property (“RADHP”) and the Individual Regulatory Agreement (“IRA”). The capitalized terms used in these NSP Requirements shall have the meanings below. Terms being defined are indicated by quotation marks. Capitalized terms in these NSP Requirements that are not defined below are defined in the DDA, RADHP and IRA.

1. **Definitions.** For the purposes of the NSP Requirements, the following capitalized words and phrases shall have the following meanings:

- A. “NSP” is the funding made available under the Neighborhood Stabilization Program Property Recycling Program to carry out the goals of the Housing and Economic Recovery Act of 2008 (Public Law 110-289) (“HERA”).

2. **Recitals.**

- A. Agency is the owner of real property consisting of eighteen (18), separate vacant lots located at 46th Street [APN 039-0011-013-0000], in the County of Sacramento, State of California, more particularly described in the Property Description.
- B. This Property was foreclosed upon and subsequently acquired by the Agency with NSP funds. Rehabilitation was not feasible and the blighted property was demolished.
- C. The Owner desires to purchase and develop the Property, and Agency desires to sell the Property for development, on the terms and conditions of the DDA.
- D. The primary purpose of the DDA is to carry out the goals of HERA and to assist in the elimination of the blighting influences caused by foreclosed and vacant homes by causing these homes to be rehabilitated to certain, specified standards and sold to eligible very low and low-income, owner-occupant buyers. In order to accomplish these goals, the DDA provides that the Agency will transfer the Agency’s interests in the Property to the Owner upon the express condition that the Owner will redevelop the Property for the uses described in the DDA. The DDA is intended to assure that the Owner will redevelop the Property and that the Owner is not merely speculating in land.
- E. The Agency has approved the Agency Funding on the condition that the property described in the IRA (“Property”) is restricted for the Term of the IRA.

3. **Maximum Sales Price.** The Project includes the close of sale to the initial income qualified owner occupant, whose income does not exceed fifty percent (50%) or eighty percent (80%) of Area Median Income, more particularly described in the Restricted Units section of the RADHP (“Eligible Household”), at an affordable price, not to exceed the after-constructed appraised value of the property (“Maximum Sales Price”).

4. **Selection of Buyer.**

- A. **First-time Homebuyer Status.** Buyers are not required to be first-time homebuyers.
- B. **Income Qualification.** Selected buyer(s) will provide to Agency all documentation required by Agency in its sole and absolute discretion to determine the buyer’s household size and reported income of all household members eighteen (18) years and older.

- C. **Minimum Household Size.** The minimum size of the family purchasing the Affordable home shall be limited by the bedroom size of the house. Family size refers to all persons, related or not, living in the home, including all children under the age of 18.

House Size	Minimum Family Size
2 bedroom	1 person
3 bedroom	1 person
4 bedroom	2 persons
5 bedroom	3 persons
6 bedroom	4 persons

- D. **First Mortgage Requirements.** It is the buyer's responsibility to secure financing to purchase the affordable property. No loans with non-occupant co-mortgagers or co-signers will be allowed by Agency. Agency will require a copy of the loan approval from the lender as proof of availability of financing.
- E. **Regulatory Agreement.** The buyer will be required to sign an individual regulatory agreement that will be recorded against the property at close of escrow. Such individual regulatory agreement will be substantially in the form of the IRA, and will be recorded against the Property.

5. **Term.** These covenants shall burden and regulate the Property assisted with NSP Funds for a term of thirty (30) years from the date of recording of the IRA.

FUNDING REQUIREMENTS FOR AFFORDABLE HOUSING PROGRAM FUNDS (AHF)

These "Funding Requirements for Affordable Housing Program Funds (AHF)" (or "AHF Requirements") are attached to and incorporated in the Disposition and Development Agreement ("DDA"), Regulatory Agreement for Development of Homeownership Property ("RADHP") and the Individual Regulatory Agreement ("IRA"). The capitalized terms used in these AHF Requirements shall have the meanings below. Terms being defined are indicated by quotation marks. Capitalized terms in these AHF Requirements that are not defined below are defined in the DDA, RADHP and IRA.

1. **Definitions.** For the purposes of the AHF Requirements, the following capitalized words and phrases shall have the following meanings:

"AHF" is the funding made available under the County of Sacramento's Affordable Housing Ordinance (commencing at Chapter 22.35 of the Sacramento County Code).

2. **Recitals.** The Agency has approved the Agency Funding on the condition that the property described in the IRA ("Property") is restricted for the Term of the IRA.

3. **Affordability Requirements.** The sales price shall be determined based on the Restricted Units of the Regulatory Agreement.

4. **Maximum Sales Price.** The "Maximum Sales Price" shall be determined based on the Restricted Units of the Regulatory Agreement.

5. **Selection of Buyer.**

- A. **First-time Homebuyer Status.** Buyers are not required to be first-time homebuyers.
- B. **Income Qualification.** Selected buyer(s) will provide to Agency all documentation required by Agency in its sole and absolute discretion to determine the buyer's household size and the reported income of all household members eighteen (18) years and older.
- C. **Minimum Household Size.** The minimum size of the family purchasing the Affordable home shall be limited by the bedroom size of the house. Family size refers to all persons, related or not, living in the home, including all children under the age of 18.

House Size	Minimum Family Size
2 bedroom	1 person
3 bedroom	1 person
4 bedroom	2 persons
5 bedroom	3 persons
6 bedroom	4 persons

- D. **First Mortgage Requirements.** It is the buyer's responsibility to secure financing to purchase the affordable property. No loans with non-occupant co-mortgagors or co-signers will be allowed by Agency. Agency will require a copy of the loan approval from the lender as proof of availability of financing.
- E. **Regulatory Agreement.** The buyer will be required to sign an individual regulatory agreement that will be recorded against the property at close of escrow. Such individual regulatory agreement will be substantially in the form of the IRA, and will be recorded against the Property.

6. **Re-Sale and Subsequent Re-Sale of the Property.** In the event the homeowner sells the home before the end of their 30-year mortgage with Habitat for Humanity of Greater Sacramento (Habitat for Humanity), Habitat for Humanity has the right of first refusal to either repurchase the home or allow the sale. If Habitat for Humanity allows the sale, Habitat for Humanity must coordinate with the Agency to ensure compliance with the individual regulatory agreement. The purchaser of the Property must be certified as income eligible by the Agency and has acknowledged and accepted the individual regulatory agreement.

7. **Term.** These covenants shall burden and regulate the Property assisted with AHF Funds for a term of thirty (30) years from the date of recording of the IRA.