



September 1, 2021

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

Honorable Members in Session:

SUBJECT:

- . Authority to Execute Construction And Permanent Loan Agreement and Related Documents With Villa Jardin/Coral Gables, L.P. in the Amount of \$2.12 Million in Mental Health Services Act Funds for the Term of 57 Years for the Rehabilitation and new Construction of the Villa Jardin/Coral Gables Project**

RECOMMENDATION:

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

Respectfully Submitted,


LA SHELLE DOZIER
Executive Director

Attachment

**COUNTY OF SACRAMENTO
CALIFORNIA**

For the Agenda of:
September 28, 2021

To: Board of Supervisors

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: Authority To Execute Construction And Permanent Loan
Agreement And Related Documents With Villa Jardin/Coral
Gables, L.P. In The Amount Of \$2.12 Million In Mental
Health Services Act Funds For The Term Of 57 Years For
The Rehabilitation And New Construction Of The Villa
Jardin/Coral Gables Project

District(s): Kennedy

RECOMMENDED ACTION

Adopt the attached Board of Supervisors Resolution that:

1. Authorizes the Sacramento Housing and Redevelopment Agency (SHRA) to provide a construction and permanent loan of \$2.12 million in Mental Health Services Act (MHSA) funds to Villa Jardin/Coral Gables, L.P. (John Stewart Company), or related entity for the Villa Jardin/Coral Gables Project.
2. Authorize execution of loan agreements and related documents with Villa Jardin/Coral Gables, L.P. (John Stewart Company), or related entity.
3. Authorizes subordination of MHSA loan to senior loan.
4. Authorizes the amendment of the SHRA budget.

BACKGROUND

In 1995, the Housing Authority Board of the City of Sacramento (City Housing Authority Board) approved the Housing Authority of the City of Sacramento (HACS) purchase of 49, 63 and 81 Coral Gables Court in the Meadowview area of the City of Sacramento.

Authority To Execute Construction And Permanent Loan Agreement And Related Documents With Villa Jardin/Coral Gables, L.P. In The Amount Of \$2.12 Million In Mental Health Services Act Funds For The Term Of 57 Years For The Rehabilitation And New Construction Of The Villa Jardin/Coral Gables
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In 2007, the County of Sacramento Department of Health Services (DHS), Behavioral Health Services (BHS) and SHRA entered in the Building Hope Program Memorandum of Understanding (MOU) to establish the Building Hope Fund for the creation and preservation of affordable housing for extremely low income people living with psychiatric disabilities. In 2016, the MOU was amended and restated. The Building Hope Program is part of the Mental Health Services Act (MHSA) Housing Program Initiative included in the approved MHSA Plan. Building Hope Program funds are administered and overseen by SHRA to invest in permanent supportive housing units for homeless adults, transitional age youth, and children and family living with serious mental illness and/or serious emotional disturbance.

In 2016, the County Housing Authority Board and City Council/Housing Authority adopted resolutions approving a Vacant Lot Disposition Strategy which permitted the sale of the three contiguous HACS owned vacant lots on Coral Gables Court. On January 17, 2018, HACS issued a Request for Proposals (RFP) for the Coral Gables sites. The Villa Jardin/Coral Gables, L.P. (John Stewart Company), or related entity (Developer) responded to the RFP with a proposal to develop not only the Coral Gables Court parcels but also to rehabilitate the adjacent Villa Jardin Apartments. They were subsequently selected as the Developer for the Villa Jardin/Coral Gables Project (Project).

In October 2019, the Developer submitted a funding application to SHRA for a gap loan and mortgage revenue bonds to assist in financing the acquisition, construction and permanent financing of the Project. In May 2020, the Developer applied for and was awarded 38 Project Based Vouchers (PBV) for permanent supportive/homeless housing units for the Project from SHRA.

On August 11, 2020, a properly noticed public hearing was held by the City Housing Authority Board at which the sale of 49, 63 and 81 Coral Gables Court was approved. Also, the Sacramento City Council (Council) and City Housing Authority Board held a Tax Equity and Fiscal Responsibility Act (TEFRA) public hearing, and approved tax-exempt bonds, predevelopment loan, loan commitments, and a Disposition and Development Agreement (DDA) to assist the Developer with the acquisition, construction and permanent financing of the Project.

In January 2021, the State Department of Housing and Community Development awarded \$11.5 million in Multifamily Housing Program (MHP) funds to the Project. In February 2021, the Developer contacted SHRA and BHS and requested to defund SHRA's committed \$1.4 million in Mixed

Authority To Execute Construction And Permanent Loan Agreement And Related Documents With Villa Jardin/Coral Gables, L.P. In The Amount Of \$2.12 Million In Mental Health Services Act Funds For The Term Of 57 Years For The Rehabilitation And New Construction Of The Villa Jardin/Coral Gables
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Income Housing Funds (MIHF) and replace with \$2.12 million in Building Hope Program (MHSA) funds for the Project to fill the gap for services, construction and permanent financing. Replacing the MIHF funds with MHSA funds will ensure there are 15 units, with case management and supportive services, dedicated to provide permanent supportive housing to homeless people with psychiatric disabilities and/or serious emotional disturbance in accordance with the MHSA.

In April 2021, the Project was awarded bonds and tax credits. On September 21, 2021, it is anticipated the City Housing Authority Board and Council will approve the final loan documents associated with the mortgage revenue bonds, and the gap loan comprised of City Seller Carryback, City HOME Investment Partnership Program and City Housing Trust Funds. Staff will notify Board of Supervisors (Board) in the event this does not occur.

Staff is requesting approval of the MHSA Loan Agreement and related documents with Villa Jardin/Coral Gables, L.P. (John Stewart Company), or related entity, subordination of the MHSA loan and budget amendment. Subject to Board approval, construction is scheduled to begin by October 2021 and be complete by October 2023.

Villa Jardin/Coral Gables Development

The Project is a permanent supportive/homeless and workforce housing development on an aggregate 2.32-acre site in the Meadowview area of the City of Sacramento. The Project will consist of 81 one- and two-bedroom units and one two-bedroom exempt management unit. There will be a combination of rehabilitation and new construction of fifteen (15) one, two- and three-story wood-frame buildings. The Project vicinity map, rendering, picture and site plan are provided as Attachments 1, 2 and 3.

Villa Jardin is an existing affordable housing development built in 1964 and consists of 44 units all of which are two-bedroom and one-bath, a management office, laundry facility and on-site parking. The property has fallen into serious disrepair and is in need of significant rehabilitation. Interior unit improvements will include new flooring, windows, kitchen and bathrooms. Units will also receive new entry doors and air conditioning units. Exterior building improvements will include dry rot repair, balcony resurfacing and railing replacement, new electrical panel board, new exterior lighting, paint, asbestos abatement, new overlay asphalt parking lot, new landscaping and irrigation, and sewer line repairs. A new security system will be installed. Installation of new vehicular and pedestrian gates will be included along with a new entry access system.

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Coral Gables is a new infill development consisting of three three-story wood-frame residential buildings which include a total of 38 housing units. There will be 18 one-bedroom and 20 two-bedroom units. Inclusive of the 38 units, there will be ten ground-floor units that are Americans with Disabilities Act compliant. Amenities at Coral Gables will include a new community building, security system, playgrounds for school aged children, laundry facilities, barbeque area, management office, vehicle and bicycle parking, and open space for residents to use. All amenities will be shared and used by Villa Jardin residents. Further project details are included in the scope of development attached to the MHSA Loan Documents at Attachment 7.

Developer: The John Stewart Company (JSCo) is an experienced owner and manager of affordable rental housing projects. JSCo has more than 40 years of experience in affordable housing and has partnered with the SHRA on 16 other affordable housing developments. JSCo has developed over 5,000 units of housing throughout California, the majority of which are affordable. The company has extensive experience in financing projects with tax credits, tax-exempt mortgage revenue bonds, and other public and private funding sources.

Property Management: The John Stewart Company will manage the Project and they have over 40 years of property management experience; and there are over 420 properties in California consisting of more than 31,600 affordable and market rate residential units in their portfolio. JSCo currently manages 16 SHRA financed affordable housing properties in the Sacramento region. JSCo is qualified to manage this permanent supportive and workforce housing development given its experience with managing Hotel Berry, Shasta Hotel and Cannery Place Apartments. SHRA staff has reviewed the qualifications of JSCo and the property management plan, including daily operations, leasing procedures, maintenance, and eviction procedures, and has found that the proposed property management agent and management plan meet SHRA requirements.

Supportive Services: LifeSTEPS, Inc. (LifeSTEPS) will be providing and coordinating mental health supportive services and other permanent supportive services to the residents of the Project. LifeSTEPS will dedicate 1.15 Full-Time Equivalent (FTE) case manager to provide services and programs tailored to serve the residents with special needs. The Case Manager will be on site to provide direct supportive services that will include, but are not limited to, individual service plans, mental health care, physical health care, substance use and benefits counseling.

Supportive Services: There will be 15 units restricted to the MHSA funding program; and case management and supportive services will be provided by DHS.

Resident Services: Resident services will also be provided by LifeSTEPS (LifeSTEPS), which currently provides resident services to over 250 affordable housing communities and more than 80,000 residents in California. LifeSTEPS will be required to provide a total of at least 15 hours of on-site resident services per week, including 8 hours of after school programs. Programs will be tailored to resident needs. Services will be provided by an on-site services coordinator and will include social services and enrichment programs. SHRA staff has reviewed LifeSTEPS qualifications and resident services plan, and has found that the resident services provider and resident services plan meet SHRA requirements.

Relocation Plan: SHRA has reviewed and approved the relocation plan for the Villa Jardin site.

Security Plan: SHRA staff has reviewed and approved the security plan, which includes security patrol and installation of web-based security cameras and exterior lighting.

Project Financing: The financing structure of the Project includes SHRA and Housing Authority loans comprised of City HOME, City HTF, City Housing Authority Seller Carryback, MHSA, HCD MHP loan, 4% LIHTC, tax-exempt mortgage revenue bonds, conventional loan, net operating income, deferred developer fee, general partnership capital contribution and fee waivers. A summary of SHRA and Housing Authority financing is provided in the following table:

SHRA AND HOUSING AUTHORITY LOANS	AMOUNT
SHRA City HOME Loan	\$ 1,800,000
SHRA City HTF Loan (includes \$500,000 Predevelopment Loan)	\$ 1,900,000
City Housing Authority Seller Carryback Loan	\$ 80,750
SHRA MHSA Loan	\$ 2,120,000
TOTAL SHRA AND HOUSING AUTHORITY LOANS	\$ 5,900,750

In addition, SHRA has committed a total of 38 PBV to this Project. Project Based Vouchers 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

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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 and cash flow proforma for Villa Jardin/Coral Gables are included in Attachments 4 and 5.

Low-Income Set-Aside Requirements: As a condition of receiving tax credits, federal law requires that rental units be set aside for targeted-income groups. Income restrictions from LIHTC financing require that no households have income above 60 percent of Area Median Income (AMI). SHRA further requires that 15 percent of the units be restricted to households with incomes no greater than 50 percent AMI and at least 5 percent of the units be restricted to households with incomes no greater than 30 percent AMI. The affordability restrictions will be specified in regulatory agreements with the Developer. A schedule of maximum income and rents are included as Attachment 6. The anticipated funding sources and their affordability requirements are summarized in the tables below for each phase of the development:

Unit Type	Units	% of Units	Affordability Restriction¹
4% LIHTC, tax exempt bonds, MHP & MHSA	38	46%	Extremely Low Income 25% of Area Median Income (AMI)
4% LIHTC, tax exempt bonds, MHP, HOME, HTF & Seller Carryback	27	33%	Extremely Low Income 30% of AMI
4% LIHTC, tax exempt bonds, MHP, HOME & Density Bonus	16	20%	Very Low Income 50% of AMI
Exempt	1	1%	Management Unit
Total	82	100%	

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

COMMISSION ACTION

At its meeting of September 1, 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 the Project are consistent with SHRA's previously approved Multifamily Lending and Mortgage Revenue Bond Policies, Affordable Housing Priority 2(i), New Construction of Permanent Supportive Housing and Homeless Housing and Priority 3, Rehabilitation of Existing Affordable Housing, 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.

ENVIRONMENTAL REVIEW

California Environmental Quality Act (CEQA): The Project has been reviewed pursuant to the California Environmental Quality Act (CEQA), and it has been determined that the project is exempt from CEQA pursuant CEQA Guidelines §15332, "infill development projects".

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

M/WBE/SECTION 3 CONSIDERATIONS

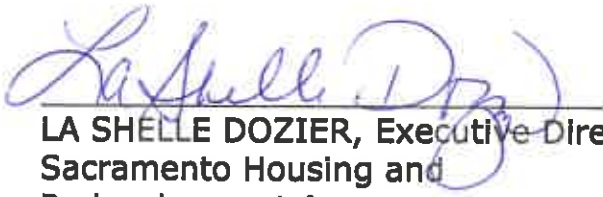
Local Business Enterprise requirements do not apply to this report. Minority and Women's Business Enterprise requirements and Section 3 will be applied to all activities to the greatest extent feasible and as required by federal funding and in accordance with SHRA's Section 3 Economic Opportunity Plan. 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

The SHRA and Housing Authority loans will have a 57-year term. The MHSA, City HTF and City Housing Authority Seller Carryback loans will have a 3% simple interest rate. The existing City HOME loan will have an Applicable Federal Rate (AFR). The AFR will be established at close of construction financing in October. SHRA and Housing Authority loans will be used for the acquisition, construction and permanent financing of the Project. SHRA will receive a one-time issuance fee of 0.25 percent of the bond amount, which is payable at bond closing, and a \$25,000 annual payment for monitoring the regulatory restrictions and administration of the bonds and the affordable units during the compliance period of each respective funding program regulatory agreement. SHRA will also receive a fee equal to \$100 per each SHRA-funded unit per year. The annual administration fee will not exceed \$25,000 for the term of 55 years. The mortgage revenue bonds do not represent a financial obligation of the County of Sacramento, Housing Authority of the County of Sacramento or SHRA.

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 – Board of Supervisors MHSA Loan Documents
- ATT 1 – Vicinity Map
- ATT 2 – Rendering and Picture
- ATT 3 – Site Plan
- ATT 4 – Project Summary
- ATT 5 – Project Cash Flow Proforma
- ATT 6 – Maximum Income and Rent Limits
- ATT 7 – MHSA Loan Documents

RESOLUTION NO.

VILLA JARDIN/CORAL GABLES PROJECT: APPROVAL TO EXECUTE MENTAL HEALTH SERVICES ACT LOAN AGREEMENT AND RELATED DOCUMENTS AND TRANSMIT TO VILLA JARDIN/CORAL GABLES, L.P. (JOHN STEWART COMPANY), OR RELATED ENTITY; AMEND SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY BUDGET; RELATED FINDINGS AND ENVIRONMENTAL FINDINGS

WHEREAS, in 1995, the Housing Authority of the City of Sacramento Board (City Housing Authority Board) approved the Housing Authority of the City of Sacramento (HACS) purchase of 49, 63 and 81 Coral Gables Court in the Meadowview area of the City of Sacramento for \$30,000; and

WHEREAS, in 2007, the County of Sacramento Department of Health Services (DHS), Behavioral Health Services (BHS) and Sacramento Housing and Redevelopment Agency (SHRA) entered in the Building Hope Program MOU to establish the Building Hope Fund for the creation and preservation of affordable housing for extremely low income people living with psychiatric disabilities. In 2016, the MOU was amended and restated. The Building Hope Program is part of the Mental Health Services Act (MHSA) Housing Program initiative included in the approved MHSA Plan. The Building Hope Program funds are administered and overseen by SHRA to invest in permanent supportive housing units for homeless adults, transitional age youth, and children and family living with serious mental illness and/or serious emotional disturbance; and

WHEREAS, DHS and SHRA continue to desire to provide permanent supportive housing to homeless people with psychiatric disabilities and/or serious emotional disturbance in accordance with the MHSA; and

WHEREAS, in 2016, the City Housing Authority Board adopted a resolution approving a Vacant Lot Disposition Strategy which permitted the sale of the three contiguous HACS owned vacant lots on Coral Gables Court. On January 17, 2018, HACS issued a Request for Proposals (RFP) for the Coral Gables sites. The Villa Jardin/Coral Gables, L.P. (John Stewart Company), or related entity (Developer) responded to the RFP with a proposal to develop not only the Coral Gables Court parcels but also to

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rehabilitate the adjacent Villa Jardin Apartments. They were subsequently selected as the Developer for the Villa Jardin/Coral Gables Project (Project); and

WHEREAS, In October 2019, the Developer submitted a funding application to SHRA for a gap loan and mortgage revenue bonds to assist in financing the acquisition, construction and permanent financing of the Project. In May 2020, the Developer applied for and was awarded 38 Project Based Vouchers (PBV) for permanent supportive/homeless housing units for the Project from SHRA; and

WHEREAS, on August 11, 2020, a properly noticed public hearing was held by the City Housing Authority Board at which the sale of 49, 63 and 81 Coral Gables Court was approved. Also, the Sacramento City Council (Council) and City Housing Authority Board held a TEFRA public hearing, and approved tax-exempt bonds, predevelopment loan, loan commitments and Disposition and Development Agreement (DDA) to assist the Developer with the acquisition, construction and permanent financing of the Project; and

WHEREAS, in January 2021, the State Department of Housing and Community Development awarded \$11.5 million in Multifamily Housing Program (MHP) funds to the Project. However, a financial gap was created due to MHP's limits on the percentage of resident services and case management supportive services costs in an operating budget. In February 2021, the Developer contacted SHRA and BHS and requested to defund SHRA's committed \$1.4 million in Mixed Income Housing Funds (MIHF) and replace with \$2.12 million in Building Hope Program (MHSA) funds for the Project to fill the gap for services, construction and permanent financing. Replacing the MIHF funds with MHSA funds will ensure there are 15 units, with case management and supportive services, dedicated to provide permanent supportive housing to homeless people with psychiatric

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disabilities and/or serious emotional disturbance in accordance with the MHSA; and

WHEREAS, in April 2021, the Project was awarded bonds and tax credits; and

WHEREAS, on September 21, 2021, it is anticipated the City Housing Authority Board and Council will approve the final loan documents associated with the mortgage revenue bonds, and a gap loan comprised of City HOME Investment Partnership Program, City Housing Trust Funds and City Housing Authority Seller Carryback. Staff will notify Board of Supervisors in the event this does not occur. Construction is scheduled to begin by October 2021 and be complete by October 2023; and

WHEREAS, the Project has been reviewed pursuant to the California Environmental Quality Act (CEQA), and it has been determined that the project is exempt from CEQA pursuant CEQA Guidelines §15332, "infill development projects"; and

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

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 \$2.12 million MHSA Loan Agreement and related documents (MHSA Loan Documents) incorporated in this resolution are approved; and SHRA is authorized to enter into and execute the MHSA Loan Documents and all necessary documents and agreements related to the

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assumed MHSA loan and transmit to the Developer, as approved to form by SHRA's Office of the General Counsel (Counsel).

Section 3. SHRA is delegated authority to enter into, execute and transmit other documents, as approved to form by Counsel, and perform other actions necessary to fulfill the intent of the MHSA Loan Documents that accompany this resolution, in accordance with its terms, to ensure proper repayment of the MHSA loan funds, including without limitation, loan restructuring, subordination and extensions, consistent with SHRA's adopted policies and with this resolution.

Section 4. 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 MHSA loan to senior loans.

Section 5. SHRA is authorized to amend its budget to incorporate \$2.12 million in MHSA funds for the purpose of assisting the Developer with the construction and permanent financing of the Project consistent with SHRA's adopted policies, MHSA Loan Documents and this resolution.

Section 6. This resolution shall take effect immediately upon its adoption.

**Authority To Execute Construction And Permanent Loan Agreement And Related Documents With Villa Jardin/Coral Gables, L.P. In The Amount Of \$2.12 Million In Mental Health Services Act Funds For The Term Of 57 Years For The Rehabilitation And New Construction Of The Villa Jardin/Coral Gables
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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 28th day of September, 2021, by the following vote, to wit:

AYES: Supervisors,

NOES: Supervisors,

ABSENT: Supervisors,

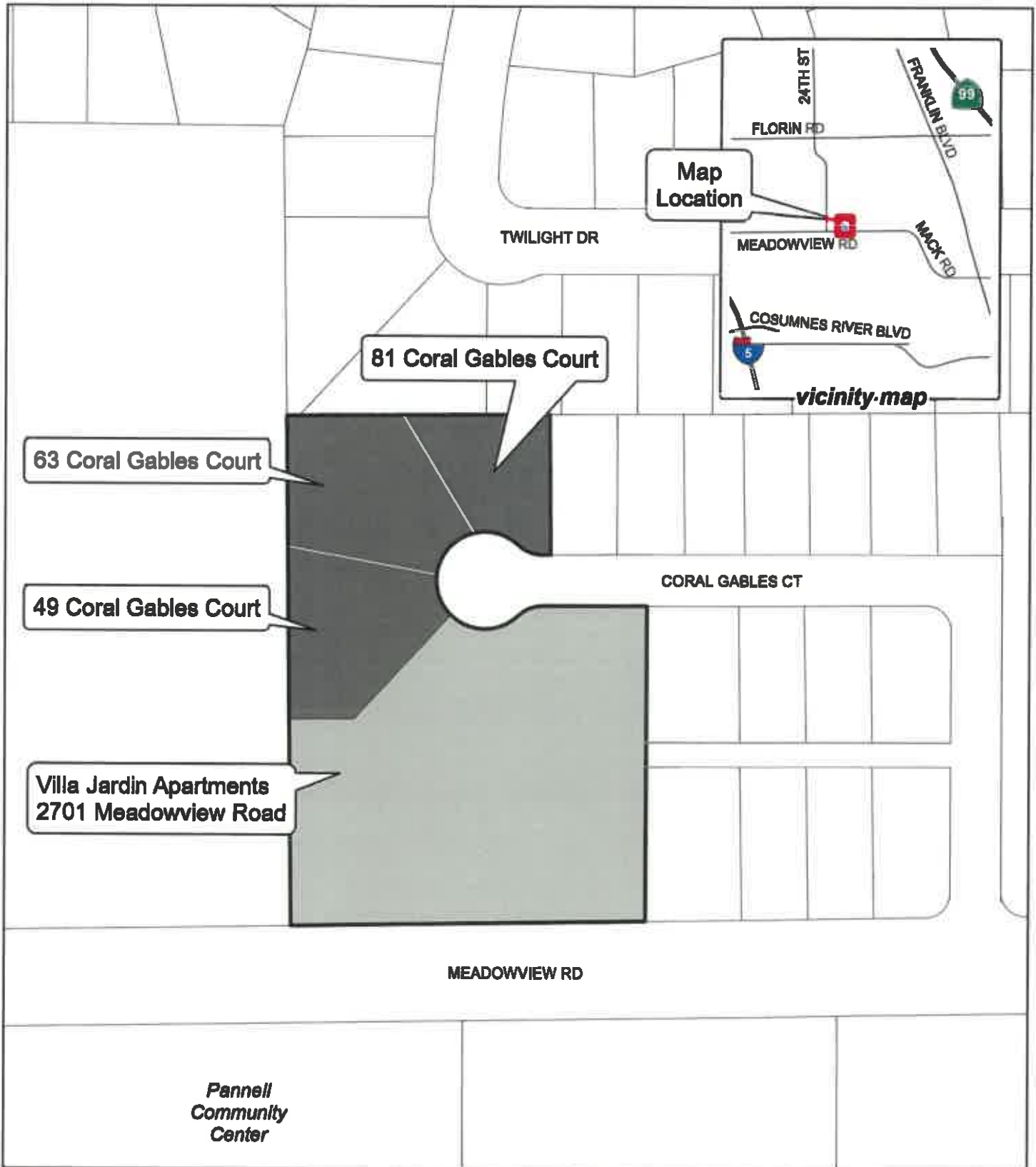
ABSTAIN: Supervisors,

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

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

(SEAL)

**ATTEST: _____
Clerk, Board of Supervisors**



63 Coral Gables Court




81 Coral Gables Court

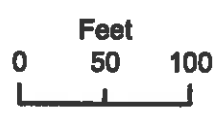
49 Coral Gables Court

Villa Jardin Apartments
2701 Meadowview Road

Map
Location

vicinity-map

-  Project Area
-  Villa Jardin (Existing Affordable Housing Development)
-  49, 63, and 81 Coral Gables Court (Vacant)



SHRA GIS
August 4, 2021

Villa Jardin/Coral Gables Project

Renderings of Coral Gables (New Construction Site on Vacant Lot)



Picture of Villa Jardin (Rehabilitation)



**Villa Jardin/Coral Gables
Residential Project Summary**

Address	Coral Gables: 49, 83, 81 Coral Gables Court Villa Jardin: 2621 Meadowview Road, Sacramento 95832 82 (Coral Gables: 38 and Villa Jardin: 44) New Construction and Rehabilitation			
Number of Units	2.32 acres/101,059 SF (Coral Gables: 0.87 acres and Villa Jardin: 1.45 acres)			
Year Built				
Acreage (combined)	2.32 acres/101,059 SF (Coral Gables: 0.87 acres and Villa Jardin: 1.45 acres)			
Unit Mix and Rents	ELI (25% AMI) PBV	ELI (30% AMI)	LI (50% AMI)	Total
1 Bedroom/1 Bath	18	0	0	18
2 Bedrooms/1 Bath	20	27	16	63
Management Unit (2 Bedroom)	0	0	0	1
Total Units	38	27	16	82
Square Footage	Unit Size (sq. ft.)	Total		
1 Bedroom/1 Bath	600	10,800	sq. ft.	
2 Bedrooms/1 Bath	770	49,280	sq. ft.	
Community Area		3,000	sq. ft.	
Total Gross		63,080	sq. ft.	
Resident Facilities	There will be a management office, community room and conference rooms. Community amenities include a playground for school aged youth, courtyard, vehicle parking spaces and bike storage.			
Permanent Sources	Total	Per Unit	Per Square Foot	
Senior Loan	750,000	9,146	11.89	
Federal Tax Credit Equity	14,865,082	181,281	235.85	
SHRA Predevelopment Loan	500,000	6,098	7.93	
SHRA Loan	1,400,000	17,073	22.19	
SHRA MHSA Loan	2,120,000	25,854	33.61	
SHRA Existing Loan	1,800,000	21,951	28.54	
HACS Seller Carryback Loan	80,750	985	1.28	
HCD MHP	11,500,000	140,244	182.31	
Deferred Developer Fee	850,000	10,366	13.47	
GP Capital Contribution	1,124,202	13,710	17.82	
Net Operating Income	40,245	491	0.64	
Fee Waivers	185,000	2,256	2.93	
TOTAL SOURCES	\$ 35,215,279	\$ 429,455	\$ 558.26	
Permanent Uses				
Acquisition	2,410,033	29,391	38.21	
Repayment of Predevelopment Loan	500,000	6,098	7.93	
Construction Costs	19,164,780	233,717	303.82	
Architecture & Engineering	966,750	11,790	15.33	
Permits & Fees	372,697	4,545	5.91	
Hard Cost Contingency	3,064,484	37,372	48.58	
Soft Cost Contingency	204,805	2,498	3.25	
Financing Cost	1,509,877	18,413	23.94	
Operating Reserve	1,527,212	18,625	24.21	
Rent Reserve	415,000	5,061	6.58	
Legal Fees	290,000	3,537	4.60	
Relocation	529,000	6,451	8.39	
Developer Fee	3,552,991	43,329	56.33	
Third Party Fees, Marketing, Other	707,670	8,630	11.22	
TOTAL USES	\$ 35,215,279	\$ 429,455	\$ 558.26	
Leverage	SHRA \$ per Unit	Per Unit Cost	Leverage	
	\$ 70,978	\$ 429,455	SHRA : Other	
			\$1.00 : \$6.05	
Management / Operations	The John Stewart Company			
Proposed Developer	The John Stewart Company			
Property Management Company	The John Stewart Company			
Operating Expenses	\$ 325,005	\$ 3,963		
Property Management	\$ 50,598	\$ 617		
Resident Services	\$ 171,800	\$ 2,093		
Security Patrol Services	\$ 43,063	\$ 525		
Replacement Reserves	\$ 41,000	\$ 500		
Taxes and Insurance	\$ 63,420	\$ 773		

Villa Jardin/Coral Gables
Cash Flow Proforma

Villa Jardin/Coral Gables Unit Type	Member	Square Foot	Total Sq Foot	Gross Rent	Utility Allowance	Net Rent	Units per Sq Foot	Total No. Units	Annual Rent
Coral Gables (38 units):									
1 Bedroom/1 Bath @ 25% AMI (PBM)	18	600	10,800	\$ 425	\$ 81	\$ 344	0.61	6,552	\$ 76,624
2 Bedroom/1 Bath @ 25% AMI (PBM)	11	770	8,470	\$ 510	\$ 76	\$ 434	0.56	4,774	\$ 57,288
3 Bedroom/1 Bath @ 30% AMI	9	770	6,930	\$ 612	\$ 76	\$ 536	0.70	4,824	\$ 57,988
Villa Jardin (44 units):									
1 Bedroom/1 Bath @ 25% AMI (PBM)	9	770	6,930	\$ 510	\$ 76	\$ 434	0.56	3,808	\$ 46,872
2 Bedroom/1 Bath @ 30% AMI	10	770	13,860	\$ 612	\$ 76	\$ 536	0.70	9,848	\$ 115,776
2 Bedroom/1 Bath @ 50% AMI	16	770	12,320	\$ 1,020	\$ 76	\$ 944	1.23	15,104	\$ 181,248
2 Bedroom/1 Bath - Energy Management Unit	1	770	770	\$ -	\$ -	\$ -	-	-	\$ -
Totals	62	5,210	41,000	\$ 3,276	\$ 41,003	\$ 3,235	\$ 62	\$ 337,636	

* Pursuant to 24CFR 883.301, contract rents approved by HUD may exceed the ten-cents-per-square-foot and the AMI change is due to income averaging regulations by HUD. The tenant rent will not exceed 30% of the household adjusted gross income with rent.

	Year 1 2023	Year 2 2024	Year 3 2025	Year 4 2026	Year 5 2027	Year 6 2028	Year 7 2029	Year 8 2030	Year 9 2031	Year 10 2032	Year 15 2037	Year 20 2042	Year 25 2047
Income													
Potential Gross Income	\$94,917	\$78,040	\$63,816	\$60,354	\$63,503	\$70,504	\$63,215	\$63,104	\$63,104	\$63,104	\$70,215	\$78,040	\$1,021,790
Rent Subsidy	\$91,387	\$40,172	\$41,201	\$42,481	\$43,018	\$48,789	\$53,020	\$52,691	\$52,691	\$52,691	\$53,020	\$52,691	\$70,912
Other Income	\$15,759	\$16,153	\$16,971	\$16,971	\$17,305	\$19,661	\$22,268	\$23,194	\$23,194	\$23,194	\$22,268	\$23,194	\$28,894
Loss/Vacancy	\$(8,903)	\$(9,819)	\$(1,054)	\$(2,340)	\$(3,649)	\$(6,689)	\$(7,687)	\$(7,687)	\$(7,687)	\$(7,687)	\$(6,689)	\$(7,687)	\$(8,910)
Effective Gross Income	\$823,480	\$984,947	\$670,210	\$684,465	\$1,018,327	\$1,103,275	\$1,304,625	\$1,476,280	\$1,476,280	\$1,476,280	\$1,304,625	\$1,476,280	\$1,670,267
Operating Expenses													
Property Management	\$325,000	\$30,381	\$48,154	\$60,339	\$72,951	\$86,084	\$100,000	\$114,000	\$128,000	\$142,000	\$156,000	\$170,000	\$184,000
Resident Services	\$171,000	\$177,608	\$183,822	\$190,255	\$196,814	\$203,473	\$210,232	\$217,091	\$223,950	\$230,809	\$237,668	\$244,527	\$251,386
Security Patrol Services	\$43,083	\$44,670	\$46,257	\$47,844	\$49,431	\$51,018	\$52,605	\$54,192	\$55,779	\$57,366	\$58,953	\$60,540	\$62,127
Replacement Reserves	\$41,000	\$41,000	\$41,000	\$41,000	\$41,000	\$41,000	\$41,000	\$41,000	\$41,000	\$41,000	\$41,000	\$41,000	\$41,000
Taxes/Insurance	\$1,453	\$4,658	\$6,862	\$7,301	\$7,740	\$8,179	\$8,618	\$9,057	\$9,496	\$9,935	\$10,374	\$10,813	\$11,252
Total Expenses	\$84,772	\$90,944	\$716,812	\$762,738	\$760,969	\$821,282	\$1,060,136	\$1,266,174	\$1,266,174	\$1,266,174	\$1,060,136	\$1,266,174	\$1,460,774
Net Operating Income	\$323,708	\$223,035	\$233,033	\$231,728	\$231,338	\$232,013	\$234,637	\$234,637	\$234,637	\$234,637	\$234,637	\$234,637	\$234,637

	Year 1 2023	Year 2 2024	Year 3 2025	Year 4 2026	Year 5 2027	Year 6 2028	Year 7 2029	Year 8 2030	Year 9 2031	Year 10 2032	Year 15 2037	Year 20 2042	Year 25 2047
Debt Service													
Senior Loan	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000
HCD Monitoring Fee	\$11,500,000	\$11,500,000	\$11,500,000	\$11,500,000	\$11,500,000	\$11,500,000	\$11,500,000	\$11,500,000	\$11,500,000	\$11,500,000	\$11,500,000	\$11,500,000	\$11,500,000
SHRA Monitoring Fee	\$23,000,000	\$23,000,000	\$23,000,000	\$23,000,000	\$23,000,000	\$23,000,000	\$23,000,000	\$23,000,000	\$23,000,000	\$23,000,000	\$23,000,000	\$23,000,000	\$23,000,000
Debt Service Subtotal	\$35,250,000	\$35,250,000	\$35,250,000	\$35,250,000	\$35,250,000	\$35,250,000	\$35,250,000	\$35,250,000	\$35,250,000	\$35,250,000	\$35,250,000	\$35,250,000	\$35,250,000
Equity Distributions													
Partnership Management Fee (LP)	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000
Asset Management Fee (GP)	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
Priority Distributions Subtotal	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000
Deferred Developer Fee													
Principal Balance	\$850,000	\$850,000	\$850,000	\$850,000	\$850,000	\$850,000	\$850,000	\$850,000	\$850,000	\$850,000	\$850,000	\$850,000	\$850,000
Interest for Period	\$25,940	\$23,640	\$21,711	\$19,719	\$17,668	\$15,617	\$13,566	\$11,515	\$9,464	\$7,413	\$5,362	\$3,311	\$1,260
Payment from Cash Flow	\$77,800	\$77,800	\$77,800	\$77,800	\$77,800	\$77,800	\$77,800	\$77,800	\$77,800	\$77,800	\$77,800	\$77,800	\$77,800
Balance	\$797,991	\$723,713	\$657,291	\$589,868	\$521,601	\$453,333	\$385,065	\$316,797	\$248,529	\$180,261	\$111,993	\$43,725	-\$12,428
Net Cash after Deferred Fee and Available Capitalized Operating Reserve	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Residential NOI after Debt Service, Priority Distributions & Deferred Developer Fee													
Net Operating Income	\$323,708	\$223,035	\$233,033	\$231,728	\$231,338	\$232,013	\$234,637	\$234,637	\$234,637	\$234,637	\$234,637	\$234,637	\$234,637
Debt Service	\$(35,250,000)	\$(35,250,000)	\$(35,250,000)	\$(35,250,000)	\$(35,250,000)	\$(35,250,000)	\$(35,250,000)	\$(35,250,000)	\$(35,250,000)	\$(35,250,000)	\$(35,250,000)	\$(35,250,000)	\$(35,250,000)
Equity Distributions	\$(25,000)	\$(25,000)	\$(25,000)	\$(25,000)	\$(25,000)	\$(25,000)	\$(25,000)	\$(25,000)	\$(25,000)	\$(25,000)	\$(25,000)	\$(25,000)	\$(25,000)
Deferred Developer Fee	\$(850,000)	\$(850,000)	\$(850,000)	\$(850,000)	\$(850,000)	\$(850,000)	\$(850,000)	\$(850,000)	\$(850,000)	\$(850,000)	\$(850,000)	\$(850,000)	\$(850,000)
Net Cash After Loan Repayments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

	Year 1 2023	Year 2 2024	Year 3 2025	Year 4 2026	Year 5 2027	Year 6 2028	Year 7 2029	Year 8 2030	Year 9 2031	Year 10 2032	Year 15 2037	Year 20 2042	Year 25 2047
SCORP Existing Loan													
Principal Balance	\$1,800,000	\$1,800,000	\$1,800,000	\$1,800,000	\$1,800,000	\$1,800,000	\$1,800,000	\$1,800,000	\$1,800,000	\$1,800,000	\$1,800,000	\$1,800,000	\$1,800,000
Interest for Period	\$54,000	\$54,000	\$54,000	\$54,000	\$54,000	\$54,000	\$54,000	\$54,000	\$54,000	\$54,000	\$54,000	\$54,000	\$54,000
Accumulated Interest	\$0	\$54,000	\$108,000	\$162,000	\$216,000	\$270,000	\$324,000	\$378,000	\$432,000	\$486,000	\$540,000	\$594,000	\$648,000
Payment	\$1,854,000	\$1,854,000	\$1,854,000	\$1,854,000	\$1,854,000	\$1,854,000	\$1,854,000	\$1,854,000	\$1,854,000	\$1,854,000	\$1,854,000	\$1,854,000	\$1,854,000
Balance	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
SCORP New Loan													
Principal Balance	\$4,020,000	\$4,020,000	\$4,020,000	\$4,020,000	\$4,020,000	\$4,020,000	\$4,020,000	\$4,020,000	\$4,020,000	\$4,020,000	\$4,020,000	\$4,020,000	\$4,020,000
Interest for Period	\$120,600	\$120,600	\$120,600	\$120,600	\$120,600	\$120,600	\$120,600	\$120,600	\$120,600	\$120,600	\$120,600	\$120,600	\$120,600
Accumulated Interest	\$0	\$120,600	\$241,200	\$361,800	\$482,400	\$603,000	\$723,600	\$844,200	\$964,800	\$1,085,400	\$1,206,000	\$1,326,600	\$1,447,200
Payment	\$4,140,600	\$4,140,600	\$4,140,600	\$4,140,600	\$4,140,600	\$4,140,600	\$4,140,600	\$4,140,600	\$4,140,600	\$4,140,600	\$4,140,600	\$4,140,600	\$4,140,600
Balance	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
MACS Seller Carryback Loan													
Principal Balance	\$80,750	\$80,750	\$80,750	\$80,750	\$80,750	\$80,750	\$80,750	\$80,750	\$80,750	\$80,750	\$80,750	\$80,750	\$80,750
Interest for Period	\$1,528	\$1,528	\$1,528	\$1,528	\$1,528	\$1,528	\$1,528	\$1,528	\$1,528	\$1,528	\$1,528	\$1,528	\$1,528
Accumulated Interest	\$0	\$1,528	\$3,056	\$4,584	\$6,112	\$7,640	\$9,168	\$10,696	\$12,224	\$13,752	\$15,280	\$16,808	\$18,336
Payment	\$82,278	\$82,278	\$82,278	\$82,278	\$82,278	\$82,278	\$82,278	\$82,278	\$82,278	\$82,278	\$82,278	\$82,278	\$82,278
Balance	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net Cash After Loan Repayments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

*The 1.89% Applicable Federal Rate (AFR) for determination purposes. AFR will be established at close of determination (month) in October 2021.

Villa Jardin/Coral Gables**MAXIMUM INCOME AND RENT LIMITS 2021**

*Rents at 25%, 30% and 50% of Area Median Income
Low Income Housing Tax Credits, Mortgage Revenue
Bonds, HOME, Acquisition with Rehabilitation Federal
Program, Housing Trust Funds and Mental Health
Services Act (Building Hope) Program Funds*

Maximum Gross Income Limits

Family Size	25% AMI	30% AMI	50% AMI
1 person	\$ 15,875	\$ 19,050	\$ 31,750
2 person	\$ 18,125	\$ 21,750	\$ 36,250
3 person	\$ 20,400	\$ 24,480	\$ 40,800
4 person	\$ 22,650	\$ 27,180	\$ 45,300
5 person	\$ 24,475	\$ 29,370	\$ 48,950

Maximum Gross Rent Limits¹

Unit Size	25% AMI	30% AMI	50% AMI
1 Bedroom	425 \$	510 \$	850
2 Bedroom	510 \$	612 \$	1,020

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.

CONSTRUCTION AND PERMANENT LOAN AGREEMENT VILLA JARDIN/CORAL GABLES

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

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

A. "LOAN INFORMATION" The general loan provisions of the Loan:	
"EFFECTIVE DATE"	October 1, 2021 The date as of which this Loan Agreement shall be effective.
"LENDER"	The following public agency that is making the Loan, and whose legal status and address are:
Name	Sacramento Housing and Redevelopment Agency
Legal Status	a joint powers agency
Principal Address	801 12th Street, Sacramento CA 95814
"BORROWER"	The borrower of the Loan funds whose name, legal status and address are:
Name	Villa Jardin/Coral Gables, L.P.
Legal Status	a California limited partnership
Principal Address	1388 Sutter Street, 11th Floor San Francisco, CA 94109
"LOAN"	The Loan made by this Loan Agreement.
"LOAN COMMITMENT"	Lender's loan commitment, made by letter dated as of August 11, 2020
"LOAN PROGRAM"	The Lender's Loan Program, commonly known as City Housing Trust Fund (HTF) and Mental Health Services Act (MHSA) Funds
"LOAN AMOUNT"	Four Million Twenty Thousand Dollars and No Cents (\$4,020,000.00) comprised of: One Million Nine Hundred Thousand Dollars and No Cents (\$1,900,000.00) in HTF, inclusive of the Five Hundred Thousand Dollars and No Cents (\$500,000.00) Predevelopment Loan; and Two Million One Hundred Twenty Thousand Dollars and No Cents (\$2,120,000.00) in MHSA Funds.
"INTEREST RATE"	The interest rate is 3% per year, simple interest.
"MATURITY DATE"	The first day of the 684th calendar month following the Effective Date: October 1, 2078.
"PAYMENT SCHEDULE"	Annual payments shall be made in accordance with the Payment Schedule set out in the Note evidencing this Loan.
"BORROWER EQUITY"	No Dollars and No Cents (\$0.00) Which is the minimum amount of cash or cash equivalent (excluding land equity or other non-cash investment in the Project) that Borrower is investing in the Project.
	Approximately Three Hundred Fifty Thousand Dollars and No Cents (\$350,000.00). Which is Borrower's non-cash contribution to the Project (such as deferred Developer fees).
"SPECIAL TERMS"	N/A

"PROJECT"	Which is the Project to be developed on the Property with the Loan funds, described as:	Villa Jardin is an existing affordable housing project built in 1964 and consists of 44 units all of which are two-bedroom and one-bath, a management office, laundry facility and on-site parking. Significant rehabilitation includes interior unit and exterior building improvements. Coral Gables is the new construction of 38 affordable housing units. There will be 18 one-bedroom and 20 two-bedroom units. Amenities at Coral Gables will include a new community building, security system, playgrounds for school aged children, laundry facilities, barbeque area, management office, vehicle and bicycle parking, and open space for residents to use. All amenities will be shared and used by Villa Jardin residents.
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B. "COLLATERAL" The Collateral securing repayment of the Loan, which Collateral consists of the following:		
"PROPERTY"	The following described real property, which is security for the Loan and the site of the Project:	
Address and Assessor's Parcel Number (APN)	2621 Meadowview Road, Sacramento, CA 95832 (APN: 049-0250-033-0000 and 049-0250-034-0000) 41 Coral Gables Court, Sacramento, CA 95822 (APN: 049-0250-033-0000) 49 Coral Gables Court, Sacramento, CA 95822 (APN: 049-0250-027-0000) 63 Coral Gables Court, Sacramento, CA 95822 (APN: 049-0250-028-0000) 81 Coral Gables Court, Sacramento, CA 95822 (APN: 049-0250-035-0000)	
"Legal Description"	The Property is situated in the State of California, County of Sacramento, and is more particularly described in Exhibit 1: Legal Description attached and incorporated by reference.	
Borrower's Title Interest	Borrower has fee interest in the Property or, if the Additional Escrow Instructions so indicate, Borrower will acquire fee interest in the Property at Close of Escrow.	
"ADDITIONAL COLLATERAL"	The Additional Collateral securing repayment of the Loan is any additional security required by Lender under this Loan Agreement, including without limitation the following items, if any	
"PERSONAL PROPERTY"	Borrower's interest in the following personal property, tangible and intangible, and all other such property listed as security in this Loan Agreement:	Materials and supplies for the Project
OTHER ADDITIONAL COLLATERAL	Borrower's interest in the following property:	None

C. "ESCROW INFORMATION":		
"Title Company" and "Escrow Agent"	Old Republic Title Company	Which is the title company that will issue the Title Policy and that will act as Escrow Agent for the Escrow.
"Escrow"	The escrow with Escrow Agent	
"Closing Date"	October 13, 2021 or extended upon mutual agreement	Which is the date for close of the Escrow, as it may be extended.

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

Exhibit 5: Regulatory Agreement	Collectively, the "Regulatory Agreement" or "Regulatory Agreements"
Exhibit 5A: HTF Regulatory Agreement	
Exhibit 5B: MHSA Regulatory Agreement	
Exhibit 6: Escrow Instructions	"Escrow Instructions"
Exhibit 7: Funding Requirements	Collectively, the "Funding Requirements"
Exhibit 7A: HTF Funding Requirements	
Exhibit 7B: MHSA Funding Requirements	

E. "APPROVAL DOCUMENTS" Borrower shall submit the following documents for Lender approval:	
Construction Agreements for the Project	
Architectural Agreement for the Project	
Borrower's organizational documents, such as partnership agreements or corporate articles and by-laws	
"Budget" for the Project	
Evidence of financing as described in this Loan Agreement	
Plans and Specifications as defined in this Loan Agreement	
Relocation Plan	

F. "ASSIGNED DOCUMENTS" Borrower shall assign the following documents to Lender:	
Construction Contract	
Architectural Contract	

G. "CONSTRUCTION INFORMATION":			
"Completion Date"	October 31, 2023	Which is the date on or before which the Completion of the Project must occur.	
"General Contractor"	Brown Construction Inc.	Which is the general contractor for construction of the Project.	
"Project Architect"	Mogavero Architects	Which is the architect for design of the Project.	
"Retention"	The percentage of each disbursement made for construction work, in aggregate not to exceed the following percentage of the Loan Amount, which shall be retained by Lender for disbursement with the final disbursement of the Loan:	Percentage of Loan:	TEN Percent (10%)

II. "SPECIAL PROVISIONS" The following special provisions shall be in addition to the provisions of this Loan Agreement:	
1. As of the date of this Loan Agreement, pursuant to the HTF Predevelopment Loan Agreement, SHRA has disbursed \$500,000.00 to Borrower. Upon execution of the HTF Note by Borrower, (i) the Predevelopment Loan note shall be cancelled and returned to Borrower, (ii) the Predevelopment Loan Agreement shall be terminated, and (iii) all disbursements under the Predevelopment Loan Agreement shall be deemed to have been disbursed under, and shall be governed by, this Agreement. For the avoidance of doubt, the \$1,900,000.00 HTF Loan provided for herein is inclusive of the \$500,000.00 Predevelopment Loan proceeds.	
2. Loan funds shall be used solely for construction and permanent financing of the Property. No Loan funds shall be used for predevelopment costs, except as provided in an approved Lender budget. Unless otherwise noted in the budget, predevelopment costs are not subject to withholding as Retention.	
3. Lender acknowledges Wincopin Circle LLLP, a Maryland limited liability limited partnership, together with its successors and assigns, is the limited partner of Borrower (the "Tax Credit Limited Partner"), whose address is:	
Wincopin Circle LLLP c/o Enterprise Community Asset Management, Inc. 70 Corporate Center 11000 Broken Land Parkway, Suite 700 Columbia, Maryland 21044	

Attention: Asset Management
Telephone: (410) 964-0552
Facsimile: (410) 772-2630

With a copy to:
sshack@enterprisecommunity.com
Attention: General Counsel; and

PacH Lancaster Holdings, LLC
c/o Pacific Housing, Inc.,
2115 J Street, Suite 201
Sacramento, CA 95816
Attn: Mark Wiese; and

Cox, Castle & Nicholson LLP
50 California St., Suite 3200
San Francisco, CA 94111
Attn: Christian Dubois

The Tax Credit Limited Partner may transfer its interests to any other third party, so long as such change does not affect the identity, powers or duties of Borrower's general partners or the ability of the limited partners to change the general partner or its powers. If the Tax Credit Limited Partner removes the Borrower's general partner for cause, Lender consent shall not be required, provided that the general partner that has been removed for cause and Lender has been provided written notice from the Tax Credit Limited Partner immediately after the general partner has been removed. The Tax Credit Limited Partner shall not, without obtaining Lender's prior written consent, add any general partner to Borrower, except that immediately after removing Borrower's general partner for cause as described above, the Tax Credit Limited Partner may admit an interim general partner to Borrower ("Interim General Partner") so long as the Interim General Partner satisfies the following requirements:

General partners, including all administrative and managing general partners, or a principal in each, are required to have previous experience in the development and ownership of multifamily rental affordable housing projects. Development is defined as having applied for and received affordable housing finance resources, including tax-exempt mortgage revenue bonds and low income housing tax credits. General partners are required to submit to Lender evidence of successfully participating in at least two projects over 40 units in size and subject to a recorded regulatory agreement for at least three years prior to the application.

Within ten (10) business days of the Interim General Partner's admission to Borrower, the Tax Credit Limited Partner shall submit all documents required by Lender for approval of a permanent general partner for Borrower (the "Proposed General Partner"), and within forty-five (45) days of receipt of all such documents, Lender shall approve or deny such Proposed General Partner. Lender's failure to provide a determination regarding the Proposed General Partner within forty-five (45) days shall be deemed an approval. An Interim General Partner shall not serve longer than ninety (90) days, unless Lender has approved the Interim General Partner as a permanent general partner of Borrower. Failure to remove the Interim General Partner in a timely manner shall constitute a Default.

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

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

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

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

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

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

3.6. "Environmental Review" means the investigation and analysis of the Project's impacts on the environment as may be required by CEQA and/or National Environmental Policy Act (NEPA), or of the Project's impacts on any species of plant or animal listed as a species of concern, or a threatened or endangered species under California or federal laws or regulations.

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

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

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

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

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

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

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

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

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

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

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

- 3.18. "Loan Maturity Date" means the date on which the entire unpaid balance of the Loan, including principal and interest, is due and payable.
- 3.19. "Loan Proceeds" means funds disbursed by Lender on account of the Loan and pursuant to this Loan Agreement.
- 3.20. "Mitigation Measure(s)" means those feasible measures, actions, or features that are to be incorporated into the Project in order to avoid or substantially reduce the Projects significant impact on the environment.
- 3.21. "National Environmental Policy Act" or "NEPA" contains the federally required procedures to review and analyze the effect and impact of the Project on the environment as applied to the Project under 24 Code of Federal Regulations Parts 50 and 58 et seq.
- 3.22. "Note" means that certain promissory note evidencing the Loan and attached hereto as Exhibit 3.
- 3.23. "Other Lender Draw" means a draw request or other request for disbursement submitted to another lender for the Project.
- 3.24. "Person" means any natural person, corporation, firm, partnership, association, trust, government, governmental agency, or any other entity, whether acting in an individual, fiduciary, or other capacity.
- 3.25. "Personalty" means, whether or not listed as Additional Collateral, all of Borrower's interest in all accounts, contract rights, and general intangibles (specifically including any insurance proceeds and condemnation awards) arising out of the ownership, development, or operation of the Property, and all furniture, furnishings, equipment, machinery, construction materials and supplies, leasehold interests in personal property, and all other personal property (other than Fixtures) of Borrower now or later located about the Property, together with all present and future attachments, accessions, replacements, substitutions, and additions, and the cash and noncash proceeds.
- 3.26. "Plans and Specifications" means the final set of architectural, structural, mechanical, electrical, grading, sewer, water, street, and utility plans and specifications for the Project, including all supplements, amendments, and modifications.
- 3.27. "Potential Default" means an event that would constitute an Event of Default but for any requirement of notice to be given or period of grace or time to elapse.
- 3.28. "Project" means the development of the Property in accordance with the Plans and Specifications including, without limitation, all existing buildings, improvements, and appurtenances on the Property, all work of demolition and rehabilitation to be conducted on the Property, and all improvements, additions, and replacements constructed or placed at any time on the Property.
- 3.29. "Security Documents" means the Trust Deed, together with all other documents entered into between Borrower and Lender or by Borrower in favor of, or for the benefit of, Lender that recite that they are to secure the Loan.
- 3.30. "Title Policy" means the title insurance policies to be issued in connection with this Loan, as further defined in the Escrow Instructions.
- 3.31. "Trust Deed" means that certain Deed of Trust and Assignment of Rents between Borrower, as trustor, Lender, as beneficiary, and trustee which secures the Note and is attached hereto as Exhibit 4.
- 3.32. "Unavoidable Delay" is a delay in the performance by a party of any obligation which delay is unforeseeable and beyond the control of such party and without its fault or negligence. Unavoidable Delay shall not be reasonably foreseeable events consisting solely of acts of God, acts of the public enemy, acts of the Federal Government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, and unusually severe weather (as for example, floods, tornadoes, or hurricanes) or delays of subcontractors due to such causes. In the event of the occurrence of any such enforced delay, the time or times for performance of such obligations of the parties shall be extended for the period of the enforced delay, as determined by Lender, provided that the party seeking the benefit of the provisions of

this Section shall, within thirty (30) days after it has or should have knowledge of any such enforced delay, have first notified the other party, in writing, of the delay and its cause, and requested an extension for the period of the enforced delay.

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

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

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

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

4.4. **LITIGATION.** There are no actions, suits, or proceedings pending or, to the best knowledge of Borrower, threatened against or affecting Borrower, the Property, or any part of it, or involving the validity or enforceability of the Trust Deed, the priority of the lien, or the validity or enforceability of any of the other Loan Documents, at law or in equity, or before or by any Governmental Authority. Borrower is not in default with respect to any order, writ, injunction, decree, or demand of any court or other Governmental Authority.

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

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

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

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

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

4.10. **USE OF PROCEEDS.** All Loan Proceeds will be disbursed as provided in this Loan Agreement and used only for payment of the costs of construction of the Project in accordance with the Plans and Specifications and for other purposes specified in the Loan.

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

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

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

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

5.1. **USE OF PROCEEDS.** All Loan Proceeds will be disbursed as provided in this Loan Agreement and used only for payment of the costs of construction of the Project in accordance with the Plans and Specifications and for other purposes specified in the Loan.

5.2. **PROPERTY MANAGEMENT.** Subject to Lender's written approval, Borrower shall obtain and maintain for the life of the Loan a top quality property management agreement with a duly accredited real estate property management company for the management of the Property, and shall assure compliance of the property manager with the property management agreement. Lender shall not disburse any funds under this Loan Agreement unless and until it has reviewed and approved the agreement as adequate and the property management company as top quality and duly accredited. Lender shall have the right to review and approve or reject any proposed changes to scope of said agreement and to changes in the real estate property management company prior to making such changes. Any such changes made without Lender approval shall be an Event of Default under this Agreement. Lender has approved The John Stewart Company as the qualified property management company for the Project.

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

6. **INSURANCE.**

6.1. **PROPERTY INSURANCE.** Borrower shall procure and maintain property insurance in a form and substance approved by Lender. Coverage shall be for protection against loss of, or damage to the Property and its improvements to their full insurable value. Borrower shall also procure and maintain insurance against specific hazards affecting Lender's security for the Loan as may be required by Lender, governmental regulations, or any permanent lender. All such policies shall contain a standard mortgagee loss payable clause in favor of Lender. The insurance required shall be written with a deductible of not more than Twenty-Five Thousand Dollars (\$25,000.00).

6.2. **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. Such insurance coverage must list Lender as an additional insured, and must be approved in writing by Lender prior to the disbursement of the Loan.

6.2.1. 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;

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

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

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

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

6.3.2 SINGLE PROPERTY INSURANCE. It is the intent of the parties that the Project have available all the specified insurance coverages. Borrower shall not provide insurance coverages that are considered in aggregate with other properties which Borrower owns or operates.

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

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

_____ Borrower's Initials

_____ Borrower's Initials

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

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

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

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

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

7.2. BORROWER RESERVES. Borrower shall maintain reserves for replacement and repairs required to be made to the Property, fixtures on the Property or personal property used on the Property, or otherwise as approved by Lender, in an amount, at all times, of not less than Five Hundred and No/100 Dollars (\$500.00) per unit per year, prorated for a partial year.

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

7.4. ANNUAL ADMINISTRATIVE FEE. Borrower agrees to pay an annual administrative fee ("Fee") to Lender as compensation for monitoring compliance with regulatory restrictions and the administration of the Loan. Borrower shall pay annually a Fee equal to 12.5 basis points (0.125%) of the bond amount and One Hundred Dollars and No Cents (\$100.00) for each unit assisted by the Loan Program, not to exceed Twenty-Five Thousand Dollars and No Cents (\$25,000.00). Fee payments shall commence on the Closing Date for the prorated semiannual period from the Closing Date to and including October 2021, and in equal semiannual installments in advance on each April 1 and October 1 of each year thereafter throughout the term of the Regulatory Agreement.

7.5. BOND PROCEEDS. Borrower shall secure financing in an aggregate principal amount not to exceed Twenty-Three Million Dollars and No Cents (\$23,000,000.00) in bond proceeds from the Housing Authority of the City of Sacramento. Lender acknowledges that Borrower has satisfied this covenant.

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

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

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

8.3. 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.

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

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

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

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

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

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

9. TITLE INSURANCE. Borrower must procure and deliver to Lender an ALTA Lender's Policy of Title Insurance, together with such endorsements as Lender may require, including but not limited to ALTA endorsement nos. 9.6 and 9.7 (CLTA endorsement nos. 100 and 116) and ALTA endorsement no. 25 (CLTA endorsement no. 116) insuring Lender in an amount equal to the principal amount of the Loan, that Lender's Trust Deed constitutes a third lien or charge upon the Property and improvements subject only to such items as shall have been approved by Lender. There must be no exceptions permitted for mechanics liens. Title insurance for the Loan must be issued by a title insurer approved by Lender.

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

10.1. CONDITION OF TITLE. Lender shall cause Escrow Agent to issue to Borrower (with a copy to Lender) the Preliminary Report, together with copies of all documents relating to title exceptions referred to in the Preliminary Report. At Close of Escrow, Lender's Trust Deed shall be a valid lien against the Property securing the Loan and subject to no exceptions to title (of record or off record) other than the exceptions listed in the "Conditions of Title" in the Escrow Instructions.

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

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

11. RELOCATION. Lender is required by law to provide relocation services and make relocation payments to eligible tenants that are displaced as a result of the Project. Borrower shall comply fully with all relocation laws that are the obligation of Lender or are otherwise applicable to the Project. Borrower's compliance with the relocation requirements as stated in this Section 9 or the relocation plan for this project, if any, is a material element of this Loan. Borrower's failure to comply with the relocation requirements as stated in this Section 9 or a relocation plan prepared for this Project, is an Event of Default, subject to Borrower's opportunity to cure in accordance with applicable law.

11.1. RELOCATION COSTS. Unless otherwise stated in this Loan Agreement, any amounts paid by Lender for relocation costs and services shall be considered advances under the Loan.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

12.6. **PAYMENT AND PERFORMANCE BONDS.** As a condition precedent to beginning construction of the Project, Borrower shall provide Lender a performance bond and a labor and material payment bond obtained by Borrower or its general contractor in favor of Borrower and Lender as named dual obligees, in form and amount as approved by Lender and securing, respectively, completion of the work and payment of all labor and material suppliers and subcontractors for the

work as stated in the construction contract for the Project. The bonds shall be written with a surety listed as acceptable to the federal government on its most recent list of sureties. Borrower shall assure compliance with all requirements of the surety. Borrower shall permit no changes in the work to be performed by the general contractor and shall make no advance payments to the general contractor without prior written notice to the surety and Lender, if such change or payment could release the surety of its obligations under the bonds.

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

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

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

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

____ Lender's Initials

____ Borrower's Initials

____ Borrower's Initials

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

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

13. **PREVAILING WAGES.** Unless stated otherwise above, Lender advises Borrower that the Project is subject to the payment of prevailing wages under California law. Borrower shall inform the General Contractor and shall require the General Contractor to inform all subcontractors and materialmen furnishing goods or services to the Project of Lender's determination of the applicability of California prevailing wage requirements. Borrower and General Contractor have had the opportunity to meet with their respective legal counsel and to request a determination of the matter before the California Department of Industrial Relations and any other appropriate governmental bodies. Borrower and General Contractor have made their own independent determinations of the applicability of prevailing wage laws and have independently implemented such determinations. Borrower indemnifies, holds harmless and defends Lender from all additional wages, benefits, fees, penalties, fines, legal fees, court costs, arbitration costs, and other costs arising from the improper application of California prevailing wage laws to the Project by Borrower or General Contractor or both of them.

14. **DAVIS-BACON ACT.** If this Loan Agreement is for construction, alteration, or repair (including painting and decorating) of public buildings or public works, Borrower must comply with the provisions of the Davis-Bacon Act (40 U.S.C. §§276a - 276a-5) and all rules, regulations and orders promulgated under said act, unless a determination of exemption from requirements of the Davis-Bacon Act is made and unless the exemption is expressly stated elsewhere in this Loan Agreement. Among other provisions, said act establishes minimum wages and fringe benefits; prohibits deductions or rebates from payments; provides for the withholding of funds to assure compliance with wage provisions; and provides for the termination of the Loan Agreement.

15. **LOAN DISBURSEMENT PROCEDURES.**

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

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

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

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

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

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

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

15.1.7. Borrower shall provide assurances, satisfactory to Lender in its sole discretion, that hazardous materials are not present on the Property or that any hazardous materials on the Property will be remediated and that no further remediation is then required by the environmental agency having responsibility for monitoring such remediation; and

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

15.2. **CONDITIONS PRECEDENT TO FIRST DISBURSEMENT.** Borrower's request for the first disbursement of Loan Proceeds (the "First Disbursement") is a representation and warranty by Borrower that there has been no material adverse change in Borrower's financial capacity or in any representation made to Lender in Borrower's application for the Loan or Borrower's supporting documentation. Lender shall make the First Disbursement when the following conditions precedent and the conditions precedent stated in Section 15.1 have been met:

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

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

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

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

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

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

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

15.3. **CONDITIONS PRECEDENT TO FINAL DISBURSEMENT.** Lender shall make the final loan disbursement under this Loan Agreement when the following conditions precedent and the conditions precedent stated in Section 15.1 have been met:

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

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

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

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

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

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

a. The General Contractor and subcontractors and material suppliers and their subcontractors and material suppliers have been paid in full;

b. Borrower has obtained final certificates of occupancy for all of the Project;

c. All other permits and approvals necessary for the construction, equipping, management, operation, use, or ownership of the Project have been obtained, subject only to those conditions approved by Lender, and

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

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

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

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

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

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

15.4. **MAKING DISBURSEMENT.** Lender shall pay each disbursement request within twenty (20) business days after the disbursement request is submitted to Lender, subject to fulfillment of the conditions precedent as stated in Section 15.1. Lender shall disburse the actual cost of the work represented in the disbursement request by Borrower, reduced by the cost of work included in the request and not satisfactorily completed and by the amount of the Retention to be withheld.

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

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

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

16. **RESIDENTIAL OPERATIONS.**

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

16.2. **SECURITY AND LIGHTING.** Project shall include a security camera system approved by Lender and lighting adequate to properly illuminate the parking area and all common spaces. In addition, Project will include security patrol, if necessary.

16.3. **RESIDENT SERVICES PLAN:** Borrower shall provide Lender with a detailed resident services plan including but not limited to the following information: (1) identification of all entities responsible for providing resident services to Project tenants and each entity's role in the provision of those services; (2) the services will be provided for a minimum of 15 hours per week, including education activities and service coordination; (3) a description of the services to be provided; (4) a pro forma resident services budget.

16.4. **SMOKE FREE ENVIRONMENT.** All residential units and indoor common areas must be smoke free.

17. **DEFAULT.**

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

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

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

17.1.3. Subject to Borrower's legal rights to contest a Governmental Requirement, Borrower's failure to comply with any Governmental Requirement, unless within ten (10) days after notice of such failure by Lender or the respective governmental entity or after any action has been commenced to enforce such requirement, Borrower has cured such failure;

17.1.4. Borrower's failure to keep in full force any permit, license, consent, or approval with respect to the construction, occupancy, or use of the Project, unless within ten (10) days after notice by the issuing entity or Lender of such failure, Borrower has promptly cured such failure;

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

17.1.6. Borrower's failure to complete the construction of the Project by the Completion Date;

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

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

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

18. REMEDIES.

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

18.1.1. Terminate its obligation to make disbursements;

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

18.1.3. 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;

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

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

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

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

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

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

19. **BLANKET COVERAGE.** Borrower's obligation to carry insurance as required under this Loan Agreement may be satisfied by coverage under a "blanket" policy or policies of insurance (as the term is customarily used in the insurance industry); provided, however, that Lender shall nevertheless be named as an additional insured under such blanket policy or policies to the extent required by this Section, the coverage afforded Lender will not be reduced or diminished thereby, and all of the other requirements of this Section 0 with respect to such insurance shall otherwise be satisfied by such blanket policy.

20. **MISCELLANEOUS.**

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

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

20.3. **CONDEMNATION.** The proceeds of any award or claim for damages, direct or consequential, in connection with any condemnation or other taking of all or any part of the Property, or for conveyance in lieu of condemnation, are hereby assigned and shall be paid to Lender. In the event of a taking of all of the Property, the proceeds shall be applied to the sums provided by this Loan, subject to any claims of prior lienholder, with the excess, if any, paid to junior lienholders and Borrower, as they may determine. In the event of the partial taking of the Property, unless Borrower and Lender otherwise agree in writing, and subject to any claims of prior lienholders, there shall be applied to the sums secured by the Trust Deed such proportion of the proceeds as is equal to that proportion which the amount of the sums secured by the Trust Deed immediately prior to the date of taking bears to the fair market value of the Property immediately prior to the date of taking, with the balance of the proceeds paid to junior lienholders and Borrower, as they may determine.

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

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

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

20.5. **FUNDING 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, to the extent required by law, shall cooperate with and assist Borrower in fulfillment of such obligations. If Lender, as a result of actions of Borrower, shall be obligated to repay the Loan Program any amount of the Loan Proceeds, Borrower shall make such repayment on account of Lender and failure to do so shall be an Event of Default.

20.6. **NATURE OF REPRESENTATIONS AND WARRANTIES.** Borrower certifies to Lender that all representations and warranties made in this Loan Agreement and all other Loan Documents are true and correct in all material respects and do not contain any untrue statement of a material fact or omit any material fact necessary to make the representations and warranties not misleading. All representations and warranties will remain true and correct in all material respects and will survive so long as any of Borrower's obligations have not been satisfied or the Loan or any part of it remains outstanding, and for any applicable statute of limitations period. Each request by Borrower for a disbursement will constitute an

affirmation that all representations and warranties remain true and correct as of the date of that request. Each representation and warranty made in this Loan Agreement, in any other Loan Documents, and in any other document delivered to Lender by Borrower will be deemed to have been relied on by Lender, regardless of any investigation, inspection, or inquiry made by Lender or any related disbursement made by Lender. The representations and warranties that are made to the best knowledge of Borrower have been made after diligent inquiry calculated to ascertain the truth and accuracy of the subject matter of each representation and warranty.

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

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

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

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

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

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

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

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

20.10.5. Copies of notices to Borrower shall be provided to the Tax Credit Limited Partner at the address set forth in subsection H(3) of this Agreement.

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

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

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

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

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

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

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

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

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

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

the Loan Documents, all amendments to the Loan Documents entered into by Lender or requested by any party to the Loan Documents, and all title insurance policies and endorsements required by Lender, and (ii) the enforcement of any rights or remedies under the Loan Documents, whether any action or proceeding is commenced, or the protection of the security, or interests of Lender under the Loan Documents. All costs and expenses, together with interest at Interest Rate, will form a part of the indebtedness and will be secured by the Security Documents.

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

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

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

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

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

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

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

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

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

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

20.31. **INTEGRATION AND INTERPRETATION.** The Loan Documents contain or expressly incorporate by

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

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

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

BORROWER:

VILLA JARDIN/CORAL GABLES, L.P.,
a California limited partnership

By: JSCo Villa Jardin/Coral Gables LLC,
a California limited liability company,
its administrative general partner

By: John Stewart Company,
a California corporation,
its sole member and manager

By: Jack D. Gardner,
President and CEO

By: PacH Lancaster Holdings, LLC,
a California limited liability company
its managing general partner

By: Pacific Housing, Inc.,
a California nonprofit public
benefit corporation,
its sole member and manager

By: Mark A. Wiese,
President

LENDER:

SACRAMENTO HOUSING AND REDEVELOPMENT
AGENCY, a joint powers agency

By: La Shelle Dozier,
Executive Director

Approved as to form:

Lender Counsel

Villa Jardin/Coral Gables Scope of Development

Part 1 of 2: Villa Jardin Scope of Development – Rehabilitation

Villa Jardin (“Project”) is an existing multifamily apartment complex with 44 units located on approximately 1.45 acres in Sacramento’s Meadowview neighborhood. Villa Jardin’s 44 units will be rehabilitated; all units are two-bedroom, one-bathroom. The common areas and amenities will include a new community center building and playground, both to be shared with residents at Coral Gables.

All work shall comply with Federal and State Americans with Disability Act (ADA) accessibility requirements, as well as any other requirements stipulated by the funding sources. The John Stewart Company is responsible for notifying the architects and engineers of all funding sources used on the Project. The architect and/or engineer will indicate these funding requirements in the Project’s plans/scope of work.

I. Site Work

1. **Asphalt Pavement:** Repair parking, curb, and sidewalk areas with alligator cracking, excessive cracking, tree root damage, and for utility trenching. Asphalt Concrete in parking areas will be removed, the base will be recompact and supplemented where needed, then followed by new paving (3” AC over 7” AB in new parking stalls and 3” AC over existing base in all other locations). ADA path of travel and other code-conforming accessibility modifications will also be provided.
2. **Drainage:** Damaged downspouts will be repaired or replaced and 2% slope for five (5) feet away from all structures will be ensured. Note, no downspouts have been reported or observed as damaged to date.
3. **Landscaping Improvements:** Landscaping improvements will include installation of consistent and drought-tolerant plants and shrubs and removal and replacement of Mulberry trees, as well as replacement turf, bark/mulch, and a Smart Controller programmable automated irrigation system.
4. **Mailboxes:** Mailboxes will be removed and replaced in a more central location near the Community Building (which will be built as part of the Coral Gables new construction)
5. **Picnic Area:** Barbeque, seating, and dog poop areas will be provided adjacent to the play area and will be shared with residents at Coral Gables.
6. **Play Area:** The play area will have two (2) play structures, one for children ages 2-5 and one for children ages 5-12, to be built as part of the Coral Gables new construction and shared with residents at Coral Gables. Additionally, the access pathway will be modified as appropriate and the play area will be resurfaced with rubber safety surfacing or other similar safety- and accessibility-compliant material.
7. **Security Cameras:** A new security surveillance camera system will be installed. Camera locations will include primary ingress/egress points to and from the site, parking lots, and indoor and outdoor common areas where people congregate (including management office, laundry room, and play areas). See security camera diagram for proposed locations and directions.
8. **Sewer Repairs:** All laterals will receive complete cabling and jet cleaning, and the one belly and broken connection will be repaired.
9. **Site Lighting:** Two existing post-mounted fixtures will be replaced with LED fixtures.
10. **Signage:** New unit identification, wayfinding, code, fire, and life and safety signage will be installed. Signage will be code-compliant and include braille and raised letter unit and site signage.
11. **Site Fencing:** Existing fence along Meadowview Road will be moved off City property (footings will also be removed) as part of DPW’s work on the Meadowview Road streetscape. Existing wrought-iron perimeter fencing will be repainted with rust-resistant paint. The sliding automobile gate and pedestrian gates will be repaired and repainted with rust-resistant paint. The automobile gate operator will also be replaced.
12. **Trash Enclosure:** The existing trash enclosure will be replaced with a code-conforming enclosure of reinforced masonry and lighting. A concrete apron will also be provided to prevent paving damage during dumpster collection.

II. Building Exteriors

1. **Balconies and Patios:** All ground-floor apartments will have a small concrete landing with dual handrails.
2. **Building Envelope:** Stucco siding will be repaired as needed and weep-screed installed to prevent wicking. Damaged foundation vents will be replaced with integral vents.
3. **Building Lighting:** Exterior building lighting, including soffit lighting above and below building entry decks, will be replaced with LED fixtures. Soffit lighting will be non-switched to provide for safety and security.
4. **Doors:** All exterior unit entry doors will be replaced. Matching hardware finishes, deadbolt locks, keyed latch assemblies, viewers, and screws in strike plates long enough to penetrate the door jamb framing by at least one inch will be installed. Doors will also have single action hardware to release deadbolt and latch assembly, and will meet current egress standards.
5. **Exterior Painting:** Building exteriors (fascia, walls, doors, door frames, and trim throughout exterior walkways and laundry room) will be repainted.
6. **Exterior Dual Stairs and Walkways:** New dual handrails will be installed at all first-floor entrances. Handrails and guardrails on exterior stairs to second-floor units will be repaired and/or replaced where necessary. New metal risers will be installed and broken treads will be replaced. Second-floor entry deck will be reframed and resurfaced.
7. **Roofing:** Rot will be repaired where observed during Pest Report (i.e., various wood roof and deck fascia components). Existing roofing will be replaced with high-quality asphalt shingles.
8. **Windows:** All windows will be replaced with energy-efficient dual pane windows. Windows that are designed to open will have screens. The Development Team will provide an Operating Procedure Outline Sheet (OPOS) for window washing systems where applicable, per Cal-OSHA requirements. The sill height at the second-floor units' bedroom windows will be lowered to conform to code.

III. Building Interiors

1. **Americans with Disabilities Act (ADA) Units:** Villa Jardin and Coral Gables will provide a total of ten (10) mobility units, all of which will be accommodated at the Coral Gables new construction. The ten mobility units will meet both CTCAC's requirements to provide 15% of new construction units and the requirement to provide 10% of rehabilitation units as mobility units. CTCAC issued a waiver on geographic dispersal of the mobility units and rounding up the total number of mobility units on April 22, 2021. An additional four (4) units, or 4% of all 82 units, will include communications features for persons with hearing or vision impairment. The communications units will be geographically dispersed across both Villa Jardin and Coral Gables. Because all mobility units will be provided at Coral Gables, no additional work will be done to the two existing units at Villa Jardin currently designated as handicap accessible to bring them into current ADA compliance.
2. **Appliances:** All forty-four (44) units will receive new ranges, new Energy Star-rated refrigerators, and new garbage disposals and range hood fans. All units will have new Energy Star-rated dishwashers installed and will receive new single-bowl stainless steel sinks and fixtures.
3. **Bathtubs, Toilets, and Other Bath Fixtures:** All forty-four (44) units will receive new enameled steel bathtubs with solid surface (fiberglass) surrounds and new pressure-balanced mixing valves, as well as new bath flooring. All forty-four (44) units will also receive new bath vanity plywood cabinets with solid wood doors, sinks, and fixtures, as well as ultra-low flow toilets for water conservation, compliance with State law, and long-term maintenance efficiency. All forty-four (44) units will also receive new toilet accessories and mirrors. Additionally, all forty-four (44) units' bath fans will be replaced with Energy Star-rated, humidistat-controlled bath fans (which automatically activate the fan when moisture is detected).
4. **Kitchen Cabinets, Counters and Sinks:** All forty-four (44) units will receive new all-plywood kitchen cabinets with solid wood doors, granite or alternative solid surface countertops, and kitchen sinks. Cabinets will include cutout for suspended microwave.
5. **Cellings and Walls:** The popcorn ceilings will be removed. All units will receive drywall repairs and/or asbestos abatement as necessary. Patching and replacement will be completed to an as-new finish.
6. **Doors:** Interior unit doors (for closet, bedroom and bathroom) are typically hollow core painted swing doors, generally in fair to good condition, and will not be replaced.

7. **Electrical and Lighting:** Wiring and panels will be replaced or added as needed. Electrical panelboards will be replaced in all forty-four (44) units. All interior light fixtures will be replaced with LED lights. All forty-four (44) units will receive new Energy Star-rated fan/light fixtures in the dining area.
8. **Flooring:** All forty-four (44) units will receive new resilient flooring such as vinyl plank floor in the living areas throughout the unit to eliminate mold, insect infestations, and to provide long-term cost-effective maintenance. All forty-four (44) units will receive also new resilient flooring in the bathroom.
9. **Hot Water Heating:** All hot water heaters will be replaced with more energy efficient gas models, and replacement will include earthquake strapping and pressure relief valves.
10. **Heating and Cooling:** All gas wall furnaces in the hallway of each unit will be replaced, and the through-wall air conditioning of each unit will be replaced with new and higher-efficiency models.
11. **Interior Paint:** All units will be repainted with zero VOC, zero-odor paint to ensure healthy indoor air quality.
12. **Plumbing:** The hot and cold water distribution piping at each building will be completely replaced.
13. **Outlets:** Non-ground-fault circuit interceptor (GFCI) electrical outlets at all forty-four (44) units' bath and kitchen counter outlets will be replaced with code-compliant GFCI outlets.
14. **Smoke Alarms, Etc.:** All forty-four (44) units will receive new hallway smoke alarms in each bedroom and combination smoke alarm/carbon monoxide detectors in the hallway outside the bedrooms.
15. **Window Treatments:** Horizontal PVC louver blinds in all forty-four (44) units will be replaced with vertical blinds to forestall damage and dust accumulation.
16. **Stone Veneer:** the stone veneer throughout the property will be removed and replaced with stucco and painted.

IV. Community Amenities

1. **Broadband Infrastructure:** Cables, fiber optics, wiring, and/or other permanent infrastructure capable of providing access to Internet connections is already installed as many tenants currently have individual broadband accounts with various Internet Service Providers. Additional infrastructure will be installed to provide access to individual housing units as necessary.
2. **Laundry Facility:** Laundry machines accessible to Villa Jardin residents will be provided in the Coral Gables new construction, so the existing laundry facility at Villa Jardin will be turned into on-site storage. The two existing fixed glass windows will be replaced with operable windows with security screens for improved ventilation. Existing electrical outlets in the room will be replaced with GFCI-protected outlets.

Scope of Development continued on the following page.

Part 2 of 2: Coral Gables Scope of Development – New Construction

Coral Gables (“Project”) is a new construction development on approximately 0.87 acres located in the Meadowview neighborhood of Sacramento. The development will consist of 18 one-bedroom units with one bathroom and 20 two-bedroom units with one bathroom. Inclusive of this unit mix, one unit will be exempt for management staff. The common areas and amenities will include a new community center building (which will include a laundry room and property management and services offices) and playground, both to be shared with residents at Villa Jardin. The project is still in the preliminary design phase and the below details are subject to change with SHRA’s approval.

All work shall comply with Federal and State Americans with Disability Act (ADA) accessibility requirements, as well as any other requirements stipulated by the funding sources. The Borrower is responsible for notifying their architect and/or engineer of all funding sources used on the Project. The architect and/or engineer will indicate these funding requirements in the Project’s plans/scope of work.

I. Site Work

1. **Asphalt Pavements:** Coral Gables will include twenty-seven (27) uncovered surface parking spaces and thirteen (13) tuck-under surface parking spaces, for a total of forty (40) onsite parking spaces. Four (4) tuck-under surface parking spaces will be designated for ADA parking.
2. **89 Coral Gables Court Driveway:** The existing asphalt driveway between 81 and 89 Coral Gables Court will be preserved and shared between the two properties. An existing curb along the western side of the driveway will be demolished.
3. **Landscaping and Courtyard:** Landscaping will be designed with drought-tolerant plants and trees. Trees will be planted throughout the common open spaces and around the surface parking lot to meet City shading requirements. All landscaped areas will be served by a Smart Controller programmable automated irrigation system. The Landscape Plan will be approved by SHRA.
4. **Mailboxes:** Mailboxes will be installed in a centralized location near the Community Building accessible to residents of both Coral Gables and Villa Jardin.
5. **Picnic Area:** Barbeque and seating areas will be provided adjacent to the play areas and will be shared with residents at Villa Jardin.
6. **Play Area:** The play area will have two (2) play equipment areas, one for children ages 2-5 and one for children ages 5-12, to be shared with residents at Villa Jardin. The play area will be resurfaced with rubber safety surfacing or other similar safety- and accessibility-compliant material.
7. **Security Cameras:** There will be interior and exterior web-based security cameras that will record events. These cameras will be placed around the property, including primary ingress/egress points to and from the site, parking lots, and indoor and outdoor common areas where people will be congregating. Please see security camera diagram for proposed locations and directions.
8. **Signage:** A comprehensive signage package will be implemented throughout the development including all common area signage, unit identification, wayfinding, code, fire, and life and safety signage.
9. **Site Fencing:** The existing chain-link and barbed wire perimeter fence will be removed. A 6’ wrought-iron fence will be installed along the whole western property line. A masonry soundwall will be installed on the northern property line and will be the same height (approx. 7’) as the existing soundwall. A wrought-iron fence with masonry base will be installed along the perimeter of the property facing Coral Gables Court, with an automatic sliding automobile gate providing vehicular access to the parking. The vehicle gate will be placed on the northeastern side of the existing driveway between 81 and 89 Coral Gables Court. Pedestrians will be able to access the site from two pedestrian gates along Coral Gables Court. The automobile gate will remain closed at all times. Residents and employees of the complex will have remote access to open the gate and park inside. Pedestrian gates will have key locks. Rideshare and other drop-offs will be able to turn around at the cul-de-sac at the end of Coral Gables Court.
10. **Trash Enclosure:** A trash enclosure for with concrete apron for recycling and trash will be located off Coral Gables Court near the automobile gate. The enclosure shall be made of cinder block or stucco and will be accessible to all tenants, with the necessary provisions for ADA-accessibility.

II. Building Exteriors

1. **Balconies and Patios:** All ground-floor apartments will have patios.
2. **Roofing:** Thirty (30) year asphalt composition shingles will be used for the roof.
3. **Siding:** Siding will be composed of cement plaster (stucco) and/or fiber cement.
4. **Site Lighting:** The site will be lit with Title 24-compliant wall packs, pole lights, and other luminaries for all parking and outside common spaces, and will be of LED or a similarly energy efficient type.
5. **Windows:** Thermally broken aluminum and/or vinyl windows will be used.

III. Building Interiors

1. **Americans with Disabilities Act (ADA) Units:** Villa Jardin and Coral Gables will provide a total of ten (10) mobility units, all of which will be accommodated at the Coral Gables new construction. The ten mobility units will meet CTCAC's requirements to provide 15% of new construction units and 10% of rehabilitation units as mobility units. CTCAC issued a waiver on geographic dispersal of the mobility units and rounding up the total number of mobility units on April 22, 2021. An additional four (4) units, or 4% of all 82 units, will include communications features for persons with hearing or vision impairment. The communications units will be geographically dispersed across both Villa Jardin and Coral Gables.
2. **Appliances:** All apartment kitchens will have new Energy Star-rated appliances including refrigerator with freezer combination, electric stove and oven, dishwasher, and garbage disposal.
3. **Bathtubs and Toilets:** All apartments will have a bathtub or shower. Bathrooms will have water-efficient toilets and fixtures.
4. **Blinds:** Vertical blinds will be provided in all apartment windows and sliding glass doors.
5. **Cabinets, Counters and Sinks:** All apartment kitchens will have all-plywood construction cabinets, solid surface countertops, and stainless steel sinks. Microwave shelving will be provided (except in ADA units) either above the counter or on the pantry shelving with an electrical outlet. All apartment bathrooms will have all-wood vanities and solid surface vanity tops with sink. All cabinetry face frames, doors, and drawer faces will be solid hardwood.
6. **Ceilings and Walls:** Low or no VOC paint will be used in building interiors.
7. **Doors (Interior, Exterior, and Sliding Glass):** All interior and exterior doors will have matching hardware finishes. All 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 shall have single action hardware to release deadbolt and latch assembly. All doors will meet current egress standards.
8. **Electrical and Lighting:** All apartments will have high-efficiency lighting, exhaust fans vented to the exterior, and bathroom humidistat fans. Heating and air condition will be provided. Any exterior-mounted electrical, mechanical, and plumbing systems will be protected from vandalism. Wiring from telephone/data/cable suppliers will be installed within walls, attic spaces, and/or crawl spaces. Conduits will not be mounted on the exterior of the buildings.
9. **Flooring:** Apartment interiors will have luxury vinyl plank (LVP) flooring throughout, except in bathrooms where they will have sheet vinyl flooring.
10. **Plumbing Fixtures:** All apartments will have new water-efficient plumbing fixtures.
11. **Smoke Detectors:** All units, offices, and interior common areas will have a smoke/carbon monoxide detector installed in accordance with current code requirements.
12. **Windows:** All apartments will have energy-efficient vinyl dual pane windows. Windows that are designed to open will have screens. The Development Team will provide an Operating Procedure Outline Sheet (OPOS) for window washing systems where applicable, per Cal-OSHA requirements. All windows will meet current egress standards.

IV. Community Amenities

1. **Bicycle Parking:** Long-term bicycle parking will be provided on site.
2. **Broadband Infrastructure:** Cables, fiber optics, wiring, and/or other permanent infrastructure capable of providing access to Internet connections in individual housing units will be installed.
3. **Ceilings and Walls:** Low or no VOC paint will be used in all building interiors.

4. **Community Building:** The community building will have luxury vinyl plank flooring and energy-efficient lighting and HVAC systems. The community building will be approximately 3,200 square feet and will be ADA compliant. An updated floor plan for the community building that includes a second services office was approved by SHRA on February 22, 2021.
5. **Community Building Kitchen:** The community building kitchen will be ADA compliant and include all plywood construction cabinets with solid hardwood faces, a solid surface countertop, new Energy Star-rated appliances (refrigerator with freezer, electric stove and oven, microwave, garbage disposal, and dishwasher). Energy-efficient lighting and HVAC systems and water-efficient plumbing fixtures will be installed.
6. **Community Building Restrooms:** The two community restrooms in the Community Building will be ADA-compliant, have low-flow bathroom fixtures, a sink, and a solid surface countertop. Bathroom walls will have glazed wall tile to 48 inches high.
7. **Hallways and Stairs:** Residential hallways and stairs will be of durable flooring. Stairs will have non-slip concrete treads, landings, and closed risers.
8. **Laundry Facility:** The laundry room will accommodate nine (9) washers and nine (9) dryers, which will include one set of ADA-accessible laundry machines. The laundry room will be shared with residents of Villa Jardin.
9. **Management and Services Offices:** The two services offices and management reception area, work space, and office will have luxury vinyl plank flooring, and energy-efficient lighting and HVAC systems.

The Attachment listed below is incorporated in this Scope of Development by this reference for the financing of the Villa Jardin and Coral Gables Project:

Attachment 1: Lender's Minimum Construction Standards exhibit is on the following page.

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

RENTAL PROPERTY MINIMUM CONSTRUCTION STANDARDS

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.
- B. 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.