



City Council Report

915 I Street, 1st Floor

Sacramento, CA 95814

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Review Item 01

Title: (Agreement/Contract for Review) (City Council/Housing Authority) Approval of Final Loan Documents for St. Francis Terrace and Village Park Apartments

Location: 2525 L Street, Council District 4 and 3651 Norwood Avenue, Council District 2

Recommendation: Accept and Publish for review 1) a **City Council Resolution** a) authorizing and approving the Sacramento Housing and Redevelopment Agency (Agency) to execute a \$2,547,000 Acquisition, Construction and Permanent Loan Agreement for St. Francis Terrace, b) authorizing and approving the Agency to execute a \$1,022,000 Acquisition, Construction and Permanent Loan Agreement for Village Park, c) authorizing the Agency to enter into and execute documents necessary to implement the Loan Agreements and d) authorizing subordination of Agency loan documents to senior funding; 2) a **Housing Authority Resolution** a) authorizing, approving and delegating the Agency to execute an Acquisition, Construction and Permanent Loan Agreement for St. Francis Terrace Apartments, which includes \$300,000 in Housing Successor Funds; b) authorizing the Agency to enter into and execute documents necessary to implement the Loan Agreement and c) authorizing subordination of Agency loan documents to senior funding; and 3) a **Housing Authority Resolution** authorizing and approving the Housing Authority of the City of Sacramento (Housing Authority) to execute the a) amended and restated Deed of Trust and Promissory Notes, b) amendments to the Owner Participation Agreements (OPAs), c) Assignment and Assumption Regarding Loans in accordance with the OPAs, d) Acknowledgement and Acceptance of Agreements Containing Covenants Affecting Real Property and Regulatory Agreement for extending, restructuring, and assigning the existing Low/Moderate Tax Increment loans for St. Francis Terrace and Village Park Apartments and continuing to April 10, 2018 for approval.

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

Presenter: Not applicable

Attachments:

- 01-Description/Analysis
- 02-St. Francis Terrace Vicinity Map
- 03-Village Park Vicinity Map
- 04-St. Francis Terrace Project Summary
- 05-Village Park Project Summary
- 06-St. Francis Terrace and Village Park Cash Flow Proforma
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- 08-City Council Loan Agreements Resolution (St. Francis Terrace and Village Park)
- 09-Exhibit A to Resolution (St. Francis Terrace Loan Agreement)
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- 11-HACS Existing Loans Resolution - St. Francis Terrace and Village Park
- 12-Exhibit A to Resolution (St. Francis Terrace Amended and Restated Deed of Trust-Loan 1)
- 13-Exhibit B to Resolution (St. Francis Terrace Amended and Restated Promissory Note-Loan 1)
- 14-Exhibit C to Resolution (St. Francis Terrace Amended and Restated Deed of Trust-Loan 2)
- 15-Exhibit D to Resolution (St. Francis Terrace Amended and Restated Promissory Note-Loan 2)
- 16-Exhibit E to Resolution (St. Francis Terrace Second Amendment to Owner Participation Agreement [OPA])
- 17-Exhibit F to Resolution (St. Francis Terrace Assignment and Assumption Agreement Regarding Loans per OPA)
- 18-Exhibit G to Resolution (St. Francis Terrace Assignment, Acknowledgement and Acceptance of Agreement Containing Covenants Affecting Real Property)
- 19-Exhibit H to Resolution (St. Francis Terrace Assignment, Acknowledgement and Acceptance of Regulatory Agreement with Rental and Resale Restrictions)
- 20-Exhibit I to Resolution (Village Park Amended and Restated Deed of Trust)
- 21-Exhibit J to Resolution (Village Park First Amended and Restated Promissory Note)
- 22-Exhibit K to Resolution (Village Park Fourth Amendment to OPA)
- 23-Exhibit L to Resolution (Village Park Assignment and Assumption Regarding Loan per OPA)
- 24-Exhibit M to Resolution (Village Park Assignment, Acknowledgement and Acceptance of Agreement Containing Covenants Affecting Real Property)
- 25-HACS Loan Agreement Resolution (Housing Successor Funds)
- 26-Exhibit A to the Resolution (St. Francis Terrace Loan Agreement)

Description/Analysis

Issue Detail: On May 9, 2017, the City Council and Housing Authority authorized the Agency to execute a \$1,247,000 loan commitment, comprised of \$947,000 in Home Investment Partnerships Program (HOME) and \$300,000 in Housing Successor funds, with Mercy Housing California (Developer) to finance the acquisition, construction, and permanent loan for St. Francis Terrace Apartments and a second loan commitment with the Developer to finance the acquisition, construction, and permanent loan for Village Park Project with \$1,022,000 in HOME funds.

On October 20, 2017, the Developer received one Low Income Housing Tax Credit (LIHTC) allocation from the California Tax Credit Allocation Committee (CTCAC). However, there were no longer state LIHTCs available for the St. Francis Terrace Project, which resulted in a \$1,300,000 gap in funding. The Developer requested an additional \$1,300,000 of HOME funds from the Agency to fill this gap and allow the project to proceed.

On November 28, 2017, City Council approved an additional \$1,300,000 in HOME funds, an aggregate total of \$2,547,000 in HOME and Housing Successor funds, to finance the acquisition, construction and permanent loan for St. Francis Terrace Apartments.

The tax credits and Agency financing support the refinancing and rehabilitation of the projects. The refinancing will provide for critical renovation and result in adequate cash flows to support management and operating expenses of both projects.

St. Francis Terrace is an affordable apartment complex owned by the Developer and located at 2525 L Street in Sacramento's Midtown neighborhood. The development was built in 1994 and includes 48 one-, two- and three-bedroom units in a three- and four-story single podium building located on a 1.34-acre site with a community room, kitchen, leasing office, elevator, parking garage and stucco exterior siding. A vicinity map is included as Attachment 2.

Interior unit improvements at St. Francis Terrace will include new kitchens, bathrooms, flooring, window coverings, electrical subpanels, smoke detectors, and energy efficient appliances. Windows and sliding glass doors will be refurbished. New dishwashers will be installed in each unit. Seven of the units will be Americans with Disabilities Act (ADA) compliant. The community room, laundry, restrooms, hallways, underground parking garage, roofing, gutters, downspouts, major building systems, security cameras, sidewalks and access control systems to the lobby and the third- and fourth-floor corridors and apartments will be upgraded and/or replaced. The stucco building will be repaired and repainted.

Since the Agency received approval of the loan commitment in May 2017, construction costs have increased and this increased cost is absorbed by the increased tax credit equity and deferred developer fee.

Village Park is an affordable apartment complex owned by the Developer and located at 3651 Norwood Avenue, in Sacramento's Johnson Heights neighborhood. Village Park was built in 1993 and includes a total of 50 two-, three- and four-bedroom units. The units are housed in

nine two-story apartment buildings and a single-story building comprised of three units, all wood-framed structures. A vicinity map is included as Attachment 3.

Interior unit improvements at Village Park will include new kitchens, bathrooms, flooring, windows and coverings, electrical subpanels, doors, smoke detectors, and energy efficient appliances. Dishwashers will be added to each unit. Three of the units will be ADA compliant. The community room and office area will be expanded by 1,000 square feet and will include a new fully equipped kitchen and community restroom. Exterior upgrades include new playground equipment, raised garden beds, roof sheathing on all buildings, landscaping, parking lot with two additional disabled parking spaces, concrete walkways, security cameras and lighting, water heaters, trash enclosure gates, property signage, gutters and downspouts. Upgrades will be made to exterior siding, fencing, pedestrian gate access control, and vehicle security gates. Since the Agency received approval of the loan commitment in May 2017, the increased cost in the construction budget is absorbed by the increased tax credit equity and deferred developer fee.

Developer: Mercy Housing California is a nonprofit public benefit corporation dedicated to providing quality affordable housing with supportive programs to low-income persons in California. Mercy Housing California has developed over 10,900 affordable homes, including over 7,900 rental properties and 3,000 owned homes. MHC's portfolio includes 19 properties with more than 1,300 units in the City and County of Sacramento.

Property Management: St. Francis Terrace and Village Park will be managed by Mercy Housing Management Group (MHMG), an affiliate of the Developer. MHMG manages 220 properties nationally, comprised of more than 11,000 affordable housing units and 100 developments in California. Agency staff has reviewed MHMG's qualifications and its management plan and has found that the proposed management company meets Agency requirements.

Resident Services: Resident services will be provided by Mercy Housing California. A minimum of 40 hours per week of on-site resident services will be provided at St. Francis Terrace and at Village Park. Resident services will include after school, education and enrichment programs. An on-site coordinator will be assigned to the properties.

Relocation Plans: Agency staff and relocation consultants have reviewed and approved the Developer's Relocation Plans (Plans) for St. Francis Terrace and Village Park dated January 5, 2017. Relocation services will be provided by Mercy Housing California. The Plans adequately address the critical elements involved in temporary relocation, including household needs, scope of rehabilitation work, proper notice to tenants, rehabilitation schedule, available off-site temporary housing, and budget.

Low-Income Set-Aside Requirements: As a condition of receiving tax credits, federal law requires that apartments be set-aside for targeted income groups. Income restrictions from Low Income Housing Tax Credit (LIHTC) financing require that no households have income above 60 percent Area Median Income (AMI).

The Agency further requires that 20 percent of the units be restricted to households with income at or below 50 percent AMI. The affordability restrictions will be specified in regulatory agreements between the Agency and the Developer.

Anticipated funding sources and their affordability requirements are summarized in the following table for each development:

St. Francis Terrace

Funding Source	% of Units	Affordability Regulated for 55 years	AMI	Units
LIHTC and Agency Loan	11%	Extremely Low Income	30%	5
LIHTC and Agency Loan	25%	Very Low Income	35%	12
LIHTC and Agency Loan	31%	Very Low Income	50%	15
LIHTC and Agency Loan	31%	Low Income	60%	15
Not Applicable	2%	Exempt Management Unit		1
Total	100%			48

Village Park

Funding Source	% of Units	Affordability Regulated for 55 years	AMI	Units
LIHTC and Agency Loan	10%	Extremely Low Income	30%	5
LIHTC and Agency Loan	58%	Very Low Income	35%	29
LIHTC and Agency Loan	30%	Low Income	60%	15
Not Applicable	2%	Exempt Management Unit	60%	1
Total	100%			50

Policy Considerations: The recommended actions for both developments are consistent with: a) the Agency's previously approved Multifamily Lending and Mortgage Revenue Bond Policies, priority two, Recapitalization (Resolution No. 2009-148); and b) the 2013-2021 Housing Element, which encourages the preservation and rehabilitation of existing housing to ensure neighborhood livability and promote housing affordability (Resolution No. 2013-415). In addition, the recommended actions for St. Francis Terrace are consistent with: a) the Sacramento Promise Zone Plans and Goals, Sustainably Built Community sub-goal to increase housing types and transit growth to promote livability and connectivity within the Promise Zone (Resolution No. 2015-263); and b) the Downtown Housing Initiative and Initiation of the Downtown Specific Plan, which aims to bring 10,000 places to live to Downtown Sacramento by 2025 (Resolution No. 2015-282).

All units will be regulated for a period of 55 years by the California Tax Credit Allocation Committee as a LIHTC funding requirement. Regulatory restrictions on each of the properties will be specified in regulatory agreements between the Developer and the Agency for a period of 15 years on the HOME-assisted units and 55 years on the Housing Authority Successor-assisted units. Compliance with the regulatory agreements will be monitored by the Agency on an annual basis.

Economic Impacts: The St. Francis Terrace multifamily residential project is expected to create 50.95 total jobs (28.87 direct jobs and 22.08 jobs through indirect and induced activities) and create \$4,245,803 in total economic output (\$2,588,081 of direct output and another \$1,657,722 of output through indirect and induced activities).

The Village Park multifamily residential project is expected to create 68.33 total jobs (38.72 direct jobs and 29.61 jobs through indirect and induced activities) and create \$5,693,886 in total economic output (\$3,470,778 of direct output and another \$2,223,108 of output through indirect and induced activities).

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

Environmental Considerations: California Environmental Quality Act (CEQA): These projects have been determined to be categorically exempt under CEQA pursuant to CEQA Guidelines at 14 California Code of Regulations (CCR) §15301(a), "Existing Facilities".

National Environmental Policy Act (NEPA): These projects have been determined to be Categorically Excluded from environmental review under NEPA regulations at 24 Code of Federal Regulations (CFR) §58.35(a)(3)(ii), and convert to Exempt per 24 CFR §58.34(a) (12).

Sustainability Considerations: These projects have been reviewed for consistency with the goals, policies and targets of the Sustainability Master Plan and the 2035 General Plan. If approved, these projects will advance the following goal, policy and target of goal number one – Energy Independence, specifically by reducing the use of fossil fuels, improving energy efficiency, and providing long-term affordable and reliable energy.

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

Financial Considerations: The \$2,547,000 Agency loan for St. Francis Terrace is comprised of \$2,247,000 in HOME and \$300,000 in Housing Successor Funds with an interest rate of three percent. The \$602,867 existing Low/Moderate Housing Tax Increment (TI) loans are proposed to be restructured and/or extended 57 years from the date of closing using a current interest rate of three percent. The Project Summary is included as Attachment 4.

The Agency loan for Village Park consists of \$1,022,000 in HOME funds with an interest rate of three percent. The \$352,851 existing TI loans are proposed to be restructured and/or extended 57 years from the date of closing using a current interest rate of three percent. The Project Summary is included as Attachment 5. The combined Cash Flow Proforma is included as Attachment 6.

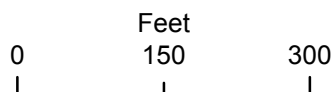
LBE - M/WBE and Section 3 requirements: Minority and Women's Business Enterprise requirements will be applied to all activities to the extent required by federal funding to maintain that federal funding. Section 3 requirements will be applied to the extent applicable. Local Business Enterprise requirements do not apply to this report.



Saint Francis Terrace



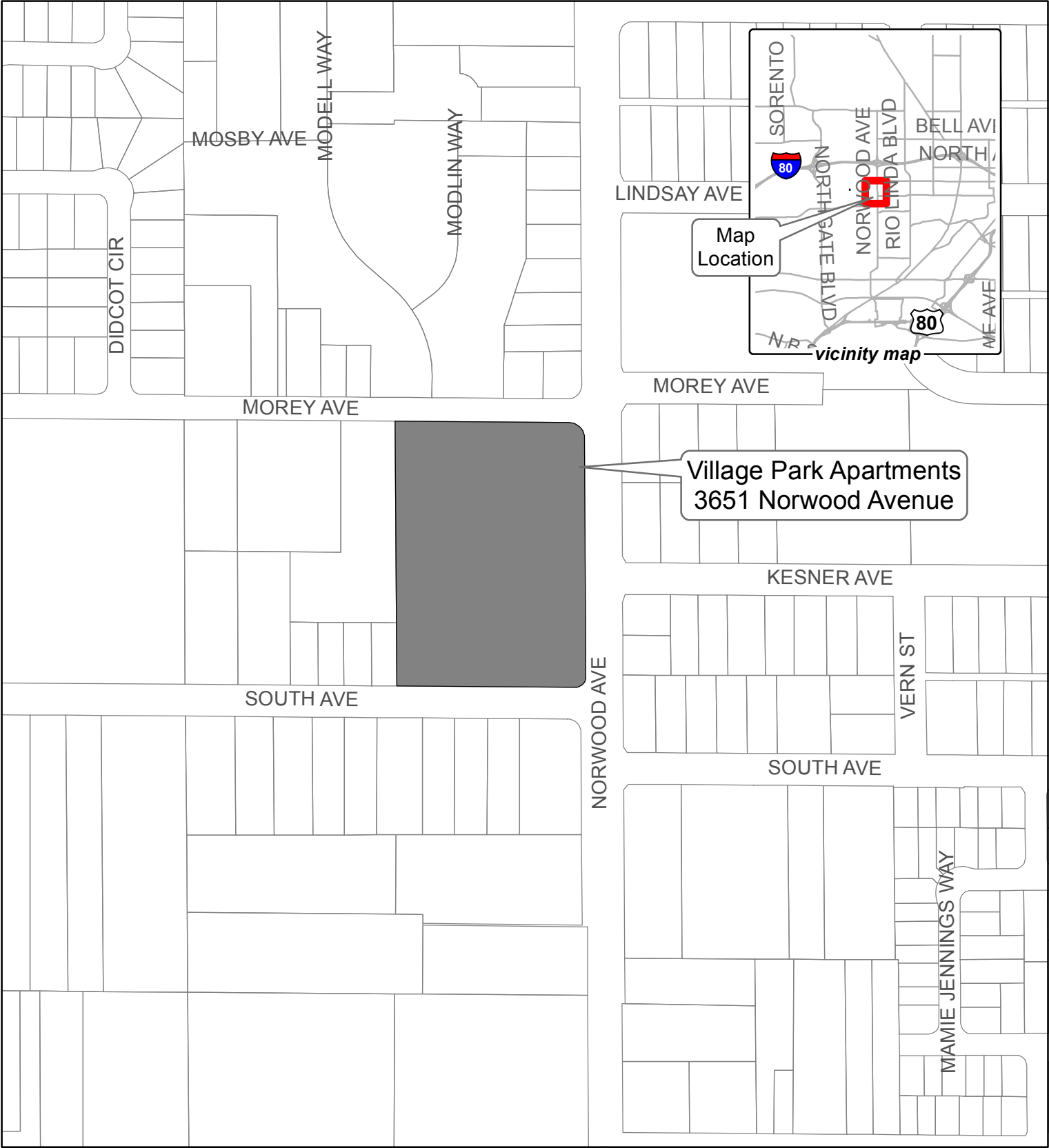
Saint Francis Terrace



SHRA GIS
March 6, 2018



Village Park Apartments



Village Park Apartments



SHRA GIS
March 6, 2018

St. Francis Terrace
Residential Project Summary

<u>Address</u>	2525 L Street, Sacramento 95816				
<u>Number of Units</u>	48				
<u>Year Built</u>	1994				
<u>Acreage</u>	1.34 (58,370 square feet)				
<u>Affordability</u>	5 units at or below 30% of AMI 12 units at or below 35% of AMI 15 units at or below 50% of AMI 15 units at or below 60% of AMI and 1 exempt management (MGT) unit				
<u>Unit Mix and Rents</u>	<u>30% AMI</u>	<u>35% AMI</u>	<u>50% AMI</u>	<u>60% AMI</u>	<u>MGT EXEMPT</u>
1 Bedroom / 1 Bath (20)	1	6	7	6	
2 Bedroom / 1.5 Bath (10)	2	1	3	3	1
3 Bedroom / 1.5 Bath (18)	2	5	5	6	
TOTAL (48)	5	12	15	15	1
<u>Square Footage</u>	<u>Per Unit SF</u>		<u>Total SF</u>		
1 Bedroom / 1 Bath	521		10,420		
2 Bedroom / 1.5 Bath	1,094		10,940		
3 Bedroom / 1.5 Bath	1,130		20,340		
Common Areas			650		
TOTAL	42,350				
<u>Resident Facilities</u>	Community area includes management and resident services office, community room facility, community garden, playground, elevator, bicycle parking, garage parking (44 spaces) and security cameras.				
<u>Permanent Sources</u>	<u>Current Total</u>	<u>Per Unit</u>		<u>Per Sq Ft</u>	
Tax Credit Equity	\$ 5,039,135	\$ 104,982		\$ 118.99	
Existing HCD Loan	\$ 3,797,454	\$ 79,114		\$ 89.67	
Existing Agency Loan	\$ 602,867	\$ 12,560		\$ 14.24	
Existing Sacramento Diocese Loan	\$ 230,220	\$ 4,796		\$ 5.44	
New Agency Loan	\$ 2,547,000	\$ 53,063		\$ 60.14	
Deferred Developer Fee	\$ 254,161	\$ 5,295		\$ 6.00	
GP Equity	\$ 170,936	\$ 3,561		\$ 4.04	
TOTAL SOURCES	12,641,773	\$ 263,370		\$ 298.51	
<u>Permanent Uses</u>					
Acquisition	\$ 4,791,767	\$ 99,828		\$ 113.15	
Construction	\$ 4,245,803	\$ 88,454		\$ 100.26	
Permits and Fees	\$ 42,885	\$ 893		\$ 1.01	
Architecture and Engineering	\$ 188,606	\$ 3,929		\$ 4.45	
Hard Cost Contingency	\$ 684,653	\$ 14,264		\$ 16.17	
Soft Cost Contingency	\$ 109,400	\$ 2,279		\$ 2.58	
Financing Costs	\$ 424,690	\$ 8,848		\$ 10.03	
Capitalized Operating Subsidy Reserves	\$ 496,360	\$ 10,341		\$ 11.72	
Replacement Reserves	\$ 24,000	\$ 500		\$ 0.57	
Legal Fees	\$ 54,700	\$ 1,140		\$ 1.29	
Relocation - Temporary	\$ 437,600	\$ 9,117		\$ 10.33	
Developer Fee	\$ 612,640	\$ 12,763		\$ 14.47	
Insurance, Third Party, Marketing, Other	\$ 528,669	\$ 11,014		\$ 12.48	
TOTAL USES	\$ 12,641,773	\$ 263,370		\$ 298.51	
<u>St. Francis Terrace & Village Park Operations</u>					
Proposed Developer	Mercy Housing California				
Property Management Company	Mercy Housing Management Group				
Operations Budget	\$ 525,941	\$ 5,367			
Assessments	\$ 15,614	\$ 159			
Property Management	\$ 47,794	\$ 488			
Resident Services	\$ 37,494	\$ 383			
Replacement Reserves	\$ 49,000	\$ 500			

Village Park
Residential Project Summary

Address	3651 Norwood Ave, Sacramento 95838			
Number of Units	50			
Year Built	1993			
Acreage	4.03 (175,547 square feet)			
Affordability	5 units at or below 30% of AMI 29 units at or below 35% of AMI 15 units at or below 60% of AMI and 1 exempt management (MGT) unit			
Unit Mix and Rents	<u>30% AMI</u>	<u>35% AMI</u>	<u>60% AMI</u>	<u>MGT EXEMPT</u>
2 Bedroom / 1 Bath (17)	1	11	5	
3 Bedroom / 1.5 Bath (19)	2	10	6	1
4 Bedroom / 2 Bath (14)	2	8	4	
TOTAL (50)	5	29	15	1
Square Footage	<u>Per Unit SF</u>	<u>Total SF</u>		
2 Bedroom / 1 Bath	960	16,320		
3 Bedroom / 1.5 Bath	1,185	22,515		
4 Bedroom / 2 Bath	1,362	19,068		
Common Areas		2,050		
TOTAL		59,953		
Resident Facilities	Community area includes management and resident services office, community room facility, community garden, playground, BBQ area with tables and seating, open field, gated parking (88 spaces) and security cameras.			
Permanent Sources	<u>Current Total</u>	<u>Per Unit</u>	<u>Per Sq Ft</u>	
Tax Credit Equity	\$ 8,806,270	\$ 176,125	\$	146.89
Existing HCD Loan	\$ 3,189,573	\$ 63,791	\$	53.20
Existing Agency Loan	\$ 352,851	\$ 7,057	\$	5.89
New Agency Loan	\$ 1,022,000	\$ 20,440	\$	17.05
Developer Fee	\$ 326,645	\$ 6,533	\$	5.45
GP Equity	\$ 47,184	\$ 944	\$	0.79
TOTAL SOURCES	13,744,523	\$ 274,890	\$	229.25
Permanent Uses				
Acquisition	\$ 3,794,531	\$ 75,891	\$	63.29
Construction	\$ 5,693,886	\$ 113,878	\$	94.97
Permits and Fees	\$ 55,115	\$ 1,102	\$	0.92
Architecture and Engineering	\$ 242,394	\$ 4,848	\$	4.04
Hard Cost Contingency	\$ 879,911	\$ 17,598	\$	14.68
Soft Cost Contingency	\$ 140,600	\$ 2,812	\$	2.35
Financing Costs	\$ 520,295	\$ 10,406	\$	8.68
Capitalized Operating Subsidy Reserves	\$ 637,919	\$ 12,758	\$	10.64
Replacement Reserves	\$ 25,000	\$ 500	\$	0.42
Legal Fees	\$ 70,300	\$ 1,406	\$	1.17
Relocation - Temporary	\$ 562,400	\$ 11,248	\$	9.38
Developer Fee	\$ 787,360	\$ 15,747	\$	13.13
Insurance, Third Party, Marketing, Other	\$ 334,812	\$ 6,696	\$	5.58
TOTAL USES	\$ 13,744,523	\$ 274,890	\$	229.25
St. Francis Terrace & Village Park Operations				
Proposed Developer	Mercy Housing California			
Property Management Company	Mercy Housing Management Group			
Operations Budget	\$ 525,941	\$ 5,367		
Assessments	\$ 15,614	\$ 159		
Property Management	\$ 47,794	\$ 488		
Resident Services	\$ 37,494	\$ 383		
Replacement Reserves	\$ 49,000	\$ 500		

Line Type		Number	Report	Part	Total	Sub Total	Crash Total	Utility Allocation	Maximum Sub Total	Reserve Sub Total	Total No. Sub Total	Current Annual Total
1.001 (1.001-2.001) 2001												
1	021	1,021	\$	021	\$	021	\$	021	\$	021	\$	1,021
1.002 (1.002-2.002) 2002												
2	022	1,022	\$	022	\$	022	\$	022	\$	022	\$	1,022
1.003 (1.003-2.003) 2003												
3	023	1,023	\$	023	\$	023	\$	023	\$	023	\$	1,023
1.004 (1.004-2.004) 2004												
4	024	1,024	\$	024	\$	024	\$	024	\$	024	\$	1,024
1.005 (1.005-2.005) 2005												
5	025	1,025	\$	025	\$	025	\$	025	\$	025	\$	1,025
1.006 (1.006-2.006) 2006												
6	026	1,026	\$	026	\$	026	\$	026	\$	026	\$	1,026
1.007 (1.007-2.007) 2007												
7	027	1,027	\$	027	\$	027	\$	027	\$	027	\$	1,027
1.008 (1.008-2.008) 2008												
8	028	1,028	\$	028	\$	028	\$	028	\$	028	\$	1,028
1.009 (1.009-2.009) 2009												
9	029	1,029	\$	029	\$	029	\$	029	\$	029	\$	1,029
1.010 (1.010-2.010) 2010												
10	030	1,030	\$	030	\$	030	\$	030	\$	030	\$	1,030
1.011 (1.011-2.011) 2011												
11	031	1,031	\$	031	\$	031	\$	031	\$	031	\$	1,031
1.012 (1.012-2.012) 2012												
12	032	1,032	\$	032	\$	032	\$	032	\$	032	\$	1,032
1.013 (1.013-2.013) 2013												
13	033	1,033	\$	033	\$	033	\$	033	\$	033	\$	1,033
1.014 (1.014-2.014) 2014												
14	034	1,034	\$	034	\$	034	\$	034	\$	034	\$	1,034
1.015 (1.015-2.015) 2015												
15	035	1,035	\$	035	\$	035	\$	035	\$	035	\$	1,035
1.016 (1.016-2.016) 2016												
16	036	1,036	\$	036	\$	036	\$	036	\$	036	\$	1,036
1.017 (1.017-2.017) 2017												
17	037	1,037	\$	037	\$	037	\$	037	\$	037	\$	1,037
1.018 (1.018-2.018) 2018												
18	038	1,038	\$	038	\$	038	\$	038	\$	038	\$	1,038
1.019 (1.019-2.019) 2019												
19	039	1,039	\$	039	\$	039	\$	039	\$	039	\$	1,039
1.020 (1.020-2.020) 2020												
20	040	1,040	\$	040	\$	040	\$	040	\$	040	\$	1,040
1.021 (1.021-2.021) 2021												
21	041	1,041	\$	041	\$	041	\$	041	\$	041	\$	1,041
1.022 (1.022-2.022) 2022												
22	042	1,042	\$	042	\$	042	\$	042	\$	042	\$	1,042
1.023 (1.023-2.023) 2023												
23	043	1,043	\$	043	\$	043	\$	043	\$	043	\$	1,043
1.024 (1.024-2.024) 2024												
24	044	1,044	\$	044	\$	044	\$	044	\$	044	\$	1,044
1.025 (1.025-2.025) 2025												
25	045	1,045	\$	045	\$	045	\$	045	\$	045	\$	1,045
1.026 (1.026-2.026) 2026												
26	046	1,046	\$	046	\$	046	\$	046	\$	046	\$	1,046
1.027 (1.027-2.027) 2027												
27	047	1,047	\$	047	\$	047	\$	047	\$	047	\$	1,047
1.028 (1.028-2.028) 2028												
28	048	1,048	\$	048	\$	048	\$	048	\$	048	\$	1,048
1.029 (1.029-2.029) 2029												
29	049	1,049	\$	049	\$	049	\$	049	\$	049	\$	1,049
1.030 (1.030-2.030) 2030												
30	050	1,050	\$	050	\$	050	\$	050	\$	050	\$	1,050
1.031 (1.031-2.031) 2031												
31	051	1,051	\$	051	\$	051	\$	051	\$	051	\$	1,051
1.032 (1.032-2.032) 2032												
32	052	1,052	\$	052	\$	052	\$	052	\$	052	\$	1,052
1.033 (1.033-2.033) 2033												
33	053	1,053	\$	053	\$	053	\$	053	\$	053	\$	1,053
1.034 (1.034-2.034) 2034												
34	054	1,054	\$	054	\$	054	\$	054	\$	054	\$	1,054
1.035 (1.035-2.035) 2035												
35	055	1,055	\$	055	\$	055	\$	055	\$	055	\$	1,055
1.036 (1.036-2.036) 2036												
36	056	1,056	\$	056	\$	056	\$	056	\$	056	\$	1,056
1.037 (1.037-2.037) 2037												
37	057	1,057	\$	057	\$	057	\$	057	\$	057	\$	1,057
1.038 (1.038-2.038) 2038												
38	058	1,058	\$	058	\$	058	\$	058	\$	058	\$	1,058
1.039 (1.039-2.039) 2039												
39	059	1,059	\$	059	\$	059	\$	059	\$	059	\$	1,059
1.040 (1.040-2.040) 2040												
40	060	1,060	\$	060	\$	060	\$	060	\$	060	\$	1,060
1.041 (1.041-2.041) 2041												
41	061	1,061	\$	061	\$	061	\$	061	\$	061	\$	1,061
1.042 (1.042-2.042) 2042												
42	062	1,062	\$	062	\$	062	\$	062	\$	062	\$	1,062
1.043 (1.043-2.043) 2043												
43	063	1,063	\$	063	\$	063	\$	063	\$	063	\$	1,063
1.044 (1.044-2.044) 2044												
44	064	1,064	\$	064	\$	064	\$	064	\$	064	\$	1,064
1.045 (1.045-2.045) 2045												
45	065	1,065	\$	065	\$	065	\$	065	\$	065	\$	1,065
1.046 (1.046-2.046) 2046												
46	066	1,066	\$	066	\$	066	\$	066	\$	066	\$	1,066
1.047 (1.047-2.047) 2047												
47	067	1,067	\$	067	\$	067	\$	067	\$	067	\$	1,067
1.048 (1.048-2.048) 2048												
48	068	1,068	\$	068	\$	068	\$	068	\$	068	\$	1,068
1.049 (1.049-2.049) 2049												
49	069	1,069	\$	069	\$	069	\$	069	\$	069	\$	1,069
1.050 (1.050-2.050) 2050												
50	070	1,070	\$	070	\$	070	\$	070	\$	070	\$	1,070
1.051 (1.051-2.051) 2051												
51	071	1,071	\$	071	\$	071	\$	071	\$	071	\$	1,071
1.052 (1.052-2.052) 2052												
52	072	1,072	\$	072	\$	072	\$	072	\$	072	\$	1,072
1.053 (1.053-2.053) 2053												
53	073	1,073	\$	073	\$	073	\$	073	\$	073	\$	1,073
1.054 (1.054-2.054) 2054												
54	074	1,074	\$	074	\$	074	\$	074	\$	074	\$	1,074
1.055 (1.055-2.055) 2055												
55	075	1,075	\$	075	\$	075	\$	075	\$	075	\$	1,075
1.056 (1.056-2.056) 2056												
56	076	1,076	\$	076	\$	076	\$	076	\$	076	\$	1,076
1.057 (1.057-2.057) 2057												
57	077	1,077	\$	077	\$	077	\$	077	\$	077	\$	1,077
1.058 (1.058-2.058) 2058												
58	078	1,078	\$	078	\$	078	\$	078	\$	078	\$	1,078
1.059 (1.059-2.059) 2059												
59	079	1,079	\$	079	\$	079	\$	079	\$	079	\$	1,079
1.060 (1.060-2.060) 2060												
60	080	1,080	\$	080	\$	080	\$	080	\$	080	\$	1,080
1.061 (1.061-2.061) 2061												
61	081	1,081	\$	081	\$	081	\$	081	\$	081	\$	1,081
1.062 (1.062-2.062) 2062												
62	082	1,082	\$	082	\$	082	\$	082	\$	082	\$	1,082
1.063 (1.063-2.063) 2063												
63	083	1,083	\$	083	\$	083	\$	083	\$	083	\$	1,083
1.064 (1.064-2.064) 2064												
64	084	1,084	\$	084	\$	084	\$	084	\$	084	\$	1,084
1.065 (1.065-2.065) 2065												
65	085	1,085	\$	085	\$	085	\$	085	\$	085	\$	1,085
1.066 (1.066-2.066) 2066												
66	086	1,086	\$	086	\$	086	\$	086	\$	086	\$	1,086
1.067 (1.067-2.067) 2067												
67	087	1,087	\$	087	\$	087	\$	087	\$	087	\$	1,087
1.068 (1.068-2.068) 2068												
68	088	1,088	\$	088	\$	088	\$	088	\$	088	\$	1,088
1.069 (1.069-2.069) 2069												
69	089	1,089	\$	089	\$	089	\$	089	\$	089	\$	1,089
1.070 (1.070-2.070) 2070												
70	090	1,090	\$	090	\$	090	\$	090	\$	090	\$	1,090
1.071 (1.071-2.071) 2071												
71	091	1,091	\$	091	\$	091	\$	091	\$	091	\$	1,091
1.072 (1.072-2.072) 2072												
72	092	1,092	\$	092	\$	092	\$	092	\$	092	\$	1,092
1.073 (1.073-2.073) 2073												
73	093	1,093	\$	093	\$	093	\$	093	\$	093	\$	1,093
1.074 (1.074-2.074) 2074												
74	094	1,094	\$	094	\$	094	\$	094	\$	094	\$	1,094
1.075 (1.075-2.075) 2075												
75	095	1,095	\$	095	\$	095	\$	095	\$	095	\$	1,095
1.076 (1.076-2.076) 2076												
76	096	1,096	\$	096	\$	096	\$	096	\$	096	\$	1,096
1.077 (1.077-2.077) 2077												
77	097	1,097	\$	097	\$	097	\$	097	\$	097	\$	1,097
1.078 (1.078-2.078) 2078												
78	098	1,098	\$	098	\$	098	\$	098	\$	098	\$	1,098
1.079 (1.079-2.079) 2079												
79	099	1,099	\$	099	\$	099	\$	099	\$	099	\$	1,099
1.080 (1.080-2.080) 2080												
80	100	1,100	\$	100	\$	100	\$	100	\$	100	\$	1,100
1.081 (1.081-2.081) 2081												
81	101	1,101	\$	101	\$	101	\$	101	\$	101	\$	1,101
1.082 (1.082-2.082) 2082												
82	102	1,102	\$	102	\$	102	\$	102	\$	102	\$	1,102
1.083 (1.083-2.083) 2083												
83	103	1,103	\$	103	\$	103	\$	103	\$	103	\$	1,103
1.084 (1.084-2.084) 2084												
84	104	1,104	\$	104	\$	104	\$	104	\$	104	\$	1,104
1.085 (1.085-2.085) 2085												
85	105	1,105	\$	105	\$	105	\$	105	\$	105	\$	1,105
1.086 (1.086-2.086) 2086												
86	106	1,106	\$	106	\$	106	\$	106	\$	106	\$	1,106
1.087 (1.087-2.087) 2087												
87	107	1,107	\$	107	\$	107	\$	107	\$	107	\$	1,107
1.088 (1.088-2.088) 2088												
88	108	1,108	\$	108	\$	108	\$	108	\$	108	\$	1,108
1.089 (1.089-2.089) 2089												
89	109	1,109	\$	109	\$	109	\$	109	\$	109	\$	1,109
1.090 (1.090-2.090) 2090												
90	110	1,110	\$	110	\$	110	\$	110	\$	110	\$	1,110
1.091 (1.091-2.091) 2091												
91	111	1,111	\$	111	\$	111	\$	111	\$	111	\$	1,111
1.092 (1.092-2.092) 2092												
92	112	1,112	\$	112	\$	112	\$	112	\$	112	\$	1,112
1.093 (1.093-2.093) 2093												
93	113	1,113	\$	113	\$	113	\$	113	\$	113	\$	1,113
1.094 (1.094-2.												

MAXIMUM GROSS INCOME AND RENT LIMITS 2017-2018
Rents at 30%, 35%, 50% and 60% of Area Median Income (AMI)

St. Francis Terrace and Village Park Income Limits:
 Low Income Housing Tax Credits (LIHTC), HOME and TI

<u>Family Size</u>	<u>30% AMI</u>	<u>35% AMI</u>	<u>50% AMI</u>	<u>60% AMI</u>
1 person	\$ 15,600	\$ 18,200	\$ 26,000	\$ 31,200
2 person	\$ 17,820	\$ 20,790	\$ 29,700	\$ 35,640
3 person	\$ 20,040	\$ 23,380	\$ 33,400	\$ 40,080
4 person	\$ 22,260	\$ 25,970	\$ 37,100	\$ 44,520
5 person	\$ 24,060	\$ 28,070	\$ 40,100	\$ 48,120
6 person	\$ 25,830	\$ 30,135	\$ 43,050	\$ 51,660
7 person	\$ 27,630	\$ 32,235	\$ 46,050	\$ 55,260
8 person	\$ 29,400	\$ 34,300	\$ 49,000	\$ 58,800

St. Francis Terrace and Village Park Rent Limits:
 LIHTC and HOME and TI

<u>Unit Size</u>	<u>30% AMI</u>	<u>35% AMI</u>	<u>50% AMI</u>	<u>60% AMI</u>
1 Bedroom	\$ 417	\$ 487	\$ 696	\$ 835
2 Bedroom	\$ 501	\$ 584	\$ 835	\$ 1,002
3 Bedroom	\$ 579	\$ 675	\$ 965	\$ 1,158
4 Bedroom	\$ 645	\$ 753	\$ 1,076	\$ 1,291

RESOLUTION NO. 2018 -

Adopted by the Sacramento City Council

On date of

ST. FRANCIS TERRACE AND VILLAGE PARK APARTMENTS: APPROVAL OF \$3,569,000 ACQUISITION, CONSTRUCTION AND PERMANENT AGENCY LOAN AGREEMENTS COMPRISED OF HOME INVESTMENT PARTNERSHIPS PROGRAM (HOME) FUNDS AND HOUSING SUCCESSOR FUNDS; EXECUTION OF LOAN AGREEMENTS AND RELATED DOCUMENTS WITH MERCY HOUSING CALIFORNIA 80, L.P. OR RELATED ENTITY; AND ENVIRONMENTAL FINDINGS

BACKGROUND

- A. On May 9, 2017 (Resolution No. 2017-0169 and Housing Authority Resolution No. 2017-0010) and November 28, 2017 (Resolution No. 2017-0454), the Sacramento City Council (City Council) and Housing Authority of the City of Sacramento approved a conditional loan commitment and an amended loan commitment of \$2,547,000 comprised of \$2,247,000 in Home Investment Partnerships Program (HOME) funds, including Community Housing Development Organization (CHDO) set-aside funds from HOME entitlement, and \$300,000 in Housing Successor Funds from the Sacramento Housing and Redevelopment Agency (Agency) to Mercy Housing California 80, L.P., or related entity (Developer), for the acquisition, rehabilitation, and permanent financing of the 48-unit St. Francis Terrace Apartments.
- B. On May 9, 2017 (Resolution No. 2017-0169), the City Council approved a conditional loan commitment of \$1,022,000 in HOME funds, including CHDO set-aside funds from HOME entitlement, from the Agency to the Developer for the acquisition, rehabilitation, and permanent financing of the 50-unit Village Park Apartments.
- C. The St. Francis Terrace and Village Park Apartments projects are consistent with a) the Agency's previously approved Multifamily Lending and Mortgage Revenue Bond Policies, priority 2. Recapitalization (Resolution No. 2009-148); b) the 2013-2021 Housing Element, which encourages the preservation and rehabilitation of existing housing to ensure neighborhood livability and promote housing affordability (Resolution No. 2013-415); c) the Sacramento Promise Zone Plans and Goals, Sustainably Built Community sub-goal to increase housing types and transit growth to promote livability and connectivity within the Promise Zone for St. Francis Terrace (Resolution No. 2015-263); and d) the Downtown Housing Initiative and Initiation of the Downtown Specific Plan, to bring 10,000 places to live to Downtown Sacramento by 2025 for St. Francis Terrace (Resolution No. 2015-282).
- D. The proposed action has been analyzed in accordance with the California Environmental Quality Act (CEQA) and has been determined to be categorically exempt under CEQA pursuant to CEQA Guidelines at 14 California Code of Regulations (CCR) §15301(a), "Existing Facilities".

- E. The proposed action has been analyzed in accordance with the National Environmental Policy Act (NEPA) and has been determined to be Categorically Excluded from environmental review under NEPA regulations at 24 Code of Federal Regulations (CFR) §58.35(a) (3)(ii) and converts to Exempt per 24 CFR §58.34 (a) (12).

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

- Section 1. All of the evidence having been duly considered, the findings, including the environmental findings, as set forth above, are true and correct and are hereby approved and adopted.
- Section 2. The Loan Agreement, attached as Exhibit A, for financing the St. Francis Terrace Apartments project with \$2,547,000, comprised of \$2,247,000 in HOME funds and \$300,000 in Housing Successor Funds are approved, and the Agency is delegated authority to execute and transmit the Loan Agreement to Mercy Housing California 80, L.P., or related entity.
- Section 3. The Loan Agreement, attached as Exhibit B, for financing the Village Park Apartments project with \$1,022,000 in HOME funds is approved, and the Agency is delegated authority to execute and transmit the Loan Agreement to Mercy Housing California 80, L.P., or related entity.
- Section 4. The Agency is authorized to enter into and execute other documents, as approved to form by agency counsel, and perform other actions necessary to fulfill the intent of the Loan Agreements that accompany this resolution, in accordance with its terms, and to ensure proper repayment of the Agency funds including without limitation, subordination, and extensions, consistent with Agency adopted policy and with this resolution.
- Section 5. Senior funding requires that the Agency subordinate its loan documents to senior loans. It is hereby found that subordination of said documents is required for the senior loans because it is determined that an economically feasible alternative method of financing on substantially comparable terms and conditions without subordination is not reasonably available.

Table of Contents:

- Exhibit A – St. Francis Terrace Acquisition, Construction and Permanent Loan Agreement
Exhibit B – Village Park Acquisition, Construction and Permanent Loan Agreement

ST. FRANCIS TERRACE APARTMENTS ACQUISITION, CONSTRUCTION AND PERMANENT LOAN AGREEMENT

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

1. **LOAN.** The Lender is making the Loan pursuant to the terms and conditions of this Loan Agreement. Lender and Borrower have entered this Loan Agreement as of the Effective Date.
2. **DEFINITIONS TABLES.** The capitalized terms in this Loan Agreement shall have the meanings assigned in the following Definitions Tables and in Section 3 Definitions. Terms being defined are indicated by quotation marks. 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"	April __, 2018	Being the date as of which this Loan Agreement shall be effective.
"LENDER"	The following public agency that is making the Loan, and whose legal status and address are:	
Name	Sacramento Housing and Redevelopment Agency	
Legal Status	A public body, corporate and politic	
Principal Address	801 12th Street, Sacramento CA 95814	
"BORROWER"	The borrower of the Loan funds whose name, legal status and address are:	
Name	Mercy Housing California 80, L.P.	
Legal Status	A California limited partnership	
Principal Address	c/o Florin Housing Corporation, 1360 Mission Street, Suite 300, San Francisco, CA 94103	
"LOAN"	The Loan made by this Loan Agreement.	
"LOAN COMMITMENT"	Lender's loan commitment, made by letter dated as of	May 9, 2017 and amended on November 28, 2017
"LOAN PROGRAM"	Lender's Loan Program, commonly known as	HOME: \$2,247,000 Low/Mod TI: \$300,000
"LOAN AMOUNT"	Two Million Five Hundred Forty-Seven Thousand Dollars and No Cents (\$2,547,000.00)	
"INTEREST RATE"	The interest rate is 3% per year, simple interest.	
"PAYMENT START DATE"	The payment shall be in lump sum on the Maturity Date.	
"MATURITY DATE"	The first day of the 684th calendar month following the Effective Date.	
"PAYMENT SCHEDULE"	<p>Payments shall be deferred from the Loan's Effective Date through the first 683 months. Beginning in month 684, full payment shall be applied to unpaid principal and interest on the loan. Early payments are not penalized.</p> <p>At permanent loan conversion evidenced by repayment in full of the construction loan, Borrower shall submit to Lender a cost certification prepared by a qualified, independent auditor acceptable to Lender. The cost certification shall indicate the amounts actually spent for each item in the cost breakdown and shall indicate the final sources of funding. If there is an aggregate savings, in the total of all such cost breakdown items from the cost breakdown items in the original budget approved by the Lender, after adjusting for any decrease in any funding source including any loss of any equity investment due to an adjustment in the allowable tax credits, the Borrower shall seek Lender approval for Project-related use(s) of said aggregate savings. The Lender shall respond within 15 days to such request for approval. Upon receipt of such consent, the Borrower shall complete the Project-related use(s) in a 90 day period, with option to extend upon mutual agreement.</p>	
"BORROWER EQUITY"	Five Million Thirty Nine Thousand One Hundred Thirty Five Dollars and No Cents (\$5,039,135.00)	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.

	Two Hundred Fifty-Four Thousand One Hundred Sixty One Dollars and No Cents (\$254,161.00)	Which is Borrower's non-cash contribution to the Project (such as deferred Developer fees).
"SPECIAL TERMS"	Payment shall be deferred through the 683rd month.	
"PROJECT"	Which is the Project to be developed on the Property with the Loan funds, described as:	St. Francis Terrace Apartments is an existing affordable development located in Sacramento's Central City and its tax credit compliance period ended in 2009. Built in 1994, the project will involve the rehabilitation of 48 units consisting of 20 one-bedroom, 10 two-bedroom and 18 three-bedroom units, a manager's office, community room with kitchen, restroom, laundry facility, bicycle and subterranean parking for 44 vehicles, perimeter fence and gates, an elevator and security cameras. The development is comprised of a three and four story single-podium, 42,350 square foot building.

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	2525 L Street, Sacramento, CA 95816		
Assessor's Parcel Number	007-0104-019		
"Legal Description"	The Property is situated in the State of California, County of Sacramento, and is more particularly described in <u>Exhibit 1: Legal Description</u> attached and incorporated by reference.		
Borrower's 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"	Fidelity National Title Company	Which is the title company that will issue the Title Policy and that will act as Escrow Agent for the Escrow.
"Escrow"	The escrow with Escrow Agent.	
"Closing Date"	April 20, 2018	Which is the date for close of the Escrow, as it may be extended.

D. "LIST OF EXHIBITS" (The following are attached and incorporated in this Loan Agreement):	
EXHIBIT	DEFINED TERM
<u>Exhibit 1: Legal Description</u>	"Legal Description"
<u>Exhibit 2: Scope of Development</u>	"Scope of Development"
<u>Exhibit 3: Note Form</u>	"Note"
<u>Exhibit 4: Trust Deed Form</u>	"Trust Deed"
<u>Exhibit 5: HOME Regulatory Agreement and Low and Moderate Income Housing Fund Regulatory Agreement</u>	"Regulatory Agreement"
<u>Exhibit 6: Escrow Instructions</u>	"Escrow Instructions"

E. "APPROVAL DOCUMENTS" Borrower shall submit the following documents for Lender approval:	
Bullard, Inc. Construction Agreements for the Project	
Anders & Falltrick Architects Agreements 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”	April 30, 2020	Which is the date on or before which the Completion of the Project must occur.	
“General Contractor”	Bullard, Inc.	Which is the general contractor for construction of the Project.	
“Project Architect”	Anders & Falltrick Architects	Which is the general contractor for construction of the Project.	
“Retention”	The following 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 disbursement:	Not Applicable
		Percentage of Loan:	Ten Percent (10%)

H. “SPECIAL PROVISIONS” The following special provisions shall be in addition to the provisions of this Loan Agreement:
1. Loan Funds: Loan funds shall be used solely for actual costs of Property acquisition and for Project construction, not to exceed the Loan Amount. 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.
2. Property Management Company: Mercy Housing Management Group is approved by the Lender as “Property Manager” for the Property and Project.

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

3.1. “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 (CCR) § 15002(c).

3.2. “Budget” is the budget approved by Lender for the development of the Project.

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

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

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

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

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

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

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

3.9. "Event of Default" is breach of or default in a party's obligations under this Loan Agreement, the Trust Deed, the Regulatory Agreement, the Note 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 financial statements of Borrower (and any other persons on whose financial capacity the Lender has relied in making this Loan) as may be required by Lender from time to time, including operating statements, balance sheets, and any other financial reports and information that Lender may require.

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

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

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

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

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

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

3.17. "Loan Documents" means the Note, this Loan Agreement, the Security Documents, and all other documents (including guaranties) 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. "Other Lender Draw" means a draw request or other request for disbursement submitted to another lender for the Project.

3.23. "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.

3.24. "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.

3.25. "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.

3.26. "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.

3.27. "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.

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

3.29. "Trust Deed" means Deed of Trust and Assignment of Rents.

3.30. "Unavoidable Delay" is a delay in the performance by a party of any obligation which delay is unforeseeable and beyond the control of such party and without its fault or negligence. Unavoidable Delay shall include acts of God, acts of the public enemy, acts of the Federal Government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, and unusually severe weather (as for example, floods, tornadoes, or hurricanes) or delays of subcontractors due to such causes. In the event of the occurrence of any such enforced delay, the time or times for performance of such obligations of the parties shall be extended for the period of the enforced delay, as determined by the 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 the Definitions, is qualified to do business in California, and has full power to consummate the transactions contemplated.

4.2. **BORROWER'S POWERS.** Borrower has full authority to execute this Loan Agreement, the Note, the Trust Deed, the Regulatory Agreement 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, the Regulatory Agreement 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 the Borrower or any of its general partners is a party or by which it or they or the Property may be bound or affected.

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

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

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

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

4.10. **USE OF PROCEEDS.** All Loan Proceeds will be disbursed as provided in this Loan Agreement and used only for payment of the costs of 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 the 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. **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.

5.1. **PRINCIPAL AMOUNT.** The principal amount of the Loan shall be the actual disbursements of the 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.

5.2. **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.

5.3. **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.

5.4. **SUBORDINATION.** 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.

5.5. **NOTE AND SECURITY DOCUMENTS.** The Loan is to be evidenced by the Note executed by Borrower in favor of Lender and delivered to Lender upon Close of Escrow. Repayment of the Note is to be 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.

5.6. **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.

5.7. **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.

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

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

6.1. **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.

6.2. **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) the closing conditions as defined in the Escrow Instructions have been fulfilled as of Close of Escrow; (c) Borrower's representations and warranties in this Loan Agreement are true and correct as of the Close of Escrow; (d) the Agreement continues to be in full force and effect, no default on the part of Borrower has occurred under the Loan Agreement, and no event has occurred that, with the giving of notice or the passage of time, will constitute a default by Borrower under the Loan Agreement; and (e) Lender has approved the Approval Documents.

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

7. **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 the Lender approved relocation plan and 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 7 or the relocation plan prepared 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 7 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.

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

7.2. **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.

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

8. 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.

8.1. 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.

8.2. CONTRACTORS AND CONTRACTS. 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 let by Borrower or its contractors relating to the Project will require them to disclose to Lender information sufficient to make such verification.

8.3. 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.

8.3.1. 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 the Agency setting forth the provisions of this nondiscrimination clause.

8.3.2. ECONOMIC OPPORTUNITY EMPLOYMENT REQUIREMENTS. The contract 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 and comply with the following:

- i. The work to be performed under this Contract is on a project assisted under a program providing direct federal financial assistance from the Department of Housing and Urban Development and is subject to the requirements of Section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. 1701u. Section 3 requires that to the greatest extent feasible, opportunities for training and employment be given to lower income residents of the project area and contracts be awarded to business concerns which are located in, or owned in substantial part by persons residing in, the area of the project.

- ii. The parties to this Contract will comply with the provisions of said Section 3 and the regulations issued pursuant thereto by the Secretary of Housing and Urban Development set forth in 24 CFR 135, and all applicable rules and orders of the Department issued thereunder prior to the execution of this Contract.
- iii. The Contract requires that to the greatest extent feasible, opportunities for training and employment be given to lower income residents of the project area.
- iv. The parties to this Contract certify and agree that they are under no contractual or other disability which would prevent them from complying with these requirements.
- v. Contractor will send to each labor organization or representative of workers with which he has a collective bargaining agreement or other contract or understanding, if any, a notice advising the said labor organization or workers' representative of his commitments under this Employment Clause and shall post copies of the notice in conspicuous places available to employees and applicants for employment or training.
- vi. Contractor will include this Employment Clause in every subcontract for work in connection with the project .
- vii. Each Contractor or subcontractor undertaking work in connection with a Section 3 covered project must fulfill his obligation 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 Section 3 covered project;
 - (2) Identifying the positions described in Paragraph (1) of this Section, the number of positions in the various occupational categories which are currently occupied by regular, permanent employees;
 - (3) Identifying the positions described in Paragraph (1) of this Section, the number of positions in the various occupational categories which are not currently occupied by regular permanent employees;
 - (4) Establishing the positions described in Paragraph (3) of this Section, a goal which is consistent with the purpose of this subpart within each occupational category of the number of positions to be filled by lower income residents of the Section 3 covered project area; and
 - (5) Making a good faith effort to fill all of the positions identified in Paragraph (4) of this Section with lower income project area residents, through the First Source Program, Greater Sacramento Urban League, Sacramento Works, Sacramento Employment Training Agency, or similar local workforce agencies.

8.3.3. **ADVERTISING.** Borrower will, in all solicitations or advertisements for employees placed by or on behalf of the 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.

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

8.4. **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 the 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.

8.5. **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.

8.5.1. 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.

8.5.2. 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.

8.6. **PAYMENT AND PERFORMANCE BONDS.** As a condition precedent to beginning construction of the Project, the Borrower shall provide the Lender a performance bond and a labor and material payment bond obtained by Borrower or its general contractor in favor of the Borrower and Lender as named dual obligees, in form and amount as approved by the 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 the Lender, if such change or payment could release the surety of its obligations under the bonds.

8.7. **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.

8.8. **OTHER LENDER DRAW.** 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 Other Lender Draw and shall not accept and shall return any disbursement on account of such Other Lender Draw.

8.8.1. **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.

8.8.2. **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

8.9. **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.

9. **PREVAILING WAGES.** In accordance with Labor Code Section 1720(c)(5)(E), so long as the public subsidy for the Project consists of below market rate loans, and the Project restricts occupancy on at least 40% of the units for at least 20 years to individuals or families earning no more than 80% of the area median income, the Project is not subject to prevailing wages. Borrower represents to the Lender that Borrower has obtained no public subsidy for the Project that does not meet such criteria. If Borrower obtains other non-qualifying public subsidy, Borrower shall pay prevailing wages for the Project. Therefore, Borrower indemnifies, holds harmless and defends the Lender from all additional wages, benefits, fees, penalties, fines, legal fees, court costs, arbitration costs, and other costs arising from the improper application of California prevailing wage laws to the Project by Borrower or General Contractor or both of them. If more than eleven (11) units are assisted with HOME funds as the Funding Source (as indicated in the Regulatory Agreement), Borrower shall comply with Davis-Bacon prevailing wage requirements as described in the Federal Requirements.

10. **LOAN DISBURSEMENT PROCEDURES.**

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

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

10.1.2. 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 other than the liens included on the Title Policy and approved by Lender 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 and any other lenders with an interest in the Property.

10.1.3. 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.

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

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

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

10.2. **CONDITIONS PRECEDENT TO FIRST DISBURSEMENT.** Borrower's request for the first Loan 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 loan disbursement under this Loan Agreement when the following conditions precedent and the conditions precedent stated in Section 10.1 have been met:

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

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

10.2.3. 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.

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

10.2.5. 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.

10.2.6. 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.

10.2.7. Borrower must request 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

10.3. 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 10.1 have been met:

10.3.1. As applicable, the Project Architect and the 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.

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

10.3.3. 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.

10.3.4. 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.

10.3.5. 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 or building permit sign offs by the Building Department of the City of Sacramento for all of the Project;
- c. All other permits and approvals necessary for the 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.

10.3.6. 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.

10.3.7. 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.

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

10.3.9. Borrower has submitted to Lender a final cost certification prepared by a CPA.

10.3.10. 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.

10.3.11. Borrower must provide Lender with the Minority Business Enterprise (MBE) and Women's Business Enterprise (WBE) report. The MBE and WBE report to be completed by the Borrower shall be provided by the Lender in template form.

10.4. **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 10.1. 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.

10.5. **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.

11. **RESIDENTIAL OPERATIONS.**

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

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

Borrower and Manager shall include a clause alerting the Manager that Lender may require Borrower to terminate the management agreement for the aforementioned reasons.

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

11.2. REPLACEMENT RESERVES. After completion of construction, 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, not less than Five Hundred Dollars and no cents (\$500.00) annually for each residential unit in the Project.

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

11.4. 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.

11.5. 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 16 hours per week, including five (5) hours of an on-site service coordinator, eight (8) hours of after school programs, and three (3) hours of education and enrichment programs; (3) a description of the services to be provided; (4) a resident services budget.

11.6. SMOKE FREE ENVIRONMENT. At least 50% of the buildings and no less than 50% percent of the residential units must be smoke free. Additionally, all indoor common areas must be smoke free.

12. DEFAULT.

12.1. 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:

12.1.1. The occurrence of an Event of Default under the Trust Deed or the Regulatory Agreement, subject to any cure periods provided for therein.

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

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

12.1.4. 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.

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

12.1.6. 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.

12.1.7. 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.

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

13. REMEDIES.

13.1. **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:

13.1.1. Terminate its obligation to make disbursements.

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

13.1.3. 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.

13.1.4. 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.

13.1.5. 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.

13.2. **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.

13.3. **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.

13.4. **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.

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

14.1. LIABILITY INSURANCE POLICY LIMITS. Borrower shall obtain all insurance under this Section 14 written with a deductible of not more than Ten Thousand Dollars (\$10,000) or an amount approved by Lender, and for limits of liability which shall not be less than the following:

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

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

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

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

14.6. 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:

14.6.1. **ADDITIONAL INSURED.** Borrower shall obtain a policy in ISO form CG 20 33, or equivalent, naming Lender as additional insured under the Commercial General Liability Policy at the same limits as required in section 14.3, above.

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

14.6.3. **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 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.

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

_____**Borrower's Initials**

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

14.8. **BLANKET COVERAGE.** Borrower's obligation to carry insurance as required under this Section 14 may be satisfied by coverage under a "blanket" policy or policies of insurance (as the term is customarily used in the insurance industry); provided, however, that the Lender shall nevertheless be named as an additional insured under such blanket policy or policies to the extent required by this Section, the coverage afforded the Lender will not be reduced or diminished thereby, and all of the other requirements of this Section 14 with respect to such insurance shall otherwise be satisfied by such blanket policy.

15. MISCELLANEOUS.

15.1. **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.

15.2. **CURE BY PARTY OTHER THAN BORROWER.** Any lender whose loan is secured by the property and any principal or limited partner of Borrower 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.

15.3. **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 this Deed of

Trust such proportion of the proceeds as is equal to that proportion which the amount of the sums secured by this Deed of Trust 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. Notwithstanding anything herein to the contrary, so long as the value of Lender's lien is not impaired, any condemnation proceeds may be used by Borrower for repair and/or restoration of the Premises.

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 this Deed of Trust.

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

15.4. SUBORDINATION. Lender will subordinate this Loan to the senior loan, provided that the senior loan for the Project indicated in the Budget meets all requirements of this Loan Agreement, and that the senior loan does not require modification of this Loan Agreement, Lender's execution of any agreements containing new or modified Loan terms or Lender's execution of any agreement creating a contractual relationship between Lender and the senior lender including obligations or liabilities between Lender and the senior lender.

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

15.6. 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.

15.7. FINANCIAL STATEMENTS. Borrower shall provide Financial Statements when requested by Lender, but in any event not more often than quarterly during construction of the Project or annually, thereafter. Borrower shall assure that Financial Statements are prepared in accordance with generally accepted accounting principles. If requested by Lender as reasonably necessary to assure the security of its Loan, Borrower shall provide Financial Statements prepared or reviewed by a licensed Certified Public Accountant or Public Accountant and fully reflecting the assets and liabilities of the party concerning whom they were prepared.

15.8. 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.

15.9. 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 the Construction Account or the Impound Account, if established.

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

15.11. **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.

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

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

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

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

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

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

15.12. **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 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.

15.13. **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.

15.14. **ASSIGNMENT.** The terms of this Loan Agreement will be binding on and inure to the benefit of successors and assigns of the parties. However, Borrower shall not assign this Loan Agreement or any interest it may have in the monies due or, except as otherwise provided, convey or encumber the Property without the prior written consent of Lender to a party other than a general partner or managing member of Borrower or a single asset entity wholly owned and controlled by Borrower or a general partner or managing member of Borrower. However, if there is an assignment, conveyance, or encumbrance, Lender may nevertheless at its option continue to make disbursements under this Loan Agreement to Borrower or to those who succeed to Borrower's title, and all sums so disbursed will be deemed to be disbursements under this Loan Agreement and not modifications, and will be secured by the Trust Deed. 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.

15.15. **ACCELERATION ON TRANSFER OR REFINANCING OF THE PROPERTY; ASSUMPTION.** Except as otherwise provided in the Loan Agreement, if all or any part of the Property or an interest in the Property is sold, 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 this Deed of Trust to be immediately due and payable. Lender shall have waived such option to accelerate if, prior to the refinancing, sale or transfer, Lender and the person to whom the Property is to be sold or transferred reach agreement in writing that the loan may be assumed. If Lender has waived the option to accelerate provided in this Section and if Borrower's successor in interest has executed a written assumption agreement accepted in writing by Lender, Lender shall release Borrower from all obligations under this Deed of Trust and the Note. Notwithstanding anything herein to the contrary, Lender acknowledges and agrees that Borrower shall have the right to refinance the senior loan without penalty.

15.16. **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.

15.17. **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 except to the extent caused by the negligence or misconduct of Lender. 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.

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

15.18.1. 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.

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

15.18.3. 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.

15.19. **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.

15.20. **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.

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

15.22. **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.

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

15.24. **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.

15.25. **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.

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

15.27. **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.

15.28. **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.

15.29. **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.

15.30. **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 active negligence, sole 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.

15.31. **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.

15.32. **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.

15.33. **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.

15.34. **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.

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

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

BORROWER :
MERCY HOUSING CALIFORNIA 80, L.P. a California
limited partnership

By: Florin Housing Corporation,
a California nonprofit public benefit corporation
its general partner

By: _____
Stephan Daues, Vice President

Date: _____

LENDER:
SACRAMENTO HOUSING AND REDEVELOPMENT
AGENCY, a joint powers agency

By: _____
La Shelle Dozier, Executive Director

Date: _____

Approved as to form:

Lender Counsel

Exhibit 1: Legal Description

For APN/Parcel ID(s): 007-0104-019

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

Lots 5, 6, 7 and 8 and the abandoned 20 foot wide alley vacated by Resolution No. 92-597 recorded in the office of the Recorder of Sacramento County in Book 920911, Page 796, of Official Records, in the Block bounded by K Street, L Street, 25th Street and 26th Street, of the City of Sacramento, according to the official map or plan thereof, described as follows:

Beginning at the Southwest corner of said Lot 8 and the Southwest corner of said Block; thence, from said point of beginning, along the Westerly line of said Lot 8, along the Westerly line of said Block, and along the Easterly line of said 25th Street, an 80 foot wide street, North $18^{\circ} 30'00''$ East 181.11 feet to the Northwest corner of said Alley and to the Southwest corner of Lot 1 of said Block; thence, along the Northerly line of said Alley, along the Southerly line of said Lot 1 and along the Southerly lines of Lots 2, 3 and 4 of said Block, South $71^{\circ}32'00''$ East 323.14 feet to the Northeast corner of said Alley and to the Southeast corner of said Lot 4; thence, along the Easterly line of said Block, along the Easterly line of said Lot Sand along the Westerly line of said 26th Street, an 80 foot wide street, South $18^{\circ} 27'30''$ West 181.20 feet to the Southeast corner of said Lot 5 and to the Southeast corner of said Block; thence, along the Southerly lines of said Lots 5, 6, 7 and 8, along the Southerly line of said Block and along the Northerly line of said L Street, an 80 foot wide street, North $71^{\circ}30'00'$ West 323.28 feet to the point of beginning, pursuant to that Certificate of Conpliance for Lot Merger recorded December 10, 1992, in Book 921210, Page 108, of Official Records.

St. Francis Terrace

St. Francis Terrace consists of a single building of three- and four-stories with a total of 48 units, a manager's office, community room with kitchen, and a common laundry room. The site is slightly less than 1 acre. The project was originally constructed in 1994; other than routine maintenance, no rehabilitations have been undertaken since then. All parking is located in an underground garage below the building, which is accessed via an alley on the north side of the building. There is a total of 69 parking spaces on site, including 2 disabled parking spaces.

The rehabilitation will improve both the exterior and interior of the project. All major systems will be updated to ensure a 15 year useful life, recreational space with amenities will be increased, landscaping and irrigation will be improved, ADA improvements will be made, and common community space will be improved. The Borrower shall comply with the Lender's Minimum Construction Standards (Attachment 1).

I. Building Exteriors

1. Landscaping:

- a. Trees shall be evaluated by an arborist and any tree trimming or tree removal will either occur outside the nesting season for nesting birds and raptors (nesting season is February 1 to August 1), or a qualified biologist will survey the trees for nesting birds and raptors prior to trimming or removal. The survey for nesting birds and raptors must be provided to the Lender.
- b. The landscaping irrigation system is malfunctioning. The irrigation system will be upgraded and the mature trees will be pruned back from the buildings.

2. Basement Walls & Basement Ceiling/Concrete Decking Waterproofing Report (Report):

The Report includes analysis of all potential moisture penetration areas - rain water downspouts; planter areas; retaining wall water intrusion; existing issues with retaining wall conditions and mildew problems; and existing issues with the slab-on-slab condition and includes a detailed options for Waterproofing Systems (System) that stops the penetration of water into the garage (ceiling and walls); and Ventilation Systems that addresses the mildew problems; one total System will be implemented to resolve these problems. In the event additional repairs are needed, the total development budget is sufficient to address such repairs.

3. **Heat Pumps, Central Chiller and Boiler:** Replace the unit heat pumps connected to a central chiller and boiler. The heat pump fan coil units within each apartment and in the common areas will be replaced.
4. **Central Hot Water Heater:** One central hot water heater is failing and will be replaced.
5. **Water Booster Pump:** The domestic water booster pump will be replaced.
6. **Mechanical Rooms:** Mechanical rooms in the below grade parking structure will be improved to include ventilation.

7. **Parking Area:** The parking area will be upgraded to include one (1) additional disabled parking space and one (1) van accessible disabled parking stall.
8. **Path of Travel:** Settlement has caused the concrete walkways to become damaged and cracked these will be replaced.
9. **Windows and Sliding Glass Doors:** Buildings dual pane aluminum windows and sliding glass doors will be refurbished. The windows will be inspected to determine any item that needs to be corrected in order to have a fully functional window. Corrected items include, but are not limited to, replacing any screens, rollers, seal, cranks, and cracked or clouded glass or any other part not in perfect working order.
10. **Decks:** The flooring of the Elevated decks will be re-waterproofed.
11. **Stucco Siding and Trellises:** The exterior building walls will be repainted and trellises replaced.
12. **Roof:** Replace built-up roof covering the mechanical equipment.
13. **Gutters, Downspouts and Trim:** The fascia gutters and downspouts are failing and will be replaced. The damaged fascia wood trim will be repaired. In addition to any visible damage from the ground, a closer inspection with a lift will be performed during construction to ensure all damaged sections are replaced.
14. **Exterior Doors:** Exterior doors will be painted and hardware will be replaced.
15. **Outdoor Seating:** Weathered outdoor seating in the courtyard and breezeway is in poor condition and will be replaced.
16. **Security Cameras:** Security cameras will be replaced with additional cameras added and the site lighting will be upgraded. Security cameras will view and record common areas and all access points, including, but not limited to all stairways, entry from the “L” street level, and the garage and pedestrian gates.
17. **Access Control System:** Access control system will be replaced.
18. **Americans with Disabilities Act (ADA):** The site and units will be upgraded to conform to current ADA standards.
19. **Drainage:** Add site drainage in planter areas to address water collecting issues due to downspouts not attached to drain system.
20. **Signage:** Replace signage throughout the property.

II. Building Interiors

1. **Vented Doors:** Replace air-handler vented doors with new.
2. **Interior Doors:** Damaged interior doors will be replaced and all closet sliding doors will be replaced.
3. **Flooring:** New LVP 20 mil minimum in the entry, kitchen, dining room; new sheet vinyl in the bathrooms and laundry spaces; new carpet in the living room, hallways and bedrooms.
4. **Walls, Ceilings and Trim:** All walls, ceilings and trim will be painted.
5. **Drywall:** Damaged drywall to be patched.
6. **Appliances:**
 - a. Ranges, hoods, refrigerators and garbage disposals will be replaced.
 - b. Dishwashers will be added to each unit.
7. **Kitchen Sinks and Faucets:** Kitchen sinks and faucets will be replaced.
8. **Cabinets and Counters:** New kitchen and bathroom cabinets; and new solid countertops (granite preferred) will be installed. Microwave shelving to be incorporated to cabinet layout.
9. **Lighting:** All incandescent lights will be replaced to accommodate energy efficient bulbs.
10. **Bathroom:** Bathroom lavatories, faucets, toilets, exhaust fans and bath tubs will be replaced.
11. **Electrical:** Electrical subpanels will be replaced.
12. **Smoke Detectors:** Smoke detectors will be replaced.
13. **Window Coverings:** Window coverings will be replaced.

III. Community Amenities

1. **Playground:**
 - a. New playground equipment for ages 12 and under will be installed.
 - b. Replace bark at playground area with rubber mats.
 - c. Add site drainage at playground area to address flooding.
2. **Flooring:** All common area flooring replaced with LVP - 20 mil minimum.

3. **Community Room:** Community room flooring, sink, window coverings, light fixtures, cabinets and appliances (2 refrigerators, and 1 oven, hood, stove microwave dishwasher and garbage disposal) will be replaced with new, and new solid countertops (granite preferred) will be installed.
4. **Cabinet Storage and Shelving:** Add built-in cabinet storage and shelves, including cabinets with built-in locks (to replace all of the aged and mismatched free-standing cabinets and shelves).
5. **Ceiling:** Will replace acoustic ceiling and t-bar assemblies in the community room and public restroom.
6. **Management Office:** The manager's office flooring and lighting fixtures will be replaced.
7. **Public Restroom:** The public restroom humidistat, all plumbing fixtures, lighting and fixtures, sink, toilet, and flooring (tile to sheet vinyl) with new.
8. **Laundry Facility:** The laundry room flooring will be replaced and dryer vents cleaned / replaced. Replace all washers and dryers. Add ADA compliant counters to fold laundry.
9. **Elevator Flooring:** The elevator flooring will be replaced.
10. **Walls and Ceilings:** Paint all walls and ceilings in community interior areas.
11. **Flooring:** Replace flooring and paint walls/ceiling at interior stairs.
12. **Corridors:** Central interior corridors provide access to the third and fourth floor apartments. The lighting, flooring and keypad entry system will be replaced.
13. **Benches:** Replace benches in various locations.
14. **Handrails:** Replace wood handrails in corridors with SHRA-approved handrails.
15. **Community Garden:** Remove potted plants and install raised garden beds.
16. **Bicycle Parking:** Bicycle parking fixtures on the second level will be replaced with new; and there will be 15 new spaces provided in the garage.
17. **Grocery Carts Issue:** Grocery carts will be addressed with the House Rules that prohibit storing grocery carts in hallways.
18. **Third Floor Interior:**
 - a. Address ramp slip/trip/fall hazard.
 - b. Communal area (near slider/balcony): Furniture will be replaced with new.

19. **Ceiling and Humidistat:** All acoustic ceiling, T-bar, lighting and fixtures, and humidistat will be replaced with new.

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

Attachment 1: Lender's Minimum Construction Standards

This attachment is from Exhibit 5 from the Lender's Multifamily Lending Policies.

EXHIBIT 5**RENTAL PROPERTY MINIMUM CONSTRUCTION STANDARDS**

The following is a list of the required construction standards that must be incorporated into projects participating in the Agency's investor assistance programs. All rental units and sites associated with these projects must meet or exceed these standards.

General Requirements

- 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.
- B. A useful life of 15 years for all systems located within the approved complex. This can be met in one of two ways, installing and maintaining systems with at least a 15-year scheduled life or install, maintain and replace as needed for a period of 15 years.

Any component of a rehabilitation project whose useful life expectancy has exceeded the useful life identified in the section, "Useful Life Expectancy," shall be replaced unless waived by the Agency in writing. It is not the intent of the Agency to replace systems that appear to have some economic life remaining and appear to be maintained and functioning effectively. It is the intent of the Agency to be assured that systems will be maintained and replaced as needed for a period of 15 years. The preferred method is by replacement and maintenance at the outset of the project; and by setting aside replacement reserves sufficient to address the needs based on current and projected conditions.

- C. A clear pest inspection report will be required at the conclusion of the construction work.
- D. All materials funded under this loan must be new unless previously approved. Recycled items must be approved in writing by the Agency prior to their use.
- E. All work shall comply with Federal and State ADA accessibility requirements. When there are differences the stricter of the two shall apply. Special attention needs to be applied when federal funding is involved.
- F. For all structures built before 1979, a report of compliance with the initial certified inspection report of lead-based paint and asbestos is required.
- G. All units shall be approved for occupancy by the local building department at the conclusion of the work and prior to occupancy, if applicable.
- H. 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 common areas.
- I. Site lighting is required for all parking and outside public spaces.

Site Work

- A. All landscaping and irrigation systems must be in a well-maintained condition. Trees and large shrubs must be trimmed, grass areas must be mowed, and all planter areas must be weed-free. All landscaped areas must be served by a programmable automated irrigation system. Irrigation cannot be spraying 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 problem.
- B. All fencing must be in good and serviceable condition.
- C. All driveways and sidewalks must be in good condition. All cracked or uplifted areas (more than 1/4") determined in need of repair by the Agency shall be repaired or replaced.
- D. All projects shall meet the parking requirements of the local Agency having jurisdiction over the project. "Grandfathered Projects" will need to show that they are in fact "Grandfathered" by the Local Agency having jurisdiction. All projects shall meet the governing ADA requirements for parking.
- E. 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.

Building Envelope and Moisture Protection

- A. All wet areas must be sealed and watertight.
- B. Roofs must have 15 years or more of remaining life with no visible signs of leakage. A third layer of shingles is not allowed. Provide a 15 year certification if requested by the Agency.
- C. All siding must have 15 years or more of remaining life. Provide a 15 year certification if requested by the Agency.

Doors and Windows

- A. All 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 at least be low e, double pane energy efficient.
- B. All doors and doorjamb must be in good condition. No damaged or worn doorjamb or doors are allowed.
- C. All exterior doors must have deadbolt locks, keyed latch assemblies, viewers, and 2-inch screws in strike plates.
- 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.

Casework

- A. All cabinets shall be in very good condition both structurally and in appearance.
- B. All counter tops shall be in very good condition with no significant imperfections, scratches, burns, or other imperfections.

Finishes

- A. Floor coverings must be in good, useable condition - no holes, tears, rips, or stains.
- B. All kitchens and bathrooms must be floored in sheet goods or tile to provide a cleanable, impervious surface.
- C. 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.

Equipment

- A. All appliances must be new or in very good operating condition. All new appliances must be energy star.
- B. Dishwashers are required in all non- permanent supportive housing, disabled, SRO, and homeless projects unless a waiver has been granted by the Executive Director. Permanent supportive, disabled, and homeless projects will be encouraged to provide dishwashers in each unit but will be reviewed and approved on a case-by case basis.
- C. All kitchens must have adequate cabinet and counter space.

Furnishings

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

Special Construction

- A. Non-habitable structures on property must be painted to match primary buildings and must be structurally sound.
- B. Laundry facilities must be provided on the basis of one washer and dryer for every ten units, consistent with CTCAC requirements. If the project is more than 20 units, then 1 set of ADA accessible laundry machines must be provided.
- C. Laundry facilities must be provided on the basis of one washer dryer for every ten units, consistent with the TCAC requirements. If a project is more than 20 units, then 1 set of ADA accessible laundry machines must be provided.
- D. Public pools will have a self-closing gate. Fence and gate shall meet applicable current codes and standards. Joints between coping and concrete deck shall be appropriately caulked.

- E. In the case of new construction or substantial upgrade to existing pool, a handicap chair lift is the minimum requirement. The pool will meet applicable standards and codes.

Mechanical/Plumbing

- A. Water heaters must be in enclosures in all habitable rooms and must be insulated and have earthquake strapping and pressure relief valves with lines that terminate to the exterior.
- B. All units must have heating and air conditioning. Wall mount or central systems are acceptable. Evaporated coolers are not acceptable.
- C. All plumbing fixtures shall be new or in very good working condition.
- D. All toilets, sinks, and tubs shall be chip and stain free.

Electrical

- A. All new electrical panels must be of the breaker type. Fused disconnects must be approved by the Agency.
- B. All units must have at least one hard-wired smoke detector per bedroom corridor and a minimum of one battery-operated smoke detector per bedroom.
- C. All bathrooms must have at least one GFCI protected outlet, and tub surrounds must be a minimum of 1/8" laminated plastic.
- D. Kitchens must have all GFCI protected outlets within 6 feet of the sink.

Resident Services Community Space

All properties, regardless of project type (i.e. senior, family, or large family), must devote space to actual resident services in the following minimum amounts:

Less than 100 units: 12 s.f. per unit (but no less than 400 s.f. in total)
100 units and over: 1,200 s.f.

Resident services space includes common kitchens, computer rooms, meeting rooms and general gathering space. It does not include public restrooms, leasing offices, laundry facilities and lobbies.

Useful Life Expectancy

A useful life expectancy list has been established and is available upon request to benchmark the lives of certain components on a multifamily site.

End of Scope of Development

PROMISSORY NOTE
FOR ST. FRANCIS TERRACE APARTMENTS
ACQUISITION, CONSTRUCTION AND PERMANENT LOAN AGREEMENT

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

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

DEFINED TERM:	DEFINITION:
“Effective Date”	April __, 2018
“Lender”	Sacramento Housing and Redevelopment Agency
“Borrower”	Mercy Housing California 80, L.P.
“Borrower Legal Status”	limited partnership
“Loan Agreement”	The Loan Agreement between the Borrower and Lender as of the Effective Date for making of the loan (“Loan”) evidenced by this Note.
“Principal Amount”	Two Million Five Hundred Forty-Seven Thousand Dollars and No Cents (\$2,547,000.00)
“Interest Rate”	The interest rate is 3% per year, simple interest.
“Accrual Date”	Interest shall accrue starting on the following “Accrual Date”: The Effective Date
“Special Terms”	<p>Payments shall be deferred from the Loan’s Effective Date through the first 683 months. Beginning in month 684, full payment shall be applied to unpaid principal and interest on the loan. Early payments are not penalized.</p> <p>At permanent loan conversion, Borrower shall submit to Lender a cost certification prepared by a qualified, independent auditor acceptable to Lender. The cost certification shall indicate the amounts actually spent for each item in the cost breakdown and shall indicate the final sources of funding. If there is an aggregate savings, in the total of all such cost breakdown items from the cost breakdown items in the original budget approved by the Lender, after adjusting for any decrease in any funding source including any loss of any equity investment due to an adjustment in the allowable tax credits, the Borrower shall seek Lender approval for Project-related use(s) of said aggregate savings. The Lender shall respond within 15 days to such request for approval. Upon receipt of such consent, the Borrower shall complete the Project-related use(s) in a 90 day period, with option to extend upon mutual agreement.</p>
PAYMENT SCHEDULE. Repayment of this Note shall be made the following amounts:	
“Maturity Date”	The first day of the 684th calendar month following the Effective Date.
“Payment Start Date”	The payment shall be in lump sum consisting of all principal and accrued interest on the Maturity Date.
“Payment Amount(s)”	The unpaid balance of the Loan, including without limitation principal and interest, shall be all due and payable on the Maturity Date, including without limitation all unpaid principal, interest, fees and charges.

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

1. This Note evidences the obligation of Borrower to Lender for repayment of funds loaned to Borrower under a loan agreement between Borrower and Lender dated as of the Effective Date (“Loan Agreement”). The terms and covenants of the Loan Agreement are incorporated in this Note by reference. The Loan Agreement provides for and incorporates the Regulatory Agreement (“Regulatory Agreement”), the making of which is further consideration for this Note.

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

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

3. This Note is secured by a Deed of Trust with Assignment of Rents against the real property described in the Loan Agreement ("Property"), recorded in the office of the County Recorder of Sacramento County ("Trust Deed"). The Trust Deed securing this Note provides that Lender may at its option, declare all funds secured by the Trust Deed immediately due and payable, if any interest in the real property is sold, transferred or conveyed to any person, whether voluntarily or involuntarily, except as provided for in Section 15.14 of the Loan Agreement. The Trust Deed further provides that if Borrower does not comply with the requirements of the Regulatory Agreement and fails to come into compliance with the Regulatory Agreement within thirty (30) days after Lender's written notice to Borrower of such failure, Lender may at its option, declare all funds secured by the Trust Deed immediately due and payable.

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

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

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

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

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

d. Borrower defaults or breaches any of the terms of Loan Agreement, the Trust Deed, the Regulatory Agreement or this Note after expiration of all applicable cure period, and if no cure period is stated, then Borrower shall have a period of not less than ten (10) days to cure.

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

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

g. The occurrence of any of the following:

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

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

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

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

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

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

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

9. By acceptance of this Note, Lender hereby agrees that any cure made or tendered by a limited partner of Borrower under the terms of this Note shall be deemed to be made by the Borrower and shall be accepted or rejected on the same basis.

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

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

BORROWER :

MERCY HOUSING CALIFORNIA 80, L.P.

a California limited partnership

By: Florin Housing Corporation,
a California nonprofit public benefit corporation
its general partner

By: _____
Stephan Daues, Vice President

Date: _____

Exhibit 4: Trust Deed Form

NO FEE DOCUMENT:

Entitled to free recording

per Government Code §§6103 and 27383.

When recorded, return to:

SACRAMENTO HOUSING AND

REDEVELOPMENT AGENCY

801 12th Street

Sacramento, CA 95814

Attention: Portfolio Management

DEED OF TRUST AND ASSIGNMENT OF RENTS

St. Francis Terrace Apartments

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

TERM	DEFINITION	
"Effective Date"	April __, 2018	
"Trustor" and "Borrower"	Mercy Housing California 80, L.P., a California limited partnership	
"Borrower Address"	c/o Florin Housing Corporation, 1360 Mission Street, Suite 300, San Francisco, CA 94103	
"Trustee"	Fidelity National Title Company 2150 John Glenn Drive, Suite 400, Concord, CA 94520	
"Beneficiary" and "Lender"	Sacramento Housing and Redevelopment Agency, a public body, corporate and politic	
"Lender Address"	801 12th Street, Sacramento, California 95814	
"Property"	Which is real property located in the County of Sacramento and the State of California as more particularly described in the Legal Description.	
	Address	2525 L Street, Sacramento, CA 95816
	Assessor's Parcel Number	007-0104-019
"Legal Description"	The Legal Description of the Property which is more particularly described in the attached <u>Exhibit 1 Legal Description</u> , which is incorporated in and an integral part of this Deed of Trust	
"Loan"	Which is Lender's loan to Borrower evidenced by the Note and which is secured by this Deed of Trust.	
"Loan Agreement"	Which is the agreement between Lender and Borrower stating the term and conditions of the Loan.	
	Which is dated:	April __, 2018
"Additional Notices"	Lender shall give copies of notices required to be delivered to Borrower to the following parties at the following addresses; provided, however that Borrower acknowledges that such notice is an accommodation and the failure of the Lender to properly deliver any such notice shall not give rise to any claims or defenses of Borrower or any third party:	

	<p>To Limited Partner:</p> <p>U.S. Bancorp Community Development Corporation 1307 Washington Avenue, Suite 300 Mail Code: SL MO RMCD St. Louis, MO 63103 USB Project No.: [_____] Attn.: Director of LIHTC Asset Management Phone: (314) 335-2600 Fax: (314) 335-2601</p> <p>With a copy to:</p> <p>Janice E. Hetland, Esq. Lathrop Gage LLP Pierre Laclede Center 7701 Forsyth Boulevard, Suite 500 St. Louis, MO 63105 Phone: (314) 613-2800 Fax: (314) 613.2801</p> <p>To Construction Lender:</p> <p>U.S. Bank National Association 1307 Washington Avenue, Suite 300 St. Louis, MO 63103 Attn.: Director of CLD Asset Management</p>	
"Note"	Which is Borrower's note made in accordance with the Loan Agreement securing the following principal sum or such lesser amount as shall equal the aggregate amount disbursed to Borrower by Lender, with interest.	
	Which has a principal sum of	Two Million Five Hundred Forty Seven Thousand Dollars and No Cents (\$2,547,000.00)

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

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

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

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

Borrower covenants that Borrower is lawfully seised of the estate conveyed by this Deed of Trust and has the right to grant and convey the Property, and that Borrower will warrant and defend generally the title of the Property against all claims and

demands, subject to any declarations, easements or restrictions listed in a schedule of exceptions to coverage in any title insurance policy insuring Lender's interest in the Property.

Borrower and Lender covenant and agree as follows:

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

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

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

4. Liability Insurance. In addition to the casualty insurance required under the Loan Agreement during the course of construction, Borrower shall keep comprehensive general liability insurance for the Property in a form and coverage consistent with the provisions of the Loan Agreement and reasonably approved by Lender.
5. Preservation and Maintenance of Property. Borrower shall keep the Property in good repair and shall not commit waste or permit impairment, demolition, or deterioration of the Property.
6. Protection of Lender's Security. Borrower shall appear and defend any action or proceeding purporting to affect the security under this Deed of Trust or the rights of the Lender. If Borrower fails to perform the covenants and agreements contained in this Deed of Trust, or if any action or proceeding is commenced which materially affects Lender's interest in the Property, including, but not limited to, foreclosure, involuntary sale, eminent domain, insolvency, code enforcement, or arrangements or proceedings involving a bankrupt or decedant, then Lender may, upon notice to Borrower, make such appearances, disburse such sums and take such actions as are necessary to protect Lender's interest, including, but not limited to, disbursement of judgments, costs or reasonable attorney's fees and entry upon the Property to make repairs.

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

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

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

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

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

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

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

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

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

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

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

15. Acceleration on Transfer or Refinancing of the Property; Assumption. Except as otherwise provided in the Loan Agreement, if all or any part of the Property or an interest in the Property is sold or transferred or refinanced by Borrower without Lender's prior written consent, Lender may, at Lender's option, declare all the sums secured by this Deed of Trust to be immediately due and payable. Lender shall have waived such option to accelerate if, prior to the refinancing, sale or transfer, Lender and the person to whom the Property is to be sold or transferred reach agreement in writing that the loan may be assumed. If Lender has waived the option to accelerate provided in this Section and if Borrower's successor in interest has executed a written assumption agreement accepted in writing by Lender, Lender shall release Borrower from all obligations under this Deed of Trust and the Note. Lender's prior approval is not required for (1) the sale or transfer of the Limited Partner's interest to one or more of the other partners that currently comprise the Borrower's entity, (2) the admission of the Limited Partner or its affiliate to the Borrower and the transfer of its interest to an affiliate thereof so long as the general partner, or managing member, of the transferor, or an affiliate thereof, is the general partner, or managing member of the transferee, or partner; however, Borrower is obligated to notify Lender within 30 days from the date of such

sale or transfer, (3) the removal of the general partner of the Borrower by the Limited Partner for a default under Borrower's partnership agreement, provided that any replacement general partner is approved by Lender, which approval shall not be unreasonably withheld, conditioned or delayed. For purposes hereof, Limited Partner shall mean, U.S. Bancorp Community Development Corporation and its permitted successors and assigns need to include limited liability companies in which U.S. Bancorp Community Development Corporation or one of its affiliates is the manager or managing member, and its permitted successors and assigns.

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

16. Acceleration on Breach; Remedies. Except as provided in Section 15, upon Borrower's breach of any covenant or agreement of Borrower in this Deed of Trust, the Regulatory Agreement, the Note, (including the covenants to pay when due any sums secured by this Deed of Trust and restricting transfer of the Property) or Loan Agreement, Lender shall mail notice to Borrower specifying: (1) the breach; (2) the action required to cure such breach; (3) a date, no less than 30 days from the date the notice is mailed to Borrower, by which breach must be cured; and (4) that failure to cure such breach on or before the date specified in the notice may result in acceleration of the sums secured by this Deed of Trust and sale of the Property. If the breach is not cured on or before the date specified in the notice, Lender at Lender's option may declare all of the sums secured by this Deed of Trust to be immediately due and payable without further demand and may invoke the power of sale and any other remedies permitted by applicable law, provided, however, that if such cure cannot reasonably be effected within such 30-day period, such failure shall not be a default so long as Borrower promptly (and in any event, within ten (10) days after receipt of such notice) commences such cure and thereafter diligently (and in any event, within ninety (90) days after receipt of such notice) prosecutes such cure to completion. The Limited Partner is entitled to cure any defaults on behalf of the Borrower within the same specified time periods; said cure periods shall not extend statutory periods and times for notice and commencement of foreclosure; provided, however, that if, in order to cure any such default the Limited Partner must first remove a general partner of Borrower, then, provided that the Limited Partner notifies Lender of such removal and removes such general partner within a reasonable period, then the Limited Partner shall have until the date 30 days after the effective date of such removal to effect such cure. In any event, such cure process shall not exceed 120 days. The provisions of this Section 16 shall control in the event of any conflict with any other provisions of this Deed of Trust, the Note, or the Loan Agreement. Lender shall be entitled to collect from the Borrower, or sale proceeds, if any, all reasonable costs and expenses incurred in pursuing the remedies provided in this Section, including, but not limited to reasonable attorney's fees.

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

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

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

Upon acceleration for breach or abandonment of the Property, Lender, in person, by agent or by judicially appointed receiver shall be entitled to enter upon, take possession of and manage the Property and to collect the rents of the Property including those past due. All rents collected by Lender, its agent, or the receiver shall be applied first to payment of the costs of management of the Property and collection of rents, including, but not limited to receiver's fees, premiums on receiver's bonds and reasonable attorney's fees, and then to the sums secured by this Deed of Trust. Lender, its agent and the receiver shall be liable to account only for those rents actually received.

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

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

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

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

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

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

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

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

IN WITNESS WHEREOF, Borrower has executed this Deed of Trust as of the Effective Date.

BORROWER (Trustor):

MERCY HOUSING CALIFORNIA 80, L.P. a California limited partnership

By: Florin Housing Corporation,
a California nonprofit public benefit corporation
its general partner

By: _____
Stephan Daues, Vice President

Date: _____

[NOTARIZED ACKNOWLEDGEMENTS]

Exhibit 1: Legal Description

For APN/Parcel ID(s): 007-0104-019

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

Lots 5, 6, 7 and 8 and the abandoned 20 foot wide alley vacated by Resolution No. 92-597 recorded in the office of the Recorder of Sacramento County in Book 920911, Page 796, of Official Records, in the Block bounded by K Street, L Street, 25th Street and 26th Street, of the City of Sacramento, according to the official map or plan thereof, described as follows:

Beginning at the Southwest corner of said Lot 8 and the Southwest corner of said Block; thence, from said point of beginning, along the Westerly line of said Lot 8, along the Westerly line of said Block, and along the Easterly line of said 25th Street, an 80 foot wide street, North $18^{\circ} 30'00''$ East 181.11 feet to the Northwest corner of said Alley and to the Southwest corner of Lot 1 of said Block; thence, along the Northerly line of said Alley, along the Southerly line of said Lot 1 and along the Southerly lines of Lots 2, 3 and 4 of said Block, South $71^{\circ}32'00''$ East 323.14 feet to the Northeast corner of said Alley and to the Southeast corner of said Lot 4; thence, along the Easterly line of said Block, along the Easterly line of said Lot Sand along the Westerly line of said 26th Street, an 80 foot wide street, South $18^{\circ} 27'30''$ West 181.20 feet to the Southeast corner of said Lot 5 and to the Southeast corner of said Block; thence, along the Southerly lines of said Lots 5, 6, 7 and 8, along the Southerly line of said Block and along the Northerly line of said L Street, an 80 foot wide street, North $71^{\circ}30'00'$ West 323.28 feet to the point of beginning, pursuant to that Certificate of Conpliance for Lot Merger recorded December 10, 1992, in Book 921210, Page 108, of Official Records.

Exhibit 5: HOME Regulatory Agreement and Low and Moderate Income Housing Fund Regulatory Agreement

NO FEE DOCUMENT:

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

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

**HOME REGULATORY AGREEMENT FOR RESIDENTIAL RENTAL PROPERTY
AND DECLARATION OF RESTRICTIVE COVENANTS AFFECTING REAL PROPERTY**

PROJECT NAME:	St. Francis Terrace Apartments
PROJECT ADDRESS:	2525 L Street, Sacramento, CA 95816
APN:	007-0104-019

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

1. **GENERAL.** This Regulatory Agreement, includes the Exhibits listed below which are attached to and incorporated in this Regulatory Agreement by this reference.
2. **DEFINITIONS.** The capitalized terms in this Regulatory Agreement shall have the meanings assigned in the following table and in the body of the Regulatory Agreement as the context indicates. (Terms being defined are indicated by quotation marks.)

TERM	DEFINITION		
“Effective Date”	This Regulatory Agreement shall be effective as of the following date:		April __, 2018
“Agency”	Sacramento Housing and Redevelopment Agency		
	The Agency is a joint powers agency.		
“Owner”	Mercy Housing California 80, L.P.		
“Agency Address”	Agency’s business address is 801 12th Street, Sacramento, California 95814		
“Owner Address”	Owner’s business address is as follows:	c/o Florin Housing Corporation, 1360 Mission Street, Suite 300, San Francisco, CA 94103	
“Jurisdiction”	City of Sacramento		
“Property”	That certain real property which is subject to this Regulatory Agreement as further described in the legal description, attached as Exhibit 1 – Legal Description of the Property and incorporated in this Regulatory Agreement by this reference		
“Funding Agreement”	The Funding Agreement between Agency and Owner as follows:	Titled:	Acquisition, Construction and Permanent Loan Agreement
		Dated:	April __, 2018
“Agency Funding”	The Agency Funding made by Agency to Owner under the Funding Agreement for development of the Property		

“Agency Funding Amount”	The amount of the Agency Funding, as follows:	\$2,547,000.00 comprised of \$2,247,000.00 in City HOME and \$300,000 in Tax Increment funds
“Proportionate Agency Assistance”	The percentage of the Project cost, including without limitation, land, predevelopment and development costs, that is attributable to the Agency Funding. For rehabilitation projects, the percentage that the Agency Funding bears to the total of the fair market value of the Property before rehabilitation and the total costs of rehabilitation.	Twenty percent (20%)
“Funding Requirements”	The legal restrictions on the use of the funds that Agency has used to make the Agency Funding, as applicable to and restricting the Property. The Funding Requirements are set out in Exhibit 2 – Funding Requirements.	
“Approved Use”	The only permitted use of the Property, which is as a residential property available for rent by the general public and containing not less than the following number of units:	48 units, including one property manager’s exempt unit

3. RESTRICTED PARCELS; APPROVAL OF LEASES. In order to assure that the proper number and types of units have been rented in accordance with this Regulatory Agreement, Owner is prohibited from leasing any Unit within the Project until either the parties have recorded against the Property a list of the Restricted Units or the Agency has approved the individual lease or lease form for the Restricted Units. The following numbers of Units are restricted for each respective funding source. The initial rents for the respective units shall be the following; provided, however, that upon the request of Owner, Owner and Agency may agree to a schedule for the Restricted Units that complies with the following affordability requirements as of the date when the Project is available for occupancy. In any event the rents for the respective units may be adjusted not more often than annually. The rents shall include allowance for utilities and costs reasonably related to the rental of the units, as may be required in determining the rents for the applicable funding sources. Only units indicated under Agency Funding Source are assisted by the Agency. Nevertheless, Owner shall assure the affordability of all of the following units at the named affordability levels.

HOME Units are fixed units if referenced by Apartment Number or equivalent; otherwise such units are "floating units" in which the number of units of an affordability level and bedroom type remains the same, but the actual designated unit may change from time to time.

Funding Source:	Affordability Level:	Number of Units:	Describe Restricted Units:	Initial Rent per Unit per Month:
HOME/LIHTC	Very Low Income - 50% AMI (Low HOME Rent)	4	One-bedroom	\$856
HOME/LIHTC	Very Low Income - 50% AMI (Low HOME Rent)	2	Two-bedroom	\$989
HOME/LIHTC	Very Low Income - 50% AMI (Low HOME Rent)	5	Three-bedroom	\$1,103
	TOTAL UNITS	11		

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

If the Agency determines in its reasonable judgment that the Project is not being operated and managed in accordance with one or more of the material requirements or standards of the Funding Agreement, the Agency may deliver notice to the Owner requesting replacement of the Manager, which notice shall state clearly the reasons for such request. The Owner agrees that, upon receipt of such notice, the Owner shall within 60 days submit to the Agency, a proposal to engage a new Manager meeting the requirements of this provision. The Agency shall respond within 30 days to such proposal or such approval shall be deemed given. Upon receipt of such consent or deemed consent, the Owner shall promptly terminate the existing Manager's engagement and engage the new Manager. In addition, all management agreements between the Owner and Manager shall include a clause alerting the Manager that Agency may require Owner to terminate the management agreement for the aforementioned reasons.

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

Approved Management Company
Mercy Housing Management Group

5. AFFIRMATIVE MARKETING REQUIREMENTS. Owner must design and employ marketing plans that promote fair housing by ensuring outreach to all potentially eligible households, especially those least likely to apply for assistance. Affirmative marketing consists of actions to provide information and otherwise attract eligible persons to available housing without regard to race, color, national origin, sex, religion, familial status (persons with children under 18 years of age, including pregnant women), or disability. The affirmative marketing requirements also apply to projects targeted to persons with special needs (24 CFR 92.351(a)).

6. SPECIAL PROVISIONS. Owner shall also comply with the following special provision.

Provision	Term
Annual Administrative Fee: The Owner agrees to pay an Annual Administrative Fee (Fee) to Agency as compensation for monitoring compliance with regulatory restrictions and the administration of the loans. Owner shall pay annually a Fee equal to 15 basis points (0.15%) of the Agency Funding Amount of \$2,547,000.00 in equal semi-annual installments on April 1 and October 1 each year.	Fifteen (15) years from the date of the Certificate of Occupancy or building permit sign offs by the Building Department of the City of Sacramento have been issued following rehabilitation.

7. REPRESENTATIONS. Agency has provided Agency Funding to Owner to develop the Property, subject to the terms of the Funding Agreement. This Regulatory Agreement is a substantial part of the consideration to Agency for making the Agency Funding. "Property" shall mean Property or Restricted Unit as the context may indicate.] The funds used by Agency under the Funding Agreement are funds from public funding sources administered by Agency and their use is subject to certain requirements some of which are embodied in this Regulatory Agreement. Further, Agency has made the Agency Funding in accordance with the laws, rules and regulations to which Agency is subject. Therefore, Agency has made the Agency Funding conditioned upon Owner's agreement, for itself and its successors and assigns, to comply with all provisions of this Regulatory Agreement, including without limitation, the Funding Agreement. Owner has had full opportunity to make itself independently familiar with such limitations and restrictions, and Owner accepts them and agrees to comply fully with them.

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

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

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

c. Owner shall not transfer or encumber any of the Property or permit the conveyance, transfer, or encumbrance of the Property unless such assignee, transferee or encumbrancer has agreed, in writing and in a form suitable for recordation, to be bound by the terms of this Regulatory Agreement.

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

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

f. Owner shall not cause and shall not permit discrimination based on race, color, national origin, religion, sexual orientation, gender, familial status, age or disability in the sale, lease, or rental or in the use or occupancy of the Property. Owner covenants by and for him/her/itself, his/her/its heirs, executors, administrators, and assigns, and all persons claiming under or through them that there shall be no discrimination against or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the Property. This covenant against discrimination shall continue in perpetuity.

g. Owner shall not refuse to rent, evict, or otherwise treat someone differently because of that person's status as a victim of domestic violence, dating violence, sexual assault, or stalking, in compliance with the Violence Against Women Act. This protection is available regardless of sex, gender identity, or sexual orientation.

h. Owner shall assure compliance with the obligations imposed by the federal Personal Responsibility and Work Opportunity Act (Public Law 104-193, commonly known as the Welfare Reform Act) as amended by California Welfare and Institutions Code Section 17851, which restrict the Agency funding of federal, state or local benefits to persons who are not citizens or qualified aliens as defined in such act.

i. Owner shall provide 16 hours/week of approved resident services at the development according to the following minimum schedule: five (5) hours of an on-site service coordinator, eight (8) hours of after school programs, and three (3) hours of education and enrichment programs.

i. Owner shall not pass utility charges paid by Owner, including water, sewer, and garbage collection charges, through to tenants as an add-on to their contracted rent subject to adjustments permitted by applicable utility allowances.

j. Owner shall not make payment of rental insurance premiums a condition of occupancy. If owners require renters' insurance, the policy premium must be deducted from the tenant's rent. The owner shall not add the insurance premium to the tenant's rent in either the initial or subsequent years.

k. Owner shall make at least 50% of the buildings but no less than 50% of the units must be smoke free. All indoor common areas must be smoke-free.

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

10. TERM. The term of this Regulatory Agreement shall commence on the Effective Date and continue until the terms of all of the covenants, including without limitation, the terms stated in the Funding Requirements, have expired or otherwise been terminated. Notwithstanding the term in the Funding Requirements, the term of this Regulatory Agreement shall be fifteen (15) years from the date of the completion of the rehabilitation of the Property, as evidenced by a Certificate of Occupancy or building permit sign offs by the Building Department of the City of Sacramento.

a. **EXPIRATION OF AFFORDABILITY PERIOD.** Owner agrees the rent of "in-place" tenants at the conclusion of Term, the required affordability will continue to be governed by the applicable affordability restrictions, so long as those tenants continue to live in the development.

11. **REVIVAL OF COVENANTS AFTER FORECLOSURE.** The affordability restrictions shall be revived after foreclosure, or deed in lieu of foreclosure according to the original terms if, during the original term of this Regulatory Agreement, if the Owner, who was owner of record before the termination event, or a party related to the Owner obtains an ownership interest in the Property or Restricted Unit, as the case may be. For purposes of this provision, a related party is anyone with whom the Owner has or had family or business ties; provided that such interest would not be considered a “remote interest” in the usual and customary use of the term.

12. **MULTIPLE FUNDING REQUIREMENTS.** If more than one form of Funding Requirements is attached, each Restricted Unit shall be subject to the Funding Requirements for every Funding Source applied to the respective Restricted Unit. If the terms of the Funding Requirements shall conflict as to any Restricted Unit, the Funding Requirements shall be construed so as to meet all applicable requirements for the respective Restricted Unit, including without limitation the use of the most restrictive requirements and the use of the “Recapture” formula that results in the greatest repayment to the Agency.

13. **RECORDKEEPING AND REPORTING.** Upon request of Agency, Owner shall promptly provide any additional information or documentation requested in writing by the Agency to verify Owner's compliance with the provisions of this Regulatory Agreement. At the written request of the Agency, Owner shall, within a reasonable time following receipt of such request, furnish reports and shall give specific answers to questions upon which information is desired from time to time relative to the income, assets, liabilities, contracts, operations, and condition of the property and the status of the Deeds of Trust.

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

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

16. **CHANGES WITHOUT CONSENT OF TENANTS, LESSEES, OR OTHERS.** Only Agency and its successors and assigns, and Owner (subject to the reasonable approval of Owner's lender in accordance with its rights under its loan terms) shall have the right to consent and agree to changes in, or to eliminate in whole or in part, any of the covenants or restrictions contained in this Agreement without the consent of any easement holder, licensee, other mortgagee, trustee, beneficiary under a deed of trust or any other person or entity having any interest less than a fee in the Site.

17. **DEFAULT.** Upon a breach of any of the provisions of this Regulatory Agreement by Owner, the Agency may give written notice of such breach to Owner by registered or certified mail. If such violation is not corrected to the satisfaction of Agency within sixty (60) days after the date such notice is mailed or within such further time as the Agency may reasonably determine is necessary to correct the breach, and without further notice to Owner, the Agency may declare a default under the Agreement, effective on the date of such declaration of default, and upon such default the Agency may: (a) take any action then available under the Funding Agreement for a default under the Funding Agreement and (b) apply to any court for specific performance of this Regulatory Agreement, for an injunction against any violation of the Agreement, for the appointment of a receiver to take over and operate the Property in accordance with the terms of this Regulatory Agreement, for money damages or for such other relief as may be appropriate, since the injury to the Agency arising from a default under any of the terms in this Regulatory Agreement would be irreparable, and the amount of damage would be difficult to ascertain.

a. **REGULATORY AGREEMENT VIOLATIONS.** Owner shall pay the program compliance fees and expenses to Agency set forth in Compliance Violations and Actions (Exhibit 3 - Compliance Violations and Actions) in reimbursement of the amounts and time expended by Agency to insure Owner's compliance with State statutes and federal regulations and

Owner's obligations under the Regulatory Agreement as a result of the Owner not meeting its obligations and reporting requirements. No compliance fee will be assessed for one incident of each type of compliance violation per annual inspection provided the violation is corrected within the specified corrective time period. The second and subsequent violations will be assessed compliance fees as detailed in the Compliance Violations and Actions tables.

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

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

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

21. **SEVERABILITY.** The invalidity of any clause, part or provision of this Regulatory Agreement shall not affect the validity of the remaining portions.

22. **ELECTION OF REMEDIES.** To the extent applicable, in the event of any breach of the covenants, conditions and restrictions contained in this Regulatory Agreement, the Agency shall reasonably endeavor to remedy such breach by conference and conciliation. If, in the opinion of Agency, the Agency and Owner are unable mutually to agree upon a suitable remedy or the circumstances so warrant, such breach may be enjoined or abated by appropriate proceedings brought by the Agency.

Agency may institute or prosecute in its own name, any suit Agency may consider advisable in order to compel specific performance of any obligation of any owner to develop and maintain the subject property in conformity with this Regulatory Agreement and to remedy any default of this Regulatory Agreement. Agency may also seek a decree requiring removal of any improvements constructed on the Property which improvements are designed for uses not permitted under this Regulatory Agreement and which improvements are unsuitable only for uses not permitted under this Regulatory Agreement.

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

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

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

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

BORROWER :
MERCY HOUSING CALIFORNIA 80, L.P. a California
limited partnership

By: Florin Housing Corporation,
a California nonprofit public benefit corporation
its general partner

By: _____
Stephan Daues, Vice President

Date: _____

LENDER:
SACRAMENTO HOUSING AND REDEVELOPMENT
AGENCY, a joint powers agency

By: _____
La Shelle Dozier, Executive Director

Date: _____

Approved as to form:

Lender Counsel

[NOTARIZED ACKNOWLEDGEMENTS]

Exhibit 1: Legal Description of the Property

For APN/Parcel ID(s): 007-0104-019

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

Lots 5, 6, 7 and 8 and the abandoned 20 foot wide alley vacated by Resolution No. 92-597 recorded in the office of the Recorder of Sacramento County in Book 920911, Page 796, of Official Records, in the Block bounded by K Street, L Street, 25th Street and 26th Street, of the City of Sacramento, according to the official map or plan thereof, described as follows:

Beginning at the Southwest corner of said Lot 8 and the Southwest corner of said Block; thence, from said point of beginning, along the Westerly line of said Lot 8, along the Westerly line of said Block, and along the Easterly line of said 25th Street, an 80 foot wide street, North $18^{\circ}30'00''$ East 181.11 feet to the Northwest corner of said Alley and to the Southwest corner of Lot 1 of said Block; thence, along the Northerly line of said Alley, along the Southerly line of said Lot 1 and along the Southerly lines of Lots 2, 3 and 4 of said Block, South $71^{\circ}32'00''$ East 323.14 feet to the Northeast corner of said Alley and to the Southeast corner of said Lot 4; thence, along the Easterly line of said Block, along the Easterly line of said Lot Sand along the Westerly line of said 26th Street, an 80 foot wide street, South $18^{\circ}27'30''$ West 181.20 feet to the Southeast corner of said Lot 5 and to the Southeast corner of said Block; thence, along the Southerly lines of said Lots 5, 6, 7 and 8, along the Southerly line of said Block and along the Northerly line of said L Street, an 80 foot wide street, North $71^{\circ}30'00''$ West 323.28 feet to the point of beginning, pursuant to that Certificate of Conpliance for Lot Merger recorded December 10, 1992, in Book 921210, Page 108, of Official Records.

Exhibit 2: Funding Requirements

HOME FUNDING AND OTHER FEDERAL REQUIREMENTS RENTAL PROJECT

These “HOME Funding and Other Federal Requirements” are attached to the Loan Documents (Loan Agreement and Regulatory Agreement), and are incorporated in the Loan Documents. The capitalized terms used in these HOME and Other Federal Funding Requirements shall have the meanings below in the body of these HOME Funding and other Federal Requirements. Terms being defined are indicated by quotation marks. Capitalized terms in these HOME Funding and Other Federal Requirements that are not defined below are defined in the Loan Documents. References to the CFR are to the Code of Federal Regulations. Project specific restrictions are set forth in Section 3 of this Regulatory Agreement.

1. **DEFINITIONS.** For the purposes of the Loan Documents and in addition to the definitions made elsewhere in the Loan Documents, the following capitalized words and phrases contained in this Contract shall have the following meanings:

a. “HOME” is the federal HOME Investment Partnership program (Catalogue of Federal Domestic Assistance FDA 14.239) administered by the U.S. Department of Housing and Urban Development.

b. The “HOME Requirements” are the laws, rules and regulations which are specifically applicable to this contract. A substantial portion of the Federal Requirements included in this exhibit.

c. “Exhibits” to this contain a substantial portion of the Federal Requirements, and are incorporated into this Agreement in the form of a Universal Serial Bus (USB) drive. Borrower acknowledges receipt of the USB by initialing here: _____. The Exhibits included the following:

i) Exhibit 1 – HOME Regulations: 24 Code of Federal Regulations (CFR) Part 92

ii) Exhibit 2 – Requirements for nonprofit subgrantees; 2 CFR §200.70; Appendix VIII to 2 CFR Part 200

iii) Exhibit 3 –Restrictions on Lobbying; 24 CFR Part 87;

iv) Exhibit 4 - Federal Labor Standards Provisions: 29 CFR Part 5

2. **RECITALS.** The Agency Funding includes proceeds of the federal HOME Investment Partnerships Act (“HOME”) and its implementing regulations (commencing at 24 CFR Part 92) (“HOME Funds”). The Agency has approved the Agency Funding on condition that the property described in the Loan Documents (“Property”) is rehabilitated or developed as residential rental property (“Project”) with certain units regulated in accordance with laws, rules and regulations regarding the use of HOME funds for the benefit of low-income persons (“HOME Restricted Units”) by recordation of these Home Funding and Other Federal Restrictions as covenants running with the land. HOME Restricted Units are made affordable by such regulation to persons and households that qualify as low-income or very low-income as indicated in the table in Article I.

3. **USE OF HOME FUNDS.** Owner shall assure that the HOME Funds are used only for qualified uses. HOME Funds may only be used to provide incentives to develop and support affordable rental housing and homeownership affordability through the acquisition (including assistance to homebuyers), new construction, reconstruction, or rehabilitation of non-luxury housing with suitable amenities, including real property acquisition, site improvements, conversion, demolition, and other expenses, including financing costs, relocation expenses of any displaced persons, families, businesses, or organizations; to provide tenant-based rental assistance, including security deposits; to provide payment of reasonable administrative and planning costs; and to provide for the payment of operating expenses of community housing development organizations, all as further defined in 24 CFR §92.205 *et. seq.* The HOME Funds shall not be used for project reserve accounts except as expressly authorized or to provide operating subsidies.

Owner shall not utilize the Project for explicitly religious activities, including activities that involve overt religious content such as worship, religious instruction, or proselytization, and to the extent that Owner engages in such explicitly religious activities, it shall perform such activities and offer such services outside of the program pursuant to which Owner is developing the Project pursuant to this Agreement. The Owner further represents that the Project units are available to all persons regardless of religion, religious belief, a refusal to hold a religious belief, or a refusal to attend or participate in a religious practice; and that there are no religious or membership criteria for tenants of the Property.

4. PROPERTY STANDARDS. Upon completion, the Project will comply with the applicable property standards of 24 CFR §92.251. For the term of these Funding Requirements, Owner shall provide Agency access at all reasonable times for inspection to assure compliance with such standards. Such provisions are generally as follows:

a. If the Project is new construction, it must meet all applicable local codes, rehabilitation standards, ordinances, and zoning ordinances at the time of project completion. Newly constructed housing must meet the current edition of the Model Energy Code published by the Council of American Building Officials.

b. All other HOME-assisted housing (such as acquisition) must meet all applicable State and local housing quality standards and code requirements.

c. The housing must meet the accessibility requirements at 24 CFR Part 8, which implements Section 504 of the Rehabilitation Act of 1973 (29 United States Code [USC] §794) and covered multifamily dwellings, as defined at 24 CFR §100.201, must also meet the design and construction requirements at 24 CFR §100.205, which implement the Fair Housing Act (42 USC §3601 *et. seq.*).

d. Construction of all manufactured housing must meet the Manufactured Home Construction and Safety Standards established in 24 CFR Part 3280. These standards pre-empt State and local codes covering the same aspects of performance for such housing. Also, installation of manufactured housing units must comply with applicable State and local laws or codes, or in the absence of such laws or codes, the participating jurisdiction must comply with the manufacturer's written instructions for installation of manufactured housing units. Manufactured housing that is rehabilitated using HOME funds must meet the requirements set out in section 4.a.

e. Owner must maintain the housing in compliance with all applicable State and local housing quality standards and code requirements and if there are no such standards or code requirements, the housing must meet the housing quality standards in 24 CFR §982.401.

5. LEAD-BASED PAINT. Owner shall comply with the Lead-Based Paint Poisoning Prevention Act (42 USC §§ 4821 *et. seq.*), the Residential Lead-Based Paint Hazard Reduction Act of 1992 (42 USC §4851 *et. seq.*), and implementing regulations.

6. AFFORDABILITY REQUIREMENTS. Owner shall assure that the of HOME Restricted Units shall be rented at or below the following rates:

a. Low-Income Units shall be rented for amounts that do not exceed thirty percent (30%) of sixty-five percent (65%) of the Sacramento Metropolitan Statistical Area median income ("Median Income"), as determined annually by the federal Department of Housing and Urban Development ("HUD"), as adjusted for family size appropriate to the size and number of bedrooms in the respective HOME Restricted Unit, provided however that if the tenant is paying for utilities and services for the HOME Restricted Unit, the rent shall not exceed the maximum amount calculated as set forth in this subdivision minus a monthly allowance for utilities and services as set forth in the maximum monthly allowances for utilities and services established and updated annually by the Agency pursuant to 24 CFR §92.252(d).

b. Very Low-Income Units shall be rented for amounts that do not exceed thirty percent of fifty-percent (50%) of the Median Income as adjusted for family size appropriate to the size and number of bedrooms in the respective HOME Restricted Unit, provided however that if the tenant is paying for utilities and services for the HOME Restricted Unit, the rent shall not exceed the maximum amount calculated as set forth in this subdivision minus a monthly allowance for utilities and services as set forth in the maximum monthly allowances for utilities and services established and updated annually by the Agency pursuant to 24 CFR §92.252(d).

c. Notwithstanding any other provision, the maximum rent on any HOME-Restricted Unit shall not exceed the "Fair Market Rent" as established by HUD under 24 CFR §888.111.

d. Unless Owner has obtained prior written Agency authorization, Owner shall maintain the allocation of HOME-Restricted Units by the bedroom sizes stated in the Regulatory Agreement.

e. Such maximum rent limits shall be recalculated periodically after HUD determination of the Fair Market Rent or the Median Income; provided, however, that the rents are not required to be lower than the initial rent for the HOME-Restricted Units. Owner shall give tenants not less than thirty (30) days' written notice of a change in rents.

f. The Agency shall review and approve rents proposed by Owner for the HOME Restricted Units, subject to the maximum rent limitations as set forth in section 6(a), (b) and (c) of this Agreement. The Agency will provide Owner with information on updated HOME rent limits. Owner must annually provide the Agency with information on rents and occupancy of HOME Restricted Units to demonstrate compliance with this Section 6. The Agency must review rents for compliance and approve or disapprove them every year.

g. The foregoing affordability requirements may, with the consent of the Agency, terminate on foreclosure or deed in lieu of foreclosure; provided, however, that the affordability requirements will revive according to the original terms if the Owner at the time of foreclosure, or any entity that includes such Owner or anyone with whom such Owner has or had family or business ties, obtains an ownership interest in the Project or Property.

7. OCCUPANCY REQUIREMENTS. Owner shall assure that all HOME Restricted Rental Units shall be initially occupied by households earning less than sixty-five percent (65 %) of the Median Income, as verified by the Agency. Notwithstanding any other provision, if five or more units in the Project are HOME-Restricted Units, not less than twenty percent of the HOME-Restricted Units shall be Very Low-Income Units and shall be occupied by families whose annual income does not exceed fifty-percent (50%) of the Median Income. If a tenant of a HOME-Restricted Unit no longer qualifies as for the HOME-Restricted Unit as a result of an increase in family income, the HOME-Restricted Unit continues to qualify under these Funding Requirements so long as actions satisfactory to HUD are being taken to ensure that all vacancies are filled in accordance with these Funding Requirements until the noncompliance is corrected. Such tenants shall pay as rent the lesser of the amount payable by the tenant under State or local law or thirty percent (30%) of the family's adjusted income, except that tenants of HOME-assisted units that have been allocated low-income housing tax credits by a housing credit agency pursuant to section 42 of the Internal Revenue Code of 1986 (26 USC §42) must pay rent governed by such section. In addition, for projects where HOME units are designated as floating pursuant to 24 CFR §92.252(j), tenants who no longer qualify as low-income are not required to pay as rent an amount that exceeds the market rent for comparable, unassisted units in the neighborhood. If the HOME-Restricted Units are not occupied by eligible tenants within six months following the date of Project completion, Owner shall, in accordance with the requirements of 24 CFR §92.252, submit marketing information to Agency and to HUD and, if appropriate, submit a marketing plan. If any HOME-Restricted Unit has not been rented to eligible tenants 18 months after the date of project completion, Owner shall repay the HOME funds invested in such HOME-Restricted Unit to HUD.

8. INCOME VERIFICATION. Owner shall fully cooperate with Agency by requiring every prospective tenant of a HOME Restricted Unit to provide to Owner, prior to initial occupancy of a Home-Restricted Unit and annually, all information required to verify income-eligibility of the prospective tenant to assure income eligibility in accordance with 24 CFR §92.203. For the initial eligibility determination, Owner shall cause the tenant to provide the Agency with at least two months of source documents evidencing annual income (by way of example, wage statement, interest statement, unemployment compensation statement) for the family. Thereafter, Owner shall cause the tenant to provide the Owner with such source documents; a written statement of the amount of the family's annual income and family size, with a certification that the information is complete and accurate and assurance that the family will provide source documents upon request; or a written statement from the administrator of a government program under which the family receives benefits and which examines each year the annual income of the family, stating the tenant's family size and the amount of the family's annual income or alternatively, stating the current dollar limit for very low- or low-income families for the family size of the tenant and state that the tenant's annual income does not exceed such limit.

9. TENANT PROTECTIONS; LEASE PROVISIONS. Owner shall comply with the following provisions for protection of tenants in HOME-Restricted Units.

a. Owner shall enter into an initial lease with a tenant of a HOME-Restricted Unit for not less than one year, unless by mutual agreement between the tenant and the Owner and not required by Owner as a condition of entering into the lease. Such lease shall not contain any of the following provisions, in addition to any other applicable requirements of law:

1) Agreement by the tenant to be sued, to admit guilt, or to a judgment in favor of the Owner in a lawsuit brought in connection with the lease;

2) Agreement by the tenant that the Owner may take, hold, or sell personal property of household members without notice to the tenant and a court decision on the rights of the parties; excepting an agreement by the tenant concerning disposition of personal property remaining in the housing unit after the tenant has moved out of the unit that is in accordance with State law;

3) Agreement by the tenant not to hold the Owner or the Owner's agents legally responsible for any action or failure to act, whether intentional or negligent;

- 4) Agreement of the tenant that the Owner may institute a lawsuit without notice to the tenant;
- 5) Agreement by the tenant that the Owner may evict the tenant or household members without instituting a civil court proceeding in which the tenant has the opportunity to present a defense, or before a court decision on the rights of the parties;
- 6) Agreement by the tenant to waive any right to a trial by jury;
- 7) Agreement by the tenant to waive the tenant's right to appeal, or to otherwise challenge in court, a court decision in connection with the lease; and
- 8) Agreement by the tenant to pay attorney's fees or other legal costs, even if the tenant wins in a court proceeding by the Owner against the tenant. The tenant, however, may be obligated to pay costs if the tenant loses.
- 9) Agreement by the tenant (other than a tenant in transitional housing) to accept supportive services that are offered.

b. An Owner may not terminate the tenancy or refuse to renew the lease of a tenant of rental housing assisted with HOME funds except for serious or repeated violation of the terms and conditions of the lease; for violation of applicable Federal, State, or local law; for completion of the tenancy period for transitional housing or failure to follow any required transitional housing supportive services plan; or for other good cause. Good cause does not include an increase in the tenant's income or refusal of the tenant to purchase the housing. To terminate or refuse to renew tenancy, the Owner must serve written notice upon the tenant specifying the grounds for the action at least 30 days before the termination of tenancy.

c. Owner must adopt and follow written tenant selection policies and criteria that:

- 1) Limit the housing to very low-income and low-income families;
- 2) Are reasonably related to program eligibility and the applicants' ability to perform the obligations of the lease (i.e., to pay the rent, not to damage the housing; not to interfere with the rights and quiet enjoyment of other tenants);
- 3) Limit eligibility or give a preference to a particular segment of the population if required in the Loan Documents (and only if the limitation or preference is described in the Agency's consolidated plan).

a) Any limitation or preference must not violate nondiscrimination requirements in 24 CFR §92.350. A limitation or preference does not violate nondiscrimination requirements if the housing also receives funding from a Federal program that limits eligibility to a particular segment of the population (e.g., the Housing Opportunity for Persons with AIDS program under 24 CFR Part 574, the Shelter Plus Care program under 24 CFR Part 582, the Supportive Housing program under 24 CFR Part 583, supportive housing for the elderly or persons with disabilities under 24 CFR Part 891), and the limit or preference is tailored to serve that segment of the population.

b) If the Project does not receive funding from a Federal program that limits eligibility to a particular segment of the population, the project may have a limitation or preference for persons with disabilities who need services offered at a project only if:

- i) The limitation or preference is limited to the population of families (including individuals) with disabilities that significantly interfere with their ability to obtain and maintain housing;
- ii) Such families will not be able to obtain or maintain themselves in housing without appropriate supportive services; and

iii) Such services cannot be provided in a non-segregated setting. The families must not be required to accept the services offered at the Project. In advertising the Project, Owner may advertise the Project as offering services for a particular type of disability; however, the Project must be open to all otherwise eligible persons with disabilities who may benefit from the services provided in the Project.

4) Provide for the selection of tenants from a written waiting list in the chronological order of their application, insofar as is practicable; and

5) Give prompt written notification to any rejected applicant of the grounds for any rejection.

d. Owner shall not refuse to lease a HOME-Restricted unit to a certificate or voucher holder under 24 CFR Part 982 – Section 8 Tenant-Based Assistance: Unified Rule for Tenant-Based Assistance under the Section 8 Rental Certificate Program and the Section 8 Rental Voucher Program or to the holder of a comparable document evidencing participation in a HOME tenant-based rental assistance program because of the status of the tenant as a holder of such certificate, voucher or comparable certification.

10. UNIT QUALITY & DETERMINATION OF COST ALLOCATION. OWNER shall assure that HOME Restricted Units assisted with HOME Funds must be comparable in size and amenities to other units in the Project. If the assisted and non-assisted units are comparable in terms of size, features and number of bedrooms, the actual cost of the HOME Restricted units can be determined by pro-rating the total HOME eligible development costs of the Project so that the proportion of the total development costs charged to the HOME program does not exceed the proportion of the HOME Restricted units in the

Project. If the assisted and non-assisted units are not comparable, the actual costs may be determined based on a method of cost allocation.

11. COMPLIANCE WITH LOAN DOCUMENTS. Owner shall comply with any and all applicable provisions of the Loan Agreement for so long as they continue to be in effect.

12. REPAYMENT ON DEFAULT OR EARLY TERMINATION. If the Agency determines the Project does not comply with HOME requirements for affordability as specified in 24 CFR §§ 92.252 or 92.254; or if the Project is terminated before completion, either voluntarily or otherwise; or if Owner does not comply with these funding restrictions; or if the Project is determined to be an ineligible activity under HOME, Owner must repay to Agency any HOME Funds invested in the Project upon demand.

13. PROGRAM INCOME. If Project income is considered to be HOME program income, it shall nevertheless be paid to or retained by Owner in accordance with the agreement between Agency and Owner.

14. ADMINISTRATIVE REQUIREMENTS. Owners that are governmental or non-profit organizations shall comply with the provisions of 24 CFR § 92.505 regarding uniform administrative requirements. Owner shall cooperate fully with the Agency and provide all documents and records required by Agency in preparing for HOME related audits. Owner shall comply with all applicable requirements under HOME, including without limitation, recordkeeping and reporting.

15. GOVERNMENTAL ENTITIES, NON-PROFITS, CHDOS. Special HOME regulations apply to an Owner that is governmental or non-profit entities or a community housing development organization. Such Owner is responsible for knowledge of and shall fully comply with such regulations.

16. TERM. These covenants shall burden and regulate the HOME Restricted Units assisted with HOME Funds for the following term as applicable, unless a longer term is specified in the body of the document to which this attached:

- a. For rehabilitation or acquisition of existing housing, five (5) years if the subsidy for each of HOME-Restricted Unit is less than \$15,000;
- b. For ten (10) years if such subsidy is \$15,000 or more but not more than \$40,000;
- c. for fifteen (15) years if such subsidy is more than \$40,000 or if the project involves refinancing of an existing loan; and
- d. For new construction or acquisition of newly constructed housing, twenty (20) years.

17. NO TERMINATION ON RECAPTURE. Notwithstanding any other provisions of the Regulatory Agreement, the provisions of this HOME Funding and Other Federal Restrictions shall continue for the duration of the applicable preceding term.

Exhibit 3: Compliance Violations and Actions

COMPLIANCE VIOLATIONS AND ACTIONS
(All payments due and payable within 30-days of assessment)

Tenant Eligibility and Affordability Violations		
Compliance Violation	Fees and Actions*	Corrective Time Period
Tenants over income at initial move-in	Initial \$500 per unit, again every 90 days until another income qualified tenant is housed. Correction: Evict tenant if tenant fraud. Otherwise, next available unit must be Affordable and rented to an Income-Qualified tenant.	90 days from discovery date to avoid additional \$500 charge every 90-days the problem is not corrected.
Incorrect eligibility documentation	Initial \$50 per file for incorrect calculations, verifications, or required documents. Additional \$50 per month if not corrected. Correction: Submit copies of corrections to compliance staff as applicable.	30 days from discovery date to submit copies of corrections to compliance staff to avoid additional \$50 per month if not corrected
Failure to complete annual recertifications	Initial \$250 for each incomplete file. Additional \$50 per month if not corrected. Correction: Submit copies of recertifications to compliance staff.	30 days from discovery date to submit corrections to avoid additional \$50 per month if not corrected.
Failure to maintain tenant eligibility records	Initial \$500 per unit, again every 90-days thereafter until new records in place. Additional \$100 per unit per month the project remains out of compliance. Correction: Immediately establish new files/records.	30 days from discovery date to submit copies of new records to avoid additional \$100 per unit per month the project remains out of compliance.
Incorrect Rents	Reimbursement to tenant of the entire amount overcharged. \$100 payment to Agency for each over-charged unit. Correction: Refund tenant with letter of correction.	30 days from discovery date to avoid additional \$100 per overcharged unit per month fee to Agency.
Failure to submit complete and accurate monthly Bond Report by due date	Initial \$100 per report. Additional \$100 per day until complete and accurate report submitted. Correction: Submit copies of corrections to compliance staff as applicable.	7 days from discovery date to submit complete and accurate report to avoid additional \$100 per day charge.
Failure to comply with approved Management Plan	Initial \$100 per report. Additional \$100 per day until complete and accurate report submitted. Correction: Submit copies of corrections to compliance staff as applicable.	30 days from discovery date to submit corrections to avoid additional \$100 per day charge.
Failure to submit complete and accurate quarterly Resident Services report by due date	Initial \$100 per report. Additional \$100 per day until complete and accurate report submitted. Correction: Submit copies of corrections to compliance staff as applicable.	7 days from discovery date to submit corrections to avoid additional \$100 per day charge.
Failure to provide a resident service required by Resident Services Plan	Initial \$250 per service. Additional \$100 per day until service is provided. Correction: Implement required service or new resident services plan submitted and	7 days from discovery date to implement required service or provide new resident services plan to avoid additional \$100 per day charge; 30 days from discovery date to implement new plan to

	approved; approved plan implemented.	avoid additional \$100 per day charge.
Noncompliant lease	\$100 per noncompliant lease. Correction: Prepare and execute approved lease or addendum to address the deficiency.	30 days from discovery date to avoid additional \$100 per noncompliant lease per month charge to Agency.

Housing Quality Standards Violations		
Compliance Violation	Fees and Actions*	Corrective Time Period
Verifiable existence of Toxic Mold	\$200 per unit. Additional \$75 per day charge each time efforts fall outside of corrective timeframes. Correction: Prepare and submit action plan that addresses scope of work and timetable to complete. Relocate tenant if necessary. Obtain certified clearance that mold has been abated and unit is safe to occupy once again.	3-days from discovery date to submit action plan to address. 10-days to relocate tenant if necessary. 30-days to obtain certification that unit is mold free. \$75 per day additional charge each time efforts fall outside of these timeframes.
Broken pipes and plumbing facilities	\$200 per unit. Additional \$75 charge per day if not corrected. Correction: Repair/replace as necessary	7-days from discovery date to avoid additional \$75 per day each day thereafter corrective action not taken.
Smoke detectors not working in the units	\$200 per unit with non-functional smoke detector. Additional \$75 charge per day if not corrected. Correction: Replace batteries or non-working unit within 24 hours.	Within 24 hours of discovery date to avoid \$75 per day additional charge each day thereafter corrective action not taken.
Windows with large cracks or missing glass	\$200 per unit. Additional \$75 charge per day if not corrected. Correction: Repair/replace as necessary.	7-days from date of discovery to avoid \$75 per day additional charge each day thereafter corrective action not taken.
Infestation of roaches or vermin	\$200 per infested unit. Additional \$75 charge per day if not corrected. Correction: Letter from pest control company verifying removal of pests with paid invoice to compliance staff.	7-days from date of discovery to avoid \$75 per day additional charge each day thereafter corrective action not taken.
Non-working heating unit (Winter) or air conditioning unit (Summer)	\$500 per nonworking unit. Additional \$75 charge per day if not corrected. \$75 re-inspection fee if necessary to verify problem corrected. Correction: Repair/replace as necessary.	Within 24 hours of discovery date to avoid \$75 per day additional charge each day thereafter corrective action not taken.
Excessive amount of urine/ feces	\$200 per unit. Additional \$75 charge per day if not corrected. Correction: Clean unit as necessary and address problem as the lease allows. Submit correction letter with documentation to compliance staff.	7-days from date of discovery to avoid \$75 per day additional charge each day thereafter corrective action not taken.
Excessive amount of trash/garbage in the unit	\$75 per unit. Additional \$75 charge per day if not corrected. Correction: Clean unit and send letter of correction to compliance staff.	14-days from date of discovery to avoid an additional \$75 per day thereafter each day corrective action not taken.
Hazardous exterior conditions	\$500 for hazardous conditions. Additional \$75 charge per day if not corrected. \$75 re-inspection fee. Correction: Clean and/or repair as	7-days from date of discovery to avoid \$75 per day additional charge each day corrective action not taken.

	necessary. Re-inspection to verify problem addressed.	
Large holes walls/ceiling	\$100 per unit. Additional \$75 charge per day if not corrected. Correction: Submit correction letter with documentation to compliance staff.	30-days from date of discovery to avoid \$75 per day additional charge each day corrective action not taken.
Non-Operable Security Gate	\$500 per non-working gate. Additional \$75 charge per day if not corrected. \$75 re-inspection fee if necessary to verify problem corrected. Correction: Repair/replace as necessary.	7-days from date of discovery to avoid \$75 per day additional charge each day corrective action not taken.
No Security Cameras (if cameras required)	\$250 per discovery. Additional \$75 charge per day if not corrected. \$75 re-inspection charge to verify problem corrected. Correction: Replace cameras.	30-days from the date of discovery to avoid \$75 per day additional charge each day thereafter corrective action not taken.
Non-working Security Cameras	\$100 per camera per discovery. Additional \$75 charge per day if not corrected. \$75 re-inspection charge to verify problem corrected. Correction: Repair/replace as necessary.	7-days from date of discovery to avoid \$75 per day additional charge each day corrective action not taken.
Non-working or non-accessible amenities/services	\$100 per item per discovery. Additional \$75 charge per day if not corrected. \$75 re-inspection charge to verify problem corrected. Correction: Repair/replace as necessary.	7-days from date of discovery to avoid \$75 per day additional charge each day corrective action not taken.

* No compliance fee will be assessed for one incident of each type of compliance violation per annual inspection provided the violation is corrected within the specified corrective time period. The second and subsequent violations will be assessed compliance fees as detailed in the Tenant Eligibility and Affordability Violations and Housing Quality Standards Violations tables.

NO FEE DOCUMENT:

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

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

**LOW AND MODERATE INCOME HOUSING FUND
REGULATORY AGREEMENT FOR RESIDENTIAL RENTAL PROPERTY
AND DECLARATION OF RESTRICTIVE COVENANTS AFFECTING REAL PROPERTY**

PROJECT NAME:	St. Francis Terrace Apartments
PROJECT ADDRESS:	2525 L Street, Sacramento, CA 95816
APN:	007-0104-019

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

25. **GENERAL.** This Regulatory Agreement, includes the Exhibits listed below which are attached to and incorporated in this Regulatory Agreement by this reference.

26. **DEFINITIONS.** The capitalized terms in this Regulatory Agreement shall have the meanings assigned in the following table and in the body of the Regulatory Agreement as the context indicates. (Terms being defined are indicated by quotation marks.)

TERM	DEFINITION		
“Effective Date”	This Regulatory Agreement shall be effective as of the following date:		April __, 2018
“Agency”	Sacramento Housing and Redevelopment Agency		
	The Agency is a joint powers agency.		
“Owner”	Mercy Housing California 80, L.P.		
“Agency Address”	Agency’s business address is 801 12th Street, Sacramento, California 95814		
“Owner Address”	Owner’s business address is as follows:	c/o Florin Housing Corporation, 1360 Mission Street, Suite 300, San Francisco, CA 94103	
“Jurisdiction”	City of Sacramento		
“Property”	That certain real property which is subject to this Regulatory Agreement as further described in the legal description, attached as Exhibit 1 – Legal Description of the Property and incorporated in this Regulatory Agreement by this reference		
“Funding Agreement”	The Funding Agreement between Agency and Owner as follows:	Titled:	Acquisition, Construction and Permanent Loan Agreement
		Dated:	April __, 2018
“Agency Funding”	The Agency Funding made by Agency to Owner under the Funding Agreement for development of the Property		
“Agency Funding Amount“	The amount of the Agency Funding, as follows:		\$2,547,000.00 comprised of \$2,247,000.00 in City HOME and \$300,000 in Low/Mod Tax Increment (TI) funds

“Proportionate Agency Assistance”	The percentage of the Project cost, including without limitation, land, predevelopment and development costs, that is attributable to the Agency Funding. For rehabilitation projects, the percentage that the Agency Funding bears to the total of the fair market value of the Property before rehabilitation and the total costs of rehabilitation.	Twenty percent (20%)
“Funding Requirements”	The legal restrictions on the use of the funds that Agency has used to make the Agency Funding, as applicable to and restricting the Property. The Funding Requirements are set out in Exhibit 2 – Funding Requirements.	
“Approved Use”	The only permitted use of the Property, which is as a residential property available for rent by the general public and containing not less than the following number of units:	48 units, including one property manager’s exempt unit

27. **RESTRICTED PARCELS; APPROVAL OF LEASES.** In order to assure that the proper number and types of units have been rented in accordance with this Regulatory Agreement, Owner is prohibited from leasing any Unit within the Project until either the parties have recorded against the Property a list of the Restricted Units or the Agency has approved the individual lease or lease form for the Restricted Units. The following numbers of Units are restricted for each respective funding source. The initial rents for the respective units shall be the following; provided, however, that upon the request of Owner, Owner and Agency may agree to a schedule for the Restricted Units that complies with the following affordability requirements as of the date when the Project is available for occupancy. In any event the rents for the respective units may be adjusted not more often than annually. The rents shall include allowance for utilities and costs reasonably related to the rental of the units, as may be required in determining the rents for the applicable funding sources. Only units indicated under Agency Funding Source are assisted by the Agency. Nevertheless, Owner shall assure the affordability of all of the following units at the named affordability levels. HOME Units are fixed units if referenced by Apartment Number or equivalent; otherwise such units are "floating units" in which the number of units of an affordability level and bedroom type remains the same, but the actual designated unit may change from time to time.

Funding Source:	Affordability Level:	Number of Units:	Describe Restricted Units:	Initial Rent per Unit per Month:
City Low/Mod TI Fund/LIHTC	Very Low Income - 50% AMI (Low HOME Rent)	2	One-bedroom	\$761
	TOTAL UNITS	2		

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

If the Agency determines in its reasonable judgment that the Project is not being operated and managed in accordance with one or more of the material requirements or standards of the Funding Agreement, the Agency may deliver notice to the Owner requesting replacement of the Manager, which notice shall state clearly the reasons for such request. The Owner agrees that, upon receipt of such notice, the Owner shall within 60 days submit to the Agency, a proposal to engage a new Manager meeting the requirements of this provision. The Agency shall respond within 30 days to such proposal or such approval shall be deemed given. Upon receipt of such consent or deemed consent, the Owner shall promptly terminate the existing Manager’s engagement and engage the new Manager. In addition, all management agreements between the Owner and Manager shall include a clause alerting the Manager that Agency may require Owner to terminate the management agreement for the aforementioned reasons.

The Owner shall not enter into any management agreement or arrangement with any party with respect to the management of the Project without the Agency’s prior written consent, such consent not to be unreasonably withheld or delayed. The Owner shall not materially modify, amend or terminate any approved management agreement (other than as required to

comply with the terms of the Funding Agreement and/or applicable law or without the Agency's prior written consent, which consent will not be unreasonably withheld or delayed; provided, however, that such consent shall not be required to extend the term of an existing management agreement.

Approved Management Company
Mercy Housing Management Group

29. AFFIRMATIVE MARKETING REQUIREMENTS. Owner must design and employ marketing plans that promote fair housing by ensuring outreach to all potentially eligible households, especially those least likely to apply for assistance. Affirmative marketing consists of actions to provide information and otherwise attract eligible persons to available housing without regard to race, color, national origin, sex, religion, familial status (persons with children under 18 years of age, including pregnant women), or disability. The affirmative marketing requirements also apply to projects targeted to persons with special needs (24 CFR 92.351(a)).

30. SPECIAL PROVISIONS. Owner shall also comply with the following special provision.

Provision	Term
Annual Administrative Fee: The Owner agrees to pay an Annual Administrative Fee (Fee) to Agency as compensation for monitoring compliance with regulatory restrictions and the administration of the loans. Owner shall pay annually a Fee equal to 15 basis points (0.15%) of the Agency Funding Amount of \$2,547,000.00 in equal semi-annual installments on April 1 and October 1 each year.	Fifty-five (55) years from the date of the Certificate of Occupancy or building permit sign offs by the Building Department of the City of Sacramento have been issued following rehabilitation.

31. REPRESENTATIONS. Agency has provided Agency Funding to Owner to develop the Property, subject to the terms of the Funding Agreement. This Regulatory Agreement is a substantial part of the consideration to Agency for making the Agency Funding. "Property" shall mean Property or Restricted Unit as the context may indicate.] The funds used by Agency under the Funding Agreement are funds from public funding sources administered by Agency and their use is subject to certain requirements some of which are embodied in this Regulatory Agreement. Further, Agency has made the Agency Funding in accordance with the laws, rules and regulations to which Agency is subject. Therefore, Agency has made the Agency Funding conditioned upon Owner's agreement, for itself and its successors and assigns, to comply with all provisions of this Regulatory Agreement, including without limitation, the Funding Agreement. Owner has had full opportunity to make itself independently familiar with such limitations and restrictions, and Owner accepts them and agrees to comply fully with them.

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

- a. Owner shall use and permit others to use the Property only for the Approved Use.
- b. Owner shall assure full compliance with the Funding Requirements.
- c. Owner shall not transfer or encumber any of the Property or permit the conveyance, transfer, or encumbrance of the Property unless such assignee, transferee or encumbrancer has agreed, in writing and in a form suitable for recordation, to be bound by the terms of this Regulatory Agreement.
- d. Owner shall not cause and shall not permit expansion, reconstruction, or demolition of any part of improvements on the Property, except as provided by the Funding Agreement.
- e. Owner shall maintain the Property and the building improvements, grounds and equipment of the Property in good repair and condition and in compliance with all applicable housing quality standards and local code requirements. Owner shall maintain the Property in good condition and shall keep the Property reasonably free from graffiti and unrepaired vandalism and from accumulation of abandoned property, inoperable vehicles, unenclosed storage, debris, and waste materials. In the event of a casualty loss, Owner shall cause the restoration or replacement of the Property, in a timely manner and provided that such restoration or replacement is then economically feasible.

f. Owner shall not cause and shall not permit discrimination based on race, color, national origin, religion, sexual orientation, gender, familial status, age or disability in the sale, lease, or rental or in the use or occupancy of the Property. Owner covenants by and for him/her/itself, his/her/its heirs, executors, administrators, and assigns, and all persons claiming under or through them that there shall be no discrimination against or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the Property. This covenant against discrimination shall continue in perpetuity.

g. Owner shall not refuse to rent, evict, or otherwise treat someone differently because of that person's status as a victim of domestic violence, dating violence, sexual assault, or stalking, in compliance with the Violence Against Women Act. This protection is available regardless of sex, gender identity, or sexual orientation.

h. Owner shall assure compliance with the obligations imposed by the federal Personal Responsibility and Work Opportunity Act (Public Law 104-193, commonly known as the Welfare Reform Act) as amended by California Welfare and Institutions Code Section 17851, which restrict the Agency funding of federal, state or local benefits to persons who are not citizens or qualified aliens as defined in such act.

i. Owner shall provide 16 hours/week of approved resident services at the development according to the following minimum schedule: five (5) hours of an on-site service coordinator, eight (8) hours of after school programs, and three (3) hours of education and enrichment programs.

i. Owner shall not pass utility charges paid by Owner, including water, sewer, and garbage collection charges, through to tenants as an add-on to their contracted rent subject to adjustments permitted by applicable utility allowances.

j. Owner shall not make payment of rental insurance premiums a condition of occupancy. If owners require renters' insurance, the policy premium must be deducted from the tenant's rent. The owner shall not add the insurance premium to the tenant's rent in either the initial or subsequent years.

k. Owner shall make at least 50% of the buildings but no less than 50% of the units must be smoke free. All indoor common areas must be smoke-free.

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

34. TERM. The term of this Regulatory Agreement shall commence on the Effective Date and continue until the terms of all of the covenants, including without limitation, the terms stated in the Funding Requirements, have expired or otherwise been terminated. Notwithstanding the term in the Funding Requirements, the term of this Regulatory Agreement shall be fifty-five (55) years from the date of the completion of the rehabilitation of the Property, as evidenced by a Certificate of Occupancy or building permit sign offs by the Building Department of the City of Sacramento.

a. **EXPIRATION OF AFFORDABILITY PERIOD.** Owner agrees the rent of "in-place" tenants at the conclusion of Term, the required affordability will continue to be governed by the applicable affordability restrictions, so long as those tenants continue to live in the development.

35. REVIVAL OF COVENANTS AFTER FORECLOSURE. The affordability restrictions shall be revived after foreclosure, or deed in lieu of foreclosure according to the original terms if, during the original term of this Regulatory Agreement, if the Owner, who was owner of record before the termination event, or a party related to the Owner obtains an ownership interest in the Property or Restricted Unit, as the case may be. For purposes of this provision, a related party is anyone with whom the Owner has or had family or business ties; provided that such interest would not be considered a "remote interest" in the usual and customary use of the term.

36. MULTIPLE FUNDING REQUIREMENTS. If more than one form of Funding Requirements is attached, each Restricted Unit shall be subject to the Funding Requirements for every Funding Source applied to the respective Restricted Unit. If the terms of the Funding Requirements shall conflict as to any Restricted Unit, the Funding Requirements shall be

construed so as to meet all applicable requirements for the respective Restricted Unit, including without limitation the use of the most restrictive requirements and the use of the "Recapture" formula that results in the greatest repayment to the Agency.

37. RECORDKEEPING AND REPORTING. Upon request of Agency, Owner shall promptly provide any additional information or documentation requested in writing by the Agency to verify Owner's compliance with the provisions of this Regulatory Agreement. At the written request of the Agency, Owner shall, within a reasonable time following receipt of such request, furnish reports and shall give specific answers to questions upon which information is desired from time to time relative to the income, assets, liabilities, contracts, operations, and condition of the property and the status of the Deeds of Trust.

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

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

40. CHANGES WITHOUT CONSENT OF TENANTS, LESSEES, OR OTHERS. Only Agency and its successors and assigns, and Owner (subject to the reasonable approval of Owner's lender in accordance with its rights under its loan terms) shall have the right to consent and agree to changes in, or to eliminate in whole or in part, any of the covenants or restrictions contained in this Agreement without the consent of any easement holder, licensee, other mortgagee, trustee, beneficiary under a deed of trust or any other person or entity having any interest less than a fee in the Site.

41. DEFAULT. Upon a breach of any of the provisions of this Regulatory Agreement by Owner, the Agency may give written notice of such breach to Owner by registered or certified mail. If such violation is not corrected to the satisfaction of Agency within sixty (60) days after the date such notice is mailed or within such further time as the Agency may reasonably determine is necessary to correct the breach, and without further notice to Owner, the Agency may declare a default under the Agreement, effective on the date of such declaration of default, and upon such default the Agency may: (a) take any action then available under the Funding Agreement for a default under the Funding Agreement and (b) apply to any court for specific performance of this Regulatory Agreement, for an injunction against any violation of the Agreement, for the appointment of a receiver to take over and operate the Property in accordance with the terms of this Regulatory Agreement, for money damages or for such other relief as may be appropriate, since the injury to the Agency arising from a default under any of the terms in this Regulatory Agreement would be irreparable, and the amount of damage would be difficult to ascertain.

a. **REGULATORY AGREEMENT VIOLATIONS.** Owner shall pay the program compliance fees and expenses to Agency set forth in Compliance Violations and Actions (Exhibit 3 - Compliance Violations and Actions) in reimbursement of the amounts and time expended by Agency to insure Owner's compliance with State statutes and federal regulations and Owner's obligations under the Regulatory Agreement as a result of the Owner not meeting its obligations and reporting requirements. No compliance fee will be assessed for one incident of each type of compliance violation per annual inspection provided the violation is corrected within the specified corrective time period. The second and subsequent violations will be assessed compliance fees as detailed in the Compliance Violations and Actions tables.

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

43. CONTRADICTORY AGREEMENTS. Owner warrants that it has not, and will not, execute any other agreement with provisions contradictory of or in opposition to, the provisions of this Regulatory Agreement, and that, in any event, the

requirements of this Regulatory Agreement are paramount and controlling as to the rights and obligations set forth and supersede any other requirements in conflict with this Regulatory Agreement.

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

45. **SEVERABILITY.** The invalidity of any clause, part or provision of this Regulatory Agreement shall not affect the validity of the remaining portions.

46. **ELECTION OF REMEDIES.** To the extent applicable, in the event of any breach of the covenants, conditions and restrictions contained in this Regulatory Agreement, the Agency shall reasonably endeavor to remedy such breach by conference and conciliation. If, in the opinion of Agency, the Agency and Owner are unable mutually to agree upon a suitable remedy or the circumstances so warrant, such breach may be enjoined or abated by appropriate proceedings brought by the Agency.

Agency may institute or prosecute in its own name, any suit Agency may consider advisable in order to compel specific performance of any obligation of any owner to develop and maintain the subject property in conformity with this Regulatory Agreement and to remedy any default of this Regulatory Agreement. Agency may also seek a decree requiring removal of any improvements constructed on the Property which improvements are designed for uses not permitted under this Regulatory Agreement and which improvements are unsuitable only for uses not permitted under this Regulatory Agreement.

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

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

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

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

BORROWER :
MERCY HOUSING CALIFORNIA 80, L.P. a California
limited partnership

By: Florin Housing Corporation,
a California nonprofit public benefit corporation
its general partner

By: _____
Stephan Daues, Vice President

Date: _____

LENDER:
SACRAMENTO HOUSING AND REDEVELOPMENT
AGENCY, a joint powers agency

By: _____
La Shelle Dozier, Executive Director

Date: _____

Approved as to form:

Lender Counsel

[NOTARIZED ACKNOWLEDGEMENTS]

Exhibit 1: Legal Description of the Property

For APN/Parcel ID(s): 007-0104-019

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

Lots 5, 6, 7 and 8 and the abandoned 20 foot wide alley vacated by Resolution No. 92-597 recorded in the office of the Recorder of Sacramento County in Book 920911, Page 796, of Official Records, in the Block bounded by K Street, L Street, 25th Street and 26th Street, of the City of Sacramento, according to the official map or plan thereof, described as follows:

Beginning at the Southwest corner of said Lot 8 and the Southwest corner of said Block; thence, from said point of beginning, along the Westerly line of said Lot 8, along the Westerly line of said Block, and along the Easterly line of said 25th Street, an 80 foot wide street, North 18 ° 30'00" East 181.11 feet to the Northwest corner of said Alley and to the Southwest corner of Lot 1 of said Block; thence, along the Northerly line of said Alley, along the Southerly line of said Lot 1 and along the Southerly lines of Lots 2, 3 and 4 of said Block, South 71°32'00" East 323.14 feet to the Northeast corner of said Alley and to the Southeast corner of said Lot 4; thence, along the Easterly line of said Block, along the Easterly line of said Lot Sand along the Westerly line of said 26th Street, an 80 foot wide street, South 18 ° 27'30" West 181.20 feet to the Southeast corner of said Lot 5 and to the Southeast corner of said Block; thence, along the Southerly lines of said Lots 5, 6, 7 and 8, along the Southerly line of said Block and along the Northerly line of said L Street, an 80 foot wide street, North 71°30'00' West 323.28 feet to the point of beginning, pursuant to that Certificate of Conpliance for Lot Merger recorded December 10, 1992, in Book 921210, Page 108, of Official Records.

Exhibit 2: Funding Requirements

TI FUNDING REQUIREMENTS FOR RENTAL HOUSING LOW AND MODERATE INCOME HOUSING FUND

These “TI Funding Requirements” are attached to a Regulatory Agreement, and are incorporated in that Regulatory Agreement. In turn, the Regulatory Agreement is incorporated in the financing document that is described in the Regulatory Agreement. [The capitalized terms used shall have the meanings below. Terms being defined are indicated by quotation marks. Capitalized terms in these TI Funding Requirements that are not defined below are defined in the Regulatory Agreement and in such financing document.] Project specific restrictions are set forth in Section 3 of this Regulatory Agreement.

1. **RECITALS.** Agency is a redevelopment agency organized and operating under the California Redevelopment Law (commencing at Health & Safety Code Section 33000). The Agency Funding is funded by the Agency with proceeds of the Low and Moderate Income Housing Fund (as defined in Health & Safety Code Section 33334.3) and made in accordance with the Aggregation of Agency Funding that occurred pursuant to Resolution 2009-57 adopted by the Redevelopment of the City of Sacramento or Resolution 0896 adopted by the County of Sacramento Redevelopment Area in accordance with Health and Safety Code Sections 33334.2(g) and 33413, the provisions of the redevelopment plans for the Agency’s Project Areas (“Redevelopment Plans”), and the California Redevelopment Law. The Agency has approved the Agency Funding on condition that the property securing the Agency Funding (“Property”) is rehabilitated or developed as residential rental property (“Project”) with certain units regulated in accordance with Health & Safety Code Section 33487 (“TI Restricted Units”) by recordation of these TI Funding Restrictions as covenants running with the land, in accordance with Health & Safety Code Section 33334.3(f). TI Restricted Units are made affordable by such regulation to persons and households that qualify as moderate-income, low-income or very low-income as indicated in Article I of the Regulatory Agreement. The development of the Project will benefit the Project Areas because the Project will provide housing for persons who work within the Project Areas.
2. **AFFORDABILITY REQUIREMENTS.** Owner shall assure that the TI Restricted Units shall be rented or sold at or below the following rates to households whose incomes are at or below the respective income limits for the rental rate:
 - a. Low-Income TI Restricted Units shall be rented for amounts that do not exceed payments of thirty percent (30%) of sixty percent (60%) of the Median Income as adjusted for family size appropriate to the size and number of bedrooms in the respective TI Restricted Unit.
 - b. Very Low-Income TI Restricted Units shall be rented for amounts that do not exceed payments of thirty percent (30%) of fifty percent (50%) of the Median Income as adjusted for family size appropriate to the size and number of bedrooms in the respective TI Restricted Unit.
 - c. Owner shall be responsible to determine the affordable amounts for the TI Restricted Units. Within ten (10) days of Owner request, Agency shall provide all information necessary for Owner to compute such affordable rents and will assist Owner in determining such amounts.
3. **TERM.** These covenants shall burden and regulate the TI Restricted Units for a term of (55) years following the Certificate of Occupancy date.

Exhibit 3: Compliance Violations and Actions

COMPLIANCE VIOLATIONS AND ACTIONS
(All payments due and payable within 30-days of assessment)

Tenant Eligibility and Affordability Violations		
Compliance Violation	Fees and Actions*	Corrective Time Period
Tenants over income at initial move-in	Initial \$500 per unit, again every 90 days until another income qualified tenant is housed. Correction: Evict tenant if tenant fraud. Otherwise, next available unit must be Affordable and rented to an Income-Qualified tenant.	90 days from discovery date to avoid additional \$500 charge every 90-days the problem is not corrected.
Incorrect eligibility documentation	Initial \$50 per file for incorrect calculations, verifications, or required documents. Additional \$50 per month if not corrected. Correction: Submit copies of corrections to compliance staff as applicable.	30 days from discovery date to submit copies of corrections to compliance staff to avoid additional \$50 per month if not corrected
Failure to complete annual recertifications	Initial \$250 for each incomplete file. Additional \$50 per month if not corrected. Correction: Submit copies of recertifications to compliance staff.	30 days from discovery date to submit corrections to avoid additional \$50 per month if not corrected.
Failure to maintain tenant eligibility records	Initial \$500 per unit, again every 90-days thereafter until new records in place. Additional \$100 per unit per month the project remains out of compliance. Correction: Immediately establish new files/records.	30 days from discovery date to submit copies of new records to avoid additional \$100 per unit per month the project remains out of compliance.
Incorrect Rents	Reimbursement to tenant of the entire amount overcharged. \$100 payment to Agency for each over-charged unit. Correction: Refund tenant with letter of correction.	30 days from discovery date to avoid additional \$100 per overcharged unit per month fee to Agency.
Failure to submit complete and accurate monthly Bond Report by due date	Initial \$100 per report. Additional \$100 per day until complete and accurate report submitted. Correction: Submit copies of corrections to compliance staff as applicable.	7 days from discovery date to submit complete and accurate report to avoid additional \$100 per day charge.
Failure to comply with approved Management Plan	Initial \$100 per report. Additional \$100 per day until complete and accurate report submitted. Correction: Submit copies of corrections to compliance staff as applicable.	30 days from discovery date to submit corrections to avoid additional \$100 per day charge.
Failure to submit complete and accurate quarterly Resident Services report by due date	Initial \$100 per report. Additional \$100 per day until complete and accurate report submitted. Correction: Submit copies of corrections to compliance staff as applicable.	7 days from discovery date to submit corrections to avoid additional \$100 per day charge.

Failure to provide a resident service required by Resident Services Plan	Initial \$250 per service. Additional \$100 per day until service is provided. Correction: Implement required service or new resident services plan submitted and approved; approved plan implemented.	7 days from discovery date to implement required service or provide new resident services plan to avoid additional \$100 per day charge; 30 days from discovery date to implement new plan to avoid additional \$100 per day charge.
Noncompliant lease	\$100 per noncompliant lease. Correction: Prepare and execute approved lease or addendum to address the deficiency.	30 days from discovery date to avoid additional \$100 per noncompliant lease per month charge to Agency.

Housing Quality Standards Violations		
Compliance Violation	Fees and Actions*	Corrective Time Period
Verifiable existence of Toxic Mold	\$200 per unit. Additional \$75 per day charge each time efforts fall outside of corrective timeframes. Correction: Prepare and submit action plan that addresses scope of work and timetable to complete. Relocate tenant if necessary. Obtain certified clearance that mold has been abated and unit is safe to occupy once again.	3-days from discovery date to submit action plan to address. 10-days to relocate tenant if necessary. 30-days to obtain certification that unit is mold free. \$75 per day additional charge each time efforts fall outside of these timeframes.
Broken pipes and plumbing facilities	\$200 per unit. Additional \$75 charge per day if not corrected. Correction: Repair/replace as necessary	7-days from discovery date to avoid additional \$75 per day each day thereafter corrective action not taken.
Smoke detectors not working in the units	\$200 per unit with non-functional smoke detector. Additional \$75 charge per day if not corrected. Correction: Replace batteries or non-working unit within 24 hours.	Within 24 hours of discovery date to avoid \$75 per day additional charge each day thereafter corrective action not taken.
Windows with large cracks or missing glass	\$200 per unit. Additional \$75 charge per day if not corrected. Correction: Repair/replace as necessary.	7-days from date of discovery to avoid \$75 per day additional charge each day thereafter corrective action not taken.
Infestation of roaches or vermin	\$200 per infested unit. Additional \$75 charge per day if not corrected. Correction: Letter from pest control company verifying removal of pests with paid invoice to compliance staff.	7-days from date of discovery to avoid \$75 per day additional charge each day thereafter corrective action not taken.
Non-working heating unit (Winter) or air conditioning unit (Summer)	\$500 per nonworking unit. Additional \$75 charge per day if not corrected. \$75 re-inspection fee if necessary to verify problem corrected. Correction: Repair/replace as necessary.	Within 24 hours of discovery date to avoid \$75 per day additional charge each day thereafter corrective action not taken.
Excessive amount of urine/ feces	\$200 per unit. Additional \$75 charge per day if not corrected. Correction: Clean unit as necessary and address problem as the lease allows. Submit correction letter with documentation to compliance staff.	7-days from date of discovery to avoid \$75 per day additional charge each day thereafter corrective action not taken.
Excessive amount of trash/garbage in the unit	\$75 per unit. Additional \$75 charge per day if not corrected. Correction: Clean unit and send letter of correction to compliance staff.	14-days from date of discovery to avoid an additional \$75 per day thereafter each day corrective action not taken.
Hazardous exterior conditions	\$500 for hazardous conditions. Additional \$75 charge per day if not corrected. \$75 re-inspection fee.	7-days from date of discovery to avoid \$75 per day additional charge each day corrective action not taken.

	Correction: Clean and/or repair as necessary. Re-inspection to verify problem addressed.	
Large holes walls/ceiling	\$100 per unit. Additional \$75 charge per day if not corrected. Correction: Submit correction letter with documentation to compliance staff.	30-days from date of discovery to avoid \$75 per day additional charge each day corrective action not taken.
Non-Operable Security Gate	\$500 per non-working gate. Additional \$75 charge per day if not corrected. \$75 re-inspection fee if necessary to verify problem corrected. Correction: Repair/replace as necessary.	7-days from date of discovery to avoid \$75 per day additional charge each day corrective action not taken.
No Security Cameras (if cameras required)	\$250 per discovery. Additional \$75 charge per day if not corrected. \$75 re-inspection charge to verify problem corrected. Correction: Replace cameras.	30-days from the date of discovery to avoid \$75 per day additional charge each day thereafter corrective action not taken.
Non-working Security Cameras	\$100 per camera per discovery. Additional \$75 charge per day if not corrected. \$75 re-inspection charge to verify problem corrected. Correction: Repair/replace as necessary.	7-days from date of discovery to avoid \$75 per day additional charge each day corrective action not taken.
Non-working or non-accessible amenities/services	\$100 per item per discovery. Additional \$75 charge per day if not corrected. \$75 re-inspection charge to verify problem corrected. Correction: Repair/replace as necessary.	7-days from date of discovery to avoid \$75 per day additional charge each day corrective action not taken.

* No compliance fee will be assessed for one incident of each type of compliance violation per annual inspection provided the violation is corrected within the specified corrective time period. The second and subsequent violations will be assessed compliance fees as detailed in the Tenant Eligibility and Affordability Violations and Housing Quality Standards Violations tables.

**JOINT ESCROW INSTRUCTIONS
FOR AGENCY LOAN
ST. FRANCIS TERRACE APARTMENTS
2525 L STREET, SACRAMENTO, CALIFORNIA**

“Effective Date”	April ___, 2018
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Agency and Borrower execute these Escrow Instructions as of the Effective Date. This document, including attachments and any amendments and additions, shall constitute the joint escrow instructions of Agency and Borrower for the Agency loan secured by the Property.

ARTICLE I. GENERAL TERMS.

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

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

“Title Company”	Fidelity National Title Company			
	Address:	2150 John Glenn Drive, Suite 400, Concord, CA 94520		
“Escrow” with Title Company	Escrow Number:	FSSE-0101600118 KA	Attention:	Kristi Adan
“Agency”	Sacramento Housing and Redevelopment Agency			
	Address:	801 12 th Street, Sacramento, CA 95814		
	Attention:	Anne Nicholls		
“Borrower”	Mercy Housing California 80, L.P.			
	Address:	c/o Mercy Housing California, 1360 Mission Blvd., Suite 300, San Francisco, CA 94103		
	Attention:	Stephan Daues		
“Closing Date”	April 20, 2018 or as it may be extended.			
“Property”	Address:	2525 L Street, Sacramento, CA	APN:	007-0104-019
Description of the transaction	The Agency is making a new acquisition, construction and permanent financing loan to a property against which there are existing loans to be assigned to and assumed by the new owner so that the property can be completely renovated. This loan will close simultaneously with senior financing and will be subordinate to such senior financing. A regulatory agreement pursuant to this loan will be recorded against the Property.			

“Recorded Documents”- The following documents are to be recorded in the order listed (top being first in priority). Copies of the Recorded documents are attached.	Documents: <ol style="list-style-type: none"> 1. Second Amendment to Owner Participation Agreement 2. Amended and Restated Deed of Trust and Assignment of Rents and Substitution Trustee (1993 Loan 1) 3. Amended and Restated Deed of Trust and Assignment of Rents and Substitution Trustee (1993 Loan 2) 4. Grant Deed (provided by Mercy Housing’s counsel) 5. Assignment, Acknowledgement and Acceptance of Agreement containing Covenants Affecting Real Property 6. Assignment, Acknowledgement and Acceptance of Regulatory Agreement with Rental and Resale Restrictions 7. Assignment and Assumption Agreement regarding loans per Owner Participation Agreement 8. Low and Moderate Income Housing Fund Regulatory Agreement for Residential Property and Declaration of Restrictive Covenants Affecting Real Property 9. HOME Regulatory Agreement for Residential Property and Declaration of Restrictive Covenants Affecting Real Property 10. Deed of Trust and Assignment of Rents 	Marked for return to: Sacramento Housing and Redevelopment Agency 801 12th Street – 4 th Floor Sacramento, CA 95814 Attention: Anne Nicholls
“Agency Items”	Promissory Note for subject loan Loan Agreement for the subject loan Authorizing resolutions for all Borrower signatories	
“Borrower Items”	conformed copies of the recorded documents.	

“Special Provisions”:	Title Policy shall, in addition to customary endorsements, bear the following endorsements: ALTA 101.1 Mechanic’s Lien Endorsement for the Regulatory Agreement - CLTA 124.1
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“Agency Title Policy” in the form of an ALTA Agency’s Policy insuring that the following are valid liens against the property:	Documents:	Coverage amount:	
	<ol style="list-style-type: none"> 1. Regulatory Agreement for Residential Property and Declaration of Restrictive Covenants Affecting Real Property 2. Deed of Trust and Assignment of Rents 	In the amount of the loan secured: Two Million Five Hundred Forty-Seven Thousand Dollars and No Cents (\$2,547,000.00)	
The title policies shall be subject only to the following “Conditions of Title”:	As listed on the pro forma title policy to be approved by the Agency.	Dated:	TBD
		Number:	FSSE-0101600118 KA

THE PARTIES HAVE EXECUTED THESE ESCROW INSTRUCTIONS in Sacramento, California as of the Effective Date.

BORROWER: MERCY HOUSING CALIFORNIA 80, L.P., a California limited partnership

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

By: Florin Housing Corporation,
a California nonprofit public benefit corporation
its general partner

By: _____
LaShelle Dozier, Executive Director

By: _____
Stephan Daues, Vice President

ARTICLE II. INSTRUCTIONS

1. **CLOSING DATE.** Escrow shall close on or before the Closing Date as it may be changed from time to time by written agreement of Borrower and Agency.
2. **CONDITIONS TO CLOSE OF ESCROW.** “Close of Escrow” means the fulfillment of the Escrow terms and conclusion of the Escrow, including, without limitation, the execution of unexecuted documents, the recordation of documents specified for recording, the issuance of title insurance policies, the payment of fees and the delivery of funds and documents as directed in the escrow instructions for the Escrow. The Close of Escrow shall occur on the Closing Date.

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

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

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

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

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

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

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

2.2. **TRUST DEED FORM.** If no exhibit setting out the form of the Trust Deed form is attached, the Title Company shall draw the Trust Deed on the Title Company’s Long Form Deed of Trust. Title Company shall assure that the Trust Deed includes a standard clause giving Agency the option to accelerate the Loan upon the sale, conveyance, transfer or further encumbrance of the Property, whether voluntary or involuntary. Title Company shall also affix the following provision to the Trust Deed and incorporate it in the Trust Deed by reference:

“The Loan Agreement requires the filing of the “Regulatory Agreement” that is defined in the Loan Agreement. The Regulatory Agreement contains covenants running with the land and is recorded against the Property. If Developer does not comply with the requirements of the Regulatory Agreement and fails to come into compliance with the Regulatory Agreement within thirty (30) days after Agency’s written notice to Developer of such failure, the principal balance of the Loan shall, at Agency’s option, be immediately due and payable, together with all unpaid interest at the stated rate from the date of the advancement of the Loan’s proceeds.”

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

2.3.1. Assure fulfillment of the Special Provisions;

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

2.3.3. Obtain full execution of all unexecuted documents;

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

2.3.5. Record the Recorded Documents in the priority listed;

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

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

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

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

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

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ACCEPTANCE OF ESCROW INSTRUCTIONS

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

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

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

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

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

Dated: _____

TITLE COMPANY
FIDELITY NATIONAL TITLE COMPANY

By: _____

Name: _____

Title: _____
Its authorized agent and signatory

VILLAGE PARK APARTMENTS ACQUISITION, CONSTRUCTION AND PERMANENT LOAN AGREEMENT

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

1. **LOAN.** The Lender is making the Loan pursuant to the terms and conditions of this Loan Agreement. Lender and Borrower have entered this Loan Agreement as of the Effective Date.
2. **DEFINITIONS TABLES.** The capitalized terms in this Loan Agreement shall have the meanings assigned in the following Definitions Tables and in Section 3 Definitions. Terms being defined are indicated by quotation marks. 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"	April __, 2018	Being the date as of which this Loan Agreement shall be effective.
"LENDER"	The following public agency that is making the Loan, and whose legal status and address are:	
Name	Sacramento Housing and Redevelopment Agency	
Legal Status	A public body, corporate and politic	
Principal Address	801 12th Street, Sacramento CA 95814	
"BORROWER"	The borrower of the Loan funds whose name, legal status and address are:	
Name	Mercy Housing California 80, L.P.	
Legal Status	A California limited partnership	
Principal Address	c/o Florin Housing Corporation, 1360 Mission Street, Suite 300, San Francisco, CA 94103	
"LOAN"	The Loan made by this Loan Agreement.	
"LOAN COMMITMENT"	Lender's loan commitment, made by letter dated as of	May 9, 2017
"LOAN PROGRAM"	Lender's Loan Program, commonly known as	HOME
"LOAN AMOUNT"	One Million Twenty Two Thousand Dollars and No Cents (\$1,022,000.00)	
"INTEREST RATE"	The interest rate is 3% per year, simple interest.	
"PAYMENT START DATE"	The payment shall be in lump sum on the Maturity Date.	
"MATURITY DATE"	The first day of the 684th calendar month following the Effective Date.	
"PAYMENT SCHEDULE"	<p>Payments shall be deferred from the Loan's Effective Date through the first 683 months. Beginning in month 684, full payment shall be applied to unpaid principal and interest on the loan. Early payments are not penalized.</p> <p>At permanent loan conversion evidenced by repayment in full of the construction loan, Borrower shall submit to Lender a cost certification prepared by a qualified, independent auditor acceptable to Lender. The cost certification shall indicate the amounts actually spent for each item in the cost breakdown and shall indicate the final sources of funding. If there is an aggregate savings, in the total of all such cost breakdown items from the cost breakdown items in the original budget approved by the Lender, after adjusting for any decrease in any funding source including any loss of any equity investment due to an adjustment in the allowable tax credits, the Borrower shall seek Lender approval for Project-related use(s) of said aggregate savings. The Lender shall respond within 15 days to such request for approval. Upon receipt of such consent, the Borrower shall complete the Project-related use(s) in a 90 day period, with option to extend upon mutual agreement.</p>	
"BORROWER EQUITY"	Eight Million Eight Hundred Six Thousand Two Hundred Seventy Dollars and No Cents (\$8,806,270.00)	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.
	Three Hundred Twenty Six Thousand Six Hundred Forty Five Dollars and No Cents (\$326,645.00)	Which is Borrower's non-cash contribution to the Project (such as deferred Developer fees).
"SPECIAL TERMS"	Payment shall be deferred through the 683rd month.	

“PROJECT”	Which is the Project to be developed on the Property with the Loan funds, described as:	Village Park Apartments is an existing affordable development located in the Del Paso Heights area and its tax credit compliance period ended in 2008. Built in 1993, the project will involve the rehabilitation of 50 units consisting of 17 two-bedroom, 19 three-bedroom and 14 four-bedroom units, management office, parking for 89 vehicles, perimeter fence and gates, and security cameras. The existing community room will be expanded by a 1,000 square foot addition and includes a kitchen and restroom. The development is comprised of 10 garden-style buildings and a detached community building.
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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	350 Morey Avenue, Sacramento, CA 95838		
Assessor’s Parcel Number	250-0342-020-0000		
“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”	Fidelity National Title Company	Which is the title company that will issue the Title Policy and that will act as Escrow Agent for the Escrow.
“Escrow”	The escrow with Escrow Agent.	
“Closing Date”	April 20, 2018	Which is the date for close of the Escrow, as it may be extended.

D. “LIST OF EXHIBITS” (The following are attached and incorporated in this Loan Agreement):	
EXHIBIT	DEFINED TERM
<u>Exhibit 1: Legal Description</u>	“Legal Description”
<u>Exhibit 2: Scope of Development</u>	“Scope of Development”
<u>Exhibit 3: Note Form</u>	“Note”
<u>Exhibit 4: Trust Deed Form</u>	“Trust Deed”
<u>Exhibit 5: Regulatory Agreement</u>	“Regulatory Agreement”
<u>Exhibit 6: Escrow Instructions</u>	“Escrow Instructions”

E. “APPROVAL DOCUMENTS” Borrower shall submit the following documents for Lender approval:	
Bullard, Inc. Construction Agreements for the Project	
Anders & Falltrick Architects Agreements 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”	April 30, 2020	Which is the date on or before which the Completion of the Project must occur.	
“General Contractor”	Bullard, Inc.	Which is the general contractor for construction of the Project.	
“Project Architect”	Anders & Falltrick Architects	Which is the general contractor for construction of the Project.	
“Retention”	The following 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 disbursement:	Not Applicable
		Percentage of Loan:	Ten Percent (10%)

H. “SPECIAL PROVISIONS” The following special provisions shall be in addition to the provisions of this Loan Agreement:	
1. Loan Funds: Loan funds shall be used solely for actual costs of Property acquisition and for Project construction, not to exceed the Loan Amount. 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.	
2. Property Management Company: Mercy Housing Management Group is approved by the Lender as “Property Manager” for the Property and Project.	

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

3.1. “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 (CCR) § 15002(c).

3.2. “Budget” is the budget approved by Lender for the development of the Project.

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

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

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

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

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

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

3.9. "Event of Default" is breach of or default in a party's obligations under this Loan Agreement, the Trust Deed, the Regulatory Agreement, the Note 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 financial statements of Borrower (and any other persons on whose financial capacity the Lender has relied in making this Loan) as may be required by Lender from time to time, including operating statements, balance sheets, and any other financial reports and information that Lender may require.

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

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

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

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

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

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

3.17. "Loan Documents" means the Note, this Loan Agreement, the Security Documents, and all other documents (including guaranties) 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. "Other Lender Draw" means a draw request or other request for disbursement submitted to another lender for the Project.

3.23. "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.

3.24. “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.

3.25. “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.

3.26. “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.

3.27. “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.

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

3.29. “Trust Deed” means Deed of Trust and Assignment of Rents.

3.30. “Unavoidable Delay” is a delay in the performance by a party of any obligation which delay is unforeseeable and beyond the control of such party and without its fault or negligence. Unavoidable Delay shall include acts of God, acts of the public enemy, acts of the Federal Government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, and unusually severe weather (as for example, floods, tornadoes, or hurricanes) or delays of subcontractors due to such causes. In the event of the occurrence of any such enforced delay, the time or times for performance of such obligations of the parties shall be extended for the period of the enforced delay, as determined by the 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 the Definitions, is qualified to do business in California, and has full power to consummate the transactions contemplated.

4.2. **BORROWER'S POWERS.** Borrower has full authority to execute this Loan Agreement, the Note, the Trust Deed, the Regulatory Agreement 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, the Regulatory Agreement 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 the Borrower or any of its general partners is a party or by which it or they or the Property may be bound or affected.

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

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

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

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

4.10. **USE OF PROCEEDS.** All Loan Proceeds will be disbursed as provided in this Loan Agreement and used only for payment of the costs of 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 the 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. **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.

5.1. **PRINCIPAL AMOUNT.** The principal amount of the Loan shall be the actual disbursements of the 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.

5.2. **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.

5.3. **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.

5.4. **SUBORDINATION.** 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.

5.5. **NOTE AND SECURITY DOCUMENTS.** The Loan is to be evidenced by the Note executed by Borrower in favor of Lender and delivered to Lender upon Close of Escrow. Repayment of the Note is to be 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.

5.6. **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.

5.7. **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.

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

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

6.1. **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.

6.2. **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) the closing conditions as defined in the Escrow Instructions have been fulfilled as of Close of Escrow; (c) Borrower's representations and warranties in this Loan Agreement are true and correct as of the Close of Escrow; (d) the Agreement continues to be in full force and effect, no default on the part of Borrower has occurred under the Loan Agreement, and no event has occurred that, with the giving of notice or the passage of time, will constitute a default by Borrower under the Loan Agreement; and (e) Lender has approved the Approval Documents.

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

7. **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 the Lender approved relocation plan and 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 7 or the relocation plan prepared 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 7 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.

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

7.2. **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.

7.3. **BORROWER AS RELOCATION AGENT.** With the approval of Lender, Borrower may act as Lender's agent in accomplishing such relocation. Lender and Borrower by memorandum in writing shall establish their respective duties related to such relocation. If Lender and Borrower agree that Borrower will act as Lender's agent for purposes of this Loan, Borrower may enter into agreements for the provision of relocation services, or Borrower may perform such services directly. Borrower shall, by provisions in its agreements or by direction to its staff, assure that the entity performing the

relocation services: (a) shall comply with all applicable law; (b) shall fully inform Lender of all relocation activities; (c) shall make all requests for direction or clarification to Lender; and (d) shall respond to and follow the Lender's instruction and direction.

8. **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.

8.1. **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.

8.2. **CONTRACTORS AND CONTRACTS.** 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 let by Borrower or its contractors relating to the Project will require them to disclose to Lender information sufficient to make such verification.

8.3. **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.

8.3.1. **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 the Agency setting forth the provisions of this nondiscrimination clause.

8.3.2. **ECONOMIC OPPORTUNITY EMPLOYMENT REQUIREMENTS.** The contract 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 and comply with the following:

- i. The work to be performed under this Contract is on a project assisted under a program providing direct federal financial assistance from the Department of Housing and Urban Development and is subject to the requirements of Section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. 1701u. Section 3 requires that to the greatest extent feasible, opportunities for training and employment be given to lower income residents of the project area and contracts be awarded to business concerns which are located in, or owned in substantial part by persons residing in, the area of the project.
- ii. The parties to this Contract will comply with the provisions of said Section 3 and the regulations issued pursuant thereto by the Secretary of Housing and Urban Development set forth in 24 CFR 135, and all applicable rules and orders of the Department issued thereunder prior to the execution of this Contract.
- iii. The Contract requires that to the greatest extent feasible, opportunities for training and employment be given to lower income residents of the project area.

iv. The parties to this Contract certify and agree that they are under no contractual or other disability which would prevent them from complying with these requirements.

v. Contractor will send to each labor organization or representative of workers with which he has a collective bargaining agreement or other contract or understanding, if any, a notice advising the said labor organization or workers' representative of his commitments under this Employment Clause and shall post copies of the notice in conspicuous places available to employees and applicants for employment or training.

vi. Contractor will include this Employment Clause in every subcontract for work in connection with the project .

vii. Each Contractor or subcontractor undertaking work in connection with a Section 3 covered project must fulfill his obligation 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 Section 3 covered project;

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

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

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

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

8.3.3. **ADVERTISING.** Borrower will, in all solicitations or advertisements for employees placed by or on behalf of the 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.

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

8.4. **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 the 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.

8.5. **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.

8.5.1. 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.

8.5.2. 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.

8.6. **PAYMENT AND PERFORMANCE BONDS.** As a condition precedent to beginning construction of the Project, the Borrower shall provide the Lender a performance bond and a labor and material payment bond obtained by Borrower or its general contractor in favor of the Borrower and Lender as named dual obligees, in form and amount as approved by the 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 the Lender, if such change or payment could release the surety of its obligations under the bonds.

8.7. **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.

8.8. **OTHER LENDER DRAW.** 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 Other Lender Draw and shall not accept and shall return any disbursement on account of such Other Lender Draw.

8.8.1. **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.

8.8.2. **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

8.9. **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.

9. **PREVAILING WAGES.** In accordance with Labor Code Section 1720(c)(5)(E)), so long as the public subsidy for the Project consists of below market rate loans, and the Project restricts occupancy on at least 40% of the units for at least 20 years to individuals or families earning no more than 80% of the area median income, the Project is not subject to prevailing wages. Borrower represents to the Lender that Borrower has obtained no public subsidy for the Project that does not meet such criteria. If Borrower obtains other non-qualifying public subsidy, Borrower shall pay prevailing wages for the Project. Therefore, Borrower indemnifies, holds harmless and defends the Lender from all additional wages, benefits, fees, penalties, fines, legal fees, court costs, arbitration costs, and other costs arising from the improper application of California prevailing wage laws to the Project by Borrower or General Contractor or both of them. If more than eleven (11) units are assisted with HOME funds as the Funding Source (as indicated in the Regulatory Agreement), Borrower shall comply with Davis-Bacon prevailing wage requirements as described in the Federal Requirements.

10. **LOAN DISBURSEMENT PROCEDURES.**

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

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

10.1.2. 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 other than the liens included on the Title Policy and approved by Lender 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 and any [other lenders with an interest in the Property](#).

10.1.3. 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.

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

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

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

10.2. **CONDITIONS PRECEDENT TO FIRST DISBURSEMENT.** Borrower's request for the first Loan 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 loan disbursement under this Loan Agreement when the following conditions precedent and the conditions precedent stated in Section 10.1 have been met:

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

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

10.2.3. 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.

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

10.2.5. 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.

10.2.6. 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.

10.2.7. Borrower must request 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

10.3. 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 10.1 have been met:

10.3.1. As applicable, the Project Architect and the 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.

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

10.3.3. 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.

10.3.4. 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.

10.3.5. 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 or building permit sign offs by the Building Department of the City of Sacramento for all of the Project;
- c. All other permits and approvals necessary for the 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.

10.3.6. 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.

10.3.7. 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.

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

10.3.9. Borrower has submitted to Lender a final cost certification prepared by a CPA.

10.3.10. 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.

10.3.11. Borrower must provide Lender with the Minority Business Enterprise (MBE) and Women's Business Enterprise (WBE) report. The MBE and WBE report to be completed by the Borrower shall be provided by the Lender in template form.

10.4. 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 10.1. 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.

10.5. 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.

11. RESIDENTIAL OPERATIONS.

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

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

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

consent will not be unreasonably withheld or delayed; provided, however, that such consent shall not be required to extend the term of an existing management agreement.

11.2. REPLACEMENT RESERVES. After completion of construction, 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, not less than Five Hundred Dollars and no cents (\$500) annually for each residential unit in the Project.

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

11.4. 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.

11.5. 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 on-site resident services will be provided for a minimum of 24 hours per week, including eight (8) hours of an on-site resident service coordinator, twelve (12) hours of after school programs, and four (4) hours of education and enrichment programs; (3) a description of the services to be provided; and (4) a resident services budget.

11.6. SMOKE FREE ENVIRONMENT. At least 50% of the buildings and no less than 50% percent of the residential units must be smoke free. Additionally, all indoor common areas must be smoke free.

12. DEFAULT.

12.1. 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:

12.1.1. The occurrence of an Event of Default under the Trust Deed or the Regulatory Agreement, subject to any cure periods provided for therein.

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

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

12.1.4. 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.

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

12.1.6. 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.

12.1.7. 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.

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

13. **REMEDIES.**

13.1. **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:

13.1.1. Terminate its obligation to make disbursements.

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

13.1.3. 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.

13.1.4. 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.

13.1.5. 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.

13.2. **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.

13.3. **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.

13.4. **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.

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

14.1. LIABILITY INSURANCE POLICY LIMITS. Borrower shall obtain all insurance under this Section 14 written with a deductible of not more than Ten Thousand Dollars (\$10,000) or an amount approved by Lender, and for limits of liability which shall not be less than the following:

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

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

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

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

14.6. 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:

14.6.1. ADDITIONAL INSURED. Borrower shall obtain a policy in ISO form CG 20 33, or equivalent, naming Lender as additional insured under the Commercial General Liability Policy at the same limits as required in section 14.3, above.

14.6.2. SINGLE PROJECT INSURANCE. It is the intent of the parties that the Project have available all the specified insurance coverages. Borrower shall not provide insurance coverages that are considered in aggregate with other

Projects which Borrower or its General Contractor might have concurrently under construction. The Lender may at its discretion permit an aggregate policy if and only if Borrower or the respective General Contractor or subcontractor has fully disclosed to Lender other projects which will or may be considered in aggregate with the Project, and thereafter, Borrower shall immediately inform Lender of the change in or addition to any such projects. Nevertheless, Lender may, at any time require that the insurance coverage be provided solely for the Project.

14.6.3. **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 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.

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

_____**Borrower's Initials**

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

14.8. **BLANKET COVERAGE.** Borrower's obligation to carry insurance as required under this Section 14 may be satisfied by coverage under a "blanket" policy or policies of insurance (as the term is customarily used in the insurance industry); provided, however, that the Lender shall nevertheless be named as an additional insured under such blanket policy or policies to the extent required by this Section, the coverage afforded the Lender will not be reduced or diminished thereby, and all of the other requirements of this Section 14 with respect to such insurance shall otherwise be satisfied by such blanket policy.

15. MISCELLANEOUS.

15.1. **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.

15.2. **CURE BY PARTY OTHER THAN BORROWER.** Any lender whose loan is secured by the property and any principal or limited partner of Borrower 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.

15.3. **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 this Deed of Trust such proportion of the proceeds as is equal to that proportion which the amount of the sums secured by this Deed of Trust 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. Notwithstanding anything herein to the contrary, so long as the value of Lender's lien is not impaired, any condemnation proceeds may be used by Borrower for repair and/or restoration of the Premises.

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 this Deed of Trust.

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

15.4. SUBORDINATION. Lender will subordinate this Loan to the senior loan, provided that the senior loan for the Project indicated in the Budget meets all requirements of this Loan Agreement, and that the senior loan does not require modification of this Loan Agreement, Lender's execution of any agreements containing new or modified Loan terms or Lender's execution of any agreement creating a contractual relationship between Lender and the senior lender including obligations or liabilities between Lender and the senior lender.

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

15.6. 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.

15.7. FINANCIAL STATEMENTS. Borrower shall provide Financial Statements when requested by Lender, but in any event not more often than quarterly during construction of the Project or annually, thereafter. Borrower shall assure that Financial Statements are prepared in accordance with generally accepted accounting principles. If requested by Lender as reasonably necessary to assure the security of its Loan, Borrower shall provide Financial Statements prepared or reviewed by a licensed Certified Public Accountant or Public Accountant and fully reflecting the assets and liabilities of the party concerning whom they were prepared.

15.8. 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.

15.9. 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 the Construction Account or the Impound Account, if established.

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

15.11. 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.

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

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

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

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

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

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

15.12. **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 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.

15.13. **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.

15.14. **ASSIGNMENT.** The terms of this Loan Agreement will be binding on and inure to the benefit of successors and assigns of the parties. However, Borrower shall not assign this Loan Agreement or any interest it may have in the monies due or, except as otherwise provided, convey or encumber the Property without the prior written consent of Lender to a party other than a general partner or managing member of Borrower or a single asset entity wholly owned and controlled by Borrower or a general partner or managing member of Borrower. However, if there is an assignment, conveyance, or encumbrance, Lender may nevertheless at its option continue to make disbursements under this Loan Agreement to Borrower or to those who succeed to Borrower's title, and all sums so disbursed will be deemed to be disbursements under this Loan Agreement and not modifications, and will be secured by the Trust Deed. 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.

15.15. **ACCELERATION ON TRANSFER OR REFINANCING OF THE PROPERTY; ASSUMPTION.** Except as otherwise provided in the Loan Agreement, if all or any part of the Property or an interest in the Property is sold, 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 this Deed of Trust to be immediately due and payable. Lender shall have waived such option to accelerate if, prior to the refinancing, sale or transfer, Lender and the person to whom the Property is to be sold or transferred reach agreement in writing that the loan may be assumed. If Lender has waived the option to accelerate provided in this Section and if Borrower's successor in

interest has executed a written assumption agreement accepted in writing by Lender, Lender shall release Borrower from all obligations under this Deed of Trust and the Note. Notwithstanding anything herein to the contrary, Lender acknowledges and agrees that Borrower shall have the right to refinance the senior loan without penalty.

15.16. **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.

15.17. **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 except to the extent caused by the negligence or misconduct of Lender. 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.

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

15.18.1. 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.

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

15.18.3. 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.

15.19. **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.

15.20. **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.

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

15.22. **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.

15.23. **LOAN EXPENSES.** In making the first disbursement, Lender may, at its option, deduct from the proceeds of that disbursement a sum equal to the aggregate of the following, to the extent Lender has knowledge of it and demand has been made on Lender at the time of the deposit: all expenses specifically incurred in connection with the Loan or the preparation, execution, and delivery of the Loan Documents, including, but not limited to, recording costs and expenses,

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

15.24. **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.

15.25. **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.

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

15.27. **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.

15.28. **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.

15.29. **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.

15.30. **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 active negligence, sole 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.

15.31. **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.

15.32. **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.

15.33. **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.

15.34. **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.

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

15.36.

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

BORROWER :
MERCY HOUSING CALIFORNIA 80, L.P. a California
limited partnership

By: Florin Housing Corporation,
a California nonprofit public benefit corporation
its general partner

By: _____
Stephan Daues, Vice President

Date: _____

LENDER:
SACRAMENTO HOUSING AND REDEVELOPMENT
AGENCY, a joint powers agency

By: _____
La Shelle Dozier, Executive Director

Date: _____

Approved as to form:

Lender Counsel

Exhibit 1: Legal Description

For APN/Parcel ID(s): 250-0342-020-0000

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

Lot 38, as shown on the "Plat of Oak Knoll", recorded in Book 11 of Maps, Map No. 20, records of Sacramento County, California.

Village Park

Village Park has a total of 50 units. They are housed in nine (9) two-story apartment buildings containing 47 units and a single-story building containing three (3) apartment units. Each building is a conventional wood-framed structure and has wood stud-framed exterior and interior bearing walls, which support the upper floor and roof diaphragms. The property also has a single story rental office/community room building. The site area is approximately 4.08 acres. New construction of the property was originally completed in 1993. On site amenities include two children's playgrounds and a community room. Parking is provided for 87 cars for residents. The parking ratio is 1.76 spaces per apartment unit. Carports shelter fifty of the parking stalls. The remaining thirty-two stalls are located in open lots.

The rehabilitation will improve both the exterior and interior of the project. All major systems will be updated to ensure a 15-year useful life, recreational space with amenities will be increased, landscaping and irrigation will be improved, ADA improvements will be made throughout the site and in ADA units, and increase the small existing community room/office with a 1,000 sf addition (new construction). The Borrower shall comply with the Lender's Minimum Construction Standards (Attachment 1).

I. Building Exteriors

1. Landscaping:

- a. Trees shall be evaluated by an arborist and trimmed/removed according to the Arborist Report dated March 6, 2017. Any tree trimming or tree removal will either occur outside the nesting season for nesting birds and raptors (nesting season is February 1 to August 1), or a qualified biologist will survey the trees for nesting birds and raptors prior to trimming or removal. The survey for nesting birds and raptors must be provided to the Lender.
- b. The landscaping irrigation system is malfunctioning. The irrigation system will be upgraded with a weather sensitive smart controller.
- c. Borrower will comply with arborist report, dated March 6, 2017, regarding tree removal and pruning.
- d. Borrower will implement Lender-approved Landscape Plan dated March 6, 2017 (Plan); which includes wood chips or similar groundcover to a depth of 3 inches, and soil adjacent to walkways/curbs will be regraded to ensure the finish grade is below the surface of the walkways/curbs. Any modifications to this Plan must be submitted to Lender for final approval.
- e. Garden area for tenants - incorporated in landscape design.

2. Reports PRIOR to Start of Construction (Pests, Dry Rot and Sewer):

- a. Provide updated pest report and dry rot investigation prior to construction.
- b. Video sewer units with sewer issues and provide report prior to construction.

3. Parking Lot:

- a. Parking areas are replete with failures and deterioration, such as alligator cracking and potholes, throughout the site. The entire pavement system will be patched and overlaid with new asphalt.
- b. The parking area will be upgraded to include 2 additional disabled space provided and a van accessible disabled parking stall.
- c. Remove one of the three speed bumps in each cluster.

4. Path of Travel:

- a. All associated paths of travel shall be upgraded to current code.
- b. Settlement and uplifting has caused the concrete walkways to become damaged and cracked; these will be removed replaced and repaired.
- c. All ADA walkways will be brought up to current code.

5. Lighting:

- a. The existing site lighting will be upgraded to energy efficient LED lighting.
- b. Existing light poles will either be replaced or painted.

6. Security Gates:

- a. The mechanical automobile security gates will be replaced and updated to current code.
- b. Update Access Control to man-gates along perimeter of the property.
- c. Pedestrian gates will be to code.

7. Fencing: Exterior perimeter wrought iron fencing shall be painted/repared/replaced.

8. Security Cameras:

- a. New Security Cameras throughout site and at community buildings will be installed.
- b. Security cameras will view and record common areas and all access points, including, but not limited to the driveway and pedestrian gates.

9. Site Structures and Accessories:

- a. All site structures and accessories (including mailbox kiosk; trash enclosures; access control posts; Maintenance shop; bollards; etc.) shall be painted.
- b. All site structures (including mailbox kiosk; Maintenance shop; etc.) shall have the roofing replaced.

10. Trash Enclosures:

- a. Trash enclosures gates and frames shall be replaced.
- b. Trash enclosures near ADA units will be accessible.
- c. Trash enclosures may be enlarged or a trash enclosure may be added to allow for recycling.

11. Signage: Replace all site signage.

12. Roof:

- a. Several areas of deteriorated roof sheathing will be removed and replaced.
- b. Roof flashing to be replaced.

13. Windows: Buildings aluminum dual pane windows will be replaced.

14. Stucco: The stucco building exteriors will be patched and repainted.

15. Gutters, Downspouts and Trim:

- a. The fascia gutters are failing and will be replaced.
- b. The fascia trim will also be replaced as will all of the downspouts.

16. Exterior Doors: Exterior entry doors, patio doors and screens and door hardware will be replaced.

17. Outdoor Seating: Weathered outdoor seating in the courtyard and breezeway will be replaced.

18. Removal of Chain Link Fence: Remove chain link fencing where exposed to the drive isles and replace with wood fencing.

19. HVAC: All Split system HVAC units, air handlers and condensing units will be replaced.

20. Hot Water Heaters: All hot water heaters will be replaced with energy efficient units.

II. Building Interiors

1. Windows, Patio Doors, and Screens:

- a. Existing windows and patio doors and screens will be replaced.
- b. Window coverings will be replaced.

2. Unit Entry Doors:

- a. Replace all entry doors.
- b. Update tenant unit to lever-type hardware and door knob with deadbolt that is interconnected. The door knob shall be changed out with hardware.

3. Interior Doors and Closets:

- a. Damaged interior doors will be replaced and all closet sliding doors will be replaced.
- b. Replace interior door hardware.

4. Flooring: New LVP 20 mil minimum in the entry, kitchen, dining room; new sheet vinyl in the bathrooms and laundry spaces; new carpet in the living room, hallways and bedrooms.

5. Paint: All walls and ceilings will be painted.

6. Drywall: Damaged drywall to be patched.

7. Lighting: All incandescent lights will be replaced to accommodate energy efficient bulbs.

8. Kitchen Appliances, Sinks and Hardware:

- a. Ranges and refrigerators will be replaced.
- b. Kitchen sinks and faucets will be replaced.

9. Kitchen and Bath Cabinetry:

- a. All kitchen and bath cabinetry will be replaced.
- b. Microwave shelving to be incorporated to cabinet layout.
- c. Dishwashers will be added to each unit.

10. Kitchen and Bath Countertops: Replace kitchen and bathroom countertops (granite preferred) with solid surface.

11. Bathrooms:

- a. Replace bathroom lavatories, faucets, toilets, exhaust (humidistat) fans and bath tubs.
- b. Toilets shall be low-flow (1.28 gallon per flush).

12. Electrical:

- a. Electrical subpanels will be replaced.
- b. Install one GFCI protected outlet per bathroom per code.
- c. Install one GFCI protected outlet within six feet from the sink in the kitchen per code.

13. Smoke Detectors:

- a. Smoke detectors will be replaced.
- b. Install one hard-wired smoke detector per bedroom corridor and one battery-operated smoke detector per bedroom. Install Carbon Monoxide detectors per code.

III. Community Amenities

- 1. **Playground:** New playground equipment for ages 12 and under will be installed.
- 2. **Community Room:**
 - a. The 1993 community room flooring, light fixtures, cabinets and appliances (refrigerator, oven, hood, stove, microwave, dishwasher and garbage disposal) will be replaced.
 - b. New solid countertops (granite preferred) will be installed.
 - c. A newly constructed 1,000 sf addition to the community room/office which will include a public restroom.
 - d. Updated Access Control for Community Room.
- 3. **Maintenance Shop:** Add utility sink in Maintenance shop.
- 4. **BBQ Area:** Remove brick BBQ, replace with pedestal type.

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

Attachment 1: Lender's Minimum Construction Standards

This attachment is from Exhibit 5 from the Lender's Multifamily Lending Policies.

Rev. 12/2016

EXHIBIT 5

RENTAL PROPERTY MINIMUM CONSTRUCTION STANDARDS

The following is a list of the required construction standards that must be incorporated into projects participating in the Agency's investor assistance programs. All rental units and sites associated with these projects must meet or exceed these standards.

General Requirements

- 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.
- B. A useful life of 15 years for all systems located within the approved complex. This can be met in one of two ways, installing and maintaining systems with at least a 15-year scheduled life or install, maintain and replace as needed for a period of 15 years.

Any component of a rehabilitation project whose useful life expectancy has exceeded the useful life identified in the section, "Useful Life Expectancy," shall be replaced unless waived by the Agency in writing. It is not the intent of the Agency to replace systems that appear to have some economic life remaining and appear to be maintained and functioning effectively. It is the intent of the Agency to be assured that systems will be maintained and replaced as needed for a period of 15 years. The preferred method is by replacement and maintenance at the outset of the project; and by setting aside replacement reserves sufficient to address the needs based on current and projected conditions.

- C. A clear pest inspection report will be required at the conclusion of the construction work.
- D. All materials funded under this loan must be new unless previously approved. Recycled items must be approved in writing by the Agency prior to their use.
- E. All work shall comply with Federal and State ADA accessibility requirements. When there are differences the stricter of the two shall apply. Special attention needs to be applied when federal funding is involved.
- F. For all structures built before 1979, a report of compliance with the initial certified inspection report of lead-based paint and asbestos is required.
- G. All units shall be approved for occupancy by the local building department at the conclusion of the work and prior to occupancy, if applicable.
- H. 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 common areas.
- I. Site lighting is required for all parking and outside public spaces.

Site Work

- A. All landscaping and irrigation systems must be in a well-maintained condition. Trees and large shrubs must be trimmed, grass areas must be mowed, and all planter areas must be weed-free. All landscaped areas must be served by a programmable automated irrigation system. Irrigation cannot be spraying 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 problem.
- B. All fencing must be in good and serviceable condition.
- C. All driveways and sidewalks must be in good condition. All cracked or uplifted areas (more than 1/4") determined in need of repair by the Agency shall be repaired or replaced.
- D. All projects shall meet the parking requirements of the local Agency having jurisdiction over the project. "Grandfathered Projects" will need to show that they are in fact "Grandfathered" by the Local Agency having jurisdiction. All projects shall meet the governing ADA requirements for parking.
- E. 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.

Building Envelope and Moisture Protection

- A. All wet areas must be sealed and watertight.
- B. Roofs must have 15 years or more of remaining life with no visible signs of leakage. A third layer of shingles is not allowed. Provide a 15 year certification if requested by the Agency.
- C. All siding must have 15 years or more of remaining life. Provide a 15 year certification if requested by the Agency.

Doors and Windows

- A. All 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 at least be low e, double pane energy efficient.
- B. All doors and doorjamb must be in good condition. No damaged or worn doorjamb or doors are allowed.
- C. All exterior doors must have deadbolt locks, keyed latch assemblies, viewers, and 2-inch screws in strike plates.
- 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.

Casework

- A. All cabinets shall be in very good condition both structurally and in appearance.
- B. All counter tops shall be in very good condition with no significant imperfections, scratches, burns, or other imperfections.

Finishes

- A. Floor coverings must be in good, useable condition - no holes, tears, rips, or stains.
- B. All kitchens and bathrooms must be floored in sheet goods or tile to provide a cleanable, impervious surface.
- C. 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.

Equipment

- A. All appliances must be new or in very good operating condition. All new appliances must be energy star.
- B. Dishwashers are required in all non- permanent supportive housing, disabled, SRO, and homeless projects unless a waiver has been granted by the Executive Director. Permanent supportive, disabled, and homeless projects will be encouraged to provide dishwashers in each unit but will be reviewed and approved on a case-by case basis.
- C. All kitchens must have adequate cabinet and counter space.

Furnishings

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

Special Construction

- A. Non-habitable structures on property must be painted to match primary buildings and must be structurally sound.
- B. Laundry facilities must be provided on the basis of one washer and dryer for every ten units, consistent with CTCAC requirements. If the project is more than 20 units, then 1 set of ADA accessible laundry machines must be provided.
- C. Laundry facilities must be provided on the basis of one washer dryer for every ten units, consistent with the TCAC requirements. If a project is more than 20 units, then 1 set of ADA accessible laundry machines must be provided.
- D. Public pools will have a self-closing gate. Fence and gate shall meet applicable current codes and standards. Joints between coping and concrete deck shall be appropriately caulked.

- E. In the case of new construction or substantial upgrade to existing pool, a handicap chair lift is the minimum requirement. The pool will meet applicable standards and codes.

Mechanical/Plumbing

- A. Water heaters must be in enclosures in all habitable rooms and must be insulated and have earthquake strapping and pressure relief valves with lines that terminate to the exterior.
- B. All units must have heating and air conditioning. Wall mount or central systems are acceptable. Evaporated coolers are not acceptable.
- C. All plumbing fixtures shall be new or in very good working condition.
- D. All toilets, sinks, and tubs shall be chip and stain free.

Electrical

- A. All new electrical panels must be of the breaker type. Fused disconnects must be approved by the Agency.
- B. All units must have at least one hard-wired smoke detector per bedroom corridor and a minimum of one battery-operated smoke detector per bedroom.
- C. All bathrooms must have at least one GFCI protected outlet, and tub surrounds must be a minimum of 1/8" laminated plastic.
- D. Kitchens must have all GFCI protected outlets within 6 feet of the sink.

Resident Services Community Space

All properties, regardless of project type (i.e. senior, family, or large family), must devote space to actual resident services in the following minimum amounts:

Less than 100 units: 12 s.f. per unit (but no less than 400 s.f. in total)
100 units and over: 1,200 s.f.

Resident services space includes common kitchens, computer rooms, meeting rooms and general gathering space. It does not include public restrooms, leasing offices, laundry facilities and lobbies.

Useful Life Expectancy

A useful life expectancy list has been established and is available upon request to benchmark the lives of certain components on a multifamily site.

End of Scope of Development

PROMISSORY NOTE
FOR VILLAGE PARK APARTMENTS
ACQUISITION, CONSTRUCTION AND PERMANENT LOAN AGREEMENT

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

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

DEFINED TERM:	DEFINITION:	
“Effective Date”	March __, 2018	
“Lender”	Sacramento Housing and Redevelopment Agency	
“Borrower”	Mercy Housing California ##, L.P.	
“Borrower Legal Status”	limited partnership	
“Loan Agreement”	The Loan Agreement between the Borrower and Lender as of the Effective Date for making of the loan (“Loan”) evidenced by this Note.	
“Principal Amount”	One Million Twenty-Two Thousand Dollars and No Cents (\$1,022,000.00)	
“Interest Rate”	The interest rate is 3% per year, simple interest.	
“Accrual Date”	Interest shall accrue starting on the following “Accrual Date”:	The Effective Date
“Special Terms”	<p>Payments shall be deferred from the Loan’s Effective Date through the first 683 months. Beginning in month 684, full payment shall be applied to unpaid principal and interest on the loan. Early payments are not penalized.</p> <p>At permanent loan conversion evidenced by repayment in full of the construction loan, Borrower shall submit to Lender a cost certification prepared by a qualified, independent auditor acceptable to Lender. The cost certification shall indicate the amounts actually spent for each item in the cost breakdown and shall indicate the final sources of funding. If there is an aggregate savings, in the total of all such cost breakdown items from the cost breakdown items in the original budget approved by the Lender, after adjusting for any decrease in any funding source including any loss of any equity investment due to an adjustment in the allowable tax credits, the Borrower shall seek Lender approval for Project-related use(s) of said aggregate savings. The Lender shall respond within 15 days to such request for approval. Upon receipt of such consent, the Borrower shall complete the Project-related use(s) in a 90 day period, with option to extend upon mutual agreement.</p>	
PAYMENT SCHEDULE. Repayment of this Note shall be made the following amounts:		
“Maturity Date”	The first day of the 684th calendar month following the Effective Date.	
“Payment Start Date”	The payment shall be in lump sum consisting of all principal and accrued interest on the Maturity Date.	
“Payment Amount(s)”	The unpaid balance of the Loan, including without limitation principal and interest, shall be all due and payable on the Maturity Date, including without limitation all unpaid principal, interest, fees and charges.	

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

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

Agreement are incorporated in this Note by reference. The Loan Agreement provides for and incorporates the Regulatory Agreement ("Regulatory Agreement"), the making of which is further consideration for this Note.

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

2. If any installment under this Note is not received by Lender within fifteen (15) calendar days after the installment is due, Borrower shall pay to Lender a late charge of five percent (5%) of such installment. Such late charge shall be immediately due and payable without demand by Lender.
3. This Note is secured by a Deed of Trust with Assignment of Rents against the real property described in the Loan Agreement ("Property"), recorded in the office of the County Recorder of Sacramento County ("Trust Deed"). The Trust Deed securing this Note provides that Lender may at its option, declare all funds secured by the Trust Deed immediately due and payable, if any interest in the real property is sold, transferred or conveyed to any person, whether voluntarily or involuntarily, except as provided for in Section 15.14 of the Loan Agreement. The Trust Deed further provides that if Borrower does not comply with the requirements of the Regulatory Agreement and fails to come into compliance with the Regulatory Agreement within thirty (30) days after Lender's written notice to Borrower of such failure, Lender may at its option, declare all funds secured by the Trust Deed immediately due and payable.
4. Lender and Borrower shall comply with and fulfill the Special Terms.
5. Upon occurrence of any one or more of the following, Lender may, at its sole discretion, declare all unpaid principal immediately due and payable, together with all unpaid interest at the stated rate from the date of the advancement of the Loan's proceeds, subject to applicable cure periods, if any:
 - a. Borrower defaults in the payment of any principal or interest when due.
 - b. Lender discovers that Borrower, in any application to Lender in connection with the Loan, had failed to disclose or misrepresented any fact that would have prevented Borrower from being eligible for the Loan.
 - c. Lender discovers that Borrower has made any misrepresentations or has intentionally withheld any fact in the making of this Loan, the knowledge of which could have affected the decision of Lender to make the Loan.
 - d. Borrower defaults or breaches any of the terms of Loan Agreement, the Trust Deed, the Regulatory Agreement or this Note after expiration of all applicable cure period, and if no cure period is states, then Borrower shall have a period of not less than ten (10) days to cure.
 - e. Borrower fails to perform any covenant, term or condition in any instrument creating a lien upon the Property which is the security under the Trust Deed, or any part thereof, which lien shall have priority over the lien of the Trust Deed securing this Note, subject to applicable notice and cure rights.
 - f. The sale, transfer of title, conveyance or further encumbrance of the Property, whether by sale, exchange, gift, inheritance or other means, without prior written consent of Lender.
 - g. The occurrence of any of the following:
 - 1) Borrower becoming insolvent or bankrupt or being unable or admitting, in writing, Borrower's inability to pay debts as they mature or making a general assignment of or entering into any restructure payment arrangement with creditors.
 - 2) Proceedings for the appointment of a receiver, trustee or liquidator of the assets of Borrower or a substantial part of such assets, being authorized or instituted by or against the Borrower.
 - 3) Proceedings under any bankruptcy, reorganization, readjustment of debt, insolvency, dissolution, liquidation or other similar law of any jurisdiction being authorized or instituted against Borrower.
6. No waiver of any default or breach by Borrower under this Note shall be implied from any omission by Lender to take action on account of such default, and no express waiver shall affect any default, other than the default specified in the waiver. Such waiver shall be in writing and shall be operative only for the time and to the extent therein stated.
7. Borrower may prepay this Note in full or in part at any time, without any prepayment penalty being charged by Lender.

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

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

9. By acceptance of this Note, Lender hereby agrees that any cure made or tendered by a limited partner of Borrower under the terms of this Note shall be deemed to be made by the Borrower and shall be accepted or rejected on the same basis.

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

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

BORROWER:

MERCY HOUSING CALIFORNIA 80, L.P. a California limited partnership

By: Florin Housing Corporation,
a California nonprofit public benefit corporation
its general partner

By: _____
Stephan Daues
its Vice President

Date: _____

Exhibit 4: Trust Deed Form

NO FEE DOCUMENT:

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

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

DEED OF TRUST AND ASSIGNMENT OF RENTS
Village Park Apartments

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

TERM	DEFINITION	
“Effective Date”	April __, 2018	
“Trustor” and “Borrower”	Mercy Housing California 80, L.P., a California limited partnership	
“Borrower Address”	c/o Florin Housing Corporation, 1360 Mission Street, Suite 300, San Francisco, CA 94103	
“Trustee”	Fidelity National Title Company 2150 John Glenn Drive, Suite 400, Concord, CA 94520	
“Beneficiary” and “Lender”	Sacramento Housing and Redevelopment Agency, a public body, corporate and politic	
“Lender Address”	801 12th Street, Sacramento, California 95814	
“Property”	Which is real property located in the County of Sacramento and the State of California as more particularly described in the Legal Description.	
	Address	350 Morey Avenue, Sacramento, CA 95838
	Assessor’s Parcel Number	250-0342-020-0000
“Legal Description”	The Legal Description of the Property which is more particularly described in the attached <u>Exhibit 1 Legal Description</u> , which is incorporated in and an integral part of this Deed of Trust	
“Loan”	Which is Lender’s loan to Borrower evidenced by the Note and which is secured by this Deed of Trust.	
“Loan Agreement”	Which is the agreement between Lender and Borrower stating the term and conditions of the Loan.	
	Which is dated:	April __, 2018
“Additional Notices”	Lender shall give copies of notices required to be delivered to Borrower to the following parties at the following addresses; provided, however that Borrower acknowledges that such notice is an accommodation and the failure of the Lender to properly deliver any such notice shall not give rise to any claims or defenses of Borrower or any third party:	

	<p>To Limited Partner:</p> <p>U.S. Bancorp Community Development Corporation 1307 Washington Avenue, Suite 300 Mail Code: SL MO RMCD St. Louis, MO 63103 USB Project No.: [_____] Attn.: Director of LIHTC Asset Management Phone: (314) 335-2600 Fax: (314) 335-2601</p> <p>With a copy to:</p> <p>Janice E. Hetland, Esq. Lathrop Gage LLP Pierre Laclede Center 7701 Forsyth Boulevard, Suite 500 St. Louis, MO 63105 Phone: (314) 613-2800 Fax: (314) 613.2801</p> <p>To Construction Lender:</p> <p>U.S. Bank National Association 1307 Washington Avenue, Suite 300 St. Louis, MO 63103 Attn.: Director of CLD Asset Management</p>	
"Note"	Which is Borrower's note made in accordance with the Loan Agreement securing the following principal sum or such lesser amount as shall equal the aggregate amount disbursed to Borrower by Lender, with interest.	
	Which has a principal sum of	One Million Twenty-Two Thousand Dollars and No Cents (\$1,022,000.00)

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

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

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

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

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

Borrower and Lender covenant and agree as follows:

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

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

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

4. Liability Insurance. In addition to the casualty insurance required under the Loan Agreement during the course of construction, Borrower shall keep comprehensive general liability insurance for the Property in a form and coverage consistent with the provisions of the Loan Agreement and reasonably approved by Lender.

5. Preservation and Maintenance of Property. Borrower shall keep the Property in good repair and shall not commit waste or permit impairment, demolition, or deterioration of the Property.

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

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

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

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

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

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

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

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

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

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

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

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

15. Acceleration on Transfer or Refinancing of the Property; Assumption. Except as otherwise provided in the Loan Agreement, if all or any part of the Property or an interest in the Property is sold or transferred or refinanced by Borrower without Lender's prior written consent, Lender may, at Lender's option, declare all the sums secured by this Deed of Trust to be immediately due and payable. Lender shall have waived such option to accelerate if, prior to the refinancing, sale or transfer, Lender and the person to whom the Property is to be sold or transferred reach agreement in writing that the loan may be assumed. If Lender has waived the option to accelerate provided in this Section and if Borrower's successor in interest has executed a written assumption agreement accepted in writing by Lender, Lender shall release Borrower from all obligations under this Deed of Trust and the Note. Lender's prior approval is not required for (1) the sale or transfer of the Limited Partner's interest to one or more of the other partners that currently comprise the Borrower's entity, (2) the admission of the Limited Partner or its affiliate to the Borrower and the transfer of its interest to an affiliate thereof so long as the general partner, or managing member, of the transferor, or an affiliate thereof, is the general partner, or managing member of the transferee, or partner; however, Borrower is obligated to notify Lender within 30 days from the date of such sale or transfer, (3) the removal of the general partner of the Borrower by the Limited Partner for a default under Borrower's partnership agreement, provided that any replacement general partner is approved by Lender, which approval shall not be unreasonably withheld, conditioned or delayed. For purposes hereof, Limited Partner shall mean, U.S. Bancorp Community Development Corporation and its permitted successors and assigns need to include limited liability companies

in which U.S. Bancorp Community Development Corporation or one of its affiliates is the manager or managing member, and its permitted successors and assigns.

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

16. Acceleration on Breach; Remedies. Except as provided in Section 15, upon Borrower's breach of any covenant or agreement of Borrower in this Deed of Trust, the Regulatory Agreement, the Note, (including the covenants to pay when due any sums secured by this Deed of Trust and restricting transfer of the Property) or Loan Agreement, Lender shall mail notice to Borrower specifying: (1) the breach; (2) the action required to cure such breach; (3) a date, no less than 30 days from the date the notice is mailed to Borrower, by which breach must be cured; and (4) that failure to cure such breach on or before the date specified in the notice may result in acceleration of the sums secured by this Deed of Trust and sale of the Property. If the breach is not cured on or before the date specified in the notice, Lender at Lender's option may declare all of the sums secured by this Deed of Trust to be immediately due and payable without further demand and may invoke the power of sale and any other remedies permitted by applicable law, provided, however, that if such cure cannot reasonably be effected within such 30-day period, such failure shall not be a default so long as Borrower promptly (and in any event, within ten (10) days after receipt of such notice) commences such cure and thereafter diligently (and in any event, within ninety (90) days after receipt of such notice) prosecutes such cure to completion. The Limited Partner is entitled to cure any defaults on behalf of the Borrower within the same specified time periods; said cure periods shall not extend statutory periods and times for notice and commencement of foreclosure; provided, however, that if, in order to cure any such default the Limited Partner must first remove a general partner of Borrower, then, provided that the Limited Partner notifies Lender of such removal and removes such general partner within a reasonable period, then the Limited Partner shall have until the date 30 days after the effective date of such removal to effect such cure. In any event, such cure process shall not exceed 120 days. The provisions of this Section 16 shall control in the event of any conflict with any other provisions of this Deed of Trust, the Note, or the Loan Agreement. Lender shall be entitled to collect from the Borrower, or sale proceeds, if any, all reasonable costs and expenses incurred in pursuing the remedies provided in this Section, including, but not limited to reasonable attorney's fees.

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

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

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

Upon acceleration for breach or abandonment of the Property, Lender, in person, by agent or by judicially appointed receiver shall be entitled to enter upon, take possession of and manage the Property and to collect the rents of the Property including those past due. All rents collected by Lender, its agent, or the receiver shall be applied first to payment of the costs of management of the Property and collection of rents, including, but not limited to receiver's fees, premiums on

receiver's bonds and reasonable attorney's fees, and then to the sums secured by this Deed of Trust. Lender, its agent and the receiver shall be liable to account only for those rents actually received.

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

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

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

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

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

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

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

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

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

BORROWER (Trustor):

MERCY HOUSING CALIFORNIA 80, L.P. a California limited partnership

By: Florin Housing Corporation,
a California nonprofit public benefit corporation
its general partner

By: _____
Stephan Daues
Vice President

Date: _____

[NOTARIZED ACKNOWLEDGEMENTS]

Exhibit 1: Legal Description

For APN/Parcel ID(s): 250-0342-020-0000

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

Lot 38, as shown on the "Plat of Oak Knoll", recorded in Book 11 of Maps, Map No. 20, records of Sacramento County, California.

Exhibit 5: Regulatory Agreement

NO FEE DOCUMENT:

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

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

**HOME REGULATORY AGREEMENT FOR RESIDENTIAL RENTAL PROPERTY
AND DECLARATION OF RESTRICTIVE COVENANTS AFFECTING REAL PROPERTY**

PROJECT NAME:	Village Park Apartments
PROJECT ADDRESS:	350 Morey Avenue, Sacramento, CA 95838
APN:	250-0342-020-0000

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

1. **GENERAL.** This Regulatory Agreement, includes the Exhibits listed below which are attached to and incorporated in this Regulatory Agreement by this reference.

2. **DEFINITIONS.** The capitalized terms in this Regulatory Agreement shall have the meanings assigned in the following table and in the body of the Regulatory Agreement as the context indicates. (Terms being defined are indicated by quotation marks.)

TERM	DEFINITION		
“Effective Date”	This Regulatory Agreement shall be effective as of the following date:		April __, 2018
“Agency”	Sacramento Housing and Redevelopment Agency		
	The Agency is a joint powers agency.		
“Owner”	Mercy Housing California 80, L.P.		
“Agency Address”	Agency’s business address is 801 12th Street, Sacramento, California 95814		
“Owner Address”	Owner’s business address is as follows:	c/o Florin Housing Corporation, 1360 Mission Street, Suite 300, San Francisco, CA 94103	
“Jurisdiction”	City of Sacramento		
“Property”	That certain real property which is subject to this Regulatory Agreement as further described in the legal description, attached as Exhibit 1 – Legal Description of the Property and incorporated in this Regulatory Agreement by this reference		
“Funding Agreement”	The Funding Agreement between Agency and Owner as follows:	Titled:	Acquisition, Construction and Permanent Loan Agreement
		Dated:	April __, 2018
“Agency Funding”	The Agency Funding made by Agency to Owner under the Funding Agreement for development of the Property		
“Agency Funding Amount“	The amount of the Agency Funding, as follows:		\$1,022,000.00
“Proportionate Agency Assistance”	The percentage of the Project cost, including without limitation, land, predevelopment and development costs, that is attributable to the Agency Funding. For rehabilitation projects, the percentage that the Agency Funding bears to the total of the fair market value of the Property before rehabilitation and the total costs of rehabilitation.		Eight percent (8%)
“Funding Requirements”	The legal restrictions on the use of the funds that Agency has used to make the Agency Funding, as applicable to and restricting the Property. The Funding Requirements are set out in Exhibit 2 – Funding Requirements.		

“Approved Use”	The only permitted use of the Property, which is as a residential property available for rent by the general public and containing not less than the following number of units:	50 units, including one property manager’s exempt unit
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3. **RESTRICTED PARCELS; APPROVAL OF LEASES.** In order to assure that the proper number and types of units have been rented in accordance with this Regulatory Agreement, Owner is prohibited from leasing any Unit within the Project until either the parties have recorded against the Property a list of the Restricted Units or the Agency has approved the individual lease or lease form for the Restricted Units. The following numbers of Units are restricted for each respective funding source. The initial rents for the respective units shall be the following; provided, however, that upon the request of Owner, Owner and Agency may agree to a schedule for the Restricted Units that complies with the following affordability requirements as of the date when the Project is available for occupancy. In any event the rents for the respective units may be adjusted not more often than annually. The rents shall include allowance for utilities and costs reasonably related to the rental of the units, as may be required in determining the rents for the applicable funding sources. Only units indicated under Agency Funding Source are assisted by the Agency. Nevertheless, Owner shall assure the affordability of all of the following units at the named affordability levels. HOME Units are fixed units if referenced by Apartment Number or equivalent; otherwise such units are "floating units" in which the number of units of an affordability level and bedroom type remains the same, but the actual designated unit may change from time to time.

Funding Source:	Affordability Level:	Number of Units:	Describe Restricted Units:	Initial Rent per Unit per Month:
HOME/LIHTC	Very Low Income - 50% AMI (Low HOME Rent)	4	Two-bedroom	\$856
HOME/LIHTC	Very Low Income - 50% AMI (Low HOME Rent)	4	Three-bedroom	\$989
HOME/LIHTC	Very Low Income - 50% AMI (Low HOME Rent)	3	Four-bedroom	\$1,103
	TOTAL UNITS	11		

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

If the Agency determines in its reasonable judgment that the Project is not being operated and managed in accordance with one or more of the material requirements or standards of the Funding Agreement, the Agency may deliver notice to the Owner requesting replacement of the Manager, which notice shall state clearly the reasons for such request. The Owner agrees that, upon receipt of such notice, the Owner shall within 60 days submit to the Agency, a proposal to engage a new Manager meeting the requirements of this provision. The Agency shall respond within 30 days to such proposal or such approval shall be deemed given. Upon receipt of such consent or deemed consent, the Owner shall promptly terminate the existing Manager’s engagement and engage the new Manager. In addition, all management agreements between the Owner and Manager shall include a clause alerting the Manager that Agency may require Owner to terminate the management agreement for the aforementioned reasons.

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

Approved Management Company

Mercy Housing Management Group

5. AFFIRMATIVE MARKETING REQUIREMENTS. Owner must design and employ marketing plans that promote fair housing by ensuring outreach to all potentially eligible households, especially those least likely to apply for assistance. Affirmative marketing consists of actions to provide information and otherwise attract eligible persons to available housing without regard to race, color, national origin, sex, religion, familial status (persons with children under 18 years of age, including pregnant women), or disability. The affirmative marketing requirements also apply to projects targeted to persons with special needs (24 CFR 92.351(a)) .

6. SPECIAL PROVISIONS. Owner shall also comply with the following special provision.

Provision	Term
Annual Administrative Fee: The Owner agrees to pay an Annual Administrative Fee (Fee) to Agency as compensation for monitoring compliance with regulatory restrictions and the administration of the loans. Owner shall pay annually a Fee equal to 15 basis points (0.15%) of the Agency Funding Amount of \$1,022,000.00 in equal semi-annual installments on April 1 and October 1 each year.	Fifteen (15) years from the date of the Certificate of Occupancy or building permit sign offs by the Building Department of the City of Sacramento have been issued following rehabilitation.

7. REPRESENTATIONS. Agency has provided Agency Funding to Owner to develop the Property, subject to the terms of the Funding Agreement. This Regulatory Agreement is a substantial part of the consideration to Agency for making the Agency Funding. “Property” shall mean Property or Restricted Unit as the context may indicate.] The funds used by Agency under the Funding Agreement are funds from public funding sources administered by Agency and their use is subject to certain requirements some of which are embodied in this Regulatory Agreement. Further, Agency has made the Agency Funding in accordance with the laws, rules and regulations to which Agency is subject. Therefore, Agency has made the Agency Funding conditioned upon Owner’s agreement, for itself and its successors and assigns, to comply with all provisions of this Regulatory Agreement, including without limitation, the Funding Agreement. Owner has had full opportunity to make itself independently familiar with such limitations and restrictions, and Owner accepts them and agrees to comply fully with them.

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

- a. Owner shall use and permit others to use the Property only for the Approved Use.
- b. Owner shall assure full compliance with the Funding Requirements.
- c. Owner shall not transfer or encumber any of the Property or permit the conveyance, transfer, or encumbrance of the Property unless such assignee, transferee or encumbrancer has agreed, in writing and in a form suitable for recordation, to be bound by the terms of this Regulatory Agreement.
- d. Owner shall not cause and shall not permit expansion, reconstruction, or demolition of any part of improvements on the Property, except as provided by the Funding Agreement.
- e. Owner shall maintain the Property and the building improvements, grounds and equipment of the Property in good repair and condition and in compliance with all applicable housing quality standards and local code requirements. Owner shall maintain the Property in good condition and shall keep the Property reasonably free from graffiti and unrepaired vandalism and from accumulation of abandoned property, inoperable vehicles, unenclosed storage, debris, and waste materials. In the event of a casualty loss, Owner shall cause the restoration or replacement of the Property, in a timely manner and provided that such restoration or replacement is then economically feasible.
- f. Owner shall not cause and shall not permit discrimination based on race, color, national origin, religion, sexual orientation, gender, familial status, age or disability in the sale, lease, or rental or in the use or occupancy of the Property. Owner covenants by and for him/her/itself, his/her/its heirs, executors, administrators, and assigns, and all persons claiming under or through them that there shall be no discrimination against or segregation with reference to the selection, location,

number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the Property. This covenant against discrimination shall continue in perpetuity.

g. Owner shall not refuse to rent, evict, or otherwise treat someone differently because of that person's status as a victim of domestic violence, dating violence, sexual assault, or stalking, in compliance with the Violence Against Women Act. This protection is available regardless of sex, gender identity, or sexual orientation.

h. Owner shall assure compliance with the obligations imposed by the federal Personal Responsibility and Work Opportunity Act (Public Law 104-193, commonly known as the Welfare Reform Act) as amended by California Welfare and Institutions Code Section 17851, which restrict the Agency funding of federal, state or local benefits to persons who are not citizens or qualified aliens as defined in such act.

i. Owner shall provide 24 hours/week of approved resident services at the development according to the following minimum schedule: eight (8) hours of an on-site resident service coordinator; twelve (12) hours of after school programs; and four (4) hours of education and enrichment programs.

i. Owner shall not pass utility charges paid by Owner, including water, sewer, and garbage collection charges, through to tenants as an add-on to their contracted rent subject to adjustments permitted by applicable utility allowances.

j. Owner shall not make payment of rental insurance premiums a condition of occupancy. If owners require renters' insurance, the policy premium must be deducted from the tenant's rent. The owner shall not add the insurance premium to the tenant's rent in either the initial or subsequent years.

k. Owner shall make at least 50% of the buildings but no less than 50% of the units must be smoke free. All indoor common areas must be smoke-free.

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

10. TERM. The term of this Regulatory Agreement shall commence on the Effective Date and continue until the terms of all of the covenants, including without limitation, the terms stated in the Funding Requirements, have expired or otherwise been terminated. Notwithstanding the term in the Funding Requirements, the term of this Regulatory Agreement shall be fifteen (15) years from the date of the completion of the rehabilitation of the Property, as evidenced by a Certificate of Occupancy or building permit sign offs by the Building Department of the City of Sacramento.

a. **EXPIRATION OF AFFORDABILITY PERIOD.** Owner agrees the rent of "in-place" tenants at the conclusion of Term, the required affordability will continue to be governed by the applicable affordability restrictions, so long as those tenants continue to live in the development.

11. REVIVAL OF COVENANTS AFTER FORECLOSURE. The affordability restrictions shall be revived after foreclosure, or deed in lieu of foreclosure according to the original terms if, during the original term of this Regulatory Agreement, if the Owner, who was owner of record before the termination event, or a party related to the Owner obtains an ownership interest in the Property or Restricted Unit, as the case may be. For purposes of this provision, a related party is anyone with whom the Owner has or had family or business ties; provided that such interest would not be considered a "remote interest" in the usual and customary use of the term.

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

13. **RECORDKEEPING AND REPORTING.** Upon request of Agency, Owner shall promptly provide any additional information or documentation requested in writing by the Agency to verify Owner's compliance with the provisions of this Regulatory Agreement. At the written request of the Agency, Owner shall, within a reasonable time following receipt of such request, furnish reports and shall give specific answers to questions upon which information is desired from time to time relative to the income, assets, liabilities, contracts, operations, and condition of the property and the status of the Deeds of Trust.

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

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

16. **CHANGES WITHOUT CONSENT OF TENANTS, LESSEES, OR OTHERS.** Only Agency and its successors and assigns, and Owner (subject to the reasonable approval of Owner's lender in accordance with its rights under its loan terms) shall have the right to consent and agree to changes in, or to eliminate in whole or in part, any of the covenants or restrictions contained in this Agreement without the consent of any easement holder, licensee, other mortgagee, trustee, beneficiary under a deed of trust or any other person or entity having any interest less than a fee in the Site.

17. **DEFAULT.** Upon a breach of any of the provisions of this Regulatory Agreement by Owner, the Agency may give written notice of such breach to Owner by registered or certified mail. If such violation is not corrected to the satisfaction of Agency within sixty (60) days after the date such notice is mailed or within such further time as the Agency may reasonably determine is necessary to correct the breach, and without further notice to Owner, the Agency may declare a default under the Agreement, effective on the date of such declaration of default, and upon such default the Agency may: (a) take any action then available under the Funding Agreement for a default under the Funding Agreement and (b) apply to any court for specific performance of this Regulatory Agreement, for an injunction against any violation of the Agreement, for the appointment of a receiver to take over and operate the Property in accordance with the terms of this Regulatory Agreement, for money damages or for such other relief as may be appropriate, since the injury to the Agency arising from a default under any of the terms in this Regulatory Agreement would be irreparable, and the amount of damage would be difficult to ascertain.

a. **REGULATORY AGREEMENT VIOLATIONS.** Owner shall pay the program compliance fees and expenses to Agency set forth in Compliance Violations and Actions (Exhibit 3 - Compliance Violations and Actions) in reimbursement of the amounts and time expended by Agency to insure Owner's compliance with State statutes and federal regulations and Owner's obligations under the Regulatory Agreement as a result of the Owner not meeting its obligations and reporting requirements. No compliance fee will be assessed for one incident of each type of compliance violation per annual inspection provided the violation is corrected within the specified corrective time period. The second and subsequent violations will be assessed compliance fees as detailed in the Compliance Violations and Actions tables.

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

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

20. **ATTORNEYS' FEES.** If the services of any attorney are required by any party to secure the performance of this Regulatory Agreement or otherwise upon the breach of default of another party, or if any judicial remedy or mediation is

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

21. **SEVERABILITY.** The invalidity of any clause, part or provision of this Regulatory Agreement shall not affect the validity of the remaining portions.

22. **ELECTION OF REMEDIES.** To the extent applicable, in the event of any breach of the covenants, conditions and restrictions contained in this Regulatory Agreement, the Agency shall reasonably endeavor to remedy such breach by conference and conciliation. If, in the opinion of Agency, the Agency and Owner are unable mutually to agree upon a suitable remedy or the circumstances so warrant, such breach may be enjoined or abated by appropriate proceedings brought by the Agency.

Agency may institute or prosecute in its own name, any suit Agency may consider advisable in order to compel specific performance of any obligation of any owner to develop and maintain the subject property in conformity with this Regulatory Agreement and to remedy any default of this Regulatory Agreement. Agency may also seek a decree requiring removal of any improvements constructed on the Property which improvements are designed for uses not permitted under this Regulatory Agreement and which improvements are unsuitable only for uses not permitted under this Regulatory Agreement.

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

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

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

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

BORROWER :
MERCY HOUSING CALIFORNIA 80, L.P. a California
limited partnership

By: Florin Housing Corporation,
a California nonprofit public benefit corporation
its general partner

By: _____
Stephan Daues, Vice President

Date: _____

LENDER:
SACRAMENTO HOUSING AND REDEVELOPMENT
AGENCY, a joint powers agency

By: _____
La Shelle Dozier, Executive Director

Date: _____

Approved as to form:

Lender Counsel

[NOTARIZED ACKNOWLEDGEMENTS]

Exhibit 1: Legal Description of the Property

For APN/Parcel ID(s): 250-0342-020-0000

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

Lot 38, as shown on the "Plat of Oak Knoll", recorded in Book 11 of Maps, Map No. 20, records of Sacramento County, California.

Exhibit 2: Funding Requirements

HOME FUNDING AND OTHER FEDERAL REQUIREMENTS RENTAL PROJECT

These “HOME Funding and Other Federal Requirements” are attached to the Loan Documents (Loan Agreement and Regulatory Agreement), and are incorporated in the Loan Documents. The capitalized terms used in these HOME and Other Federal Funding Requirements shall have the meanings below in the body of these HOME Funding and other Federal Requirements. Terms being defined are indicated by quotation marks. Capitalized terms in these HOME Funding and Other Federal Requirements that are not defined below are defined in the Loan Documents. References to the CFR are to the Code of Federal Regulations. Project specific restrictions are set forth in Section 3 of this Regulatory Agreement.

1. **DEFINITIONS.** For the purposes of the Loan Documents and in addition to the definitions made elsewhere in the Loan Documents, the following capitalized words and phrases contained in this Contract shall have the following meanings:

a. “HOME” is the federal HOME Investment Partnership program (Catalogue of Federal Domestic Assistance FDA 14.239) administered by the U.S. Department of Housing and Urban Development.

b. The “HOME Requirements” are the laws, rules and regulations which are specifically applicable to this contract. A substantial portion of the Federal Requirements included in this exhibit.

c. “Exhibits” to this contain a substantial portion of the Federal Requirements, and are incorporated into this Agreement in the form of a Universal Serial Bus (USB) drive. Borrower acknowledges receipt of the USB by initialing here: _____. The Exhibits included the following:

i) Exhibit 1 – HOME Regulations: 24 Code of Federal Regulations (CFR) Part 92

ii) Exhibit 2 – Requirements for nonprofit subgrantees; 2 CFR §200.70; Appendix VIII to 2 CFR Part 200

iii) Exhibit 3 –Restrictions on Lobbying; 24 CFR Part 87;

iv) Exhibit 4 - Federal Labor Standards Provisions: 29 CFR Part 5

2. **RECITALS.** The Agency Funding includes proceeds of the federal HOME Investment Partnerships Act (“HOME”) and its implementing regulations (commencing at 24 CFR Part 92) (“HOME Funds”). The Agency has approved the Agency Funding on condition that the property described in the Loan Documents (“Property”) is rehabilitated or developed as residential rental property (“Project”) with certain units regulated in accordance with laws, rules and regulations regarding the use of HOME funds for the benefit of low-income persons (“HOME Restricted Units”) by recordation of these Home Funding and Other Federal Restrictions as covenants running with the land. HOME Restricted Units are made affordable by such regulation to persons and households that qualify as low-income or very low-income as indicated in the table in Article I.

3. **USE OF HOME FUNDS.** Owner shall assure that the HOME Funds are used only for qualified uses. HOME Funds may only be used to provide incentives to develop and support affordable rental housing and homeownership affordability through the acquisition (including assistance to homebuyers), new construction, reconstruction, or rehabilitation of non-luxury housing with suitable amenities, including real property acquisition, site improvements, conversion, demolition, and other expenses, including financing costs, relocation expenses of any displaced persons, families, businesses, or organizations; to provide tenant-based rental assistance, including security deposits; to provide payment of reasonable administrative and planning costs; and to provide for the payment of operating expenses of community housing development organizations, all as further defined in 24 CFR §92.205 *et. seq.* The HOME Funds shall not be used for project reserve accounts except as expressly authorized or to provide operating subsidies.

Owner shall not utilize the Project for explicitly religious activities, including activities that involve overt religious content such as worship, religious instruction, or proselytization, and to the extent that Owner engages in such explicitly religious activities, it shall perform such activities and offer such services outside of the program pursuant to which Owner is developing the Project pursuant to this Agreement. The Owner further represents that the Project units are available to all persons regardless of religion, religious belief, a refusal to hold a religious belief, or a refusal to attend or participate in a religious practice; and that there are no religious or membership criteria for tenants of the Property.

4. PROPERTY STANDARDS. Upon completion, the Project will comply with the applicable property standards of 24 CFR §92.251. For the term of these Funding Requirements, Owner shall provide Agency access at all reasonable times for inspection to assure compliance with such standards. Such provisions are generally as follows:

a. If the Project is new construction, it must meet all applicable local codes, rehabilitation standards, ordinances, and zoning ordinances at the time of project completion. Newly constructed housing must meet the current edition of the Model Energy Code published by the Council of American Building Officials.

b. All other HOME-assisted housing (such as acquisition) must meet all applicable State and local housing quality standards and code requirements.

c. The housing must meet the accessibility requirements at 24 CFR Part 8, which implements Section 504 of the Rehabilitation Act of 1973 (29 United States Code [USC] §794) and covered multifamily dwellings, as defined at 24 CFR §100.201, must also meet the design and construction requirements at 24 CFR §100.205, which implement the Fair Housing Act (42 USC §3601 *et. seq.*).

d. Construction of all manufactured housing must meet the Manufactured Home Construction and Safety Standards established in 24 CFR Part 3280. These standards pre-empt State and local codes covering the same aspects of performance for such housing. Also, installation of manufactured housing units must comply with applicable State and local laws or codes, or in the absence of such laws or codes, the participating jurisdiction must comply with the manufacturer's written instructions for installation of manufactured housing units. Manufactured housing that is rehabilitated using HOME funds must meet the requirements set out in section 4.a.

e. Owner must maintain the housing in compliance with all applicable State and local housing quality standards and code requirements and if there are no such standards or code requirements, the housing must meet the housing quality standards in 24 CFR §982.401.

5. LEAD-BASED PAINT. Owner shall comply with the Lead-Based Paint Poisoning Prevention Act (42 USC §§ 4821 *et. seq.*), the Residential Lead-Based Paint Hazard Reduction Act of 1992 (42 USC §4851 *et. seq.*), and implementing regulations.

6. AFFORDABILITY REQUIREMENTS. Owner shall assure that the of HOME Restricted Units shall be rented at or below the following rates:

a. Low-Income Units shall be rented for amounts that do not exceed thirty percent (30%) of sixty-five percent (65%) of the Sacramento Metropolitan Statistical Area median income ("Median Income"), as determined annually by the federal Department of Housing and Urban Development ("HUD"), as adjusted for family size appropriate to the size and number of bedrooms in the respective HOME Restricted Unit, provided however that if the tenant is paying for utilities and services for the HOME Restricted Unit, the rent shall not exceed the maximum amount calculated as set forth in this subdivision minus a monthly allowance for utilities and services as set forth in the maximum monthly allowances for utilities and services established and updated annually by the Agency pursuant to 24 CFR §92.252(d).

b. Very Low-Income Units shall be rented for amounts that do not exceed thirty percent of fifty-percent (50%) of the Median Income as adjusted for family size appropriate to the size and number of bedrooms in the respective HOME Restricted Unit, provided however that if the tenant is paying for utilities and services for the HOME Restricted Unit, the rent shall not exceed the maximum amount calculated as set forth in this subdivision minus a monthly allowance for utilities and services as set forth in the maximum monthly allowances for utilities and services established and updated annually by the Agency pursuant to 24 CFR §92.252(d).

c. Notwithstanding any other provision, the maximum rent on any HOME-Restricted Unit shall not exceed the "Fair Market Rent" as established by HUD under 24 CFR §888.111.

d. Unless Owner has obtained prior written Agency authorization, Owner shall maintain the allocation of HOME-Restricted Units by the bedroom sizes stated in the Regulatory Agreement.

e. Such maximum rent limits shall be recalculated periodically after HUD determination of the Fair Market Rent or the Median Income; provided, however, that the rents are not required to be lower than the initial rent for the HOME-Restricted Units. Owner shall give tenants not less than thirty (30) days' written notice of a change in rents.

f. The Agency shall review and approve rents proposed by Owner for the HOME Restricted Units, subject to the maximum rent limitations as set forth in section 6(a), (b) and (c) of this Agreement. The Agency will provide Owner with information on updated HOME rent limits. Owner must annually provide the Agency with information on rents and occupancy of HOME Restricted Units to demonstrate compliance with this Section 6. The Agency must review rents for compliance and approve or disapprove them every year.

g. The foregoing affordability requirements may, with the consent of the Agency, terminate on foreclosure or deed in lieu of foreclosure; provided, however, that the affordability requirements will revive according to the original terms if the Owner at the time of foreclosure, or any entity that includes such Owner or anyone with whom such Owner has or had family or business ties, obtains an ownership interest in the Project or Property.

7. OCCUPANCY REQUIREMENTS. Owner shall assure that all HOME Restricted Rental Units shall be initially occupied by households earning less than sixty-five percent (65 %) of the Median Income, as verified by the Agency. Notwithstanding any other provision, if five or more units in the Project are HOME-Restricted Units, not less than twenty percent of the HOME-Restricted Units shall be Very Low-Income Units and shall be occupied by families whose annual income does not exceed fifty-percent (50%) of the Median Income. If a tenant of a HOME-Restricted Unit no longer qualifies as for the HOME-Restricted Unit as a result of an increase in family income, the HOME-Restricted Unit continues to qualify under these Funding Requirements so long as actions satisfactory to HUD are being taken to ensure that all vacancies are filled in accordance with these Funding Requirements until the noncompliance is corrected. Such tenants shall pay as rent the lesser of the amount payable by the tenant under State or local law or thirty percent (30%) of the family's adjusted income, except that tenants of HOME-assisted units that have been allocated low-income housing tax credits by a housing credit agency pursuant to section 42 of the Internal Revenue Code of 1986 (26 USC §42) must pay rent governed by such section. In addition, for projects where HOME units are designated as floating pursuant to 24 CFR §92.252(j), tenants who no longer qualify as low-income are not required to pay as rent an amount that exceeds the market rent for comparable, unassisted units in the neighborhood. If the HOME-Restricted Units are not occupied by eligible tenants within six months following the date of Project completion, Owner shall, in accordance with the requirements of 24 CFR §92.252, submit marketing information to Agency and to HUD and, if appropriate, submit a marketing plan. If any HOME-Restricted Unit has not been rented to eligible tenants 18 months after the date of project completion, Owner shall repay the HOME funds invested in such HOME-Restricted Unit to HUD.

8. INCOME VERIFICATION. Owner shall fully cooperate with Agency by requiring every prospective tenant of a HOME Restricted Unit to provide to Owner, prior to initial occupancy of a Home-Restricted Unit and annually, all information required to verify income-eligibility of the prospective tenant to assure income eligibility in accordance with 24 CFR §92.203. For the initial eligibility determination, Owner shall cause the tenant to provide the Agency with at least two months of source documents evidencing annual income (by way of example, wage statement, interest statement, unemployment compensation statement) for the family. Thereafter, Owner shall cause the tenant to provide the Owner with such source documents; a written statement of the amount of the family's annual income and family size, with a certification that the information is complete and accurate and assurance that the family will provide source documents upon request; or a written statement from the administrator of a government program under which the family receives benefits and which examines each year the annual income of the family, stating the tenant's family size and the amount of the family's annual income or alternatively, stating the current dollar limit for very low- or low-income families for the family size of the tenant and state that the tenant's annual income does not exceed such limit.

9. TENANT PROTECTIONS; LEASE PROVISIONS. Owner shall comply with the following provisions for protection of tenants in HOME-Restricted Units.

a. Owner shall enter into an initial lease with a tenant of a HOME-Restricted Unit for not less than one year, unless by mutual agreement between the tenant and the Owner and not required by Owner as a condition of entering into the lease. Such lease shall not contain any of the following provisions, in addition to any other applicable requirements of law:

1) Agreement by the tenant to be sued, to admit guilt, or to a judgment in favor of the Owner in a lawsuit brought in connection with the lease;

2) Agreement by the tenant that the Owner may take, hold, or sell personal property of household members without notice to the tenant and a court decision on the rights of the parties; excepting an agreement by the tenant concerning disposition of personal property remaining in the housing unit after the tenant has moved out of the unit that is in accordance with State law;

3) Agreement by the tenant not to hold the Owner or the Owner's agents legally responsible for any action or failure to act, whether intentional or negligent;

- 4) Agreement of the tenant that the Owner may institute a lawsuit without notice to the tenant;
- 5) Agreement by the tenant that the Owner may evict the tenant or household members without instituting a civil court proceeding in which the tenant has the opportunity to present a defense, or before a court decision on the rights of the parties;
- 6) Agreement by the tenant to waive any right to a trial by jury;
- 7) Agreement by the tenant to waive the tenant's right to appeal, or to otherwise challenge in court, a court decision in connection with the lease; and
- 8) Agreement by the tenant to pay attorney's fees or other legal costs, even if the tenant wins in a court proceeding by the Owner against the tenant. The tenant, however, may be obligated to pay costs if the tenant loses.
- 9) Agreement by the tenant (other than a tenant in transitional housing) to accept supportive services that are offered.

b. An Owner may not terminate the tenancy or refuse to renew the lease of a tenant of rental housing assisted with HOME funds except for serious or repeated violation of the terms and conditions of the lease; for violation of applicable Federal, State, or local law; for completion of the tenancy period for transitional housing or failure to follow any required transitional housing supportive services plan; or for other good cause. Good cause does not include an increase in the tenant's income or refusal of the tenant to purchase the housing. To terminate or refuse to renew tenancy, the Owner must serve written notice upon the tenant specifying the grounds for the action at least 30 days before the termination of tenancy.

c. Owner must adopt and follow written tenant selection policies and criteria that:

- 1) Limit the housing to very low-income and low-income families;
- 2) Are reasonably related to program eligibility and the applicants' ability to perform the obligations of the lease (i.e., to pay the rent, not to damage the housing; not to interfere with the rights and quiet enjoyment of other tenants);
- 3) Limit eligibility or give a preference to a particular segment of the population if required in the Loan Documents (and only if the limitation or preference is described in the Agency's consolidated plan).

a) Any limitation or preference must not violate nondiscrimination requirements in 24 CFR §92.350. A limitation or preference does not violate nondiscrimination requirements if the housing also receives funding from a Federal program that limits eligibility to a particular segment of the population (e.g., the Housing Opportunity for Persons with AIDS program under 24 CFR Part 574, the Shelter Plus Care program under 24 CFR Part 582, the Supportive Housing program under 24 CFR Part 583, supportive housing for the elderly or persons with disabilities under 24 CFR Part 891), and the limit or preference is tailored to serve that segment of the population.

b) If the Project does not receive funding from a Federal program that limits eligibility to a particular segment of the population, the project may have a limitation or preference for persons with disabilities who need services offered at a project only if:

- i) The limitation or preference is limited to the population of families (including individuals) with disabilities that significantly interfere with their ability to obtain and maintain housing;
- ii) Such families will not be able to obtain or maintain themselves in housing without appropriate supportive services; and

iii) Such services cannot be provided in a non-segregated setting. The families must not be required to accept the services offered at the Project. In advertising the Project, Owner may advertise the Project as offering services for a particular type of disability; however, the Project must be open to all otherwise eligible persons with disabilities who may benefit from the services provided in the Project.

4) Provide for the selection of tenants from a written waiting list in the chronological order of their application, insofar as is practicable; and

5) Give prompt written notification to any rejected applicant of the grounds for any rejection.

d. Owner shall not refuse to lease a HOME-Restricted unit to a certificate or voucher holder under 24 CFR Part 982 – Section 8 Tenant-Based Assistance: Unified Rule for Tenant-Based Assistance under the Section 8 Rental Certificate Program and the Section 8 Rental Voucher Program or to the holder of a comparable document evidencing participation in a HOME tenant-based rental assistance program because of the status of the tenant as a holder of such certificate, voucher or comparable certification.

10. UNIT QUALITY & DETERMINATION OF COST ALLOCATION. OWNER shall assure that HOME Restricted Units assisted with HOME Funds must be comparable in size and amenities to other units in the Project. If the assisted and non-assisted units are comparable in terms of size, features and number of bedrooms, the actual cost of the HOME Restricted units can be determined by pro-rating the total HOME eligible development costs of the Project so that the proportion of the total development costs charged to the HOME program does not exceed the proportion of the HOME Restricted units in the

Project. If the assisted and non-assisted units are not comparable, the actual costs may be determined based on a method of cost allocation.

11. COMPLIANCE WITH LOAN DOCUMENTS. Owner shall comply with any and all applicable provisions of the Loan Agreement for so long as they continue to be in effect.

12. REPAYMENT ON DEFAULT OR EARLY TERMINATION. If the Agency determines the Project does not comply with HOME requirements for affordability as specified in 24 CFR §§ 92.252 or 92.254; or if the Project is terminated before completion, either voluntarily or otherwise; or if Owner does not comply with these funding restrictions; or if the Project is determined to be an ineligible activity under HOME, Owner must repay to Agency any HOME Funds invested in the Project upon demand.

13. PROGRAM INCOME. If Project income is considered to be HOME program income, it shall nevertheless be paid to or retained by Owner in accordance with the agreement between Agency and Owner.

14. ADMINISTRATIVE REQUIREMENTS. Owners that are governmental or non-profit organizations shall comply with the provisions of 24 CFR § 92.505 regarding uniform administrative requirements. Owner shall cooperate fully with the Agency and provide all documents and records required by Agency in preparing for HOME related audits. Owner shall comply with all applicable requirements under HOME, including without limitation, recordkeeping and reporting.

15. GOVERNMENTAL ENTITIES, NON-PROFITS, CHDOS. Special HOME regulations apply to an Owner that is governmental or non-profit entities or a community housing development organization. Such Owner is responsible for knowledge of and shall fully comply with such regulations.

16. TERM. These covenants shall burden and regulate the HOME Restricted Units assisted with HOME Funds for the following term as applicable, unless a longer term is specified in the body of the document to which this attached:

- a. For rehabilitation or acquisition of existing housing, five (5) years if the subsidy for each of HOME-Restricted Unit is less than \$15,000;
- b. For ten (10) years if such subsidy is \$15,000 or more but not more than \$40,000;
- c. for fifteen (15) years if such subsidy is more than \$40,000 or if the project involves refinancing of an existing loan; and
- d. For new construction or acquisition of newly constructed housing, twenty (20) years.

17. NO TERMINATION ON RECAPTURE. Notwithstanding any other provisions of the Regulatory Agreement, the provisions of this HOME Funding and Other Federal Restrictions shall continue for the duration of the applicable preceding term.

Exhibit 3: Compliance Violations and Actions

COMPLIANCE VIOLATIONS AND ACTIONS
(All payments due and payable within 30-days of assessment)

Tenant Eligibility and Affordability Violations		
Compliance Violation	Fees and Actions*	Corrective Time Period
Tenants over income at initial move-in	Initial \$500 per unit, again every 90 days until another income qualified tenant is housed. Correction: Evict tenant if tenant fraud. Otherwise, next available unit must be Affordable and rented to an Income-Qualified tenant.	90 days from discovery date to avoid additional \$500 charge every 90-days the problem is not corrected.
Incorrect eligibility documentation	Initial \$50 per file for incorrect calculations, verifications, or required documents. Additional \$50 per month if not corrected. Correction: Submit copies of corrections to compliance staff as applicable.	30 days from discovery date to submit copies of corrections to compliance staff to avoid additional \$50 per month if not corrected
Failure to complete annual recertifications	Initial \$250 for each incomplete file. Additional \$50 per month if not corrected. Correction: Submit copies of recertifications to compliance staff.	30 days from discovery date to submit corrections to avoid additional \$50 per month if not corrected.
Failure to maintain tenant eligibility records	Initial \$500 per unit, again every 90-days thereafter until new records in place. Additional \$100 per unit per month the project remains out of compliance. Correction: Immediately establish new files/records.	30 days from discovery date to submit copies of new records to avoid additional \$100 per unit per month the project remains out of compliance.
Incorrect Rents	Reimbursement to tenant of the entire amount overcharged. \$100 payment to Agency for each over-charged unit. Correction: Refund tenant with letter of correction.	30 days from discovery date to avoid additional \$100 per overcharged unit per month fee to Agency.
Failure to submit complete and accurate monthly Bond Report by due date	Initial \$100 per report. Additional \$100 per day until complete and accurate report submitted. Correction: Submit copies of corrections to compliance staff as applicable.	7 days from discovery date to submit complete and accurate report to avoid additional \$100 per day charge.
Failure to comply with approved Management Plan	Initial \$100 per report. Additional \$100 per day until complete and accurate report submitted. Correction: Submit copies of corrections to compliance staff as applicable.	30 days from discovery date to submit corrections to avoid additional \$100 per day charge.
Failure to submit complete and accurate quarterly Resident Services report by due date	Initial \$100 per report. Additional \$100 per day until complete and accurate report submitted. Correction: Submit copies of corrections to compliance staff as applicable.	7 days from discovery date to submit corrections to avoid additional \$100 per day charge.

Failure to provide a resident service required by Resident Services Plan	Initial \$250 per service. Additional \$100 per day until service is provided. Correction: Implement required service or new resident services plan submitted and approved; approved plan implemented.	7 days from discovery date to implement required service or provide new resident services plan to avoid additional \$100 per day charge; 30 days from discovery date to implement new plan to avoid additional \$100 per day charge.
Noncompliant lease	\$100 per noncompliant lease. Correction: Prepare and execute approved lease or addendum to address the deficiency.	30 days from discovery date to avoid additional \$100 per noncompliant lease per month charge to Agency.

Housing Quality Standards Violations		
Compliance Violation	Fees and Actions*	Corrective Time Period
Verifiable existence of Toxic Mold	\$200 per unit. Additional \$75 per day charge each time efforts fall outside of corrective timeframes. Correction: Prepare and submit action plan that addresses scope of work and timetable to complete. Relocate tenant if necessary. Obtain certified clearance that mold has been abated and unit is safe to occupy once again.	3-days from discovery date to submit action plan to address. 10-days to relocate tenant if necessary. 30-days to obtain certification that unit is mold free. \$75 per day additional charge each time efforts fall outside of these timeframes.
Broken pipes and plumbing facilities	\$200 per unit. Additional \$75 charge per day if not corrected. Correction: Repair/replace as necessary	7-days from discovery date to avoid additional \$75 per day each day thereafter corrective action not taken.
Smoke detectors not working in the units	\$200 per unit with non-functional smoke detector. Additional \$75 charge per day if not corrected. Correction: Replace batteries or non-working unit within 24 hours.	Within 24 hours of discovery date to avoid \$75 per day additional charge each day thereafter corrective action not taken.
Windows with large cracks or missing glass	\$200 per unit. Additional \$75 charge per day if not corrected. Correction: Repair/replace as necessary.	7-days from date of discovery to avoid \$75 per day additional charge each day thereafter corrective action not taken.
Infestation of roaches or vermin	\$200 per infested unit. Additional \$75 charge per day if not corrected. Correction: Letter from pest control company verifying removal of pests with paid invoice to compliance staff.	7-days from date of discovery to avoid \$75 per day additional charge each day thereafter corrective action not taken.
Non-working heating unit (Winter) or air conditioning unit (Summer)	\$500 per nonworking unit. Additional \$75 charge per day if not corrected. \$75 re-inspection fee if necessary to verify problem corrected. Correction: Repair/replace as necessary.	Within 24 hours of discovery date to avoid \$75 per day additional charge each day thereafter corrective action not taken.
Excessive amount of urine/ feces	\$200 per unit. Additional \$75 charge per day if not corrected. Correction: Clean unit as necessary and address problem as the lease allows. Submit correction letter with documentation to compliance staff.	7-days from date of discovery to avoid \$75 per day additional charge each day thereafter corrective action not taken.
Excessive amount of trash/garbage in the unit	\$75 per unit. Additional \$75 charge per day if not corrected. Correction: Clean unit and send letter of correction to compliance staff.	14-days from date of discovery to avoid an additional \$75 per day thereafter each day corrective action not taken.
Hazardous exterior conditions	\$500 for hazardous conditions. Additional \$75 charge per day if not corrected. \$75 re-inspection fee.	7-days from date of discovery to avoid \$75 per day additional charge each day corrective action not taken.

	Correction: Clean and/or repair as necessary. Re-inspection to verify problem addressed.	
Large holes walls/ceiling	\$100 per unit. Additional \$75 charge per day if not corrected. Correction: Submit correction letter with documentation to compliance staff.	30-days from date of discovery to avoid \$75 per day additional charge each day corrective action not taken.
Non-Operable Security Gate	\$500 per non-working gate. Additional \$75 charge per day if not corrected. \$75 re-inspection fee if necessary to verify problem corrected. Correction: Repair/replace as necessary.	7-days from date of discovery to avoid \$75 per day additional charge each day corrective action not taken.
No Security Cameras (if cameras required)	\$250 per discovery. Additional \$75 charge per day if not corrected. \$75 re-inspection charge to verify problem corrected. Correction: Replace cameras.	30-days from the date of discovery to avoid \$75 per day additional charge each day thereafter corrective action not taken.
Non-working Security Cameras	\$100 per camera per discovery. Additional \$75 charge per day if not corrected. \$75 re-inspection charge to verify problem corrected. Correction: Repair/replace as necessary.	7-days from date of discovery to avoid \$75 per day additional charge each day corrective action not taken.
Non-working or non-accessible amenities/services	\$100 per item per discovery. Additional \$75 charge per day if not corrected. \$75 re-inspection charge to verify problem corrected. Correction: Repair/replace as necessary.	7-days from date of discovery to avoid \$75 per day additional charge each day corrective action not taken.

* No compliance fee will be assessed for one incident of each type of compliance violation per annual inspection provided the violation is corrected within the specified corrective time period. The second and subsequent violations will be assessed compliance fees as detailed in the Tenant Eligibility and Affordability Violations and Housing Quality Standards Violations tables.

**JOINT ESCROW INSTRUCTIONS
FOR AGENCY LOAN
VILLAGE PARK APARTMENTS
350 MOREY AVENUE, SACRAMENTO, CALIFORNIA**

“Effective Date”	April __, 2018
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Agency and Borrower execute these Escrow Instructions as of the Effective Date. This document, including attachments and any amendments and additions, shall constitute the joint escrow instructions of Agency and Borrower for the Agency loan secured by the Property.

ARTICLE I. GENERAL TERMS.

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

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

“Title Company”	Fidelity National Title Company			
	Address:	2150 John Glenn Drive, Suite 400, Concord, CA 94520		
“Escrow” with Title Company	Escrow Number:	FSSE-0101600117 KA	Attention:	Kristi Adan
“Agency”	Sacramento Housing and Redevelopment Agency			
	Address:	801 12 th Street, Sacramento, CA 95814		
	Attention:	Anne Nicholls		
“Borrower”	Mercy Housing California 80, L.P.			
	Address:	c/o Mercy Housing California, 1360 Mission Blvd., Suite 300, San Francisco, CA 94103		
	Attention:	Stephan Daues		
“Closing Date”	April 20, 2018 or as it may be extended.			
“Property”	Address:	350 Morey Ave, Sacramento, CA	APN:	250-0342-020-0000
Description of the transaction	The Agency is making a new acquisition, construction and permanent financing loan to a property against which there are existing loans to be assigned to and assumed by the new owner so that the property can be completely renovated. This loan will close simultaneously with senior financing and will be subordinate to such senior financing. A regulatory agreement pursuant to this loan will be recorded against the Property.			

“Recorded Documents”- The following documents are to be recorded in the order listed (top being first in priority). Copies of the Recorded documents are attached.	Documents:	Marked for return to:
	<ol style="list-style-type: none"> 1. Fourth Amendment to Owner Participation Agreement 2. Amended and Restated Deed of Trust and Assignment of Rents and Substitution Trustee 3. Grant Deed (provided by Mercy Housing’s counsel) 4. Assignment, Acknowledgement and Acceptance of Agreement containing Covenants Affecting Real Property 5. Assignment and Assumption Agreement regarding loans per Owner Participation Agreement 6. HOME Regulatory Agreement for Residential Property and Declaration of Restrictive Covenants Affecting Real Property 7. Deed of Trust and Assignment of Rents 	Sacramento Housing and Redevelopment Agency 801 12th Street – 4 th Floor Sacramento, CA 95814 Attention: Anne Nicholls
“Agency Items”	Promissory Note for subject loan	
	Loan Agreement for the subject loan	
	Authorizing resolutions for all Borrower signatories	
“Borrower Items”	conformed copies of the recorded documents.	

“Special Provisions”:	Title Policy shall, in addition to customary endorsements, bear the following endorsements: ALTA 101.1 Mechanic’s Lien Endorsement for the Regulatory Agreement - CLTA 124.1
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“Agency Title Policy” in the form of an ALTA Agency’s Policy insuring that the following are valid liens against the property:	Documents:	Coverage amount:	
	<ol style="list-style-type: none"> 1. HOME Regulatory Agreement for Residential Property and Declaration of Restrictive Covenants Affecting Real Property 2. Deed of Trust and Assignment of Rents 	In the amount of the loan secured: One Million Twenty Two Thousand Dollars and No Cents (\$1,022,000.00)	
The title policies shall be subject only to the following “Conditions of Title”:	As listed on the pro forma title policy to be approved by the Agency.	Dated:	TBD
		Number:	FSSE-0101600117 KA

THE PARTIES HAVE EXECUTED THESE ESCROW INSTRUCTIONS in Sacramento, California as of the Effective Date.

**BORROWER: MERCY HOUSING CALIFORNIA 80,
L.P.,** a California limited partnership

By: Florin Housing Corporation,
a California nonprofit public benefit corporation
its general partner

By: _____
Stephan Daues, Vice President

**AGENCY: SACRAMENTO HOUSING AND
REDEVELOPMENT AGENCY,** a joint powers agency

By: _____
LaShelle Dozier, Executive Director

ARTICLE II. INSTRUCTIONS

1. **CLOSING DATE.** Escrow shall close on or before the Closing Date as it may be changed from time to time by written agreement of Borrower and Agency.
2. **CONDITIONS TO CLOSE OF ESCROW.** “Close of Escrow” means the fulfillment of the Escrow terms and conclusion of the Escrow, including, without limitation, the execution of unexecuted documents, the recordation of documents specified for recording, the issuance of title insurance policies, the payment of fees and the delivery of funds and documents as directed in the escrow instructions for the Escrow. The Close of Escrow shall occur on the Closing Date.

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

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

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

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

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

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

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

2.2. **TRUST DEED FORM.** If no exhibit setting out the form of the Trust Deed form is attached, the Title Company shall draw the Trust Deed on the Title Company’s Long Form Deed of Trust. Title Company shall assure that the Trust Deed includes a standard clause giving Agency the option to accelerate the Loan upon the sale, conveyance, transfer or further encumbrance of the Property, whether voluntary or involuntary. Title Company shall also affix the following provision to the Trust Deed and incorporate it in the Trust Deed by reference:

“The Loan Agreement requires the filing of the “Regulatory Agreement” that is defined in the Loan Agreement. The Regulatory Agreement contains covenants running with the land and is recorded against the Property. If Developer does not comply with the requirements of the Regulatory Agreement and fails to come into compliance with the Regulatory Agreement within thirty (30) days after Agency’s written notice to Developer of such failure, the principal balance of the Loan shall, at Agency’s option, be immediately due and payable, together with all unpaid interest at the stated rate from the date of the advancement of the Loan’s proceeds.”

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

2.3.1. Assure fulfillment of the Special Provisions;

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

2.3.3. Obtain full execution of all unexecuted documents;

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

2.3.5. Record the Recorded Documents in the priority listed;

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

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

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

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

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

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ACCEPTANCE OF ESCROW INSTRUCTIONS

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

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

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

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

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

Dated: _____

TITLE COMPANY
FIDELITY NATIONAL TITLE COMPANY

By: _____

Name: _____

Title: _____

Its authorized agent and signatory

RESOLUTION NO. 2018 -

Adopted by the Housing Authority of the City of Sacramento

On date of

ST. FRANCIS TERRACE AND VILLAGE PARK APARTMENTS: APPROVAL OF AMENDED AND RESTATED DEEDS OF TRUST AND PROMISSORY NOTES FOR THE RESTRUCTURING AND/OR EXTENSION OF EXISTING DEBT AND ASSIGNMENT TO MERCY HOUSING CALIFORNIA 80, L.P. OR RELATED ENTITY (ASSIGNEE); APPROVAL OF THE SECOND AMENDMENT TO THE ST. FRANCIS TERRACE OWNER PARTICIPATION AGREEMENT; APPROVAL OF THE FOURTH AMENDMENT TO THE VILLAGE PARK OWNER PARTICIPATION AGREEMENT; APPROVAL OF ASSIGNMENT AND ASSUMPTION REGARDING LOANS PER OWNER PARTICIPATION AGREEMENTS TO ASSIGN EXISTING LOW/MODERATE TAX INCREMENT LOANS TO THE ASSIGNEE; APPROVAL OF ASSIGNMENT, ACKNOWLEDGEMENT AND ACCEPTANCE OF THE AGREEMENTS CONTAINING COVENANTS AFFECTING REAL PROPERTY; APPROVAL OF ASSIGNMENT, ACKNOWLEDGEMENT AND ACCEPTANCE OF THE REGULATORY AGREEMENT AND ENVIRONMENTAL FINDINGS

BACKGROUND

- A. On May 9, 2017 (Sacramento City Council Resolution No. 2017-0009), the Housing Authority approved restructuring and/or extending the existing debt and assignment to the Developer. St. Francis Terrace currently has two Housing Authority Low/Moderate Housing Tax Increment loans at 3% interest, with a total outstanding balance with accrued interest projected to closing of approximately \$602,867. The first loan will mature in 2025 and the second in 2033. Village Park has a Housing Authority Low/Moderate Housing Tax Increment loan at 3% interest, with a total outstanding balance with accrued interest of approximately \$352,851 which will mature in 2031. Any restructuring of the loans and associated documents includes extending the maturity dates 57 years from the date of closing using a current 3% interest rate.
- B. On May 9, 2017 (Sacramento City Council Resolution No. 2017-0169 and Housing Authority of the City of Sacramento Resolution No. 2017-0010) and November 28, 2017 (Sacramento City Council Resolution No. 2017-0454), the Sacramento City Council (City Council) and Housing Authority of the City of Sacramento (Housing Authority) approved a conditional loan commitment and an amended loan commitment of \$2,547,000 comprised of \$2,247,000 in Home Investment Partnerships Program (HOME) funds, including Community Housing Development Organization (CHDO) set-aside funds from HOME entitlement, and \$300,000 in Housing Successor Funds from the Sacramento Housing and Redevelopment Agency (Agency) to Mercy Housing California 80, L.P., or related entity (Developer), for the acquisition, rehabilitation, and permanent financing of the 48-unit St. Francis Terrace Apartments.

- C. On May 9, 2017 (City Council Resolution No. 2017-0169), the City Council approved a conditional loan commitment of \$1,022,000 in HOME funds, including CHDO set-aside funds from HOME entitlement, from the Agency to the Developer for the acquisition, rehabilitation, and permanent financing of the 50-unit Village Park Apartments.
- D. The existing Project tax increment loans, due to the funding source (Low/Moderate Tax Increment funds) and related regulatory agreements are housing assets under California Health and Safety Code §34176.
- E. On April 1, 2013, the California Department of Finance issued its final determination related to the Housing Asset Transfer assets. This final determination included these existing tax increment loans.
- F. An economically feasible alternative method of financing, refinancing, or assisting the units on substantially comparable terms and conditions but without subordination is not reasonably available.
- G. In 2011 the California Legislature enacted AB 1X26, which, coupled with a subsequent decision of the State Supreme Court, resulted in the dissolution of redevelopment agencies as of February 1, 2012.
- H. The City of Sacramento, by Resolution Number 2012-018 (adopted on January 31, 2012), designated the Housing Authority of the City of Sacramento as the local authority to retain the housing assets and functions previously performed by the Redevelopment Agency of the City of Sacramento.
- I. The Housing Authority of the City of Sacramento, by Resolution Number 2012-001 (adopted on January 31, 2012), accepted the housing assets and housing functions previously performed by the Redevelopment Agency of the City of Sacramento.
- J. The Redevelopment Agency of the City of Sacramento, by Resolution Number 2012-001 (adopted on January 31, 2012) transferred its housing assets and housing functions to the Housing Authority of the City of Sacramento.
- K. St. Francis Terrace and Village Park Apartments (Projects) are consistent with a) the Agency's previously approved Multifamily Lending and Mortgage Revenue Bond Policies, priority 2. Recapitalization (City Council Resolution No. 2009-148); b) the 2013-2021 Housing Element, which encourages the preservation and rehabilitation of existing housing to ensure neighborhood livability and promote housing affordability (City Council Resolution No. 2013-415); c) the Sacramento Promise Zone Plans and Goals, Sustainably Built Community sub-goal to increase housing types and transit growth to promote livability and connectivity within the Promise Zone for St. Francis Terrace (City Council Resolution No. 2015-263); and d) the Downtown Housing Initiative and Initiation of the Downtown Specific Plan, to bring 10,000 places to live to Downtown Sacramento by 2025 for St. Francis Terrace (City Council Resolution No. 2015-282).

- L. The existing St. Francis Terrace Downtown Tax Increment Multifamily regulatory agreement dated February 16, 1993 (30 Year Term) and agreement containing covenants affecting real property dated February 16, 1993 (40 Year Term) by and between Mercy Housing Sacramento and the Redevelopment Agency of the City of Sacramento remain in effect and will expire in 2023 and 2033. This regulatory agreement and agreement containing covenants affecting real property are acknowledged and accepted.
- M. The existing Village Park Downtown Tax Increment Multifamily regulatory agreement dated December 31, 1991(30 Year Term) by and between California Rural Housing Corporation and the Redevelopment Agency of the City of Sacramento remains in effect and will expire in 2021. This regulatory agreement is acknowledged and accepted.
- N. The proposed action has been analyzed in accordance with the California Environmental Quality Act (CEQA) and has been determined to be categorically exempt under CEQA pursuant to CEQA Guidelines at 14 California Code of Regulations (CCR) §15301(a) "Existing Facilities".
- O. The proposed action has been analyzed in accordance with the National Environmental Policy Act (NEPA) and has been determined to be Categorically Excluded from environmental review under NEPA regulations at 24 Code of Federal Regulations (CFR) §58.35(a)(3)(ii) and converts to Exempt per 24 CFR §58.34 (a)(12).

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO RESOLVES AS FOLLOWS:

- Section 1. All of the evidence having been duly considered, the findings, including the environmental findings, as set forth above, are true and correct and are hereby approved and adopted.
- Section 2. The Executive Director, or her designee, is authorized to execute the St. Francis Terrace and Village Park Apartments Amended and Restated Deed of Trust and Amended and Restated Promissory Notes, attached hereto as Exhibits A, B, C, D, I and J, for extending and/or restructuring the existing Low/Moderate Tax Increment loans, at an interest rate of three percent.
- Section 3. The Executive Director, or her designee, is authorized to execute the St. Francis Terrace Apartments Second Amendment to Owner Participation Agreement, attached hereto as Exhibit E, and Village Park Apartments Fourth Amendment to Owner Participation Agreement, attached hereto as Exhibit K for approval of the restructuring and/or extension of the existing debts at the Projects.
- Section 4. The Executive Director, or designee, is authorized to execute the St. Francis Terrace and Village Park Apartments Assignment and Assumption Regarding Loans in accordance with the Owner Participation Agreements, attached hereto as Exhibits F and L, to assign the existing Low/Moderate

Tax Increment loans to the assignee, Mercy Housing California 80, L.P., or related entity.

- Section 5. The Assignment, Acknowledgment and Acceptance of the St. Francis Terrace and Village Park Apartments Agreements Containing Covenants Affecting Real Property and St. Francis Terrace Apartments Assignment, Acknowledgement and Acceptance of Regulatory Agreement with Rental and Resale Restrictions, attached hereto as Exhibits G, H and M, for Mercy Housing California 80, L.P., or related entity to acknowledge and accept the assigned existing agreements containing covenants affecting real property and regulatory agreement is approved, and the Housing Authority of the City of Sacramento is delegated authority to execute the Assignment, Acknowledgment and Acceptance agreements.

Table of Contents:

- Exhibit A – St. Francis Terrace Amended and Restated Deed of Trust (Loan 1)
- Exhibit B – St. Francis Terrace Amended and Restated Promissory Note (Loan 1)
- Exhibit C – St. Francis Terrace Amended and Restated Deed of Trust (Loan 2)
- Exhibit D – St. Francis Terrace Amended and Restated Promissory Note (Loan 2)
- Exhibit E – St. Francis Terrace Second Amendment to Owner Participation Agreement (OPA)
- Exhibit F – St. Francis Terrace Assignment and Assumption Regarding Loans per OPA
- Exhibit G – St. Francis Terrace Assignment, Acknowledgement and Acceptance of Agreement Containing Covenants Affecting Real Property
- Exhibit H – St. Francis Terrace Assignment, Acknowledgement and Acceptance of Regulatory Agreement with Rental and Resale Restrictions
- Exhibit I – Village Park Amended and Restated Deed of Trust
- Exhibit J – Village Park Amended and Restated Promissory Note
- Exhibit K – Village Park Fourth Amendment to OPA
- Exhibit L – Village Park Assignment and Assumption Regarding Loan per OPA
- Exhibit M – Village Park Assignment, Acknowledgement and Acceptance of Agreement Containing Covenants Affecting Real Property

NO FEE DOCUMENT:

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

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

AMENDED AND RESTATED DEED OF TRUST AND ASSIGNMENT OF RENTS AND SUBSTITUTION OF TRUSTEE

St. Francis Terrace – Tax Increment Loan (1993 Loan 1)
APN: 007-0104-019

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

TERM	DEFINITION	
“Effective Date”	April __, 2018	
“Trustor” and “Borrower”	Mercy Housing Sacramento, a California nonprofit corporation. Mercy Housing California-I, L.P., a Colorado limited partnership, assumed the Deed of Trust on May 25, 1993.	
“Borrower Address”	c/o Mercy Housing California, 1360 Mission Blvd., Suite 300, San Francisco , CA 94103	
“Trustee”	Fidelity National Title Company is substituted in place of Chicago Title Insurance Company	
“Beneficiary” and “Lender”	Housing Authority of the City of Sacramento	
“Lender Address”	801 12 th Street, Sacramento, CA 95814	
“Property”	Which is real property located in the City of Sacramento and the State of California as more particularly described in the Legal Description.	
	Address	2525 L Street, Sacramento, CA 95816
	Assessor’s Parcel Number	007-0104-019
“Legal Description”	The Legal Description of the Property which is more particularly described in the attached <u>Exhibit 1 Legal Description</u> , which is incorporated in and an integral part of this Deed of Trust	
“Loan”	Which is Lender’s loan to Borrower evidenced by the Note and which is secured by this Deed of Trust.	
Original Loan	Original Loan (1993) was made by the Redevelopment Agency of the City of Sacramento to Mercy Housing Sacramento	
Original Deed of Trust restated herein	Recorded on March 1, 1993	Book 930301; Page 1168
“Additional Notices”	Lender shall give copies of notices required to be delivered to Borrower to the following parties at the following addresses (as such addresses may be updated pursuant to written notice to Lender); provided, however that Borrower acknowledges that such notice is an accommodation and the failure of the Lender to properly deliver any such notice shall not give rise to any claims or defenses of Borrower or any third party:	

	<p>To Limited Partner:</p> <p>U.S. Bancorp Community Development Corporation 1307 Washington Avenue, Suite 300 Mail Code: SL MO RMCD St. Louis, MO 63103 USB Project No.: [_____] Attn.: Director of LIHTC Asset Management Phone: (314) 335-2600 Fax: (314) 335-2601</p> <p>With a copy to:</p> <p>Janice E. Hetland, Esq. Lathrop Gage LLP Pierre Laclede Center 7701 Forsyth Boulevard, Suite 500 St. Louis, MO 63105 Phone: (314) 613-2800 Fax: (314) 613.2801</p> <p>To Construction Lender:</p> <p>U.S. Bank National Association 1307 Washington Avenue, Suite 300 St. Louis, MO 63103 Attn.: Director of CLD Asset Management</p>	
"Note"	Which is Borrower's Amended and Restated Promissory Note made in accordance with the Loan Agreement securing the following principal sum or such lesser amount as shall equal the aggregate amount disbursed to Borrower by Lender, with interest.	
	Which has a principal sum of	Two Hundred Fifty Thousand Dollars and No Cents (\$250,000.00). Interest shall continue to accrue from the Effective Date of the Original Note, February 16, 1993.

THIS DEED OF TRUST is made as of the Effective Date between the Trustor also referenced as the Borrower, the Trustee, and the Beneficiary also referenced as Lender. This Deed of Trust amends and restates the Original Deed of Trust in its entirety.

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

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

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

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

Borrower and Lender covenant and agree as follows:

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

Unless Lender and Borrower otherwise agree in writing, insurance proceeds shall be applied to restoration or repair of the Property damaged, as and to the extent provided in the Loan Agreement, and Lender shall permit the use of the insurance proceeds for restoration or repairs so long as the value of its lien is not impaired.

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

4. Liability Insurance. In addition to the casualty insurance required under the Loan Agreement during the course of construction, Borrower shall keep comprehensive general liability insurance for the Property in a form and coverage consistent with the provisions of the Loan Agreement and reasonably approved by Lender.
5. Preservation and Maintenance of Property. Borrower shall keep the Property in good repair and shall not commit waste or permit impairment, demolition, or deterioration of the Property (normal wear and tear excepted).
6. Protection of Lender's Security. Borrower shall appear and defend any action or proceeding purporting to affect the security under this Deed of Trust or the rights of the Lender. If Borrower fails to perform the covenants and agreements contained in this Deed of Trust, or if any action or proceeding is commenced which materially affects Lender's interest in the Property, including, but not limited to, foreclosure, involuntary sale, eminent domain, insolvency, code enforcement, or arrangements or proceedings involving a bankrupt or decedent, then Lender may, upon notice to Borrower, make such appearances, disburse such sums and take such actions as are necessary to protect Lender's interest, including, but not limited to, disbursement of judgments, costs or reasonable attorney's fees and entry upon the Property to make repairs.

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

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

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

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

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

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

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

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

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

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

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

15. Acceleration on Transfer or Refinancing of the Property; Assumption. Except as otherwise provided in the Loan Agreement, if all or any part of the Property or an interest in the Property is sold or transferred or refinanced by Borrower without Lender's prior written consent, Lender may, at Lender's option, declare all the sums secured by this

Deed of Trust to be immediately due and payable. Lender shall have waived such option to accelerate if, prior to the refinancing, sale or transfer, Lender and the person to whom the Property is to be sold or transferred reach agreement in writing that the loan may be assumed. If Lender has waived the option to accelerate provided in this Section and if Borrower's successor in interest has executed a written assumption agreement accepted in writing by Lender, Lender shall release Borrower from all obligations under this Deed of Trust and the Note. Lender's prior approval is not required for (1) the sale or transfer of the Limited Partner's interest to one or more of the other partners that currently comprise the Borrower's entity, (2) the admission of the Limited Partner or its affiliate to the Borrower and the transfer of its interest to an affiliate thereof so long as the general partner, or managing member, of the transferor, or an affiliate thereof, is the general partner, or managing member of the transferee, or partner; however, Borrower is obligated to notify Lender within 30 days from the date of such sale or transfer, (3) the removal of the general partner of the Borrower by the Limited Partner for a default under Borrower's partnership agreement, provided that any replacement general partner is approved by Lender, which approval shall not be unreasonably withheld, conditioned or delayed. For purposes hereof, Limited Partner shall mean, U.S. Bancorp Community Development Corporation and its permitted successors and assigns need to include limited liability companies in which U.S. Bancorp Community Development Corporation or one of its affiliates is the manager or managing member, and its permitted successors and assigns.

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

16. Acceleration on Breach; Remedies. Except as provided in Section 15, upon Borrower's breach of any covenant or agreement of Borrower in this Deed of Trust, the Note, (including the covenants to pay when due any sums secured by this Deed of Trust and restricting transfer of the Property), the Regulatory Agreement or Loan Agreement, Lender shall mail notice to Borrower and the Limited Partner specifying: (1) the breach; (2) the action required to cure such breach; (3) a date, no less than 30 days from the date the notice is mailed to Borrower, and the Limited Partner by which breach must be cured; and (4) that failure to cure such breach on or before the date specified in the notice may result in acceleration of the sums secured by this Deed of Trust and sale of the Property. If the breach is not cured on or before the date specified in the notice, Lender at Lender's option may declare all of the sums secured by this Deed of Trust to be immediately due and payable without further demand and may invoke the power of sale and any other remedies permitted by applicable law, provided, however, that if such cure cannot reasonably be effected within such 30-day period, such failure shall not be a default so long as Borrower promptly (and in any event, within ten (10) days after receipt of such notice) commences such cure and thereafter diligently (and in any event, within ninety (90) days after receipt of such notice) prosecutes such cure to completion. The Limited Partner is entitled to cure any defaults on behalf of the Borrower within the same specified time periods; said cure periods shall not extend statutory periods and times for notice and commencement of foreclosure; provided, however, that if, in order to cure any such default the Limited Partner must first remove a general partner of Borrower, then, provided that the Limited Partner notifies Lender of such removal and removes such general partner within a reasonable period, then the Limited Partner shall have until the date 30 days after the effective date of such removal to effect such cure. In any event, such cure process shall not exceed 120 days. The provisions of this Section 16 shall control in the event of any conflict with any other provisions of this Deed of Trust, the Note, the Regulatory Agreement or the Loan Agreement. Lender shall be entitled to collect from the Borrower, or sale proceeds, if any, all reasonable costs and expenses incurred in pursuing the remedies provided in this Section, including, but not limited to reasonable attorney's fees.

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

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

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

Upon acceleration for breach or abandonment of the Property, Lender, in person, by agent or by judicially appointed receiver shall be entitled to enter upon, take possession of and manage the Property and to collect the rents of the Property including those past due. All rents collected by Lender, its agent, or the receiver shall be applied first to payment of the costs of management of the Property and collection of rents, including, but not limited to receiver's fees, premiums on receiver's bonds and reasonable attorney's fees, and then to the sums secured by this Deed of Trust. Lender, its agent and the receiver shall be liable to account only for those rents actually received.

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

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

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

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

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

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

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

25. Extended Use Agreement. In order to receive an allocation of federal low income housing tax credits, Borrower will be required to record in the real property records of the County in which the property is located, an "extended low-income housing commitment" (as defined in Section 42(h)(6)(B) of the Internal Revenue Code of 1986, as amended ("Code")) ("Extended Use Agreement"). Lender acknowledges and agrees that, in the event of a foreclosure of its interest under this Deed of Trust or delivery by the Borrower of a deed in lieu thereof (collectively, a "Foreclosure"), Lender agrees that the following rule contained in Section 42(h)(6)(E)(ii) of the Code shall apply: For a period of three (3) years from the date of Foreclosure, with respect to any unit that had been regulated by the Extended Use Agreement, (i) none of the eligible tenants occupying those units at the time of Foreclosure may be evicted or their tenancy terminated (other than for good cause, including but not limited to, the tenants' ineligibility

pursuant to regulations of Section 42 of the Code), (ii) nor may any rent be increased except as otherwise permitted under Section 42 of the Code.

IN WITNESS WHEREOF, Borrower has executed this Deed of Trust as of the Effective Date.

BORROWER (Trustor):
Mercy Housing California-I, L.P.
a Colorado Limited Partnership

By: Mercy Properties, Inc.
a Colorado nonprofit public benefit corporation,
its General Partner

By: _____
Stephan Daues
Its Vice-President

[NOTARIZED ACKNOWLEDGEMENTS]

Exhibit 1: Legal Description

For APN/Parcel ID(s): 007-0104-019

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

Lots 5, 6, 7 and 8 and the abandoned 20 foot wide alley vacated by Resolution No. 92-597 recorded in the office of the Recorder of Sacramento County in Book 920911, Page 796, of Official Records, in the Block bounded by K Street, L Street, 25th Street and 26th Street, of the City of Sacramento, according to the official map or plan thereof, described as follows:

Beginning at the Southwest corner of said Lot 8 and the Southwest corner of said Block; thence, from said point of beginning, along the Westerly line of said Lot 8, along the Westerly line of said Block, and along the Easterly line of said 25th Street, an 80 foot wide street, North $18^{\circ} 30'00''$ East 181.11 feet to the Northwest corner of said Alley and to the Southwest corner of Lot 1 of said Block; thence, along the Northerly line of said Alley, along the Southerly line of said Lot 1 and along the Southerly lines of Lots 2, 3 and 4 of said Block, South $71^{\circ}32'00''$ East 323.14 feet to the Northeast corner of said Alley and to the Southeast corner of said Lot 4; thence, along the Easterly line of said Block, along the Easterly line of said Lot Sand along the Westerly line of said 26th Street, an 80 foot wide street, South $18^{\circ} 27'30''$ West 181.20 feet to the Southeast corner of said Lot 5 and to the Southeast corner of said Block; thence, along the Southerly lines of said Lots 5, 6, 7 and 8, along the Southerly line of said Block and along the Northerly line of said L Street, an 80 foot wide street, North $71^{\circ}30'00''$ West 323.28 feet to the point of beginning, pursuant to that Certificate of Conpliance for Lot Merger recorded December 10, 1992, in Book 921210, Page 108, of Official Records.

FIRST AMENDED AND RESTATED PROMISSORY NOTE
FOR ST. FRANCIS TERRACE
LOW/MODERATE TAX INCREMENT LOAN (1993 LOAN 1)

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

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

DEFINED TERM:	DEFINITION:
“Effective Date”	April __, 2018
“Lender”	Housing Authority of the City of Sacramento
“Borrower”	Mercy Housing California-I, L.P.
“Borrower Legal Status”	a Colorado limited partnership
“Original Note”	The Promissory Note between Mercy Housing Sacramento and Lender as of date for making of the loan (“Loan”) as of the following date and in the following principal amount.
	Effective Date: February 16, 1993
	Amount: \$250,000.00
“Note”	This First Amended and Restated Promissory Note.
“Loan Agreement”	The Loan Agreement was the Owner Participation Agreement (“OPA”) between Mercy Housing Sacramento and the Redevelopment Agency of the City of Sacramento, dated February 16, 1993. This OPA was amended on May 25, 1993 with Mercy Housing California-I, L.P., a Colorado limited partnership assuming the Note (“Loan”).
“Principal Amount”	The following Principal Amount is the current Loan amount as reflected by the Note, and payments that will be made are credited against the new Principal Amount: Two Hundred Fifty Thousand Dollars and No Cents (\$250,000.00).
“Interest Rate”	The interest rate is three percent (3%) per year, simple interest.
“Accrual Date”	Interest shall continue to accrue from the Effective Date of the Original Note.
“Special Terms”	Payments shall be deferred through the 683 month from the Effective Date
“Payment Start Date”	Principal and interest shall be payable and due in full on the Maturity Date.
“Maturity Date”	The first day of the 684 th calendar month following the Effective Date.
PAYMENT SCHEDULE. Repayment of this Note shall be made as follows:	
“Payment Amount(s)”	n/a
“Distribution of Funds”	<p>Lender shall apply payments to the Authority Loans in the following order. All payments shall be applied to the first outstanding loan on the list until that loan is paid in full, after which all payments shall be applied to the next loan on the list, continuing until all loans are paid in full.</p> <ol style="list-style-type: none"> 1. \$ 250,000.00 1993 TI Loan (THIS LOAN) 2. \$ 93,258.00 1993 TI Loan 3. \$2,547,000.00 2018 TI and HOME Loan

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

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

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

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

3. This Note is secured by an Amended and Restated Deed of Trust with Assignment of Rents against the real property described therein ("Property"), as must be recorded in the office of the County Recorder of Sacramento County ("Trust Deed"). The Trust Deed securing this Note provides that Lender may at its option, declare all funds secured by the Trust Deed immediately due and payable, if any interest in the real property is sold, transferred or conveyed to any person, whether voluntarily or involuntarily, except as provided for in the Loan Agreement. The Trust Deed further provides that if Borrower does not comply with the requirements of the Regulatory Agreement and fails to come into compliance with the Regulatory Agreement within thirty (30) days (or such longer period as may be reasonably be needed to cause compliance but not to exceed 30 days past the original 30 days allotted) after Lender's written notice to Borrower of such failure, Lender may at its option, declare all funds secured by the Trust Deed immediately due and payable.

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

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

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

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

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

d. Borrower defaults or breaches any of the terms of Loan Agreement, the Trust Deed, the Regulatory Agreement or this Note after expiration of all applicable cure periods, and if no cure period is stated, then Borrower shall have a period of not less than 30 days to cure.

e. Borrower fails to perform any covenant, term or condition in any instrument creating a lien upon the Property, which is the security under the Trust Deed, or any part thereof, which lien shall have priority over the lien of the Trust Deed securing this Note and a default is declared by such priority lender which is not cured by the applicable time period.

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

g. The occurrence of any of the following:

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

arrangement with creditors. However, Borrower shall have a sixty (60) day cure period to dismiss or stay the bankruptcy proceedings.

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

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

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

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

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

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

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

11. By acceptance of this Note, Lender hereby agrees that any cure made or tendered by a limited partner of Borrower under the terms of this Note shall be deemed to be made by the Borrower and shall be accepted or rejected on the same basis.

a. Lender shall give copies of notices required to be delivered to Borrower to the following parties at the following addresses; provided, however the Borrower acknowledges that such notice is an accommodation and the failure to properly deliver such notice shall not give rise to any claims of Borrower or any third party.

12. By acceptance of this Note, Lender hereby agrees that the Original Note is hereby cancelled and superseded by this Note.

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

BORROWER (Trustor):

Mercy Housing California-I, L.P.
a Colorado Limited Partnership

By: Mercy Properties, Inc.
a Colorado nonprofit public benefit corporation,
its General Partner

By: _____
Stephan Daues
Its Vice-President

NO FEE DOCUMENT:

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

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

AMENDED AND RESTATED DEED OF TRUST AND ASSIGNMENT OF RENTS AND SUBSTITUTION OF TRUSTEE

St. Francis Terrace – Tax Increment Loan (1993 Loan 2)

APN: 007-0104-019

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

TERM	DEFINITION	
“Effective Date”	April __, 2018	
“Trustor” and “Borrower”	Mercy Housing Sacramento, a California nonprofit corporation. Mercy Housing California-I, L.P., a Colorado limited partnership, assumed the Deed of Trust on May 25, 1993.	
“Borrower Address”	c/o Mercy Housing California, 1360 Mission Blvd., Suite 300, San Francisco , CA 94103	
“Trustee”	Fidelity National Title Company is substituted in place of Founders Title Company	
“Beneficiary” and “Lender”	Housing Authority of the City of Sacramento	
“Lender Address”	801 12 th Street, Sacramento, CA 95814	
“Property”	Which is real property located in the City of Sacramento and the State of California as more particularly described in the Legal Description.	
	Address	2525 L Street, Sacramento, CA 95816
	Assessor’s Parcel Number	007-0104-019
“Legal Description”	The Legal Description of the Property which is more particularly described in the attached <u>Exhibit 1 Legal Description</u> , which is incorporated in and an integral part of this Deed of Trust	
“Loan”	Which is Lender’s loan to Borrower evidenced by the Note and which is secured by this Deed of Trust.	
Original Loan	Original Loan (1993) was made by the Redevelopment Agency of the City of Sacramento to Mercy Housing California I, LP	
Original Deed of Trust restated herein	Recorded on July 7, 1993	Book 930707; Page 1626
“Additional Notices”	Lender shall give copies of notices required to be delivered to Borrower to the following parties at the following addresses (as such addresses may be updated pursuant to written notice to Lender); provided, however that Borrower acknowledges that such notice is an accommodation and the failure of the Lender to properly deliver any such notice shall not give rise to any claims or defenses of Borrower or any third party:	

	<p>To Limited Partner:</p> <p>U.S. Bancorp Community Development Corporation 1307 Washington Avenue, Suite 300 Mail Code: SL MO RMCD St. Louis, MO 63103 USB Project No.: [_____] Attn.: Director of LIHTC Asset Management Phone: (314) 335-2600 Fax: (314) 335-2601</p> <p>With a copy to:</p> <p>Janice E. Hetland, Esq. Lathrop Gage LLP Pierre Laclede Center 7701 Forsyth Boulevard, Suite 500 St. Louis, MO 63105 Phone: (314) 613-2800 Fax: (314) 613.2801</p> <p>To Construction Lender:</p> <p>U.S. Bank National Association 1307 Washington Avenue, Suite 300 St. Louis, MO 63103 Attn.: Director of CLD Asset Management</p>	
"Note"	Which is Borrower's Amended and Restated Promissory Note made in accordance with the Loan Agreement securing the following principal sum or such lesser amount as shall equal the aggregate amount disbursed to Borrower by Lender, with interest.	
	Which has a principal sum of	Ninety Three Thousand Two Hundred Fifty Eight Dollars and No Cents (\$93,258.00) Interest shall continue to accrue from the Effective Date of the Original Note, May 25, 1993.

THIS DEED OF TRUST is made as of the Effective Date between the Trustor also referenced as the Borrower, the Trustee, and the Beneficiary also referenced as Lender. This Deed of Trust amends and restates the Original Deed of Trust in its entirety.

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

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

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

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

Borrower and Lender covenant and agree as follows:

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

Unless Lender and Borrower otherwise agree in writing, insurance proceeds shall be applied to restoration or repair of the Property damaged, as and to the extent provided in the Loan Agreement, and Lender shall permit the use of the insurance proceeds for restoration or repairs so long as the value of its lien is not impaired.

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

4. Liability Insurance. In addition to the casualty insurance required under the Loan Agreement during the course of construction, Borrower shall keep comprehensive general liability insurance for the Property in a form and coverage consistent with the provisions of the Loan Agreement and reasonably approved by Lender.
5. Preservation and Maintenance of Property. Borrower shall keep the Property in good repair and shall not commit waste or permit impairment, demolition, or deterioration of the Property (normal wear and tear excepted).
6. Protection of Lender's Security. Borrower shall appear and defend any action or proceeding purporting to affect the security under this Deed of Trust or the rights of the Lender. If Borrower fails to perform the covenants and agreements contained in this Deed of Trust, or if any action or proceeding is commenced which materially affects Lender's interest in the Property, including, but not limited to, foreclosure, involuntary sale, eminent domain, insolvency, code enforcement, or arrangements or proceedings involving a bankrupt or decedent, then Lender may, upon notice to Borrower, make such appearances, disburse such sums and take such actions as are necessary to protect Lender's interest, including, but not limited to, disbursement of judgments, costs or reasonable attorney's fees and entry upon the Property to make repairs.

Any amounts disbursed by Lender pursuant to this Section 6, with interest, shall become additional indebtedness of Borrower secured by this Deed of Trust. Unless Borrower and Lender agree to other terms of payment, such amounts shall be payable upon notice from Lender to Borrower requesting payment, and shall bear interest from the date of

disbursement at the highest rate permissible under applicable law. In any event, this Section shall be construed as a right and an option of Lender and shall not be construed to require Lender to incur any expense or take any action.

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

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

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

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

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

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

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

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

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

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

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

required for (1) the sale or transfer of the Limited Partner's interest to one or more of the other partners that currently comprise the Borrower's entity, (2) the admission of the Limited Partner or its affiliate to the Borrower and the transfer of its interest to an affiliate thereof so long as the general partner, or managing member, of the transferor, or an affiliate thereof, is the general partner, or managing member of the transferee, or partner; however, Borrower is obligated to notify Lender within 30 days from the date of such sale or transfer, (3) the removal of the general partner of the Borrower by the Limited Partner for a default under Borrower's partnership agreement, provided that any replacement general partner is approved by Lender, which approval shall not be unreasonably withheld, conditioned or delayed. For purposes hereof, Limited Partner shall mean, U.S. Bancorp Community Development Corporation and its permitted successors and assigns need to include limited liability companies in which U.S. Bancorp Community Development Corporation or one of its affiliates is the manager or managing member, and its permitted successors and assigns.

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

16. Acceleration on Breach; Remedies. Except as provided in Section 15, upon Borrower's breach of any covenant or agreement of Borrower in this Deed of Trust, the Note, (including the covenants to pay when due any sums secured by this Deed of Trust and restricting transfer of the Property), the Regulatory Agreement or Loan Agreement, Lender shall mail notice to Borrower and the Limited Partner specifying: (1) the breach; (2) the action required to cure such breach; (3) a date, no less than 30 days from the date the notice is mailed to Borrower, and the Limited Partner by which breach must be cured; and (4) that failure to cure such breach on or before the date specified in the notice may result in acceleration of the sums secured by this Deed of Trust and sale of the Property. If the breach is not cured on or before the date specified in the notice, Lender at Lender's option may declare all of the sums secured by this Deed of Trust to be immediately due and payable without further demand and may invoke the power of sale and any other remedies permitted by applicable law, provided, however, that if such cure cannot reasonably be effected within such 30-day period, such failure shall not be a default so long as Borrower promptly (and in any event, within ten (10) days after receipt of such notice) commences such cure and thereafter diligently (and in any event, within ninety (90) days after receipt of such notice) prosecutes such cure to completion. The Limited Partner is entitled to cure any defaults on behalf of the Borrower within the same specified time periods; said cure periods shall not extend statutory periods and times for notice and commencement of foreclosure; provided, however, that if, in order to cure any such default the Limited Partner must first remove a general partner of Borrower, then, provided that the Limited Partner notifies Lender of such removal and removes such general partner within a reasonable period, then the Limited Partner shall have until the date 30 days after the effective date of such removal to effect such cure. In any event, such cure process shall not exceed 120 days. The provisions of this Section 16 shall control in the event of any conflict with any other provisions of this Deed of Trust, the Note, the Regulatory Agreement or the Loan Agreement. Lender shall be entitled to collect from the Borrower, or sale proceeds, if any, all reasonable costs and expenses incurred in pursuing the remedies provided in this Section, including, but not limited to reasonable attorney's fees.

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

Trustee shall deliver to the purchaser a Trustee's deed conveying the Property so sold without any covenant or warranty, expressed or implied. The recitals in the Trustee's deed shall be prima facie evidence of the truth of the statements it contains. Trustee shall apply the proceeds of the sale in the following order: (a) to all reasonable costs and expenses of the sale, including, but not limited to, reasonable Trustee's and attorney's fees and costs of title evidence; (b) to all sums secured by this Deed of Trust; and (c) the excess, if any, to the person or persons legally

entitled thereto as determined by Lender. In the event of a dispute regarding the excess funds, either Lender or Trustee may file an action in interpleader to determine who shall receive the funds and may then deposit the excess funds with the court.

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

Upon acceleration for breach or abandonment of the Property, Lender, in person, by agent or by judicially appointed receiver shall be entitled to enter upon, take possession of and manage the Property and to collect the rents of the Property including those past due. All rents collected by Lender, its agent, or the receiver shall be applied first to payment of the costs of management of the Property and collection of rents, including, but not limited to receiver's fees, premiums on receiver's bonds and reasonable attorney's fees, and then to the sums secured by this Deed of Trust. Lender, its agent and the receiver shall be liable to account only for those rents actually received.

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

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

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

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

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

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

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

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

IN WITNESS WHEREOF, Borrower has executed this Deed of Trust as of the Effective Date.

BORROWER (Trustor):

Mercy Housing California-I, L.P.
a Colorado Limited Partnership

By: Mercy Properties, Inc.
a Colorado nonprofit public benefit corporation,
its General Partner

By: _____
Stephan Daues
Its Vice-President

[NOTARIZED ACKNOWLEDGEMENTS]

Exhibit 1: Legal Description

For APN/Parcel ID(s): 007-0104-019

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

Lots 5, 6, 7 and 8 and the abandoned 20 foot wide alley vacated by Resolution No. 92-597 recorded in the office of the Recorder of Sacramento County in Book 920911, Page 796, of Official Records, in the Block bounded by K Street, L Street, 25th Street and 26th Street, of the City of Sacramento, according to the official map or plan thereof, described as follows:

Beginning at the Southwest corner of said Lot 8 and the Southwest corner of said Block; thence, from said point of beginning, along the Westerly line of said Lot 8, along the Westerly line of said Block, and along the Easterly line of said 25th Street, an 80 foot wide street, North $18^{\circ} 30'00''$ East 181.11 feet to the Northwest corner of said Alley and to the Southwest corner of Lot 1 of said Block; thence, along the Northerly line of said Alley, along the Southerly line of said Lot 1 and along the Southerly lines of Lots 2, 3 and 4 of said Block, South $71^{\circ}32'00''$ East 323.14 feet to the Northeast corner of said Alley and to the Southeast corner of said Lot 4; thence, along the Easterly line of said Block, along the Easterly line of said Lot Sand along the Westerly line of said 26th Street, an 80 foot wide street, South $18^{\circ} 27'30''$ West 181.20 feet to the Southeast corner of said Lot 5 and to the Southeast corner of said Block; thence, along the Southerly lines of said Lots 5, 6, 7 and 8, along the Southerly line of said Block and along the Northerly line of said L Street, an 80 foot wide street, North $71^{\circ}30'00''$ West 323.28 feet to the point of beginning, pursuant to that Certificate of Coniplance for Lot Merger recorded December 10, 1992, in Book 921210, Page 108, of Official Records.

SECOND AMENDED AND RESTATED PROMISSORY NOTE
FOR ST. FRANCIS TERRACE
LOW/MODERATE TAX INCREMENT LOAN (1993 LOAN 2)

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

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

DEFINED TERM:	DEFINITION:
“Effective Date”	April __, 2018
“Lender”	Housing Authority of the City of Sacramento
“Borrower”	Mercy Housing California-I, L.P.
“Borrower Legal Status”	a Colorado limited partnership
“Original Note”	The Promissory Note between the Borrower and Lender as of date for making of the loan (“Loan”) as of the following date and in the following principal amount.
	Effective Date: May 25, 1993
	Amount: \$240,000.00
“Note”	This Second Amended and Restated Promissory Note.
“Loan Agreement”	The Loan Agreement was the Owner Participation Agreement (“OPA”) between Mercy Housing Sacramento and the Redevelopment Agency of the City of Sacramento, dated February 16, 1993. This OPA was amended on May 25, 1993 with Mercy Housing California-I, L.P., a Colorado limited partnership assuming the Note (“Loan”).
“Principal Amount”	The following Principal Amount is the current Loan amount as reflected by the Note, and payments that will be made are credited against the new Principal Amount: Ninety Three Thousand Two Hundred Fifty Eight Dollars and No Cents (\$93,258.00)
“Interest Rate”	The interest rate is three percent (3%) per year, simple interest.
“Accrual Date”	Interest shall continue to accrue from the Effective Date of the Original Note.
“Special Terms”	Payments shall be deferred through the 683 month from the Effective Date
“Payment Start Date”	Principal and interest shall be payable and due in full on the Maturity Date.
“Maturity Date”	The first day of the 684 th calendar month following the Effective Date.
PAYMENT SCHEDULE. Repayment of this Note shall be made as follows:	
“Payment Amount(s)”	n/a

<p>“Distribution of Funds”</p>	<p>Lender shall apply payments to the Authority Loans in the following order. All payments shall be applied to the first outstanding loan on the list until that loan is paid in full, after which all payments shall be applied to the next loan on the list, continuing until all loans are paid in full.</p> <ol style="list-style-type: none"> 1. \$ 250,000.00 1993 TI Loan 2. \$ 93,258.00 1993 TI Loan (THIS LOAN) 3. \$2,547,000.00 2018 TI and HOME Loan
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FOR VALUE RECEIVED, THE UNDERSIGNED, JOINTLY AND SEVERALLY, PROMISES TO PAY to Lender, or its successors or assigns, the Principal Amount or such lesser amount as may be endorsed on this Note on behalf of Lender. The Loan shall bear interest on the outstanding principal balance, computed from the Accrual Date at the Interest Rate.

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

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

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

3. This Note is secured by an Amended and Restated Deed of Trust with Assignment of Rents against the real property described therein (“Property”), as must be recorded in the office of the County Recorder of Sacramento County (“Trust Deed”). The Trust Deed securing this Note provides that Lender may at its option, declare all funds secured by the Trust Deed immediately due and payable, if any interest in the real property is sold, transferred or conveyed to any person, whether voluntarily or involuntarily, except as provided for in the Loan Agreement. The Trust Deed further provides that if Borrower does not comply with the requirements of the Regulatory Agreement and fails to come into compliance with the Regulatory Agreement within thirty (30) days (or such longer period as may be reasonably be needed to cause compliance but not to exceed 30 days past the original 30 days allotted) after Lender’s written notice to Borrower of such failure, Lender may at its option, declare all funds secured by the Trust Deed immediately due and payable.

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

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

- a. Borrower defaults in the payment of any principal or interest within fifteen (15) days of the date when due.
- b. Lender discovers that Borrower, in any application to Lender in connection with the Loan, had failed to disclose or misrepresented any fact that would have prevented Borrower from being eligible for the Loan.
- c. Lender discovers that Borrower has made any misrepresentations or has intentionally withheld any fact in the making of this Loan, the knowledge of which could have affected the decision of Lender to make the Loan.
- d. Borrower defaults or breaches any of the terms of Loan Agreement , the Trust Deed , the Regulatory Agreement or this Note after expiration of all applicable cure periods, and if no cure period is stated, then Borrower shall have a period of not less than 30 days to cure.
- e. Borrower fails to perform any covenant, term or condition in any instrument creating a lien upon the Property, which is the security under the Trust Deed, or any part thereof, which lien shall have priority over the lien of the Trust

Deed securing this Note and a default is declared by such priority lender which is not cured by the applicable time period.

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

g. The occurrence of any of the following:

1) Borrower becoming insolvent or bankrupt or being unable or admitting, in writing, Borrower's inability to pay debts as they mature or making a general assignment of or entering into any restructure payment arrangement with creditors. However, Borrower shall have a sixty (60) day cure period to dismiss or stay the bankruptcy proceedings.

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

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

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

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

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

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

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

11. By acceptance of this Note, Lender hereby agrees that any cure made or tendered by a limited partner of Borrower under the terms of this Note shall be deemed to be made by the Borrower and shall be accepted or rejected on the same basis.

a. Lender shall give copies of notices required to be delivered to Borrower to the following parties at the following addresses; provided, however the Borrower acknowledges that such notice is an accommodation and the failure to properly deliver such notice shall not give rise to any claims of Borrower or any third party.

12. By acceptance of this Note, Lender hereby agrees that the Original Note is hereby cancelled and superseded by this Note.

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

BORROWER (Trustor):

Mercy Housing California-I, L.P.
a Colorado Limited Partnership

By: Mercy Properties, Inc.
a Colorado nonprofit public benefit corporation,
its General Partner

By: _____
Stephan Daues
Its Vice-President

NO FEE DOCUMENT:

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

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

SECOND AMENDMENT TO OWNER PARTICIPATION AGREEMENT
St Francis Terrace
2525 L Street, Sacramento, CA 95816
APN: 007-0104-019

This Second Amendment to Owner Participation Agreement (“Second Amendment”) is entered into as of April __, 2018, (the “Effective Date”), by and between the Housing Authority of the City of Sacramento (“Authority”) and Mercy Housing California-I, LP, a Colorado limited partnership (“Owner”).

RECITALS

WHEREAS, the Redevelopment Agency of the City of Sacramento (“Agency”) entered into an Owner Participation Agreement (OPA) with Mercy Housing Sacramento, dated February 16, 1993 as amended by a First Amendment to the Owner Participation Agreement dated May 25, 1993, under the Terms and according to the Conditions set forth therein, which First Amendment was recorded in the Office of the Recorder of the County of Sacramento, California on July 7, 1993 in Book 930707, Page 1629, (collectively, the “OPA”) affecting certain real property situated within the City of Sacramento, State of California, and more particularly described in the “Legal Description” attached to and incorporated in this Second Amendment by this reference (“Property”); and

WHEREAS, in 2011 the California Legislature enacted AB x1 26, which, coupled with a subsequent decision of the State Supreme Court, resulted in the dissolution of redevelopment agencies as of February 1, 2012; and

WHEREAS, the City of Sacramento, by Resolution Number 2012-018 (adopted on January 31, 2012), designated the Authority as the local agency to retain the housing assets and functions previously performed by the Agency; and

WHEREAS, the Agency, by resolution Number 2012-001 (adopted on January 31, 2012) transferred its housing assets and housing functions to the Authority; and

WHEREAS, the Authority, by Resolution Number 2012-001 (adopted on January 31, 2012), accepted the housing assets and housing functions previously performed by the Agency; and

WHEREAS, the California Department of Finance issued its final determination, dated April 1, 2013, approving the Housing Asset Transfer including the Village Park Apartments project; and

WHEREAS, the Authority and the Owner desire to amend the OPA.

NOW, THEREFORE, the parties agree as follows:

1. The parties agree to this amendment of the original OPA in order to reflect the new financing structure by amending and restating existing loan to facilitate for recapitalization anticipated to include:
 - a. The Amended and Restated Loan Commitment will be comprised of two loans with a principal balance of a) \$250,000.00 (Loan 1) and b) \$93,258.00 (Loan 2) in City Low/Mod Tax Increment (TI) funds; interest shall continue to accrue from the Effective Date of each loans respective Original Note.
2. As of the date hereof, no default has occurred under the OPA, and no event or circumstance exists which, with the giving of notice or the passage of time, or both, would constitute a default under the OPA. The construction as required by that OPA has been satisfactorily completed. The OPA contains the original loan terms .The development of the Property by Owner, as currently contemplated, complies with all of the terms and conditions of the OPA and no additional approvals of the Authority with respect to the OPA are required.
3. **Additional Provisions.** Notwithstanding anything to the contrary contained in the OPA, the Authority hereby agrees to the following additional provisions:
 - a. The limited partnership interests of the Owner shall be transferable to an affiliate of the Owner's limited partner or to a limited liability company in which the limited partner or an affiliate is the manager or managing member without the consent of the Authority and to a non-affiliate of the Owner's limited partner with the consent of the Authority, which consent shall not be unreasonably withheld.
 - b. The Authority hereby agrees that any cure made or tendered by a limited partner of Owner under the terms of the OPA shall be deemed to be made by the Owner and shall be accepted or rejected on the same basis. Notices to the Owner's limited partners required hereunder shall be given at the following address:
 - c. The Owner shall be permitted to transfer the Property to its general partner or an affiliate therefore following the expiration of the tax credit compliance period without the Authority's consent.

IN WITNESS WHEREOF, the parties hereto have executed this **Second Amendment to the OPA** as of the Effective Date.

OWNER:

MERCY HOUSING CALIFORNIA-I, L.P.,
a Colorado limited partnership

By: Mercy Properties, Inc.
a Colorado Limited Partnership
its general partner

By: _____
Stephan Daues
Its Vice President

AUTHORITY:

HOUSING AUTHORITY OF THE CITY OF SACRAMENTO
a public body corporate and politic

By: _____
La Shelle Dozier, Executive Director

Approved as to form:

Authority Counsel

[NOTARIZED ACKNOWLEDGEMENTS]

Legal Description

For APN/Parcel ID(s): 007-0104-019

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

Lots 5, 6, 7 and 8 and the abandoned 20 foot wide alley vacated by Resolution No. 92-597 recorded in the office of the Recorder of Sacramento County in Book 920911, Page 796, of Official Records, in the Block bounded by K Street, L Street, 25th Street and 26th Street, of the City of Sacramento, according to the official map or plan thereof, described as follows:

Beginning at the Southwest corner of said Lot 8 and the Southwest corner of said Block; thence, from said point of beginning, along the Westerly line of said Lot 8, along the Westerly line of said Block, and along the Easterly line of said 25th Street, an 80 foot wide street, North $18^{\circ} 30'00''$ East 181.11 feet to the Northwest corner of said Alley and to the Southwest corner of Lot 1 of said Block; thence, along the Northerly line of said Alley, along the Southerly line of said Lot 1 and along the Southerly lines of Lots 2, 3 and 4 of said Block, South $71^{\circ} 32'00''$ East 323.14 feet to the Northeast corner of said Alley and to the Southeast corner of said Lot 4; thence, along the Easterly line of said Block, along the Easterly line of said Lot 5 and along the Westerly line of said 26th Street, an 80 foot wide street, South $18^{\circ} 27'30''$ West 181.20 feet to the Southeast corner of said Lot 5 and to the Southeast corner of said Block; thence, along the Southerly lines of said Lots 5, 6, 7 and 8, along the Southerly line of said Block and along the Northerly line of said L Street, an 80 foot wide street, North $71^{\circ} 30'00''$ West 323.28 feet to the point of beginning, pursuant to that Certificate of Conpliance for Lot Merger recorded December 10, 1992, in Book 921210, Page 108, of Official Records.

Free Recording Requested Pursuant to
Government Code §§27383 and 6103

RECORDING REQUESTED BY
AND WHEN RECORDED RETURN TO:
Sacramento Housing and
Redevelopment Agency
801 12th Street
Sacramento, CA 95814
Attn: Portfolio Management

**ASSIGNMENT AND ASSUMPTION AGREEMENT REGARDING LOANS PER
OWNER PARTICIPATION AGREEMENT BY AND BETWEEN MERCY HOUSING
CALIFORNIA I, L.P., A COLORADO LIMITED PARTNERSHIP, MERCY HOUSING
CALIFORNIA 80, L.P., AND THE HOUSING AUTHORITY OF THE CITY OF
SACRAMENTO**

This Agreement is made as of this ___ day of April, 2018 (the “Effective Date”), by and among Mercy Housing California-I, LP, (“Assignor”), MERCY HOUSING CALIFORNIA 80, L.P., a California limited partnership (the “Assignee”), and the HOUSING AUTHORITY OF THE CITY OF SACRAMENTO (the “Authority”) with reference to the following facts:

RECITALS

- A. WHEREAS, Assignor is the owner of that certain real property commonly known as St. Francis Terrace, Sacramento, California and more particularly described in Attachment 1, attached to and incorporated by this reference (the “Property”); and
- B. WHEREAS, said Property requires new financing for rehabilitation and Mercy Housing California 80, LP, has been formed to acquire the Property and to obtain that new financing and to rehabilitate the Property; and
- C. WHEREAS, the Redevelopment Agency of the City of Sacramento (“Agency” and “Beneficiary”) made the following loans to Assignor pursuant to loan documents that are being amended and restated as follows prior to the effectiveness of this Assignment:
 - 1. Loan 1: The Agency made a Two Hundred Fifty Thousand Dollars and no cents (\$250,000.00) Low/Moderate Tax Increment (“TI”) loan with an annual interest rate of three percent (3%) to Mercy Housing Sacramento through an Owner Participation Agreement (“OPA”) and a Promissory Note dated February 16, 1993, and evidenced by a Deed of Trust of the same date.
 - 2. Loan 2: On May 25, 1993, the OPA was amended and Mercy Housing California-I, L.P., a Colorado limited partnership assumed the OPA and entered into Loan 2 with the Agency for Two Hundred Forty Thousand Dollars and no cents (\$240,000.00) as evidenced by a Deed of Trust of the same date.

3. Concurrently herewith, the Owners Participation Agreement is being modified (Second Amendment to the Owner Participation Agreement by and between the Authority and Assignee) and the Deed of Trust was amended in the Amended and Restated Deed of Trust and Assignment of Rents and Substitution of Trustee.
- D. WHEREAS, in 2011 the California Legislature enacted AB x1 26, which coupled with a subsequent decision of the State Supreme Court, resulted in the dissolution of redevelopment agencies as of February 1, 2012; and
- E. WHEREAS, the City of Sacramento, by Resolution Number 2012-018 (adopted on January 31, 2012), designated the Authority as the local authority to retain the housing assets and functions previously performed by the Redevelopment Agency of the City of Sacramento; and
- F. WHEREAS, the Agency, by resolution Number 2012-001 (adopted on January 31, 2012) transferred its housing assets and housing functions to the Authority; and
- G. WHEREAS, the Authority, by Resolution Number 2012-001 (adopted on January 31, 2012), accepted the housing assets and housing functions previously performed by the Agency; and
- H. WHEREAS, the California Department of Finance approved this Project on the Housing Asset Transfer form on April 1, 2013.
- I. WHEREAS, Assignor wishes to assign the Loan Documents referenced above, to Assignee; and
- J. WHEREAS, Assignee wishes to accept the above assignment from Assignor and assume the obligations of the Loan Documents and OPA, and make payments thereon to the Authority; and
- K. WHEREAS, the Authority has approved the assignment of the Loan Documents and OPA to Assignee; and
- L. WHEREAS, the Assignee shall assume Two Hundred Fifty Thousand Dollars and no cents (\$250,000.00) in current principal balance, and interest shall continue to accrue from the original loan effective date, February 16, 1993 (Loan 1).
- M. WHEREAS, the Assignee shall assume Ninety Three Thousand Two Hundred Fifty Eight Dollars and no cents (\$93,258.00) in current principal balance, and interest shall continue to accrue from the original loan effective date, May 25, 1993 (Loan 2).

NOW, THEREFORE, for good and valuable consideration, the sufficiency of which is hereby acknowledged, the parties hereby agree as follows:

AGREEMENT

1. Recitals and Definitions. The recitals set forth above are true and accurate and are incorporated herein by reference.

2. Assignment, Assumption and Consent. The Assignor hereby assigns and delegates to the Assignee, and Assignee hereby accepts and assumes from Assignor, all of the Assignor's rights, title, interest and obligations under the Loan Documents for both Loans 1 and 2, and the OPA arising or accruing from and after the Effective Date. Without limiting the foregoing, Assignee hereby agrees to

perform all of the obligations under the Loan Documents and OPA arising or accruing from and after the Effective Date. The Authority hereby consents to the assignment and assumption set forth in this Section 2.

3. Release. The Authority agrees that the Assignor shall be released from all liability for obligations to be performed under the Loan Documents and OPA on and after the Effective Date but shall remain liable in accordance with the terms of the Loan Documents and OPA for any obligation accruing prior to the Effective Date. Assignor acknowledges and agrees that the Authority does not hereby waive any of the provisions of the Loan Documents and OPA and all of the terms, conditions, and provisions of the Loan Documents and OPA shall remain in full force and effect.

4. Notice. All correspondence and notices given or required to be given to the Assignor under the Loan Documents, from and after the Effective Date, shall be provided to the Assignee and shall be addressed as follows:

Assignee:

MERCY HOUSING CALIFORNIA 80, L.P.
C/O Florin Housing Corporation
1360 Mission Street, Suite 300,
San Francisco, CA 94103

Assignee's Limited Partner:

U.S. Bancorp Community Development Corporation
1307 Washington Avenue, Suite 300
Mail Code: SL MO RMCD
St. Louis, MO 63103
USB Project No.: [_____]
Attn.: Director of LIHTC Asset Management
Phone: (314) 335-2600
Fax: (314) 335-2601

With a copy to:

Janice E. Hetland, Esq.
Lathrop Gage LLP
Pierre Laclede Center
7701 Forsyth Boulevard, Suite 500
St. Louis, MO 63105
Phone: (314) 613-2800
Fax: (314) 613.2801

To Construction Lender:

U.S. Bank National Association
1307 Washington Avenue, Suite 300
St. Louis, MO 63103
Attn.: Director of CLD Asset Management

5. No Default. As of the date hereof, no default has occurred under the OPA or any of the documents governing Loan, and no event or circumstance exists which, with the giving of notice or the passage of time, or both, would constitute a default under the OPA or any of the documents governing Loan.

6. Successors and Assigns. This Agreement applies to, inures to the benefit of, and binds all parties hereto and their respective successors and assigns.

7. Counterparts. This Agreement may be executed in multiple counterparts, all of which, when taken together, shall be deemed an original upon execution.

8. Governing Law. This Agreement shall be governed by and interpreted in accordance with the laws of the State of California.

[signature page follows]

SIGNATURE PAGE TO
ASSIGNMENT AND ASSUMPTION OF LOAN AGREEMENT

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the Effective Date.

ASSIGNOR:

Mercy Housing California-I, L.P.
a Colorado Limited Partnership

By: Mercy Properties, Inc.
a Colorado nonprofit public benefit corporation,
its General Partner

By: _____
Stephan Daues
Its Vice-President

ASSIGNEE:

BORROWER (Trustor):

MERCY HOUSING CALIFORNIA 80, L.P.,
a California limited partnership

By: Florin Housing Corporation,
a California nonprofit public benefit corporation
its general partner

By: _____
Stephan Daues
Its Vice President

Agreed and Acknowledged:

Housing Authority of the City of Sacramento, a public body corporate and politic

By: _____
La Shelle Dozier, Executive Director

[NOTARIZED ACKNOWLEDGEMENTS]

Attachment 1: Property

Legal Description

For APN/Parcel ID(s): 007-0104-019

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

Lots 5, 6, 7 and 8 and the abandoned 20 foot wide alley vacated by Resolution No. 92-597 recorded in the office of the Recorder of Sacramento County in Book 920911, Page 796, of Official Records, in the Block bounded by K Street, L Street, 25th Street and 26th Street, of the City of Sacramento, according to the official map or plan thereof, described as follows:

Beginning at the Southwest corner of said Lot 8 and the Southwest corner of said Block; thence, from said point of beginning, along the Westerly line of said Lot 8, along the Westerly line of said Block, and along the Easterly line of said 25th Street, an 80 foot wide street, North $18^{\circ} 30'00''$ East 181.11 feet to the Northwest corner of said Alley and to the Southwest corner of Lot 1 of said Block; thence, along the Northerly line of said Alley, along the Southerly line of said Lot 1 and along the Southerly lines of Lots 2, 3 and 4 of said Block, South $71^{\circ}32'00''$ East 323.14 feet to the Northeast corner of said Alley and to the Southeast corner of said Lot 4; thence, along the Easterly line of said Block, along the Easterly line of said Lot Sand along the Westerly line of said 26th Street, an 80 foot wide street, South $18^{\circ} 27'30''$ West 181.20 feet to the Southeast corner of said Lot 5 and to the Southeast corner of said Block; thence, along the Southerly lines of said Lots 5, 6, 7 and 8, along the Southerly line of said Block and along the Northerly line of said L Street, an 80 foot wide street, North $71^{\circ}30'00''$ West 323.28 feet to the point of beginning, pursuant to that Certificate of Conpliance for Lot Merger recorded December 10, 1992, in Book 921210, Page 108, of Official Records.

NO FEE DOCUMENT :

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

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

**ASSIGNMENT, ACKNOWLEDGEMENT AND ACCEPTANCE OF AGREEMENT
CONTAINING COVENANTS AFFECTING REAL PROPERTY
("AGREEMENT")
ST. FRANCIS TERRACE
APN: 007-0104-019**

Borrower makes the following acknowledgement and acceptance as of the Effective Date. [For purposes of this Acknowledgment, the capitalized terms shall have the meanings assigned in the table below and the body of the Acknowledgment.]

Mercy Housing California-I, L.P., a Colorado limited partnership, ("Assignor") was the owner of the Property and signatory to the Agreement Containing Covenants Affecting Real Property for St. Francis Terrace by and between California Mercy Housing Sacramento and the Redevelopment Agency of the City of Sacramento dated February 16, 1993, and recorded March 1, 1993 Agreement in Book 930301 at Page 1166 of the Official Records of the Office of the Recorder for the County of Sacramento. Originally executed by Mercy Housing Sacramento, a California nonprofit corporation and assigned to the Assignor by agreement dated May 25, 1993.

Borrower is purchasing or has purchased the Property with Agency's consent. Borrower acknowledges and accepts the current Agreement as amended, which will preserve the affordable housing restrictions and the associated affordable housing inventory.

TERM		DEFINITION
"Effective Date"	The date as of which this Acknowledgment shall be effective. The Effective Date is:	Dated:
		April __, 2018
"Agreement"	Agreement Containing Covenants Affecting Real Property (Attached hereto and incorporated herein as Exhibit 2: Agreement).	Dated:
		February 16, 1993
"Agency"	Name:	Housing Authority of the City of Sacramento
	Legal Form:	A public body corporate and politic
	"Agency Address":	801 12 th Street, Sacramento, CA 95814
"Assignor"	Owner of the Property and signatory to the Agreement	
	Name:	Mercy Housing California-I, L.P.
	Legal Form, as shown on the deed:	a Colorado limited partnership
	Address:	c/o Mercy Housing California, 1360 Mission Blvd., Suite 300, San Francisco , CA 94103
"Borrower /Assignee"	The purchaser and thereafter owner of the Property.	
	Name:	Mercy Housing California 80, L.P.

	Legal Form, as shown on the deed:	a California limited partnership
	Address:	c/o Florin Housing Corporation, 1360 Mission Blvd., Suite 300, San Francisco , CA 94103
"Property"	"Property" is that real property described as more particularly described in the Legal Description attached as Exhibit 1 . The Property includes all improvements contained within the Property.	
	Address:	2525 L Street, Sacramento, CA 95816
	APN:	007-0104-019
"Regulatory Term"	An original forty (40) Year Term, terminating on March 1, 2033.	
"Jurisdiction"	City of Sacramento	

The subject property ("Property") is situated in the Jurisdiction within the State of California.

As of the Effective Date, the Assignor hereby fully and unconditionally assigns to the Borrower all of its right, title, and interest in and under the Agreement.

Borrower has read, understands and accepts the Agreement as attached hereto as Exhibit 2 and agrees to be obligated to each and every term, condition, covenant and restriction contained therein for the Term thereof.

Borrower acknowledges that the Agreement dated February 16, 1993 was recorded on March 1, 1993 in the Official Records of the Office of the Recorder for the County of Sacramento at Book 930301, , at Page 1166, places certain restrictions on the use, resale and rental rate of the Property for the Regulatory Term.

Borrower acknowledges that it has the right, and has had adequate opportunity, to seek individual counsel and advice from an attorney regarding the effect the Agreement on the Property.

NOW, THEREFORE, for good and valuable consideration, including without limitation, the below market rate loans, the receipt and adequacy of which are acknowledged, the Borrower, accepts the Agreement, as amended, and agrees to be fully bound to the Agreement and all of the terms, conditions, covenants, and restrictions as stated in the Agreement.

[signature page follows]

SIGNATURE PAGE TO
ASSIGNMENT, ACKNOWLEDGEMENT AND ACCEPTANCE OF
AGREEMENT

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the Effective Date.

ASSIGNOR:

Mercy Housing California-I, L.P.
a Colorado Limited Partnership

By: Mercy Properties, Inc.
a Colorado nonprofit public benefit corporation,
its General Partner

By: _____
Stephan Daues
Its Vice-President

ASSIGNEE:

BORROWER (Trustor):
MERCY HOUSING CALIFORNIA 80, L.P.
a California limited partnership

By: Florin Housing Corporation,
a California nonprofit public benefit corporation
its general partner

By: _____
Stephan Daues
Its Vice-President

Agreed and Acknowledged:

Housing Authority of the City of Sacramento, a public body corporate and politic

By: _____
La Shelle Dozier, Executive Director

[NOTARIZED ACKNOWLEDGEMENTS]

Exhibit 1: Legal Description

For APN/Parcel ID(s): 007-0104-019

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

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Exhibit 2: Agreement

Chicago Title # 275197K

OFFICIAL BUSINESS.

Free recording per
Govt C §§6103 27383

When recorded return to
SACRAMENTO HOUSING AND
REDEVELOPMENT AGENCY
630 I Street
Sacramento, CA 95814
Attn: Legal Department

BOOK PAGE
93 03 -1 1166
OFFICIAL RECORDS
SACRAMENTO COUNTY (ALH)
93 MAR -1 PM 12 42
John F. [Signature]
COUNTY CLERK

NO FEE E 7

AGREEMENT CONTAINING COVENANTS AFFECTING REAL PROPERTY

St. Francis Terrace

This Agreement is entered into this 16th day of February, 1993, by and between MERCY HOUSING SACRAMENTO, a California nonprofit corporation (the "Owner") and the REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO, a public body, corporate and politic (the "Agency") The Owner and the Agency agree as follows

- 1 Recitals Owner and Agency acknowledge and represent the following
 - 1.1 The Site The Owner is the owner of the real property ("Site") in an area adjacent to the Project Area defined in the Merged Downtown Sacramento Redevelopment Plan as adopted by the City Council of the City of Sacramento, which Site is described in the attached legal description which is incorporated in this Agreement by this reference
 - 1.2 The OPA. Owner and Agency have entered into an Owner Participation Agreement ("OPA"), recorded concurrently with this Agreement, in which Owner has agreed to develop the Site subject to the OPA provisions, and the Agency has agreed to provide a loan for the development of the Site
- 2 Covenants The Owner covenants and agrees for itself, its successors, its assigns and every successor in interest to the Site or any part of the Site, that the Owner, such successors and such assigns as follows

2 1 Covenant Against Discrimination The Owner herein covenants by and for itself its heirs, executors, administrators and assigns, and all persons claiming under or through them, that there shall be no discrimination against or segregation of, any person or group of persons on account of sex, marital status, religion, race, color, creed, national origin or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the land herein conveyed, nor shall the owner himself or herself or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy of tenants, lessees, subtenants, sublessees or vendees in the premises herein conveyed The foregoing covenants shall run with the land

2 2 Use Covenants After recordation of a "Certificate of Completion" for the Site as provided in the OPA, without the prior written approval of Agency, neither the Site nor any part of the Site shall be used, and no building or other improvement shall be constructed, maintained or used, except for residential rental and ancillary uses

Without the prior written approval of Agency, no use or operation shall be permitted on any part of the Site which use or operation is not consistent with a residential rental use or to conduct any activity in violation of any law, ordinance, regulation or restriction of a governmental entity exercising proper jurisdiction.

2 3 Payment of Taxes, Assessments, Encumbrances and Liens The Owner shall pay, prior to delinquency, all real estate taxes and assessments assessed and levied on the Site, during the life of the Redevelopment Plan, other than taxes and assessments levied on parties other than Owner Nothing contained in this Agreement shall prohibit the Owner from reasonably contesting the validity or amounts of any tax assessment, encumbrance or lien, nor to limit the remedies available to the Owner

2 4 Maintenance and Restoration.

2 4 1 Upkeep and Maintenance It is the responsibility of the Agency to oversee the construction, rehabilitation and reconstruction of a portion of the City of Sacramento to protect its continuous economic stability and to improve its environment Therefore, the Site owner shall maintain the Site, including the buildings, improvements, grounds and equipment in a level of repair and condition which assures that the Site does not detract from or degrade that of the neighborhood Therefore, the owner of the Site shall maintain at least the following minimum quality of exterior maintenance of the Site

2 4 1 1 Building Upkeep The exterior appearance of all buildings and structures shall be kept in a clean and attractive condition

Refinishing of any and all surfaces is to be performed immediately when observed to be needed due to damage or deterioration

2 4 1 2 Grounds Upkeep All surfaces and landscaped areas within the Site and those adjacent to the Site that the Site owner may elect to maintain shall be kept in a condition consistent with top quality landscape care. Shrubs and trees are to be properly and consistently pruned. All landscaped areas are to be kept reasonably free of weeds, undesirable plants and trash.

2 4 1 3 Trash Storage All trash, including lawn, shrub and tree cuttings shall be placed in a screened enclosure when stored for pickup. No collected trash of any kind is to be allowed to stand outside of an enclosure for more than eight (8) hours.

2 4 1 4 Storage and Repairs No painting, repairing or storage of personal property shall be permitted in any open parking area, balcony area, or common area or any other area visible to the public. No repairs to vehicles or construction or woodworking projects shall be conducted anywhere on the Site, except in enclosed garage areas.

2 4 2 Signs Signs which create hazards by protruding, overhanging, blinking, flashing, animation or other dangerous conditions shall not be permitted on the Site. Any billboards, pennants, bunting or similar devices for advertising or commercial display shall be in accordance with the Merged Downtown Redevelopment Plan, City Urban Design Plan, and any other applicable ordinances, regulations, and codes. All nonconforming signs shall be removed promptly, but in any event within the time specified by the Agency in writing or specified in such ordinance, regulation or code, whichever is earlier in time.

- 3 Term** The covenants against discrimination contained in Section 2.1 of this Agreement shall remain in perpetuity. The remaining covenants contained in this Agreement shall terminate upon the earlier of the expiration of the Redevelopment Plan or forty (40) years from the date this Agreement is recorded.
- 4 Covenants** The provisions contained in this Agreement are covenants which subject and burden the Site, as covenants running with the land. It is intended and agreed that the agreements and covenants provided in the Agreement shall be covenants running with the land and equitable servitudes on the land and that they shall, in any event, and without regard to technical classifications or designation, be binding, to the fullest extent permitted by law and equity, for the benefit and in favor of, and enforceable by, the Agency, the Agency's successors and assigns, any other governmental entity acting within its authority and any successor in interest to all or any part of the Site against the Grantee, its successors and assigns and every

successor in interest to all or any part of the Site, and any other transferees under the OPA. References in this Agreement to Developer shall include all such successors, assigns, occupants, transferees and any other party over which Developer can enforce its rights concerning such covenants

- 5 Existing Covenants, Conditions & Restrictions This Agreement shall supersede any covenants, conditions and restrictions which have been previously recorded by, or on behalf of, the Agency for the parcels comprising the Site
- 6 Rights of Obligees The provisions of this Agreement do not limit the right of any obligee to exercise any of its remedies for the enforcement of any pledge or lien upon the Site, provided, however, that in the event of any foreclosure under any mortgage, deed of trust or other lien or encumbrance, or a sale pursuant to any power of sale included in any such mortgage or deed of trust the purchaser or purchasers and their successors and assigns and the Site shall be subject to all of the conditions, restrictions and covenants contained in this Agreement
- 7 Agency as Beneficiary The Agency and its successors and assigns are deemed the beneficiaries of the covenants contained in this Agreement, without regard to technical classification and designation. The covenants shall run in favor of the Agency and its successors and assigns without regard to whether the Agency has been, remains, or is an owner of any land or interest therein, and shall bind the Owner, its successors and assigns. Such beneficiaries shall have the right to exercise all rights and remedies, and to maintain any actions or suits at law or in equity or other property proceedings to enforce the curing of such breach, to which it or any other beneficiaries of such covenants are entitled

In the event the Agency shall be abolished or its designation changed by or pursuant to law, its powers, rights and functions under this Agreement may be transferred to any other designated governmental office or agency
- 8 No Other Site This Agreement applies only to the Site and does not apply to any other land which the Owner now owns or may acquire
- 9 City Codes and Redevelopment Plan. Nothing contained in this Agreement shall be construed as permitting the violation of any requirement of the ordinances or other laws or rules of the City of Sacramento or any provision of the Redevelopment Plan for the Project Area, it being the intent of this Agreement to impose additional restrictions over and above the requirements of any such ordinances, rules or provisions of the Redevelopment Plan for the Project.
- 10 Modifications Agency and its successors and assigns, and Owner and its successors and assigns shall have the right to consent and agree to changes in, or to eliminate in whole or in part, any of the covenants or restrictions contained in this Agreement

without the consent of any tenant, lessee, easement holder, licensee, mortgagee, trustee beneficiary under a deed of trust or any other person or entity having any interest less than a fee in the Site

EXECUTED BY the Agency and the Owner in Sacramento California

AGENCY

REDEVELOPMENT AGENCY OF
THE CITY OF SACRAMENTO

BY 
MAXINE/CORNWELL, Deputy
Executive Director

APPROVED AS TO FORM



AGENCY COUNSEL

OWNER

MERCY HOUSING SACRAMENTO,
a California nonprofit corporation

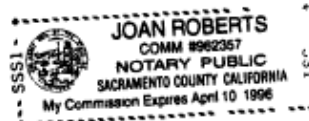
BY 
President

STATE OF CALIFORNIA)
) ss
COUNTY OF SACRAMENTO)

On this 19th day of February, 1993 before me, JOAN ROBERTS, the undersigned, a Notary Public of said County and State personally appeared MAXINE CORNWELL, personally known to me to be the Deputy Executive Director of the Redevelopment Agency of the City of Sacramento, a public body corporate and politic, who executed the within instrument on behalf of the Redevelopment Agency of the City of Sacramento and acknowledged to me that the Redevelopment Agency of the City of Sacramento authorized her execution of it

WITNESS my hand and official seal

Joan Roberts
NOTARY PUBLIC in and for said
County and State



(Agreement Containing Covenants Affecting Real Property -
Redevelopment Agency of the City of Sacramento and St Francis
Terrace)

CALIFORNIA ALL PURPOSE ACKNOWLEDGMENT

No 5193

State of <u>California</u>		} OPTIONAL SECTION CAPACITY CLAIMED BY SIGNER Though statute does not require the Notary to fill in the data below doing so may prove invaluable to persons relying on the document <input type="checkbox"/> INDIVIDUAL <input checked="" type="checkbox"/> CORPORATE OFFICER(S) <u>President</u> TITLE(S) <input type="checkbox"/> PARTNER(S) <input type="checkbox"/> LIMITED <input type="checkbox"/> GENERAL <input type="checkbox"/> ATTORNEY IN FACT <input type="checkbox"/> TRUSTEE(S) <input type="checkbox"/> GUARDIAN/CONSERVATOR <input type="checkbox"/> OTHER _____
County of <u>Sacramento</u>		
On <u>2/16/93</u> before me <u>Lynn Taron Ingham, Notary Public</u> DATE NAME TITLE OF OFFICER EQ JANE DOE NOTARY PUBLIC		SIGNER IS REPRESENTING NAME OF PERSON(S) OR ENTITY(IES) <u>Mazzy Housing</u> <u>Sacramento</u>
personally appeared <u>Sister Mary Monica Burns</u> NAME(S) OF SIGNER(S)		
<input type="checkbox"/> personally known to me OR <input checked="" type="checkbox"/> proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies) and that by his/her/their signature(s) on the instrument the person(s) or the entity upon behalf of which the person(s) acted executed the instrument		OPTIONAL SECTION TITLE OR TYPE OF DOCUMENT <u>Covenants Agreement</u> NUMBER OF PAGES <u>1</u> DATE OF DOCUMENT <u>2-16-93</u> SIGNER(S) OTHER THAN NAMED ABOVE <u>John E. Mello, Executive Director</u>
WITNESS my hand and official seal <u>Lynn Taron Ingham</u> SIGNATURE OF NOTARY		
THIS CERTIFICATE MUST BE ATTACHED TO THE DOCUMENT DESCRIBED AT RIGHT Though the data requested here is not required by law it could prevent fraudulent reattachment of this form		

©1992 NATIONAL NOTARY ASSOCIATION 8236 Rammet Ave P.O. Box 7184 Canoga Park CA 91309 7184

STATE OF CALIFORNIA
COUNTY OF SACRAMENTO

ss

On this ____ day of _____ 1993, before me, the undersigned, a Notary Public in and for said County and State, personally appeared JOHN E MOLLOY, known to me to be the Executive Director of the Redevelopment Agency of the City of Sacramento, a public body, corporate and politic, that executed the within instrument, and known to me to be the person who executed the within instrument on behalf of said Agency, and acknowledged to me that such Agency executed the same pursuant to a resolution of the Members thereof

WITNESS my hand and official seal

Notary Public in and for said
County and State

State of California
County of Sacramento

ss

On _____, 1993, before me, the undersigned, a Notary Public in and for said County and State, personally appeared _____, personally known to me (or proved to me on the basis of satisfactory evidence) to be the President of MERCY HOUSING, SACRAMENTO, a California nonprofit corporation, the corporation that executed the within instrument and personally known to me (or proved to me on the basis of satisfactory evidence) to be the person who executed the within instrument on behalf of said corporation, and that corporation executed the same

WITNESS my hand and official seal

Notary Public in and for said
County and State

My Commission Expires _____

ATTACHMENT TO AGREEMENT CONTAINING COVENANTS

LEGAL DESCRIPTION OF THE SITE

Parcel number _____

The Site is described as

That certain real property situated in the City of Sacramento, County of Sacramento, State of California, described as follows

ALL THAT CERTAIN REAL PROPERTY SITUATE IN THE CITY OF SACRAMENTO COUNTY OF SACRAMENTO, STATE OF CALIFORNIA DESCRIBED AS FOLLOWS:

LOTS 5 6 7 8 AND THE ABANDONED 20 FOOT WIDE ALLEY VACATED BY RESOLUTION NO 92-597 RECORDED IN THE OFFICE OF THE RECORDER OF SACRAMENTO COUNTY IN BOOK 92-09-11 PAGE 796, OFFICIAL RECORDS IN THE BLOCK BOUNDED BY K STREET L STREET, 25TH STREET AND 26TH STREET OF THE CITY OF SACRAMENTO ACCORDING TO THE OFFICIAL MAP OR PLAN THEREOF, DESCRIBED AS FOLLOWS:

BEGINNING AT THE SOUTHWEST CORNER OF SAID LOT 8 AND THE SOUTHWEST CORNER OF SAID BLOCK THENCE FROM SAID POINT OF BEGINNING, ALONG THE WESTERLY LINE OF SAID LOT 8, ALONG THE WESTERLY LINE OF SAID BLOCK AND ALONG THE EASTERLY LINE OF SAID 25TH STREET AN 80 FOOT WIDE STREET NORTH 18° 30' 00" EAST 181 11 FEET TO THE NORTHWEST CORNER OF SAID ALLEY AND TO THE SOUTHWEST CORNER OF LOT 1 OF SAID BLOCK, THENCE ALONG THE NORTHERLY LINE OF SAID ALLEY ALONG THE SOUTHERLY LINE OF SAID LOT 1 AND ALONG THE SOUTHERLY LINE OF LOTS 2 3 AND 4 OF SAID BLOCK SOUTH 71° 32' 00" EAST 323 14 FEET TO THE NORTHEAST CORNER OF SAID ALLEY AND TO THE SOUTHEAST CORNER OF SAID LOT 4; THENCE ALONG THE EASTERLY LINE OF SAID BLOCK, ALONG THE EASTERLY LINE OF SAID LOT 5 AND ALONG THE WESTERLY LINE OF SAID 26TH STREET, AN 80 FOOT WIDE STREET, SOUTH 18° 27' 30" WEST 161 20 FEET TO THE SOUTHEAST CORNER OF SAID LOT 5 AND TO THE SOUTHEAST CORNER OF SAID BLOCK THENCE ALONG THE SOUTHERLY LINE OF SAID LOTS 5, 6, 7 AND 8, ALONG THE SOUTHERLY LINE OF SAID BLOCK AND ALONG THE NORTHERLY LINE OF SAID L STREET, AN 80 FOOT WIDE STREET, NORTH 71° 31' 00" WEST 323 28 FEET TO THE POINT OF BEGINNING

ASSESSOR'S PARCEL NUMBER 007-0104-004-0000
ASSESSOR'S PARCEL NUMBER 007-0104-005-0000
ASSESSOR'S PARCEL NUMBER 007-0104-006-0000
ASSESSOR'S PARCEL NUMBER 007-0104-007-0000
ASSESSOR'S PARCEL NUMBER 007-0104-015-0000
ASSESSOR'S PARCEL NUMBER 007-0104-016-0000

F:\bjb\stfrancis ter\1021193 OPA

7

NO FEE DOCUMENT :

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

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

**ASSIGNMENT, ACKNOWLEDGEMENT AND ACCEPTANCE OF REGULATORY
AGREEMENT WITH RENTAL AND RESALE RESTRICTIONS
("REGULATORY AGREEMENT")
ST. FRANCIS TERRACE
APN: 007-0104-019**

Borrower makes the following acknowledgement and acceptance as of the Effective Date. [For purposes of this Acknowledgment, the capitalized terms shall have the meanings assigned in the table below and the body of the Acknowledgment.]

Mercy Housing California-I, L.P., a Colorado limited partnership, ("Assignor") was the owner of the Property and signatory to the Regulatory Agreement for St. Francis Terrace by and between California Mercy Housing Sacramento and the Redevelopment Agency of the City of Sacramento dated February 16, 1993, and recorded March 1, 1993 Agreement in Book 930301 at Page 1167 of the Official Records of the Office of the Recorder for the County of Sacramento. Originally executed by Mercy Housing Sacramento, a California nonprofit corporation and assigned to the Assignor by agreement dated May 25, 1993.

Borrower is purchasing or has purchased the Property with Agency's consent. Borrower acknowledges and accepts the current Regulatory Agreement as amended, which will preserve the affordable housing restrictions and the associated affordable housing inventory.

TERM	DEFINITION	
"Effective Date"	The date as of which this Acknowledgment shall be effective. The Effective Date is:	Dated:
		April __, 2018
"Regulatory Agreement"	Regulatory Agreement with Rental and Resale Restrictions (Attached hereto and incorporated herein as <u>Exhibit 2: Regulatory Agreement</u>).	Dated:
		February 16, 1993
"Agency"	Name:	Housing Authority of the City of Sacramento
	Legal Form:	A public body corporate and politic
	"Agency Address":	801 12 th Street, Sacramento, CA 95814
"Assignor"	Owner of the Property and signatory to the Regulatory Agreement	
	Name:	Mercy Housing California-I, L.P.
	Legal Form, as shown on the deed:	a Colorado limited partnership
	Address:	c/o Mercy Housing California, 1360 Mission Blvd., Suite 300, San Francisco , CA 94103

“Borrower /Assignee”	The purchaser and thereafter owner of the Property.	
	Name:	Mercy Housing California 80, L.P.
	Legal Form, as shown on the deed:	a California limited partnership
	Address:	c/o Florin Housing Corporation, 1360 Mission Blvd., Suite 300, San Francisco , CA 94103
“Property”	“Property” is that real property described as more particularly described in the Legal Description attached as Exhibit 1 . The Property includes all improvements contained within the Property.	
	Address:	2525 L Street, Sacramento, CA 95816
	APN:	007-0104-019
“Regulatory Term”	An original Thirty (30) Year Term, terminating on February 28, 2024.	
“Jurisdiction”	City of Sacramento	

The subject property (“Property”) is situated in the Jurisdiction within the State of California.

As of the Effective Date, the Assignor hereby fully and unconditionally assigns to the Borrower all of its right, title, and interest in and under the Regulatory Agreement.

Borrower has read, understands and accepts the Regulatory Agreement as attached hereto as Exhibit 2 and agrees to be obligated to each and every term, condition, covenant and restriction contained therein for the Term thereof.

Borrower acknowledges that the Regulatory Agreement dated February 16, 1993 was recorded on March 1, 1993 in the Official Records of the Office of the Recorder for the County of Sacramento at Book 930301, , at Page 1167, places certain restrictions on the use, resale and rental rate of the Property for the Regulatory Term.

Borrower acknowledges that it has the right, and has had adequate opportunity, to seek individual counsel and advice from an attorney regarding the effect the Regulatory Agreement on the Property.

NOW, THEREFORE, for good and valuable consideration, including without limitation, the below market rate loans, the receipt and adequacy of which are acknowledged, the Borrower, accepts the Regulatory Agreement, as amended, and agrees to be fully bound to the Regulatory Agreement and all of the terms, conditions, covenants, and restrictions as stated in the Regulatory Agreement.

[signature page follows]

SIGNATURE PAGE TO
ASSIGNMENT, ACKNOWLEDGEMENT AND ACCEPTANCE OF
REGULATORY AGREEMENT

IN WITNESS WHEREOF, the parties hereto have executed this **Regulatory Agreement** as of the Effective Date.

ASSIGNOR:

Mercy Housing California-I, L.P.
a Colorado Limited Partnership

By: Mercy Properties, Inc.
a Colorado nonprofit public benefit corporation,
its General Partner

By: _____
Stephan Daues
Its Vice-President

ASSIGNEE:

BORROWER (Trustor):
MERCY HOUSING CALIFORNIA 80, L.P.
a California limited partnership

By: Florin Housing Corporation,
a California nonprofit public benefit corporation
its general partner

By: _____
Stephan Daues, Vice President

Agreed and Acknowledged:

Housing Authority of the City of Sacramento, a public body corporate and politic

By: _____
La Shelle Dozier, Executive Director

[NOTARIZED ACKNOWLEDGEMENTS]

Exhibit 1: Legal Description

For APN/Parcel ID(s): 007-0104-019

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

Lots 5, 6, 7 and 8 and the abandoned 20 foot wide alley vacated by Resolution No. 92-597 recorded in the office of the Recorder of Sacramento County in Book 920911, Page 796, of Official Records, in the Block bounded by K Street, L Street, 25th Street and 26th Street, of the City of Sacramento, according to the official map or plan thereof, described as follows:

Beginning at the Southwest corner of said Lot 8 and the Southwest corner of said Block; thence, from said point of beginning, along the Westerly line of said Lot 8, along the Westerly line of said Block, and along the Easterly line of said 25th Street, an 80 foot wide street, North $18^{\circ} 30'00''$ East 181.11 feet to the Northwest corner of said Alley and to the Southwest corner of Lot 1 of said Block; thence, along the Northerly line of said Alley, along the Southerly line of said Lot 1 and along the Southerly lines of Lots 2, 3 and 4 of said Block, South $71^{\circ}32'00''$ East 323.14 feet to the Northeast corner of said Alley and to the Southeast corner of said Lot 4; thence, along the Easterly line of said Block, along the Easterly line of said Lot Sand along the Westerly line of said 26th Street, an 80 foot wide street, South $18^{\circ} 27'30''$ West 181.20 feet to the Southeast corner of said Lot 5 and to the Southeast corner of said Block; thence, along the Southerly lines of said Lots 5, 6, 7 and 8, along the Southerly line of said Block and along the Northerly line of said L Street, an 80 foot wide street, North $71^{\circ}30'00''$ West 323.28 feet to the point of beginning, pursuant to that Certificate of Coniplance for Lot Merger recorded December 10, 1992, in Book 921210, Page 108, of Official Records.

Exhibit 2: Regulatory Agreement

Chicago Title #215197K

BOOK PAGE
93 03-1 1167

NO FEE DOCUMENT:

Entitled to free recording
per Govt.C. §§6103, 27383.

When recorded, return to:

SACRAMENTO HOUSING AND
REDEVELOPMENT AGENCY

630 I Street

Sacramento, CA 95814

Attn: Legal Department

OFFICIAL RECORDS
SACRAMENTO, CALIF.

93 MAR -1 PM 12:42

[Handwritten signature]

REGULATORY AGREEMENT WITH RENTAL AND RESALE RESTRICTIONS
[Thirty Year Term]

Mercy Housing Sacramento



8

THIS AGREEMENT is made as of February 16th, 1993 by and between MERCY HOUSING SACRAMENTO, a California nonprofit corporation, and its successors and assigns (jointly and severally hereafter referred to as "Developer"), and the REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO, a public body, corporate and politic (the "Agency").

THE PARTIES AGREE as follows:

1. This Agreement is made for the following reasons and based upon the following facts:

1.1. Agency has made a loan to Developer in the amount of TWO HUNDRED FIFTY THOUSAND DOLLARS (\$250,000) ("Loan") as evidenced by the promissory note ("Note") executed by Developer in favor of the Agency and secured by the deed of trust (the "Deed of Trust") on real property located in the City and County of Sacramento, State of California, described in Exhibit "A" attached and incorporated herein by reference (the "Property") subject to the terms of the Owner Participation Agreement between the parties and dated February 16th, 1993 (the "OPA"). Under the OPA the loan to Developer is conditioned, among other requirements, upon Developer's execution and delivery to Agency of this Regulatory Agreement and Developer's express agreement for itself, his successors and assigns, that Developer shall comply with this Regulatory Agreement.

1.2. The funds used by Agency for the development of the Property under the OPA are funds set aside, pursuant to Health and Safety Code Section 33334.2, for purposes of increasing and improving the community's supply of low and moderate-income housing available at affordable housing cost, as defined under Health and Safety Code Section 50052.5 ("Affordable Housing Cost") to persons or families of low or moderate income, as defined under Health and Safety Code Section 50093, ("Low- or Moderate-Income Family").

13 The Agency approved the OPA, the transfer of the Property and the Loan on the basis that the Property would be developed with a forty eight unit apartment complex ("Project") and rented at an Affordable Rent to Low or Moderate-Income Families for their occupancy, all in accordance with the guidelines set forth in Health and Safety Code Sections 33334 2 and 33334 3(e)

2 Further Covenants Developer shall not, without the prior written approval of the Agency

21 Convey, transfer or encumber any of the Property or permit the conveyance, transfer, or encumbrance of such property unless such assignee, transferee or encumbrancer has agreed, in writing and in a form suitable for recordation, to be bound by the terms of this Regulatory Agreement,

22 Add to, reconstruct, or demolish any part of the Property or improvements, except as provided by the OPA, or

23 Permit the use of the Property for any purposes except those set forth in Section 13 above

3 Affordability Monitoring Requirements

31 Each year for each of the units for which rent is regulated at an affordable rate pursuant to this Agreement, Developer shall provide to Agency a written report which contains the following

311 The rental rate for each rental unit of the Project,

312 The income of each household residing in each rental unit of the Project, and

313 The family size of each household residing in each rental unit of the Project

The report shall be due no later than January 10th of each year and shall be on a form provided to Developer by Agency

4 Maintenance Developer shall maintain the Property and the building improvements, grounds and equipment of the Property in good repair and condition

5 Bankruptcy Developer, its successors and assigns, shall not file any petition in bankruptcy, or for a receiver, or insolvency, or for reorganization or composition, or make any assignment for the benefit of creditors or to a trustee for creditors or permit an adjudication in bankruptcy, the taking possession of the Property or any part thereof by a

receiver, or the seizure and sale of the Property or any part thereof under judicial process or pursuant to any power of sale and fail to have such adverse action set aside within forty five (45) days

6 Term The term of this Agreement shall commence on the date of Agency's and Developer's execution of the loan documents and shall continue in full force and effect for thirty (30) years from the date of completion of construction of the Improvements (until February 28, 2024) This Agreement shall terminate sooner in the event of repayment of the Loans, in full, together with interest thereon at the stated rates from the date of the advancement of the Loans' proceeds For any partial reconveyance under the Deed of Trust, this Agreement shall terminate only as to that portion reconveyed and only if the portions reconveyed have been thereby transferred to separate individuals other than Developer, its successors and assigns

7 Audit and Inspection The Property and all related equipment, buildings, plans, offices, books, contracts, records, documents and other related papers shall at all times be maintained in reasonable condition for audit and shall be subject to examination by the Agency or its agents The books and accounts of the operations of the Property and of the Property shall be kept in accordance with generally accepted accounting principles

8 Information Developer shall promptly provide any information or documentation requested in writing by the Agency to verify Developer's compliance with the provisions of this Agreement At the written request of the Agency, its agents, employees, or attorneys, Developer shall, within a reasonable time following receipt of such request, furnish reports and shall give specific answers to questions upon which information is desired from time to time relative to the income, assets, liabilities, contracts, operations, and condition of the property and the status of the Deeds of Trust

9 Default Upon a breach of any of the provisions of this Agreement by Developer, the Agency may give written notice of such breach to Developer by registered or certified mail If such violation is not corrected to the satisfaction of Agency within sixty (60) days after the date such notice is mailed or within such further time as the Agency may reasonably determine is necessary to correct the breach, and without further notice to Developer, the Agency may declare a default under the Agreement, effective on the date of such declaration of default, and upon such default the Agency may

9.1 Declare the portion of the indebtedness associated with the Property which is evidenced by both or either of the Notes immediately due and payable, together with interest thereon at the stated rates from the date of making the Notes and then proceed with the foreclosure of both or either of the Deeds of Trust,

9.2 Collect all rents, monthly occupancy charges, and other charges in connection with the operation of the Property and use such collections to pay the trustor's obligations under this Agreement and under both or either of the Notes and Deeds

of Trust and the necessary expenses of preserving the Property and operating the Property,

9.3 Take possession of the Property, bring any action necessary to enforce any rights of the Developer arising from the Property operation, and operate the Property in accordance with the terms of this Agreement until such time as the Agency in its discretion determines that the Developer is again in a position to operate the Property in accordance with the terms of this Agreement and in compliance with the requirements of the Notes and the Deeds of Trust, and

9.4 Apply to any court for specific performance of this Agreement, for an injunction against any violation of the Agreement, for the appointment of a receiver to take over and operate the Property in accordance with the terms of this Agreement, or for such other relief as may be appropriate, since the injury to the Agency arising from a default under any of the terms in this Agreement would be irreparable, and the amount of damage would be difficult to ascertain

10 Successors in Interest This Agreement shall bind and the benefits shall inure to the Developer, its successors in interest and assigns, and to the Agency and its successors for the term of this Agreement

11 Contradictory Agreements Pursuant to the OPA, Developer and the Agency have agreed (i) to negotiate in good faith to establish, insofar as reasonably possible, a single uniform set of requirements and procedures governing the loan being made under the OPA and the other loans and investments being made in the Project, and (ii) the Agency will subordinate its rights under the Notes, Deeds of Trust, the OPA, this agreements and certain other agreements to the rights of certain other lenders to the Project. Subject to these agreements, Developer warrants that it has not, and will not, execute any other agreement with provisions contradictory of or in opposition to, the provisions of this Agreement, and that, in any event, the requirements of this Agreement are paramount and controlling as to the rights and obligations set forth and supersede any other requirements in conflict with this Agreement

12 Attorneys' Fees If the services of any attorney are required by any party to secure the performance of this Agreement or otherwise upon the breach or default of another party, or if any judicial remedy or arbitration is necessary to enforce or interpret any provisions of this Agreement or the rights and duties of any person in relation to this Agreement, the prevailing party shall be entitled to reasonable attorneys' fees, costs and other expenses, in addition to any other relief to which such party may be entitled. Any award of damages following judicial remedy or arbitration as a result of the breach of this Agreement or any of its provisions shall include an award of prejudgment interest from the date of the breach at the maximum amount of interest allowed by law

13 Severability The invalidity of any clause, part or provision of this Agreement shall not

affect the validity of the remaining portions

14 Election of Remedies, Events of Default The remedies of the Agency under this Agreement, the Notes, the Deeds of Trust, OPA or any other instrument providing for or evidencing or securing the Loans are cumulative, and the exercise of one or more of such remedies shall not be deemed an election of remedies and shall not preclude the exercise by the Agency of any one or more of its other remedies

15 Waiver by Default No waiver by the Agency of any breach of or default under this Regulatory Agreement shall be deemed to be a waiver of any other or subsequent breach or default

16 Notices Written notices and other written communications by and between the parties shall be addressed as follows unless and until a party has, in writing, notified the other party of a different address for notice

Developer

MERCY HOUSING SACRAMENTO

Agency

REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

630 I Street

Sacramento, CA 95814

Attn: Legal Department

EXECUTED in the City of Sacramento, in the State of California, on the date first written above


AGENCY.

DEVELOPER.

REDEVELOPMENT AGENCY OF
THE CITY OF SACRAMENTO

MERCY HOUSING SACRAMENTO
A California Nonprofit Corporation

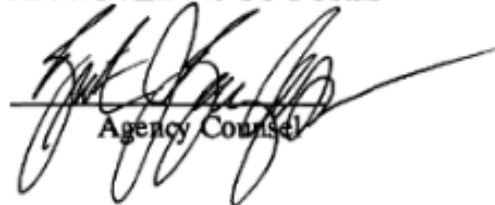
By


MAXINE CORNWELL, Deputy
Executive Director

By


President

APPROVED AS TO FORM

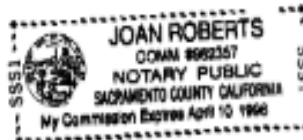

Agency Counsel

STATE OF CALIFORNIA)
) ss
COUNTY OF SACRAMENTO)

On this 19th day of February, 1993 before me, JOAN ROBERTS, the undersigned, a Notary Public of said County and State personally appeared MAXINE CORNWELL, personally known to me to be the Deputy Executive Director of the Redevelopment Agency of the City of Sacramento a public body corporate and politic who executed the within instrument on behalf of the Redevelopment Agency of the City of Sacramento and acknowledged to me that the Redevelopment Agency of the City of Sacramento authorized her execution of it

WITNESS my hand and official seal

Joan Roberts
NOTARY PUBLIC in and for said
County and State



(Regulatory Agreement with Rental and Resale Restrictions -
Redevelopment Agency of the City of Sacramento and St Francis
Terrace)

ALL-PURPOSE ACKNOWLEDGMENT

NO 206

State of California

County of Sacramento

On 2/16/93 before me Lynn Tarn-Ingham Notary Public
DATE NAME TITLE OF OFFICER E.G. JANE DOE, NOTARY PUBLIC

personally appeared Sister Mary Monica Burns
NAME(S) OF SIGNER(S)

☐ personally known to me OR ☒ proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies) and that by his/her/their signature(s) on the instrument the person(s) or the entity upon behalf of which the person(s) acted executed the instrument

Witness my hand and official seal



Lynn Tarn-Ingham
SIGNATURE OF NOTARY

CAPACITY CLAIMED BY SIGNER

- ☐ INDIVIDUAL(S)
☒ CORPORATE
OFFICER(S) President
TITLE(S)
☐ PARTNER(S)
☐ ATTORNEY IN FACT
☐ TRUSTEE(S)
☐ SUBSCRIBING WITNESS
☐ GUARDIAN/CONSERVATOR
☐ OTHER _____

SIGNER IS REPRESENTING

NAME OF PERSON(S) OR ENTITY(ES)
merc4 housing
Sacramento

ATTENTION NOTARY Although the information requested below is OPTIONAL, it could prevent fraudulent attachment of this certificate to unauthorized document

THIS CERTIFICATE
MUST BE ATTACHED
TO THE DOCUMENT
DESCRIBED AT RIGHT

Title or Type of Document Regulatory Agreement
Number of Pages 9 Date of Document 2-16-93
Signer(s) Other Than Named Above John E. Mello, Executive Director

State of California

County of Sacramento

ss

On _____, 1993, before me, the undersigned, a Notary Public in and for said County and State, personally appeared JOHN E MOLLOY, personally known to me to be the Executive Director of the REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO, a public body, corporate and politic who executed the within instrument on behalf of the Redevelopment Agency of the City of Sacramento, and acknowledged to me that the Redevelopment Agency of the City of Sacramento authorized his execution of it

WITNESS my hand and official seal

Notary Public in and for said
County and State

My commission expires _____

State of California

County of Sacramento

ss

On _____, 1993, before me, the undersigned, a Notary Public in and for said County and State, personally appeared _____, personally known to me (or proved to me on the basis of satisfactory evidence) to be the President of MERCY HOUSING, SACRAMENTO, a California nonprofit corporation, the corporation that executed the within instrument and personally known to me (or proved to me on the basis of satisfactory evidence) to be the person who executed the within instrument on behalf of said corporation, and that said corporation executed the same

WITNESS my hand and official seal My Commission Expires _____

F \BJB\HOUSDEV\STFRANCIS TER\F1021193 REG

Page 7

EXHIBIT A TO REGULATORY AGREEMENT

LEGAL DESCRIPTION OF THE SITE

Assessor's parcel number

The Site is described as

That certain real property situated in the City of Sacramento, County of Sacramento, State of California, described as follows

ALL THAT CERTAIN REAL PROPERTY SITUATE IN THE CITY OF SACRAMENTO, COUNTY OF SACRAMENTO, STATE OF CALIFORNIA DESCRIBED AS FOLLOWS:

LOTS 5, 6, 7, 8 AND THE ABANDONED 20 FOOT WIDE ALLEY VACATED BY RESOLUTION NO 92-597 RECORDED IN THE OFFICE OF THE RECORDER OF SACRAMENTO COUNTY IN BOOK 92-09-11 PAGE 796, OFFICIAL RECORDS IN THE BLOCK BOUNDED BY K STREET, L STREET, 25TH STREET AND 26TH STREET OF THE CITY OF SACRAMENTO ACCORDING TO THE OFFICIAL MAP OR PLAN THEREOF, DESCRIBED AS FOLLOWS:

BEGINNING AT THE SOUTHWEST CORNER OF SAID LOT 8 AND THE SOUTHWEST CORNER OF SAID BLOCK THENCE FROM SAID POINT OF BEGINNING, ALONG THE WESTERLY LINE OF SAID LOT 8, ALONG THE WESTERLY LINE OF SAID BLOCK AND ALONG THE EASTERLY LINE OF SAID 25TH STREET AN 80 FOOT WIDE STREET NORTH 18° 30' 00" EAST 181.11 FEET TO THE NORTHWEST CORNER OF SAID ALLEY AND TO THE SOUTHWEST CORNER OF LOT 1 OF SAID BLOCK, THENCE ALONG THE NORTHERLY LINE OF SAID ALLEY ALONG THE SOUTHERLY LINE OF SAID LOT 1 AND ALONG THE SOUTHERLY LINE OF LOTS 2, 3 AND 4 OF SAID BLOCK SOUTH 71° 32' 00" EAST 323.14 FEET TO THE NORTHEAST CORNER OF SAID ALLEY AND TO THE SOUTHEAST CORNER OF SAID LOT 4; THENCE ALONG THE EASTERLY LINE OF SAID BLOCK ALONG THE EASTERLY LINE OF SAID LOT 5 AND ALONG THE WESTERLY LINE OF SAID 26TH STREET, AN 80 FOOT WIDE STREET, SOUTH 18° 27' 30" WEST 161.20 FEET TO THE SOUTHEAST CORNER OF SAID LOT 5 AND TO THE SOUTHEAST CORNER OF SAID BLOCK THENCE ALONG THE SOUTHERLY LINE OF SAID LOTS 5, 6, 7 AND 8, ALONG THE SOUTHERLY LINE OF SAID BLOCK AND ALONG THE NORTHERLY LINE OF SAID L STREET AN 80 FOOT WIDE STREET, NORTH 71° 31' 00" WEST 323.28 FEET TO THE POINT OF BEGINNING

ASSESSOR'S PARCEL NUMBER 007-0104-004-0000
ASSESSOR'S PARCEL NUMBER 007-0104-005-0000
ASSESSOR'S PARCEL NUMBER 007-0104-006-0000
ASSESSOR'S PARCEL NUMBER 007-0104-007-0000
ASSESSOR'S PARCEL NUMBER 007-0104-015-0000
ASSESSOR'S PARCEL NUMBER 007-0104-016-0000

NO FEE DOCUMENT:

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

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

**AMENDED AND RESTATED DEED OF TRUST AND ASSIGNMENT OF RENTS AND
SUBSTITUTION OF TRUSTEE**

Village Park Apartments – Tax Increment Loan (1991, as amended)
APN: 250-0342-020-0000

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

TERM	DEFINITION	
“Effective Date”	April __, 2018	
“Trustor” and “Borrower”	Rural California Housing Corporation, a California nonprofit corporation Village Park Housing Associates, a California Limited Partnership assumed the Deed of Trust on March 11, 1993.	
“Borrower Address”	c/o Mercy Housing California, 1360 Mission Blvd., Suite 300, San Francisco , CA 94103	
“Trustee”	Fidelity National Title Company is substituted in place of Founders Title Company	
“Beneficiary” and “Lender”	Housing Authority of the City of Sacramento	
“Lender Address”	801 12 th Street, Sacramento, CA 95814	
“Property”	Which is real property located in the City of Sacramento and the State of California as more particularly described in the Legal Description.	
	Address	350 Morey Avenue, Sacramento, CA 95833
	Assessor’s Parcel Number	250-0342-020-0000
“Legal Description”	The Legal Description of the Property which is more particularly described in the attached <u>Exhibit 1 Legal Description</u> , which is incorporated in and an integral part of this Deed of Trust	
“Loan”	Which is Lender’s loan to Borrower evidenced by the Note and which is secured by this Deed of Trust.	
Original Loan	Original Loan (1991) was made by the Redevelopment Agency of the City of Sacramento to Rural California Housing Corporation, then assumed by Village Park Housing Associates, L.P., and further modified on March 11, 1993.	
Original Deed of Trust restated herein	Recorded on August 13, 1991; and Amendment recorded on March 12, 1993.	Book 910813; Page 0805; and Book 930312; Page 1505.

“Additional Notices”	Lender shall give copies of notices required to be delivered to Borrower to the following parties at the following addresses (as such addresses may be updated pursuant to written notice to Lender); provided, however that Borrower acknowledges that such notice is an accommodation and the failure of the Lender to properly deliver any such notice shall not give rise to any claims or defenses of Borrower or any third party:	
	<p>To Limited Partner:</p> <p>U.S. Bancorp Community Development Corporation 1307 Washington Avenue, Suite 300 Mail Code: SL MO RMCD St. Louis, MO 63103 USB Project No.: [_____] Attn.: Director of LIHTC Asset Management Phone: (314) 335-2600 Fax: (314) 335-2601</p> <p>With a copy to:</p> <p>Janice E. Hetland, Esq. Lathrop Gage LLP Pierre Laclede Center 7701 Forsyth Boulevard, Suite 500 St. Louis, MO 63105 Phone: (314) 613-2800 Fax: (314) 613.2801</p> <p>To Construction Lender:</p> <p>U.S. Bank National Association 1307 Washington Avenue, Suite 300 St. Louis, MO 63103 Attn.: Director of CLD Asset Management</p>	
“Note”	Which is Borrower's Amended and Restated Promissory Note made in accordance with the Loan Agreement securing the following principal sum or such lesser amount as shall equal the aggregate amount disbursed to Borrower by Lender, with interest.	
	Which has a principal sum of	Two Hundred Thousand Dollars and No Cents (\$200,000.00). Interest shall continue to accrue from the Promissory Note Modification Agreement effective March 11, 1993.

THIS DEED OF TRUST is made as of the Effective Date between the Trustor also referenced as the Borrower, the Trustee, and the Beneficiary also referenced as Lender. This Deed of Trust amends and restates the Original Deed of Trust in its entirety.

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

Together with all the improvements now or subsequently erected on the property, and all easements, rights, appurtenances, rents (subject, however, to the rights and authorities given to Lender to collect and apply such rents), royalties, mineral, oil and gas rights and profits, water, water rights, and water stock, and all fixtures, including but not limited to all gas and electric fixtures, engines and machinery, radiators, heaters, furnaces, heating equipment, steam and hot water boilers, stoves, ranges, elevators and motors, bathtubs, sinks, water closets, basins, pipes, faucets and other plumbing and heating equipment, cabinets, mantels, refrigerating plant and refrigerators, whether mechanical or otherwise, cooking apparatus and appurtenances, furniture, shades, awnings, screens, venetian blinds and other

furnishings, now or hereafter attached to the property, all of which, including replacements and additions thereto, shall be deemed to be and remain a part of the property covered by this Deed of Trust; and all of the foregoing, together with said property (or the leasehold estate if this Deed of Trust is on a leasehold) are referred to as the "Property";

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

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

Borrower and Lender covenant and agree as follows:

1. Payment of Principal and Interest. Borrower shall promptly pay when due the principal and interest, if any, on the indebtedness evidenced by the Note. All payments received by Lender under the Note shall be applied by Lender first to interest payable on the Note and thereafter to the unpaid principal of the Note.
 2. Charges; Liens. Borrower shall pay all taxes, assessments and other charges, fines and impositions attributable to the Property and leasehold payments or ground rents, if any, by Borrower making payment, when due, directly to the appropriate payee. Borrower shall promptly furnish to Lender all notices of amounts due under this paragraph, and in the event that Borrower makes payment directly, Borrower shall promptly furnish to Lender receipts evidencing such payments. Borrower shall pay when due any encumbrance, charge and lien, with interest in accordance with its terms, on the Property or any portion which is inferior or superior to this Deed of Trust, provided, however, Borrower shall have the right to contest such amount in good faith so long as Borrower causes any such lien to be released from the property by the posting of a bond or by other appropriate means.
 3. Hazard Insurance. Borrower shall keep the improvements now existing or later erected on the Property insured against loss by fire or hazards under a policy approved by Lender consistent with the insurance requirements of the Loan Agreement. In addition, Borrower shall insure against loss of all furniture, equipment and other personal property owned by Borrower related to Borrower's operation of the Property. Lender shall have the right to hold the policies and policy renewals, and Borrower shall promptly furnish to Lender all renewal notices and all receipts of paid premiums. In the event of loss, Borrower shall give prompt notice to the insurance carrier and Lender. Lender may make proof of loss if not made promptly by Borrower.
- Unless Lender and Borrower otherwise agree in writing, insurance proceeds shall be applied to restoration or repair of the Property damaged, as and to the extent provided in the Loan Agreement, and Lender shall permit the use of the insurance proceeds for restoration or repairs so long as the value of its lien is not impaired.
- Unless Lender and Borrower otherwise agree in writing, any such application of insurance proceeds to principal shall not extend or postpone the due date of any Loan payment or change the amount of such payment. If the Property is acquired by Lender pursuant to this Deed of Trust, all right, title and interest of Borrower in and to any insurance policies and proceeds of such policies resulting from damage to the Property prior to the sale of acquisition shall pass to Lender to the extent of the sums secured by this Deed of Trust immediately prior to such sale or acquisition.
4. Liability Insurance. In addition to the casualty insurance required under the Loan Agreement during the course of construction, Borrower shall keep comprehensive general liability insurance for the Property in a form and coverage consistent with the provisions of the Loan Agreement and reasonably approved by Lender.
 5. Preservation and Maintenance of Property. Borrower shall keep the Property in good repair and shall not commit waste or permit impairment, demolition, or deterioration of the Property (normal wear and tear excepted).
 6. Protection of Lender's Security. Borrower shall appear and defend any action or proceeding purporting to affect the security under this Deed of Trust or the rights of the Lender. If Borrower fails to perform the covenants and agreements contained in this Deed of Trust, or if any action or proceeding is commenced which materially affects Lender's interest in the Property, including, but not limited to, foreclosure, involuntary sale, eminent domain,

insolvency, code enforcement, or arrangements or proceedings involving a bankrupt or decedent, then Lender may, upon notice to Borrower, make such appearances, disburse such sums and take such actions as are necessary to protect Lender's interest, including, but not limited to, disbursement of judgments, costs or reasonable attorney's fees and entry upon the Property to make repairs.

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

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

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

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

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

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

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

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

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

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

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

15. Acceleration on Transfer or Refinancing of the Property; Assumption. Except as otherwise provided in the Loan Agreement, if all or any part of the Property or an interest in the Property is sold or transferred or refinanced by Borrower without Lender's prior written consent, Lender may, at Lender's option, declare all the sums secured by this Deed of Trust to be immediately due and payable. Lender shall have waived such option to accelerate if, prior to the refinancing, sale or transfer, Lender and the person to whom the Property is to be sold or transferred reach agreement in writing that the loan may be assumed. If Lender has waived the option to accelerate provided in this Section and if Borrower's successor in interest has executed a written assumption agreement accepted in writing by Lender, Lender shall release Borrower from all obligations under this Deed of Trust and the Note. Lender's prior approval is not required for (1) the sale or transfer of the Limited Partner's interest to one or more of the other partners that currently comprise the Borrower's entity, (2) the admission of the Limited Partner or its affiliate to the Borrower and the transfer of its interest to an affiliate thereof so long as the general partner, or managing member, of the transferor, or an affiliate thereof, is the general partner, or managing member of the transferee, or partner; however, Borrower is obligated to notify Lender within 30 days from the date of such sale or transfer, (3) the removal of the general partner of the Borrower by the Limited Partner for a default under Borrower's partnership agreement, provided that any replacement general partner is approved by Lender, which approval shall not be unreasonably withheld, conditioned or delayed. For purposes hereof, Limited Partner shall mean, U.S. Bancorp Community Development Corporation and its permitted successors and assigns need to include limited liability companies in which U.S. Bancorp Community Development Corporation or one of its affiliates is the manager or managing member, and its permitted successors and assigns.

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

16. Acceleration on Breach; Remedies. Except as provided in Section 15, upon Borrower's breach of any covenant or agreement of Borrower in this Deed of Trust, the Note, (including the covenants to pay when due any sums secured by this Deed of Trust and restricting transfer of the Property), the Regulatory Agreement or Loan Agreement, Lender shall mail notice to Borrower and the Limited Partner specifying: (1) the breach; (2) the action required to cure such breach; (3) a date, no less than 30 days from the date the notice is mailed to Borrower, and the Limited Partner by which breach must be cured; and (4) that failure to cure such breach on or before the date specified in the notice may result in acceleration of the sums secured by this Deed of Trust and sale of the Property. If the breach is not cured on or before the date specified in the notice, Lender at Lender's option may declare all of the sums secured by this Deed of Trust to be immediately due and payable without further demand and may invoke the power of sale and any other remedies permitted by applicable law, provided, however, that if such cure cannot reasonably be effected within such 30-day period, such failure shall not be a default so long as Borrower promptly (and in any event, within ten (10) days after receipt of such notice) commences such cure and thereafter diligently (and in any event, within ninety (90) days after receipt of such notice) prosecutes such cure to completion. The Limited Partner is entitled to cure any defaults on behalf of the Borrower within the same specified time periods; said cure periods shall not extend statutory periods and times for notice and commencement of foreclosure; provided, however, that if, in order to cure any such default the Limited Partner must first remove a general partner of Borrower, then, provided that the Limited Partner notifies Lender of such removal and removes such general partner within a reasonable period, then the Limited Partner shall have until the date 30 days after the effective date of such removal to effect such cure. In any event, such cure process shall not exceed 120 days. The provisions of this Section 16 shall control in the event of any conflict with any other provisions of this Deed of Trust, the Note, the Regulatory Agreement or the Loan Agreement. Lender shall be entitled to collect from the Borrower, or sale proceeds, if any, all reasonable costs and expenses incurred in pursuing the remedies provided in this Section, including, but not limited to reasonable attorney's fees.

If Lender invokes the power of sale, Lender shall execute or cause Trustee to execute a written notice of the occurrence of an event of default and of Lender's election to cause the Property to be sold and shall cause such notice to be recorded in each county in which any portion of the Property is located. Lender or Trustee shall mail copies of such notice in the manner prescribed by applicable law to Borrower and to the other persons prescribed by applicable law. Trustee shall give public notice of sale to the persons and in the manner prescribed by applicable law. After the lapse of such time as may be required by applicable law, Trustee, without demand on Borrower, shall sell the Property

at public auction to the highest bidder at the time and place and under the terms designated in the notice of sale, in one or more parcels and in such order as Trustee may determine. Trustee may postpone sale of all or any parcel of the Property by public announcement at the time and place of any previously scheduled sale. Lender or Lender's designee may purchase the Property at any sale.

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

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

Upon acceleration for breach or abandonment of the Property, Lender, in person, by agent or by judicially appointed receiver shall be entitled to enter upon, take possession of and manage the Property and to collect the rents of the Property including those past due. All rents collected by Lender, its agent, or the receiver shall be applied first to payment of the costs of management of the Property and collection of rents, including, but not limited to receiver's fees, premiums on receiver's bonds and reasonable attorney's fees, and then to the sums secured by this Deed of Trust. Lender, its agent and the receiver shall be liable to account only for those rents actually received.

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

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

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

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

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

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

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

25. Extended Use Agreement. In order to receive an allocation of federal low income housing tax credits, Borrower will be required to record in the real property records of the County in which the property is located, an "extended low-income housing commitment" (as defined in Section 42(h)(6)(B) of the Internal Revenue Code of 1986, as amended ("Code")) ("Extended Use Agreement"). Lender acknowledges and agrees that, in the event of a foreclosure of its interest under this Deed of Trust or delivery by the Borrower of a deed in lieu thereof (collectively, a

“Foreclosure”), Lender agrees that the following rule contained in Section 42(h)(6)(E)(ii) of the Code shall apply: For a period of three (3) years from the date of Foreclosure, with respect to any unit that had been regulated by the Extended Use Agreement, (i) none of the eligible tenants occupying those units at the time of Foreclosure may be evicted or their tenancy terminated (other than for good cause, including but not limited to, the tenants’ ineligibility pursuant to regulations of Section 42 of the Code), (ii) nor may any rent be increased except as otherwise permitted under Section 42 of the Code.

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

BORROWER (Trustor):

Village Park Housing Associates
a California Limited Partnership

By: Mercy Housing West
a California nonprofit public benefit corporation,
its General Partner

By: _____
Stephan Daues
its Vice-President

[NOTARIZED ACKNOWLEDGEMENTS]

Exhibit 1: Legal Description

For APN/Parcel ID(s): 250-0342-020-0000

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

Lot 38, as shown on the "Plat of Oak Knoll", recorded in Book 11 of Maps, Map No. 20, records of Sacramento County, California.

FIRST AMENDED AND RESTATED PROMISSORY NOTE
FOR VILLAGE PARK APARTMENTS
LOW/MODERATE TAX INCREMENT LOAN (1991 LOAN, AS AMENDED)

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

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

DEFINED TERM:	DEFINITION:
“Effective Date”	April __, 2018
“Lender”	Housing Authority of the City of Sacramento
“Borrower”	Village Park Housing Associates
“Borrower Legal Status”	a California Limited Partnership
“Original Note”	The Promissory Note between was made by Rural California Housing Corporation, dated July 26, 1991. Borrower assumed the Note (by agreement recorded on August 13, 1991) and later entered into a Promissory Note Modification Agreement dated March 11, 1993, extending the maturity date, and three percent, simple interest per annum (together the “Loan”) as of the following date and in the following principal amount.
	Effective Date: July 26, 1991/March 11, 1993
	Amount: \$200,000.00
“Note”	This First Amended and Restated Promissory Note
“Loan Agreement”	The Loan Agreement was the Owner Participation Agreement (“OPA”) between Rural California Housing Corporation (RCHC) and the Redevelopment Agency of the City of Sacramento, dated July 26, 1991. The First Amendment to the OPA with RCHC was amended on December 18, 1991. The Second Amendment to the OPA with RCHC was amended on December 19, 1991. The Third Amendment to the OPA was amended on March 10, 1993 with Village Park Housing Associates, a California limited partnership assuming the Note (“Loan”).
“Principal Amount”	The following Principal Amount is the current Loan amount as reflected by the Note, and payments that will be made are credited against the new Principal Amount: Two Hundred Thousand Dollars and No Cents (\$200,000.00).
“Interest Rate”	The interest rate is three percent (3%) per year, simple interest.
“Accrual Date”	Interest shall continue to accrue from the Effective Date of the Original Note.
“Special Terms”	Payments shall be deferred through the 683 month from the Effective Date
“Payment Start Date”	Principal and interest shall be payable and due in full on the Maturity Date. Early payments are not penalized.
“Maturity Date”	The first day of the 684 th calendar month following the Effective Date.
PAYMENT SCHEDULE. Repayment of this Note shall be made as follows:	
“Payment Amount(s)”	n/a
“Payment Amount(s)”	The unpaid balance of the current Loan, including without limitation principal and interest, shall be all due and payable on the Maturity Date, including without limitation all unpaid principal, interest, fees and charges.

<p>“Distribution of Funds”</p>	<p>Lender shall apply payments to the Authority Loans in the following order. All payments shall be applied to the first outstanding loan on the list until that loan is paid in full, after which all payments shall be applied to the next loan on the list, continuing until all loans are paid in full.</p> <ol style="list-style-type: none"> 1. \$ 200,000.00 1993 TI Loan (THIS LOAN) 2. \$1,022,000.00 2018 HOME Loan
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FOR VALUE RECEIVED, THE UNDERSIGNED, JOINTLY AND SEVERALLY, PROMISES TO PAY to Lender, or its successors or assigns, the Principal Amount or such lesser amount as may be endorsed on this Note on behalf of Lender. The Loan shall bear interest on the outstanding principal balance, computed from the Accrual Date at the Interest Rate.

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

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

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

3. This Note is secured by an Amended and Restated Deed of Trust with Assignment of Rents against the real property described therein (“Property”), as must be recorded in the office of the County Recorder of Sacramento County (“Trust Deed”). The Trust Deed securing this Note provides that Lender may at its option, declare all funds secured by the Trust Deed immediately due and payable, if any interest in the real property is sold, transferred or conveyed to any person, whether voluntarily or involuntarily, except as provided for in the Loan Agreement. The Trust Deed further provides that if Borrower does not comply with the requirements of the Regulatory Agreement and fails to come into compliance with the Regulatory Agreement within thirty (30) days (or such longer period as may be reasonably be needed to cause compliance but not to exceed 30 days past the original 30 days allotted) after Lender’s written notice to Borrower of such failure, Lender may at its option, declare all funds secured by the Trust Deed immediately due and payable.

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

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

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

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

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

d. Borrower defaults or breaches any of the terms of Loan Agreement , the Trust Deed , the Regulatory Agreement or this Note after expiration of all applicable cure periods, and if no cure period is stated, then Borrower shall have a period of not less than 30 days to cure.

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

lien of the Trust Deed securing this Note and a default is declared by such priority lender which is not cured by the applicable time period.

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

g. The occurrence of any of the following:

1) Borrower becoming insolvent or bankrupt or being unable or admitting, in writing, Borrower's inability to pay debts as they mature or making a general assignment of or entering into any restructure payment arrangement with creditors. However, Borrower shall have a sixty (60) day cure period to dismiss or stay the bankruptcy proceedings.

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

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

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

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

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

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

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

11. By acceptance of this Note, Lender hereby agrees that any cure made or tendered by a limited partner of Borrower under the terms of this Note shall be deemed to be made by the Borrower and shall be accepted or rejected on the same basis.

a. Lender shall give copies of notices required to be delivered to Borrower to the following parties at the following addresses; provided, however the Borrower acknowledges that such notice is an accommodation and the failure to properly deliver such notice shall not give rise to any claims of Borrower or any third party.

12. By acceptance of this Note, Lender hereby agrees that the Original Note is hereby cancelled and superseded by this Note.

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

BORROWER

Village Park Housing Associates
a California Limited Partnership

By: Mercy Housing West
a California nonprofit public benefit corporation,
its General Partner

By: _____
Stephan Daues
its Vice-President

NO FEE DOCUMENT:

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

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

FOURTH AMENDMENT TO OWNER PARTICIPATION AGREEMENT
Village Park Apartments
350 Morey Avenue, Sacramento, CA 95838
APN: 250-0342-0230-0000

This Fourth Amendment to Owner Participation Agreement (“Fourth Amendment”) is entered into as of March __, 2018, by and between the Housing Authority of the City of Sacramento (“Authority”) and Village Park Housing Associates, a California limited partnership (“Owner”).

RECITALS.

WHEREAS, the Redevelopment Agency of the City of Sacramento (“Agency”) entered into an Owner Participation Agreement (OPA) with Owner, dated July 10 , 1991 as recorded in the Office of the Recorder of the County of Sacramento, California on August 13, 1991 in Book 910813, Page 0805, as amended by a First Amendment to the Owner Participation Agreement dated December 18, 1991, under the Terms and according to the Conditions set forth therein, which First Amendment was recorded in the Office of the Recorder of the County of Sacramento, California on May 8, 1992 in Book 920508, Page 919, as further amended by a Second Amendment to the Owners Participation Agreement with Village Park Housing Associates (formerly Rural California Housing Corporation), dated December 19, 1991, under the Terms and Conditions therein set forth, which Second Amendment was recorded in the Office of the Recorder of the County of Sacramento, California on April 7, 1992 in Book 920407, Page 1080as further amended by a Third Amendment to the Owners Participation Agreement with Village Park Housing Associates (formerly Rural California Housing Corporation) , March 10, 1993, under the Terms and Conditions therein set forth, which Third Amendment was recorded in the Office of the Recorder of the County of Sacramento, California on March 12, 1993 in Book 930312, Page 1504, (collectively, the “OPA”) affecting certain real property situated within the City of Sacramento, State of California, and more particularly described in the “Legal Description” attached to and incorporated in this Fourth Amendment by this reference (“Property”); and

WHEREAS, in 2011 the California Legislature enacted AB x1 26, which, coupled with a subsequent decision of the State Supreme Court, resulted in the dissolution of redevelopment agencies as of February 1, 2012; and

WHEREAS, the City of Sacramento, by Resolution Number 2012-018 (adopted on January 31, 2012), designated the Authority as the local agency to retain the housing assets and functions previously performed by the Agency; and

WHEREAS, the Agency, by resolution Number 2012-001 (adopted on January 31, 2012) transferred its housing assets and housing functions to the Authority; and

WHEREAS, the Authority, by Resolution Number 2012-001 (adopted on January 31, 2012), accepted the housing assets and housing functions previously performed by the Agency; and

WHEREAS, the California Department of Finance issued its final determination, dated April 1, 2013, approving the Housing Asset Transfer including the Village Park Apartments project; and

WHEREAS, the Authority and the Owner desire to amend the OPA.

NOW, THEREFORE, the parties agree as follows:

1. The parties agree to this amendment of the original OPA in order to reflect the new financing structure by amending and restating existing loan to facilitate for recapitalization anticipated to include:
 - a. The Loan Commitment will be comprised of one loan of \$200,000.00 in City Low/Mod Tax Increment (TI) funds;
 - b. There will be one amended and restated loan, comprised of the original \$200,000.00 loan, and interest shall continue to accrue from the Promissory Note Modification Agreement effective March 11, 1993.
2. As of the date hereof, no default has occurred under the OPA, and no event or circumstance exists which, with the giving of notice or the passage of time, or both, would constitute a default under the OPA. The construction as required by that OPA has been satisfactorily completed. The OPA contains the original loan terms (Section 6). The development of the Property by Owner, as currently contemplated, complies with all of the terms and conditions of the OPA and no additional approvals of the Authority with respect to the OPA are required.
3. **Additional Provisions.** Notwithstanding anything to the contrary contained in the OPA, the Authority hereby agrees to the following additional provisions:
 - a. The limited partnership interests of the Owner shall be transferable to an affiliate of the Owner's limited partner or to a limited liability company in which the limited partner or an affiliate is the manager or managing member without the consent of the Authority and to a non-affiliate of the Developer's limited partner with the consent of the Authority, which consent shall not be unreasonably withheld.
 - b. The Authority hereby agrees that any cure made or tendered by a limited partner of Owner under the terms of the OPA shall be deemed to be made by the Owner and shall be accepted or rejected on the same basis. Notices to the Owner's limited partners required hereunder shall be given at the following address:
 - c. The Owner shall be permitted to transfer the Property to its general partner or an affiliate therefore following the expiration of the tax credit compliance period without the Authority's consent.
4. Capitalized terms not specifically defined herein shall be defined in the OPA.

[signature page follows]

IN WITNESS WHEREOF, the parties hereto have executed this Fourth Amendment to the OPA as of the Effective Date.

OWNER:

Village Park Housing Associates
a California Limited Partnership

By: Mercy Housing West
a California nonprofit public benefit corporation,
its General Partner

By: _____
Stephan Daues
its Vice-President

AUTHORITY:

HOUSING AUTHORITY OF THE CITY OF SACRAMENTO
a public body corporate and politic

By: _____
La Shelle Dozier, Executive Director

Approved as to form:

Authority Counsel

[NOTARIZED ACKNOWLEDGEMENTS]

Legal Description

For APN/Parcel ID(s): 250-0342-020-0000

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

Lot 38, as shown on the "Plat of Oak Knoll", recorded in Book 11 of Maps, Map No. 20, records of Sacramento County, California.

Free Recording Requested Pursuant to
Government Code §§27383 and 6103

RECORDING REQUESTED BY
AND WHEN RECORDED RETURN TO:
Sacramento Housing and
Redevelopment Agency
801 12th Street
Sacramento, CA 95814
Attn: Portfolio Management

**ASSIGNMENT AND ASSUMPTION AGREEMENT REGARDING LOANS PER
OWNER PARTICIPATION AGREEMENT BY AND BETWEEN VILLAGE PARK
HOUSING ASSOCIATES, A CALIFORNIA LIMITED PARTNERSHIP, MERCY
HOUSING CALIFORNIA 80, L.P., AND THE HOUSING AUTHORITY OF THE CITY
OF SACRAMENTO**

This Agreement is made as of this ___ day of April, 2018 (the “Effective Date”), by and among Village Park Housing Associates, a California Limited Partnership (“Assignor”), Mercy Housing California 80, L.P., a California limited partnership (the “Assignee”), and the HOUSING AUTHORITY OF THE CITY OF SACRAMENTO (the “Authority”) with reference to the following facts:

RECITALS

- A. WHEREAS, Assignor is the owner of that certain real property commonly known as Village Park Apartments, Sacramento, California and more particularly described in Attachment 1, attached to and incorporated by this reference (the “Property”); and
- B. WHEREAS, said Property requires new financing for rehabilitation and Mercy Housing California 80, LP, has been formed to acquire the Property and to obtain that new financing and to rehabilitate the Property; and
- C. WHEREAS, the Redevelopment Agency of the City of Sacramento (“Agency” and “Beneficiary”) made the following loans to Assignor pursuant to loan documents that are being amended and restated as follows prior to the effectiveness of this Assignment:
 - 1. WHEREAS, the Agency made a \$200,000.00 Tax Increment (“TI”) loan originally with an annual interest rate of zero percent (0%) to Rural California Housing Corporation (RCHC) through an Owner Participation Agreement and a Promissory Note dated July 26, 1991, and evidenced by a Deed of Trust of the same date. On December 18, 1991, RCHC and Village Park Housing Associates, a California limited partnership entered into an Assumption, Assignment, Note Modification and Subordination Agreement transferring this Project and its benefits and obligations to Assignor herein, which was recorded on April 7, 1992, in Book 92 04 07, at Page 1081 in the Office of the Recorder of Sacramento County, California.
 - 2. WHEREAS, Agency and Assignor entered in to a First Amendment to the Owner Participation Agreement modifying the loan for Project on December 18, 1991 and

recorded in the Office of the Recorder of the County of Sacramento on May 8, 1992 at Book 92 05 08, at Page 919.

3. WHEREAS, Agency and Assignor entered in to a Second Amendment to the Owner Participation Agreement modifying the loan for Project on December 19, 1991 and recorded in the Office of the Recorder of the County of Sacramento on April 7, 1992 at Book 92 04 07, at Page 1080.
 4. WHEREAS, Agency and Assignor entered in to a Third Amendment to the Owner Participation Agreement modifying the loan for Project on March 10, 1993 and recorded in the Office of the Recorder of the County of Sacramento on March 12, 1993 at Book 93 03 12, at Page 1504.
 5. WHEREAS, the Agency and Assignor entered into a Deed of Trust Modification Agreement on March 11, 1993, recorded on March 12, 1993 in the Office of the Recorder of Sacramento County at Book 93 03 12, at Page 1505.
 6. WHEREAS, these modifications increased the interest rate to three percent (3%), extended the maturity date for thirty-five (35) years, and provided for repayments of principal and interest every five years if deferred based on audits, with final payment in full of all outstanding principal and interest on July 26, 2031, the maturity date.
 7. WHEREAS, concurrently herewith, the Owners Participation Agreement is being modified (Fourth Amendment to the Owner Participation Agreement by and between the Authority and the Assignee) and the Deed of Trust is being amended in the Amended and Restated Deed of Trust and Assignment of Rents and Substitution of Trustee.
- D. WHEREAS, in 2011 the California Legislature enacted AB x1 26, which coupled with a subsequent decision of the State Supreme Court, resulted in the dissolution of redevelopment agencies as of February 1, 2012; and
- E. WHEREAS, the City of Sacramento, by Resolution Number 2012-018 (adopted on January 31, 2012), designated the Authority as the local authority to retain the housing assets and functions previously performed by the Redevelopment Agency of the City of Sacramento; and
- F. WHEREAS, the Agency, by resolution Number 2012-001 (adopted on January 31, 2012) transferred its housing assets and housing functions to the Authority; and
- G. WHEREAS, the Authority, by Resolution Number 2012-001 (adopted on January 31, 2012), accepted the housing assets and housing functions previously performed by the Agency; and
- H. WHEREAS, the California Department of Finance approved this Project on the Housing Asset Transfer form on April 1, 2013.
- I. WHEREAS, Assignor wishes to assign the Loan Documents referenced above, to Assignee; and
- J. WHEREAS, Assignee wishes to accept the above assignment from Assignor and assume the obligations of the Loan Documents and OPA, and make payments thereon to the Authority; and
- K. WHEREAS, the Authority has approved the assignment of the Loan Documents and OPA to Assignee; and

- L. WHEREAS, the Assignee shall assume Two Hundred Thousand Dollars and No Cents (\$200,000.00) in current principal balance, and interest shall continue to accrue from the Promissory Note Modification Agreement effective March 11, 1993.

NOW, THEREFORE, for good and valuable consideration, the sufficiency of which is hereby acknowledged, the parties hereby agree as follows:

AGREEMENT

1. Recitals and Definitions. The recitals set forth above are true and accurate and are incorporated herein by reference.
2. Assignment, Assumption and Consent. The Assignor hereby assigns and delegates to the Assignee, and Assignee hereby accepts and assumes from Assignor, all of the Assignor's rights, title, interest and obligations under the Loan Documents and OPA arising or accruing from and after the Effective Date. Without limiting the foregoing, Assignee hereby agrees to perform all of the obligations under the Loan Documents and OPA arising or accruing from and after the Effective Date. The Authority hereby consents to the assignment and assumption set forth in this Section 2.
3. Release. The Authority agrees that the Assignor shall be released from all liability for obligations to be performed under the Loan Documents and OPA on and after the Effective Date but shall remain liable in accordance with the terms of the Loan Documents and OPA for any obligation accruing prior to the Effective Date. Assignor acknowledges and agrees that the Authority does not hereby waive any of the provisions of the Loan Documents and OPA and all of the terms, conditions, and provisions of the Loan Documents and OPA shall remain in full force and effect.
4. Notice. All correspondence and notices given or required to be given to the Assignor under the Loan Documents, from and after the Effective Date, shall be provided to the Assignee and shall be addressed as follows:

Assignee:

MERCY HOUSING CALIFORNIA 80, L.P.
C/O Florin Housing Corporation
1360 Mission Street, Suite 300,
San Francisco, CA 94103

Assignee's Limited Partner:

U.S. Bancorp Community Development Corporation
1307 Washington Avenue, Suite 300
Mail Code: SL MO RMCD
St. Louis, MO 63103
USB Project No.: [_____]
Attn.: Director of LIHTC Asset Management
Phone: (314) 335-2600
Fax: (314) 335-2601

With a copy to:

Janice E. Hetland, Esq.
Lathrop Gage LLP
Pierre Laclede Center
7701 Forsyth Boulevard, Suite 500
St. Louis, MO 63105
Phone: (314) 613-2800
Fax: (314) 613.2801

To Construction Lender:

U.S. Bank National Association
1307 Washington Avenue, Suite 300
St. Louis, MO 63103
Attn.: Director of CLD Asset Management

5. No Default. As of the date hereof, no default has occurred under the OPA or any of the documents governing Loan, and no event or circumstance exists which, with the giving of notice or the passage of time, or both, would constitute a default under the OPA or any of the documents governing Loan.

6. Successors and Assigns. This Agreement applies to, inures to the benefit of, and binds all parties hereto and their respective successors and assigns.

7. Counterparts. This Agreement may be executed in multiple counterparts, all of which, when taken together, shall be deemed an original upon execution.

8. Governing Law. This Agreement shall be governed by and interpreted in accordance with the laws of the State of California.

[signature page follows]

SIGNATURE PAGE TO
ASSIGNMENT AND ASSUMPTION OF LOAN AGREEMENT

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the Effective Date.

ASSIGNOR:

BORROWER (Trustor):
Village Park Housing Associates, a California Limited Partnership

By: Mercy Housing West
a California nonprofit public benefit corporation,
its Managing General Partner

By: _____
Stephan Daues
its Vice-President

ASSIGNEE:

MERCY HOUSING CALIFORNIA 80, L.P. a California limited partnership

By: Florin Housing Corporation,
a California nonprofit public benefit corporation
its general partner

By: _____
Stephan Daues
its Vice-President

Agreed and Acknowledged:

Housing Authority of the City of Sacramento, a public body corporate and politic

By: _____
La Shelle Dozier, Executive Director

[NOTARIZED ACKNOWLEDGEMENTS]

Attachment 1: Property

Legal Description

For APN/Parcel ID(s): 250-0342-020-0000

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

Lot 38, as shown on the "Plat of Oak Knoll", recorded in Book 11 of Maps, Map No. 20, records of
Sacramento County, California.

NO FEE DOCUMENT :

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

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

**ASSIGNMENT, ACKNOWLEDGEMENT AND ACCEPTANCE OF AGREEMENT
CONTAINING COVENANTS AFFECTING REAL PROPERTY
("AGREEMENT")
VILLAGE PARK APARTMENTS
APN: 250-0342-020-0000**

Borrower makes the following acknowledgement and acceptance as of the Effective Date. [For purposes of this Acknowledgment, the capitalized terms shall have the meanings assigned in the table below and the body of the Acknowledgment.]

Village Park Housing Associates, a California Limited Partnership ("Assignor"), was the owner of the Property and signatory to the Agreement Containing Covenants Affecting Real Property for Village Park Apartments by and between Rural California Housing Corporation and the Redevelopment Agency of the City of Sacramento dated December 31, 1991, and recorded April 7, 1992 in Book 92047 at Page 1079 of the Official Records of the Office of the Recorder for the County of Sacramento. Originally executed by Rural California Housing Corporation, a California nonprofit corporation and assigned to the Assignor by the Third Amendment to Owner Participation Agreement dated March 10, 1993, and recorded March 12, 1993 in Book 930312, Page 1504.

Borrower is purchasing or has purchased the Property with Agency's consent. Borrower acknowledges and accepts the current Regulatory Agreement as amended, which will preserve the affordable housing restrictions and the associated affordable housing inventory.

TERM		DEFINITION
"Effective Date"	The date as of which this Acknowledgment shall be effective. The Effective Date is:	Dated:
		April __, 2018
"Agreement"	Agreement Containing Covenants Affecting Real Property for Village Park (Attached hereto and incorporated herein as <u>Exhibit 2: Agreement</u>).	Dated:
		December 31, 1991
"Agency"	Name:	Housing Authority of the City of Sacramento
	Legal Form:	A public body corporate and politic
	"Agency Address":	801 12 th Street, Sacramento, CA 95814
"Assignor"	Owner of the Property and signatory to the Agreement	
	Name:	Village Park Housing Associates
	Legal Form, as shown on the deed:	a California Limited Partnership
	Address:	c/o Mercy Housing California, 1360 Mission Blvd., Suite 300, San Francisco , CA 94103
"Borrower"	The purchaser and thereafter owner of the Property.	

/Assignee”	Name:	Mercy Housing California 80, L.P.
	Legal Form, as shown on the deed:	a California Limited Partnership
	Address:	c/o Florin Housing Corporation, 1360 Mission Blvd., Suite 300, San Francisco , CA 94103
“Property”	“Property” is that real property described as more particularly described in the Legal Description attached as Exhibit 1 . The Property includes all improvements contained within the Property.	
	Address:	350 Morey Avenue, Sacramento, CA 95838
	APN:	250-0342-020-0000
“Regulatory Term”	An original Thirty (30) Year Term, terminating on July 26, 2021.	
“Jurisdiction”	City of Sacramento	

The subject property (“Property”) is situated in the Jurisdiction within the State of California.

As of the Effective Date, the Assignor hereby fully and unconditionally assigns to the Borrower all of its right, title, and interest in and under the Regulatory Agreement.

Borrower has read, understands and accepts the Regulatory Agreement as attached hereto as Exhibit 2 and agrees to be obligated to each and every term, condition, covenant and restriction contained therein for the Term thereof.

Borrower acknowledges that the Regulatory Agreement dated December 31, 1991 was recorded on April 7, 1992 in the Official Records of the Office of the Recorder for the County of Sacramento at Book 920407, at Page 1079, places certain restrictions on the use, resale and rental rate of the Property for the Regulatory Term.

Borrower acknowledges that it has the right, and has had adequate opportunity, to seek individual counsel and advice from an attorney regarding the effect the Regulatory Agreement on the Property.

NOW, THEREFORE, for good and valuable consideration, including without limitation, the below market rate loans, the receipt and adequacy of which are acknowledged, the Borrower, accepts the Regulatory Agreement, as amended, and agrees to be fully bound to the Regulatory Agreement and all of the terms, conditions, covenants, and restrictions as stated in the Regulatory Agreement.

[signature page follows]

SIGNATURE PAGE TO
ASSIGNMENT, ACKNOWLEDGEMENT AND ACCEPTANCE OF
AGREEMENT

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the Effective Date.

ASSIGNOR:

Village Park Housing Associates
a California Limited Partnership

By: Mercy Housing West
a California nonprofit public benefit corporation,
its General Partner

By: _____
Stephan Daues
its Vice-President

ASSIGNEE:

BORROWER (Trustor):
Mercy Housing California 80, L.P.,
a California limited partnership

By: Florin Housing Corporation,
a California nonprofit public benefit corporation,
its general partner

By: _____
Stephan Daues
its Vice-President

Agreed and Acknowledged:

Housing Authority of the City of Sacramento, a public body corporate and politic

By: _____
La Shelle Dozier, Executive Director

[NOTARIZED ACKNOWLEDGEMENTS]

Exhibit 1: Legal Description

For APN/Parcel ID(s): 250-0342-020-0000

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

Lot 38, as shown on the "Plat of Oak Knoll", recorded in Book 11 of Maps, Map No. 20, records of
Sacramento County, California.

Exhibit 2: Agreement

BOOK PAGE
92 04-7 1079

(2)

OFFICIAL RECORDS
SACRAMENTO COUNTY

92 APR -7 AM 10 16

Gulley D. Davis
COUNTY CLERK-RECORDER

OFFICIAL BUSINESS

Document entitled to free recording
per Government Code Section 6103

Recording requested by and
when recorded return to
REDEVELOPMENT AGENCY OF
THE CITY OF SACRAMENTO
630 "I" Street
Sacramento, CA 95814
Attention Legal Department

AGREEMENT CONTAINING COVENANTS AFFECTING REAL PROPERTY

This Agreement is entered into this 31st day of
December, 1991, by and between Rural California Housing
Corporation, a California nonprofit corporation (the
"Owner") and the Redevelopment Agency of the City of
Sacramento, a public body, corporate and politic (the
"Agency")

NO
FEE
B

WHEREAS, Owner is the owner of the real property
("Site") described in Exhibit "A" attached hereto The Site
is located within the Del Paso Redevelopment Project Area
(defined in the Redevelopment Plan as initially adopted,
recorded on May 21st 1970, in the Official Records of
the County of Sacramento, in Book 70 05 21,
beginning at page 406), and

WHEREAS, Owner and Agency have entered into an Owner's
Participation Agreement ("OPA") dated July 26th, 1991,
in which Owner has agreed to develop, use and maintain the
Site in conformity with the OPA, and the Agency has agreed
to provide a loan of TWO HUNDRED THOUSAND DOLLARS (\$200,000)
("Loan") for predevelopment costs relating to the Site,

NOW, THEREFORE, AGENCY AND OWNER AGREE AS FOLLOWS

I Owner covenants and agrees for itself, its successors,
its assigns and every successor in interest to the Site or
any part thereof, that the Owner, such successors and such
assigns shall

A Construct and maintain a fifty (50) unit rental
housing complex on the Site in conformance with the
OPA,

B Maintain such housing complex in a first-class
condition,

C Not transfer the Site, or any portion thereof, during the term of this Agreement except with the prior written consent of Agency

D Continuously provide for thirty (30) years from the date of this Agreement all fifty (50) units within such housing complex for occupancy by low-income persons and families at rents affordable to such persons and families, in accordance with the applicable definitions of the State Health and Safety Code

II If, during the term of this Agreement, the Site, or portion thereof, is used for other than rental housing at rents which are affordable to low-income persons and families, Owner shall immediately repay the Loan to Agency in full. If such Owner should fail to comply with the provisions of this Agreement, the Loan shall become immediately due and payable, together with interest at the maximum legal rate from the date of the loan until repaid in full

III Owner, its successors and assigns, shall not discriminate, and shall not permit anyone to discriminate upon the basis of race, color, creed, religion, sex, marital status, national origin or ancestry in the sale, lease or rental or in the use or occupancy of the Site, or any improvements on the Site. All such deeds, leases or contracts shall contain or be subject to substantially the following nondiscrimination or nonsegregation clauses

A In Deeds

"The grantee herein covenants by and for itself or himself, his heirs, executors, administrators and assigns, and all persons claiming under or through him, that there shall be no discrimination against or segregation of any person or group of persons on account of race, color, creed, religion, sex, marital status, national origin or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the land herein conveyed, nor shall the grantee himself or any person claiming under or through it or him establish or permit any such practice or practices of discrimination or segregation with reference to the selection, locations, number, use or occupancy of tenants, lessees, sublessees, subtenants or vendees in the land herein conveyed. The foregoing covenants shall run with the land "

B In Leases

"The lessee herein covenants by and for itself or himself, his heirs, executors, administrators and assigns, and all persons claiming under or through him,

and this lease is made and accepted upon and subject to the following conditions

That there shall be no discrimination against or segregation of any person or group of persons on account of race, color, creed, religion, sex, marital status, national origin or ancestry in the leasing, subleasing, transferring, use, occupancy, tenure or enjoyment of the land herein leased, nor shall the lessee himself or any person claiming under or through him establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, sublessees, subtenants or vendees in the land herein leased "

C In Contracts

"There shall be no discrimination against or segregation of any person or group of persons on account of race, color, creed, religion, sex, marital status, national origin or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the land herein leased, nor shall the transferee itself or himself or any person claiming under or through him establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, sublessees, subtenants or vendees in the land "

IV All of the covenants contained in this Agreement shall run with the land and constitute equitable servitudes and shall remain in effect until July 26th, _____, 2021, except for the covenants against discrimination, which shall remain in perpetuity and subject to the exceptions stated in Section VI of this Agreement, below

V The provisions of this Agreement do not limit the right of any obligee to exercise any of its remedies for the enforcement of any pledge or lien upon the Site, provided, however, that in the event of any foreclosure, under any such mortgage, deed of trust or other lien or encumbrance, or a sale pursuant to any power of sale included in any such mortgage or deed of trust the purchaser or purchasers and their successors and assigns and the Site shall be, and shall continue to be subject to all of the conditions, restrictions and covenants contained in this Agreement

VI The Agency and its successors and assigns are deemed the beneficiaries of the covenants contained herein, without regard to technical classification and designation. The covenants shall run in favor of the Agency and its successors and assigns without regard to whether the Agency

has been, remains, or is an owner of any land or interest therein, and shall bind the owner, its successors and assigns. Such beneficiaries shall have the right to exercise all rights and remedies, and to maintain any actions or suits at law or in equity or other property proceedings to enforce the curing of such breach, to which it or any other beneficiaries of such covenants are entitled.

VII Agency and its successors and assigns, and owner and its successors and assigns shall have the right to mutually consent and agree to changes in, or to eliminate in whole or in part, any of the covenants or restrictions contained in this Agreement without the consent of any tenant, lessee, easement holder, licensee, mortgagee, trustee, beneficiary under a deed of trust or any other person or entity having any interest less than a fee in the Site.

VIII Owner, its successors and assigns, shall perform each and every obligation set forth in this Agreement and the OPA between Owner and Agency respecting the Site, and the Note and Deed of Trust in favor of Agency respecting the Site.

IN WITNESS WHEREOF, the Agency and the Owner have executed this Agreement.

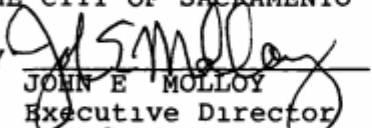
AGENCY

OWNER

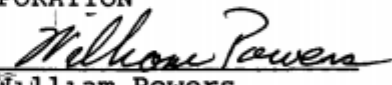
REDEVELOPMENT AGENCY OF
THE CITY OF SACRAMENTO

RURAL CALIFORNIA HOUSING
CORPORATION

By


JOHN E. MOLLOY
Executive Director

By


William Powers,
President

APPROVED AS TO FORM


Dwight Moore
Agency Counsel

F \DKT\ARMY\AGREECOV RP1

STATE OF CALIFORNIA)
) ss
COUNTY OF SACRAMENTO)

On Jan 30, 1992, before me, a Notary public in and for said County and State, personally appeared JOHN E MOLLOY, personally known to me to be the Executive Director of the Redevelopment Agency of the City of Sacramento, a public body, corporate and politic, who executed the within instrument on behalf of the Redevelopment Agency of the City of Sacramento, and acknowledged to me that the Redevelopment Agency of the City of Sacramento authorized his execution of it

WITNESS my hand and official seal

Joan Roberts
Notary Public in and for said
County and State



STATE OF CALIFORNIA)
) ss
COUNTY OF SACRAMENTO)

On January 30, 1992, before me, the undersigned, a Notary Public in and for said County and State, personally appeared William Powers, proved to me on the basis of satisfactory evidence to be the person who executed this instrument as President of Rural California Housing Corporation, a California nonprofit corporation, the corporation therein named, and acknowledged to me that the corporation executed the same

WITNESS my hand and official seal

Laura Kohler
Notary Public in and for said
County and State



Exhibit 'A'

SITE DESCRIPTION

The Site is located in the County of Sacramento, City of Sacramento, State of California and is described as follows

Lot 38, as shown on the "Plat of Oak Knoll", recorded in Book 11 of Maps, Map No 20, records of said County

RESOLUTION NO. 2018 -

Adopted by the Housing Authority of the City of Sacramento

On date of

ST. FRANCIS TERRACE AND VILLAGE PARK APARTMENTS: APPROVAL OF ACQUISITION, CONSTRUCTION AND PERMANENT AGENCY LOAN AGREEMENT CONSISTING OF \$300,000 IN HOUSING SUCCESSOR FUNDS; EXECUTION OF LOAN AGREEMENT AND RELATED DOCUMENTS WITH MERCY HOUSING CALIFORNIA 80, L.P. OR RELATED ENTITY; AND ENVIRONMENTAL FINDINGS

BACKGROUND

- A. On May 9, 2017 (Sacramento City Council Resolution No. 2017-0169 and Housing Authority of the City of Sacramento Resolution No. 2017-0010) and November 28, 2017 (Sacramento City Council Resolution No. 2017-0454), the Sacramento City Council (City Council) and Housing Authority of the City of Sacramento (Housing Authority) approved a conditional loan commitment and an amended loan commitment of \$2,547,000 comprised of \$2,247,000 in Home Investment Partnerships Program (HOME) funds, including Community Housing Development Organization (CHDO) set-aside funds from HOME entitlement, and \$300,000 in Housing Successor Funds from the Sacramento Housing and Redevelopment Agency (Agency) to Mercy Housing California 80, L.P., or related entity (Developer), for the acquisition, rehabilitation, and permanent financing of the 48-unit St. Francis Terrace Apartments.
- B. On May 9, 2017 (City Council Resolution No. 2017-0169), the City Council approved a conditional loan commitment of \$1,022,000 in HOME funds, including CHDO set-aside funds from HOME entitlement, from the Agency to the Developer for the acquisition, rehabilitation, and permanent financing of the 50-unit Village Park Apartments.
- C. The St. Francis Terrace and Village Park Apartments projects are consistent with a) the Agency's previously approved Multifamily Lending and Mortgage Revenue Bond Policies, priority 2. Recapitalization (City Council Resolution No. 2009-148); b) the 2013-2021 Housing Element, which encourages the preservation and rehabilitation of existing housing to ensure neighborhood livability and promote housing affordability (City Council Resolution No. 2013-415); c) the Sacramento Promise Zone Plans and Goals, Sustainably Built Community sub-goal to increase housing types and transit growth to promote livability and connectivity within the Promise Zone for St. Francis Terrace (City Council Resolution No. 2015-263); and d) the Downtown Housing Initiative and Initiation of the Downtown Specific Plan, to bring 10,000 places to live to Downtown Sacramento by 2025 for St. Francis Terrace (City Council Resolution No. 2015-282).
- D. The proposed action has been analyzed in accordance with the California Environmental Quality Act (CEQA) has been determined to be categorically exempt under CEQA pursuant to CEQA Guidelines at 14 California Code of Regulations (CCR) §15301(a) "Existing Facilities".

- E. The proposed action has been analyzed in accordance with the National Environmental Policy Act (NEPA) and has been determined to be Categorically Excluded from environmental review under NEPA regulations at 24 Code of Federal Regulations (CFR) §58.35(a)(3)(ii) and converts to Exempt per 24 CFR §58.34 (a)(12).

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO RESOLVES AS FOLLOWS:

- Section 1. All of the evidence having been duly considered, the findings, including the environmental findings, as set forth above, are true and correct and are hereby approved and adopted.
- Section 2. The Loan Agreement, attached as Exhibit A, for financing the St. Francis Terrace project with \$2,547,000, which is comprised of \$2,247,000 in HOME funds and \$300,000 in Housing Successor Funds, is approved, and the Sacramento Housing and Redevelopment Agency is delegated authority to execute and transmit the Loan Agreement to Mercy Housing California 80, L.P., or related entity.
- Section 3. The Sacramento Housing and Redevelopment Agency is authorized to enter into and execute other documents, as approved to form by agency counsel, and perform other actions necessary to fulfill the intent of the Loan Agreements that accompany this resolution, in accordance with its terms, and to ensure proper repayment of the Agency funds including without limitation, subordination, and extensions, consistent with Agency adopted policy and with this resolution.
- Section 4. Senior funding requires that the Agency subordinate its loan documents to senior loans. It is hereby found that subordination of said documents is required for the senior loans because it is determined that an economically feasible alternative method of financing on substantially comparable terms and conditions without subordination is not reasonably available.

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Exhibit A – St. Francis Terrace Acquisition, Construction and Permanent Loan Agreement

ST. FRANCIS TERRACE APARTMENTS ACQUISITION, CONSTRUCTION AND PERMANENT LOAN AGREEMENT

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

1. **LOAN.** The Lender is making the Loan pursuant to the terms and conditions of this Loan Agreement. Lender and Borrower have entered this Loan Agreement as of the Effective Date.
2. **DEFINITIONS TABLES.** The capitalized terms in this Loan Agreement shall have the meanings assigned in the following Definitions Tables and in Section 3 Definitions. Terms being defined are indicated by quotation marks. 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"	April __, 2018	Being the date as of which this Loan Agreement shall be effective.
"LENDER"	The following public agency that is making the Loan, and whose legal status and address are:	
Name	Sacramento Housing and Redevelopment Agency	
Legal Status	A public body, corporate and politic	
Principal Address	801 12th Street, Sacramento CA 95814	
"BORROWER"	The borrower of the Loan funds whose name, legal status and address are:	
Name	Mercy Housing California 80, L.P.	
Legal Status	A California limited partnership	
Principal Address	c/o Florin Housing Corporation, 1360 Mission Street, Suite 300, San Francisco, CA 94103	
"LOAN"	The Loan made by this Loan Agreement.	
"LOAN COMMITMENT"	Lender's loan commitment, made by letter dated as of	May 9, 2017 and amended on November 28, 2017
"LOAN PROGRAM"	Lender's Loan Program, commonly known as	HOME: \$2,247,000 Low/Mod TI: \$300,000
"LOAN AMOUNT"	Two Million Five Hundred Forty-Seven Thousand Dollars and No Cents (\$2,547,000.00)	
"INTEREST RATE"	The interest rate is 3% per year, simple interest.	
"PAYMENT START DATE"	The payment shall be in lump sum on the Maturity Date.	
"MATURITY DATE"	The first day of the 684th calendar month following the Effective Date.	
"PAYMENT SCHEDULE"	<p>Payments shall be deferred from the Loan's Effective Date through the first 683 months. Beginning in month 684, full payment shall be applied to unpaid principal and interest on the loan. Early payments are not penalized.</p> <p>At permanent loan conversion evidenced by repayment in full of the construction loan, Borrower shall submit to Lender a cost certification prepared by a qualified, independent auditor acceptable to Lender. The cost certification shall indicate the amounts actually spent for each item in the cost breakdown and shall indicate the final sources of funding. If there is an aggregate savings, in the total of all such cost breakdown items from the cost breakdown items in the original budget approved by the Lender, after adjusting for any decrease in any funding source including any loss of any equity investment due to an adjustment in the allowable tax credits, the Borrower shall seek Lender approval for Project-related use(s) of said aggregate savings. The Lender shall respond within 15 days to such request for approval. Upon receipt of such consent, the Borrower shall complete the Project-related use(s) in a 90 day period, with option to extend upon mutual agreement.</p>	
"BORROWER EQUITY"	Five Million Thirty Nine Thousand One Hundred Thirty Five Dollars and No Cents (\$5,039,135.00)	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.

	Two Hundred Fifty-Four Thousand One Hundred Sixty One Dollars and No Cents (\$254,161.00)	Which is Borrower's non-cash contribution to the Project (such as deferred Developer fees).
"SPECIAL TERMS"	Payment shall be deferred through the 683rd month.	
"PROJECT"	Which is the Project to be developed on the Property with the Loan funds, described as:	St. Francis Terrace Apartments is an existing affordable development located in Sacramento's Central City and its tax credit compliance period ended in 2009. Built in 1994, the project will involve the rehabilitation of 48 units consisting of 20 one-bedroom, 10 two-bedroom and 18 three-bedroom units, a manager's office, community room with kitchen, restroom, laundry facility, bicycle and subterranean parking for 44 vehicles, perimeter fence and gates, an elevator and security cameras. The development is comprised of a three and four story single-podium, 42,350 square foot building.

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	2525 L Street, Sacramento, CA 95816		
Assessor's Parcel Number	007-0104-019		
"Legal Description"	The Property is situated in the State of California, County of Sacramento, and is more particularly described in <u>Exhibit 1: Legal Description</u> attached and incorporated by reference.		
Borrower's 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"	Fidelity National Title Company	Which is the title company that will issue the Title Policy and that will act as Escrow Agent for the Escrow.
"Escrow"	The escrow with Escrow Agent.	
"Closing Date"	April 20, 2018	Which is the date for close of the Escrow, as it may be extended.

D. "LIST OF EXHIBITS" (The following are attached and incorporated in this Loan Agreement):	
EXHIBIT	DEFINED TERM
<u>Exhibit 1: Legal Description</u>	"Legal Description"
<u>Exhibit 2: Scope of Development</u>	"Scope of Development"
<u>Exhibit 3: Note Form</u>	"Note"
<u>Exhibit 4: Trust Deed Form</u>	"Trust Deed"
<u>Exhibit 5: HOME Regulatory Agreement and Low and Moderate Income Housing Fund Regulatory Agreement</u>	"Regulatory Agreement"
<u>Exhibit 6: Escrow Instructions</u>	"Escrow Instructions"

E. "APPROVAL DOCUMENTS" Borrower shall submit the following documents for Lender approval:	
Bullard, Inc. Construction Agreements for the Project	
Anders & Falltrick Architects Agreements 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”	April 30, 2020	Which is the date on or before which the Completion of the Project must occur.	
“General Contractor”	Bullard, Inc.	Which is the general contractor for construction of the Project.	
“Project Architect”	Anders & Falltrick Architects	Which is the general contractor for construction of the Project.	
“Retention”	The following 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 disbursement:	Not Applicable
		Percentage of Loan:	Ten Percent (10%)

H. “SPECIAL PROVISIONS” The following special provisions shall be in addition to the provisions of this Loan Agreement:
1. Loan Funds: Loan funds shall be used solely for actual costs of Property acquisition and for Project construction, not to exceed the Loan Amount. 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.
2. Property Management Company: Mercy Housing Management Group is approved by the Lender as “Property Manager” for the Property and Project.

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

3.1. “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 (CCR) § 15002(c).

3.2. “Budget” is the budget approved by Lender for the development of the Project.

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

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

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

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

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

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

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

3.9. "Event of Default" is breach of or default in a party's obligations under this Loan Agreement, the Trust Deed, the Regulatory Agreement, the Note 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 financial statements of Borrower (and any other persons on whose financial capacity the Lender has relied in making this Loan) as may be required by Lender from time to time, including operating statements, balance sheets, and any other financial reports and information that Lender may require.

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

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

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

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

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

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

3.17. "Loan Documents" means the Note, this Loan Agreement, the Security Documents, and all other documents (including guaranties) 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. "Other Lender Draw" means a draw request or other request for disbursement submitted to another lender for the Project.

3.23. "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.

3.24. "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.

3.25. "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.

3.26. "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.

3.27. "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.

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

3.29. "Trust Deed" means Deed of Trust and Assignment of Rents.

3.30. "Unavoidable Delay" is a delay in the performance by a party of any obligation which delay is unforeseeable and beyond the control of such party and without its fault or negligence. Unavoidable Delay shall include acts of God, acts of the public enemy, acts of the Federal Government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, and unusually severe weather (as for example, floods, tornadoes, or hurricanes) or delays of subcontractors due to such causes. In the event of the occurrence of any such enforced delay, the time or times for performance of such obligations of the parties shall be extended for the period of the enforced delay, as determined by the 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 the Definitions, is qualified to do business in California, and has full power to consummate the transactions contemplated.

4.2. **BORROWER'S POWERS.** Borrower has full authority to execute this Loan Agreement, the Note, the Trust Deed, the Regulatory Agreement 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, the Regulatory Agreement 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 the Borrower or any of its general partners is a party or by which it or they or the Property may be bound or affected.

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

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

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

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

4.10. **USE OF PROCEEDS.** All Loan Proceeds will be disbursed as provided in this Loan Agreement and used only for payment of the costs of 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 the 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. **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.

5.1. **PRINCIPAL AMOUNT.** The principal amount of the Loan shall be the actual disbursements of the 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.

5.2. **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.

5.3. **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.

5.4. **SUBORDINATION.** 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.

5.5. **NOTE AND SECURITY DOCUMENTS.** The Loan is to be evidenced by the Note executed by Borrower in favor of Lender and delivered to Lender upon Close of Escrow. Repayment of the Note is to be 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.

5.6. **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.

5.7. **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.

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

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

6.1. **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.

6.2. **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) the closing conditions as defined in the Escrow Instructions have been fulfilled as of Close of Escrow; (c) Borrower's representations and warranties in this Loan Agreement are true and correct as of the Close of Escrow; (d) the Agreement continues to be in full force and effect, no default on the part of Borrower has occurred under the Loan Agreement, and no event has occurred that, with the giving of notice or the passage of time, will constitute a default by Borrower under the Loan Agreement; and (e) Lender has approved the Approval Documents.

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

7. **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 the Lender approved relocation plan and 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 7 or the relocation plan prepared 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 7 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.

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

7.2. **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.

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

8. 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.

8.1. 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.

8.2. CONTRACTORS AND CONTRACTS. 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 let by Borrower or its contractors relating to the Project will require them to disclose to Lender information sufficient to make such verification.

8.3. 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.

8.3.1. 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 the Agency setting forth the provisions of this nondiscrimination clause.

8.3.2. ECONOMIC OPPORTUNITY EMPLOYMENT REQUIREMENTS. The contract 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 and comply with the following:

- i. The work to be performed under this Contract is on a project assisted under a program providing direct federal financial assistance from the Department of Housing and Urban Development and is subject to the requirements of Section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. 1701u. Section 3 requires that to the greatest extent feasible, opportunities for training and employment be given to lower income residents of the project area and contracts be awarded to business concerns which are located in, or owned in substantial part by persons residing in, the area of the project.

- ii. The parties to this Contract will comply with the provisions of said Section 3 and the regulations issued pursuant thereto by the Secretary of Housing and Urban Development set forth in 24 CFR 135, and all applicable rules and orders of the Department issued thereunder prior to the execution of this Contract.
- iii. The Contract requires that to the greatest extent feasible, opportunities for training and employment be given to lower income residents of the project area.
- iv. The parties to this Contract certify and agree that they are under no contractual or other disability which would prevent them from complying with these requirements.
- v. Contractor will send to each labor organization or representative of workers with which he has a collective bargaining agreement or other contract or understanding, if any, a notice advising the said labor organization or workers' representative of his commitments under this Employment Clause and shall post copies of the notice in conspicuous places available to employees and applicants for employment or training.
- vi. Contractor will include this Employment Clause in every subcontract for work in connection with the project .
- vii. Each Contractor or subcontractor undertaking work in connection with a Section 3 covered project must fulfill his obligation 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 Section 3 covered project;
 - (2) Identifying the positions described in Paragraph (1) of this Section, the number of positions in the various occupational categories which are currently occupied by regular, permanent employees;
 - (3) Identifying the positions described in Paragraph (1) of this Section, the number of positions in the various occupational categories which are not currently occupied by regular permanent employees;
 - (4) Establishing the positions described in Paragraph (3) of this Section, a goal which is consistent with the purpose of this subpart within each occupational category of the number of positions to be filled by lower income residents of the Section 3 covered project area; and
 - (5) Making a good faith effort to fill all of the positions identified in Paragraph (4) of this Section with lower income project area residents, through the First Source Program, Greater Sacramento Urban League, Sacramento Works, Sacramento Employment Training Agency, or similar local workforce agencies.

8.3.3. **ADVERTISING.** Borrower will, in all solicitations or advertisements for employees placed by or on behalf of the 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.

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

8.4. **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 the 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.

8.5. **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.

8.5.1. 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.

8.5.2. 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.

8.6. **PAYMENT AND PERFORMANCE BONDS.** As a condition precedent to beginning construction of the Project, the Borrower shall provide the Lender a performance bond and a labor and material payment bond obtained by Borrower or its general contractor in favor of the Borrower and Lender as named dual obligees, in form and amount as approved by the 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 the Lender, if such change or payment could release the surety of its obligations under the bonds.

8.7. **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.

8.8. **OTHER LENDER DRAW.** 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 Other Lender Draw and shall not accept and shall return any disbursement on account of such Other Lender Draw.

8.8.1. **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.

8.8.2. **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

8.9. **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.

9. **PREVAILING WAGES.** In accordance with Labor Code Section 1720(c)(5)(E), so long as the public subsidy for the Project consists of below market rate loans, and the Project restricts occupancy on at least 40% of the units for at least 20 years to individuals or families earning no more than 80% of the area median income, the Project is not subject to prevailing wages. Borrower represents to the Lender that Borrower has obtained no public subsidy for the Project that does not meet such criteria. If Borrower obtains other non-qualifying public subsidy, Borrower shall pay prevailing wages for the Project. Therefore, Borrower indemnifies, holds harmless and defends the Lender from all additional wages, benefits, fees, penalties, fines, legal fees, court costs, arbitration costs, and other costs arising from the improper application of California prevailing wage laws to the Project by Borrower or General Contractor or both of them. If more than eleven (11) units are assisted with HOME funds as the Funding Source (as indicated in the Regulatory Agreement), Borrower shall comply with Davis-Bacon prevailing wage requirements as described in the Federal Requirements.

10. **LOAN DISBURSEMENT PROCEDURES.**

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

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

10.1.2. 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 other than the liens included on the Title Policy and approved by Lender 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 and any other lenders with an interest in the Property.

10.1.3. 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.

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

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

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

10.2. **CONDITIONS PRECEDENT TO FIRST DISBURSEMENT.** Borrower's request for the first Loan 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 loan disbursement under this Loan Agreement when the following conditions precedent and the conditions precedent stated in Section 10.1 have been met:

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

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

10.2.3. 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.

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

10.2.5. 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.

10.2.6. 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.

10.2.7. Borrower must request 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

10.3. 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 10.1 have been met:

10.3.1. As applicable, the Project Architect and the 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.

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

10.3.3. 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.

10.3.4. 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.

10.3.5. 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 or building permit sign offs by the Building Department of the City of Sacramento for all of the Project;
- c. All other permits and approvals necessary for the 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.

10.3.6. 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.

10.3.7. 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.

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

10.3.9. Borrower has submitted to Lender a final cost certification prepared by a CPA.

10.3.10. 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.

10.3.11. Borrower must provide Lender with the Minority Business Enterprise (MBE) and Women's Business Enterprise (WBE) report. The MBE and WBE report to be completed by the Borrower shall be provided by the Lender in template form.

10.4. **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 10.1. 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.

10.5. **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.

11. RESIDENTIAL OPERATIONS.

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

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

Borrower and Manager shall include a clause alerting the Manager that Lender may require Borrower to terminate the management agreement for the aforementioned reasons.

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

11.2. REPLACEMENT RESERVES. After completion of construction, 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, not less than Five Hundred Dollars and no cents (\$500.00) annually for each residential unit in the Project.

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

11.4. 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.

11.5. 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 16 hours per week, including five (5) hours of an on-site service coordinator, eight (8) hours of after school programs, and three (3) hours of education and enrichment programs; (3) a description of the services to be provided; (4) a resident services budget.

11.6. SMOKE FREE ENVIRONMENT. At least 50% of the buildings and no less than 50% percent of the residential units must be smoke free. Additionally, all indoor common areas must be smoke free.

12. DEFAULT.

12.1. 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:

12.1.1. The occurrence of an Event of Default under the Trust Deed or the Regulatory Agreement, subject to any cure periods provided for therein.

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

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

12.1.4. 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.

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

12.1.6. 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.

12.1.7. 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.

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

13. REMEDIES.

13.1. **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:

13.1.1. Terminate its obligation to make disbursements.

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

13.1.3. 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.

13.1.4. 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.

13.1.5. 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.

13.2. **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.

13.3. **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.

13.4. **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.

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

14.1. LIABILITY INSURANCE POLICY LIMITS. Borrower shall obtain all insurance under this Section 14 written with a deductible of not more than Ten Thousand Dollars (\$10,000) or an amount approved by Lender, and for limits of liability which shall not be less than the following:

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

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

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

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

14.6. 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:

14.6.1. **ADDITIONAL INSURED.** Borrower shall obtain a policy in ISO form CG 20 33, or equivalent, naming Lender as additional insured under the Commercial General Liability Policy at the same limits as required in section 14.3, above.

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

14.6.3. **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 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.

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

_____**Borrower's Initials**

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

14.8. **BLANKET COVERAGE.** Borrower's obligation to carry insurance as required under this Section 14 may be satisfied by coverage under a "blanket" policy or policies of insurance (as the term is customarily used in the insurance industry); provided, however, that the Lender shall nevertheless be named as an additional insured under such blanket policy or policies to the extent required by this Section, the coverage afforded the Lender will not be reduced or diminished thereby, and all of the other requirements of this Section 14 with respect to such insurance shall otherwise be satisfied by such blanket policy.

15. MISCELLANEOUS.

15.1. **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.

15.2. **CURE BY PARTY OTHER THAN BORROWER.** Any lender whose loan is secured by the property and any principal or limited partner of Borrower 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.

15.3. **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 this Deed of

Trust such proportion of the proceeds as is equal to that proportion which the amount of the sums secured by this Deed of Trust 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. Notwithstanding anything herein to the contrary, so long as the value of Lender's lien is not impaired, any condemnation proceeds may be used by Borrower for repair and/or restoration of the Premises.

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 this Deed of Trust.

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

15.4. SUBORDINATION. Lender will subordinate this Loan to the senior loan, provided that the senior loan for the Project indicated in the Budget meets all requirements of this Loan Agreement, and that the senior loan does not require modification of this Loan Agreement, Lender's execution of any agreements containing new or modified Loan terms or Lender's execution of any agreement creating a contractual relationship between Lender and the senior lender including obligations or liabilities between Lender and the senior lender.

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

15.6. 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.

15.7. FINANCIAL STATEMENTS. Borrower shall provide Financial Statements when requested by Lender, but in any event not more often than quarterly during construction of the Project or annually, thereafter. Borrower shall assure that Financial Statements are prepared in accordance with generally accepted accounting principles. If requested by Lender as reasonably necessary to assure the security of its Loan, Borrower shall provide Financial Statements prepared or reviewed by a licensed Certified Public Accountant or Public Accountant and fully reflecting the assets and liabilities of the party concerning whom they were prepared.

15.8. 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.

15.9. 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 the Construction Account or the Impound Account, if established.

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

15.11. **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.

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

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

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

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

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

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

15.12. **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 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.

15.13. **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.

15.14. **ASSIGNMENT.** The terms of this Loan Agreement will be binding on and inure to the benefit of successors and assigns of the parties. However, Borrower shall not assign this Loan Agreement or any interest it may have in the monies due or, except as otherwise provided, convey or encumber the Property without the prior written consent of Lender to a party other than a general partner or managing member of Borrower or a single asset entity wholly owned and controlled by Borrower or a general partner or managing member of Borrower. However, if there is an assignment, conveyance, or encumbrance, Lender may nevertheless at its option continue to make disbursements under this Loan Agreement to Borrower or to those who succeed to Borrower's title, and all sums so disbursed will be deemed to be disbursements under this Loan Agreement and not modifications, and will be secured by the Trust Deed. 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.

15.15. **ACCELERATION ON TRANSFER OR REFINANCING OF THE PROPERTY; ASSUMPTION.** Except as otherwise provided in the Loan Agreement, if all or any part of the Property or an interest in the Property is sold, 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 this Deed of Trust to be immediately due and payable. Lender shall have waived such option to accelerate if, prior to the refinancing, sale or transfer, Lender and the person to whom the Property is to be sold or transferred reach agreement in writing that the loan may be assumed. If Lender has waived the option to accelerate provided in this Section and if Borrower's successor in interest has executed a written assumption agreement accepted in writing by Lender, Lender shall release Borrower from all obligations under this Deed of Trust and the Note. Notwithstanding anything herein to the contrary, Lender acknowledges and agrees that Borrower shall have the right to refinance the senior loan without penalty.

15.16. **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.

15.17. **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 except to the extent caused by the negligence or misconduct of Lender. 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.

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

15.18.1. 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.

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

15.18.3. 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.

15.19. **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.

15.20. **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.

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

15.22. **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.

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

15.24. **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.

15.25. **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.

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

15.27. **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.

15.28. **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.

15.29. **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.

15.30. **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 active negligence, sole 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.

15.31. **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.

15.32. **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.

15.33. **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.

15.34. **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.

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

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

BORROWER :
MERCY HOUSING CALIFORNIA 80, L.P. a California
limited partnership

By: Florin Housing Corporation,
a California nonprofit public benefit corporation
its general partner

By: _____
Stephan Daues, Vice President

Date: _____

LENDER:
SACRAMENTO HOUSING AND REDEVELOPMENT
AGENCY, a joint powers agency

By: _____
La Shelle Dozier, Executive Director

Date: _____

Approved as to form:

Lender Counsel

Exhibit 1: Legal Description

For APN/Parcel ID(s): 007-0104-019

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

Lots 5, 6, 7 and 8 and the abandoned 20 foot wide alley vacated by Resolution No. 92-597 recorded in the office of the Recorder of Sacramento County in Book 920911, Page 796, of Official Records, in the Block bounded by K Street, L Street, 25th Street and 26th Street, of the City of Sacramento, according to the official map or plan thereof, described as follows:

Beginning at the Southwest corner of said Lot 8 and the Southwest corner of said Block; thence, from said point of beginning, along the Westerly line of said Lot 8, along the Westerly line of said Block, and along the Easterly line of said 25th Street, an 80 foot wide street, North $18^{\circ}30'00''$ East 181.11 feet to the Northwest corner of said Alley and to the Southwest corner of Lot 1 of said Block; thence, along the Northerly line of said Alley, along the Southerly line of said Lot 1 and along the Southerly lines of Lots 2, 3 and 4 of said Block, South $71^{\circ}32'00''$ East 323.14 feet to the Northeast corner of said Alley and to the Southeast corner of said Lot 4; thence, along the Easterly line of said Block, along the Easterly line of said Lot Sand along the Westerly line of said 26th Street, an 80 foot wide street, South $18^{\circ}27'30''$ West 181.20 feet to the Southeast corner of said Lot 5 and to the Southeast corner of said Block; thence, along the Southerly lines of said Lots 5, 6, 7 and 8, along the Southerly line of said Block and along the Northerly line of said L Street, an 80 foot wide street, North $71^{\circ}30'00''$ West 323.28 feet to the point of beginning, pursuant to that Certificate of Conpliance for Lot Merger recorded December 10, 1992, in Book 921210, Page 108, of Official Records.

St. Francis Terrace

St. Francis Terrace consists of a single building of three- and four-stories with a total of 48 units, a manager's office, community room with kitchen, and a common laundry room. The site is slightly less than 1 acre. The project was originally constructed in 1994; other than routine maintenance, no rehabilitations have been undertaken since then. All parking is located in an underground garage below the building, which is accessed via an alley on the north side of the building. There is a total of 69 parking spaces on site, including 2 disabled parking spaces.

The rehabilitation will improve both the exterior and interior of the project. All major systems will be updated to ensure a 15 year useful life, recreational space with amenities will be increased, landscaping and irrigation will be improved, ADA improvements will be made, and common community space will be improved. The Borrower shall comply with the Lender's Minimum Construction Standards (Attachment 1).

I. Building Exteriors

1. Landscaping:

- a. Trees shall be evaluated by an arborist and any tree trimming or tree removal will either occur outside the nesting season for nesting birds and raptors (nesting season is February 1 to August 1), or a qualified biologist will survey the trees for nesting birds and raptors prior to trimming or removal. The survey for nesting birds and raptors must be provided to the Lender.
- b. The landscaping irrigation system is malfunctioning. The irrigation system will be upgraded and the mature trees will be pruned back from the buildings.

2. Basement Walls & Basement Ceiling/Concrete Decking Waterproofing Report (Report):

The Report includes analysis of all potential moisture penetration areas - rain water downspouts; planter areas; retaining wall water intrusion; existing issues with retaining wall conditions and mildew problems; and existing issues with the slab-on-slab condition and includes a detailed options for Waterproofing Systems (System) that stops the penetration of water into the garage (ceiling and walls); and Ventilation Systems that addresses the mildew problems; one total System will be implemented to resolve these problems. In the event additional repairs are needed, the total development budget is sufficient to address such repairs.

3. **Heat Pumps, Central Chiller and Boiler:** Replace the unit heat pumps connected to a central chiller and boiler. The heat pump fan coil units within each apartment and in the common areas will be replaced.
4. **Central Hot Water Heater:** One central hot water heater is failing and will be replaced.
5. **Water Booster Pump:** The domestic water booster pump will be replaced.
6. **Mechanical Rooms:** Mechanical rooms in the below grade parking structure will be improved to include ventilation.

7. **Parking Area:** The parking area will be upgraded to include one (1) additional disabled parking space and one (1) van accessible disabled parking stall.
8. **Path of Travel:** Settlement has caused the concrete walkways to become damaged and cracked these will be replaced.
9. **Windows and Sliding Glass Doors:** Buildings dual pane aluminum windows and sliding glass doors will be refurbished. The windows will be inspected to determine any item that needs to be corrected in order to have a fully functional window. Corrected items include, but are not limited to, replacing any screens, rollers, seal, cranks, and cracked or clouded glass or any other part not in perfect working order.
10. **Decks:** The flooring of the Elevated decks will be re-waterproofed.
11. **Stucco Siding and Trellises:** The exterior building walls will be repainted and trellises replaced.
12. **Roof:** Replace built-up roof covering the mechanical equipment.
13. **Gutters, Downspouts and Trim:** The fascia gutters and downspouts are failing and will be replaced. The damaged fascia wood trim will be repaired. In addition to any visible damage from the ground, a closer inspection with a lift will be performed during construction to ensure all damaged sections are replaced.
14. **Exterior Doors:** Exterior doors will be painted and hardware will be replaced.
15. **Outdoor Seating:** Weathered outdoor seating in the courtyard and breezeway is in poor condition and will be replaced.
16. **Security Cameras:** Security cameras will be replaced with additional cameras added and the site lighting will be upgraded. Security cameras will view and record common areas and all access points, including, but not limited to all stairways, entry from the “L” street level, and the garage and pedestrian gates.
17. **Access Control System:** Access control system will be replaced.
18. **Americans with Disabilities Act (ADA):** The site and units will be upgraded to conform to current ADA standards.
19. **Drainage:** Add site drainage in planter areas to address water collecting issues due to downspouts not attached to drain system.
20. **Signage:** Replace signage throughout the property.

II. Building Interiors

1. **Vented Doors:** Replace air-handler vented doors with new.
2. **Interior Doors:** Damaged interior doors will be replaced and all closet sliding doors will be replaced.
3. **Flooring:** New LVP 20 mil minimum in the entry, kitchen, dining room; new sheet vinyl in the bathrooms and laundry spaces; new carpet in the living room, hallways and bedrooms.
4. **Walls, Ceilings and Trim:** All walls, ceilings and trim will be painted.
5. **Drywall:** Damaged drywall to be patched.
6. **Appliances:**
 - a. Ranges, hoods, refrigerators and garbage disposals will be replaced.
 - b. Dishwashers will be added to each unit.
7. **Kitchen Sinks and Faucets:** Kitchen sinks and faucets will be replaced.
8. **Cabinets and Counters:** New kitchen and bathroom cabinets; and new solid countertops (granite preferred) will be installed. Microwave shelving to be incorporated to cabinet layout.
9. **Lighting:** All incandescent lights will be replaced to accommodate energy efficient bulbs.
10. **Bathroom:** Bathroom lavatories, faucets, toilets, exhaust fans and bath tubs will be replaced.
11. **Electrical:** Electrical subpanels will be replaced.
12. **Smoke Detectors:** Smoke detectors will be replaced.
13. **Window Coverings:** Window coverings will be replaced.

III. Community Amenities

1. **Playground:**
 - a. New playground equipment for ages 12 and under will be installed.
 - b. Replace bark at playground area with rubber mats.
 - c. Add site drainage at playground area to address flooding.
2. **Flooring:** All common area flooring replaced with LVP - 20 mil minimum.

3. **Community Room:** Community room flooring, sink, window coverings, light fixtures, cabinets and appliances (2 refrigerators, and 1 oven, hood, stove microwave dishwasher and garbage disposal) will be replaced with new, and new solid countertops (granite preferred) will be installed.
4. **Cabinet Storage and Shelving:** Add built-in cabinet storage and shelves, including cabinets with built-in locks (to replace all of the aged and mismatched free-standing cabinets and shelves).
5. **Ceiling:** Will replace acoustic ceiling and t-bar assemblies in the community room and public restroom.
6. **Management Office:** The manager's office flooring and lighting fixtures will be replaced.
7. **Public Restroom:** The public restroom humidistat, all plumbing fixtures, lighting and fixtures, sink, toilet, and flooring (tile to sheet vinyl) with new.
8. **Laundry Facility:** The laundry room flooring will be replaced and dryer vents cleaned / replaced. Replace all washers and dryers. Add ADA compliant counters to fold laundry.
9. **Elevator Flooring:** The elevator flooring will be replaced.
10. **Walls and Ceilings:** Paint all walls and ceilings in community interior areas.
11. **Flooring:** Replace flooring and paint walls/ceiling at interior stairs.
12. **Corridors:** Central interior corridors provide access to the third and fourth floor apartments. The lighting, flooring and keypad entry system will be replaced.
13. **Benches:** Replace benches in various locations.
14. **Handrails:** Replace wood handrails in corridors with SHRA-approved handrails.
15. **Community Garden:** Remove potted plants and install raised garden beds.
16. **Bicycle Parking:** Bicycle parking fixtures on the second level will be replaced with new; and there will be 15 new spaces provided in the garage.
17. **Grocery Carts Issue:** Grocery carts will be addressed with the House Rules that prohibit storing grocery carts in hallways.
18. **Third Floor Interior:**
 - a. Address ramp slip/trip/fall hazard.
 - b. Communal area (near slider/balcony): Furniture will be replaced with new.

19. **Ceiling and Humidistat:** All acoustic ceiling, T-bar, lighting and fixtures, and humidistat will be replaced with new.

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

Attachment 1: Lender's Minimum Construction Standards

This attachment is from Exhibit 5 from the Lender's Multifamily Lending Policies.

EXHIBIT 5**RENTAL PROPERTY MINIMUM CONSTRUCTION STANDARDS**

The following is a list of the required construction standards that must be incorporated into projects participating in the Agency's investor assistance programs. All rental units and sites associated with these projects must meet or exceed these standards.

General Requirements

- 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.
- B. A useful life of 15 years for all systems located within the approved complex. This can be met in one of two ways, installing and maintaining systems with at least a 15-year scheduled life or install, maintain and replace as needed for a period of 15 years.

Any component of a rehabilitation project whose useful life expectancy has exceeded the useful life identified in the section, "Useful Life Expectancy," shall be replaced unless waived by the Agency in writing. It is not the intent of the Agency to replace systems that appear to have some economic life remaining and appear to be maintained and functioning effectively. It is the intent of the Agency to be assured that systems will be maintained and replaced as needed for a period of 15 years. The preferred method is by replacement and maintenance at the outset of the project; and by setting aside replacement reserves sufficient to address the needs based on current and projected conditions.

- C. A clear pest inspection report will be required at the conclusion of the construction work.
- D. All materials funded under this loan must be new unless previously approved. Recycled items must be approved in writing by the Agency prior to their use.
- E. All work shall comply with Federal and State ADA accessibility requirements. When there are differences the stricter of the two shall apply. Special attention needs to be applied when federal funding is involved.
- F. For all structures built before 1979, a report of compliance with the initial certified inspection report of lead-based paint and asbestos is required.
- G. All units shall be approved for occupancy by the local building department at the conclusion of the work and prior to occupancy, if applicable.
- H. 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 common areas.
- I. Site lighting is required for all parking and outside public spaces.

Site Work

- A. All landscaping and irrigation systems must be in a well-maintained condition. Trees and large shrubs must be trimmed, grass areas must be mowed, and all planter areas must be weed-free. All landscaped areas must be served by a programmable automated irrigation system. Irrigation cannot be spraying 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 problem.
- B. All fencing must be in good and serviceable condition.
- C. All driveways and sidewalks must be in good condition. All cracked or uplifted areas (more than 1/4") determined in need of repair by the Agency shall be repaired or replaced.
- D. All projects shall meet the parking requirements of the local Agency having jurisdiction over the project. "Grandfathered Projects" will need to show that they are in fact "Grandfathered" by the Local Agency having jurisdiction. All projects shall meet the governing ADA requirements for parking.
- E. 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.

Building Envelope and Moisture Protection

- A. All wet areas must be sealed and watertight.
- B. Roofs must have 15 years or more of remaining life with no visible signs of leakage. A third layer of shingles is not allowed. Provide a 15 year certification if requested by the Agency.
- C. All siding must have 15 years or more of remaining life. Provide a 15 year certification if requested by the Agency.

Doors and Windows

- A. All 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 at least be low e, double pane energy efficient.
- B. All doors and doorjamb must be in good condition. No damaged or worn doorjamb or doors are allowed.
- C. All exterior doors must have deadbolt locks, keyed latch assemblies, viewers, and 2-inch screws in strike plates.
- 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.

Casework

- A. All cabinets shall be in very good condition both structurally and in appearance.
- B. All counter tops shall be in very good condition with no significant imperfections, scratches, burns, or other imperfections.

Finishes

- A. Floor coverings must be in good, useable condition - no holes, tears, rips, or stains.
- B. All kitchens and bathrooms must be floored in sheet goods or tile to provide a cleanable, impervious surface.
- C. 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.

Equipment

- A. All appliances must be new or in very good operating condition. All new appliances must be energy star.
- B. Dishwashers are required in all non- permanent supportive housing, disabled, SRO, and homeless projects unless a waiver has been granted by the Executive Director. Permanent supportive, disabled, and homeless projects will be encouraged to provide dishwashers in each unit but will be reviewed and approved on a case-by case basis.
- C. All kitchens must have adequate cabinet and counter space.

Furnishings

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

Special Construction

- A. Non-habitable structures on property must be painted to match primary buildings and must be structurally sound.
- B. Laundry facilities must be provided on the basis of one washer and dryer for every ten units, consistent with CTCAC requirements. If the project is more than 20 units, then 1 set of ADA accessible laundry machines must be provided.
- C. Laundry facilities must be provided on the basis of one washer dryer for every ten units, consistent with the TCAC requirements. If a project is more than 20 units, then 1 set of ADA accessible laundry machines must be provided.
- D. Public pools will have a self-closing gate. Fence and gate shall meet applicable current codes and standards. Joints between coping and concrete deck shall be appropriately caulked.

- E. In the case of new construction or substantial upgrade to existing pool, a handicap chair lift is the minimum requirement. The pool will meet applicable standards and codes.

Mechanical/Plumbing

- A. Water heaters must be in enclosures in all habitable rooms and must be insulated and have earthquake strapping and pressure relief valves with lines that terminate to the exterior.
- B. All units must have heating and air conditioning. Wall mount or central systems are acceptable. Evaporated coolers are not acceptable.
- C. All plumbing fixtures shall be new or in very good working condition.
- D. All toilets, sinks, and tubs shall be chip and stain free.

Electrical

- A. All new electrical panels must be of the breaker type. Fused disconnects must be approved by the Agency.
- B. All units must have at least one hard-wired smoke detector per bedroom corridor and a minimum of one battery-operated smoke detector per bedroom.
- C. All bathrooms must have at least one GFCI protected outlet, and tub surrounds must be a minimum of 1/8" laminated plastic.
- D. Kitchens must have all GFCI protected outlets within 6 feet of the sink.

Resident Services Community Space

All properties, regardless of project type (i.e. senior, family, or large family), must devote space to actual resident services in the following minimum amounts:

Less than 100 units: 12 s.f. per unit (but no less than 400 s.f. in total)
100 units and over: 1,200 s.f.

Resident services space includes common kitchens, computer rooms, meeting rooms and general gathering space. It does not include public restrooms, leasing offices, laundry facilities and lobbies.

Useful Life Expectancy

A useful life expectancy list has been established and is available upon request to benchmark the lives of certain components on a multifamily site.

End of Scope of Development

PROMISSORY NOTE
FOR ST. FRANCIS TERRACE APARTMENTS
ACQUISITION, CONSTRUCTION AND PERMANENT LOAN AGREEMENT

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

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

DEFINED TERM:	DEFINITION:
“Effective Date”	April __, 2018
“Lender”	Sacramento Housing and Redevelopment Agency
“Borrower”	Mercy Housing California 80, L.P.
“Borrower Legal Status”	limited partnership
“Loan Agreement”	The Loan Agreement between the Borrower and Lender as of the Effective Date for making of the loan (“Loan”) evidenced by this Note.
“Principal Amount”	Two Million Five Hundred Forty-Seven Thousand Dollars and No Cents (\$2,547,000.00)
“Interest Rate”	The interest rate is 3% per year, simple interest.
“Accrual Date”	Interest shall accrue starting on the following “Accrual Date”: The Effective Date
“Special Terms”	<p>Payments shall be deferred from the Loan’s Effective Date through the first 683 months. Beginning in month 684, full payment shall be applied to unpaid principal and interest on the loan. Early payments are not penalized.</p> <p>At permanent loan conversion, Borrower shall submit to Lender a cost certification prepared by a qualified, independent auditor acceptable to Lender. The cost certification shall indicate the amounts actually spent for each item in the cost breakdown and shall indicate the final sources of funding. If there is an aggregate savings, in the total of all such cost breakdown items from the cost breakdown items in the original budget approved by the Lender, after adjusting for any decrease in any funding source including any loss of any equity investment due to an adjustment in the allowable tax credits, the Borrower shall seek Lender approval for Project-related use(s) of said aggregate savings. The Lender shall respond within 15 days to such request for approval. Upon receipt of such consent, the Borrower shall complete the Project-related use(s) in a 90 day period, with option to extend upon mutual agreement.</p>
PAYMENT SCHEDULE. Repayment of this Note shall be made the following amounts:	
“Maturity Date”	The first day of the 684th calendar month following the Effective Date.
“Payment Start Date”	The payment shall be in lump sum consisting of all principal and accrued interest on the Maturity Date.
“Payment Amount(s)”	The unpaid balance of the Loan, including without limitation principal and interest, shall be all due and payable on the Maturity Date, including without limitation all unpaid principal, interest, fees and charges.

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

1. This Note evidences the obligation of Borrower to Lender for repayment of funds loaned to Borrower under a loan agreement between Borrower and Lender dated as of the Effective Date (“Loan Agreement”). The terms and covenants of the Loan Agreement are incorporated in this Note by reference. The Loan Agreement provides for and incorporates the Regulatory Agreement (“Regulatory Agreement”), the making of which is further consideration for this Note.

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

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

3. This Note is secured by a Deed of Trust with Assignment of Rents against the real property described in the Loan Agreement ("Property"), recorded in the office of the County Recorder of Sacramento County ("Trust Deed"). The Trust Deed securing this Note provides that Lender may at its option, declare all funds secured by the Trust Deed immediately due and payable, if any interest in the real property is sold, transferred or conveyed to any person, whether voluntarily or involuntarily, except as provided for in Section 15.14 of the Loan Agreement. The Trust Deed further provides that if Borrower does not comply with the requirements of the Regulatory Agreement and fails to come into compliance with the Regulatory Agreement within thirty (30) days after Lender's written notice to Borrower of such failure, Lender may at its option, declare all funds secured by the Trust Deed immediately due and payable.

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

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

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

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

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

d. Borrower defaults or breaches any of the terms of Loan Agreement, the Trust Deed, the Regulatory Agreement or this Note after expiration of all applicable cure period, and if no cure period is stated, then Borrower shall have a period of not less than ten (10) days to cure.

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

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

g. The occurrence of any of the following:

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

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

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

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

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

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

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

9. By acceptance of this Note, Lender hereby agrees that any cure made or tendered by a limited partner of Borrower under the terms of this Note shall be deemed to be made by the Borrower and shall be accepted or rejected on the same basis.

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

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

BORROWER :

MERCY HOUSING CALIFORNIA 80, L.P.

a California limited partnership

By: Florin Housing Corporation,
a California nonprofit public benefit corporation
its general partner

By: _____
Stephan Daues, Vice President

Date: _____

Exhibit 4: Trust Deed Form

NO FEE DOCUMENT:

Entitled to free recording

per Government Code §§6103 and 27383.

When recorded, return to:

SACRAMENTO HOUSING AND

REDEVELOPMENT AGENCY

801 12th Street

Sacramento, CA 95814

Attention: Portfolio Management

DEED OF TRUST AND ASSIGNMENT OF RENTS

St. Francis Terrace Apartments

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

TERM	DEFINITION	
"Effective Date"	April __, 2018	
"Trustor" and "Borrower"	Mercy Housing California 80, L.P., a California limited partnership	
"Borrower Address"	c/o Florin Housing Corporation, 1360 Mission Street, Suite 300, San Francisco, CA 94103	
"Trustee"	Fidelity National Title Company 2150 John Glenn Drive, Suite 400, Concord, CA 94520	
"Beneficiary" and "Lender"	Sacramento Housing and Redevelopment Agency, a public body, corporate and politic	
"Lender Address"	801 12th Street, Sacramento, California 95814	
"Property"	Which is real property located in the County of Sacramento and the State of California as more particularly described in the Legal Description.	
	Address	2525 L Street, Sacramento, CA 95816
	Assessor's Parcel Number	007-0104-019
"Legal Description"	The Legal Description of the Property which is more particularly described in the attached <u>Exhibit 1 Legal Description</u> , which is incorporated in and an integral part of this Deed of Trust	
"Loan"	Which is Lender's loan to Borrower evidenced by the Note and which is secured by this Deed of Trust.	
"Loan Agreement"	Which is the agreement between Lender and Borrower stating the term and conditions of the Loan.	
	Which is dated:	April __, 2018
"Additional Notices"	Lender shall give copies of notices required to be delivered to Borrower to the following parties at the following addresses; provided, however that Borrower acknowledges that such notice is an accommodation and the failure of the Lender to properly deliver any such notice shall not give rise to any claims or defenses of Borrower or any third party:	

	<p>To Limited Partner:</p> <p>U.S. Bancorp Community Development Corporation 1307 Washington Avenue, Suite 300 Mail Code: SL MO RMCD St. Louis, MO 63103 USB Project No.: [_____] Attn.: Director of LIHTC Asset Management Phone: (314) 335-2600 Fax: (314) 335-2601</p> <p>With a copy to:</p> <p>Janice E. Hetland, Esq. Lathrop Gage LLP Pierre Laclede Center 7701 Forsyth Boulevard, Suite 500 St. Louis, MO 63105 Phone: (314) 613-2800 Fax: (314) 613.2801</p> <p>To Construction Lender:</p> <p>U.S. Bank National Association 1307 Washington Avenue, Suite 300 St. Louis, MO 63103 Attn.: Director of CLD Asset Management</p>	
"Note"	Which is Borrower's note made in accordance with the Loan Agreement securing the following principal sum or such lesser amount as shall equal the aggregate amount disbursed to Borrower by Lender, with interest.	
	Which has a principal sum of	Two Million Five Hundred Forty Seven Thousand Dollars and No Cents (\$2,547,000.00)

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

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

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

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

Borrower covenants that Borrower is lawfully seised of the estate conveyed by this Deed of Trust and has the right to grant and convey the Property, and that Borrower will warrant and defend generally the title of the Property against all claims and

demands, subject to any declarations, easements or restrictions listed in a schedule of exceptions to coverage in any title insurance policy insuring Lender's interest in the Property.

Borrower and Lender covenant and agree as follows:

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

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

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

4. Liability Insurance. In addition to the casualty insurance required under the Loan Agreement during the course of construction, Borrower shall keep comprehensive general liability insurance for the Property in a form and coverage consistent with the provisions of the Loan Agreement and reasonably approved by Lender.
5. Preservation and Maintenance of Property. Borrower shall keep the Property in good repair and shall not commit waste or permit impairment, demolition, or deterioration of the Property.
6. Protection of Lender's Security. Borrower shall appear and defend any action or proceeding purporting to affect the security under this Deed of Trust or the rights of the Lender. If Borrower fails to perform the covenants and agreements contained in this Deed of Trust, or if any action or proceeding is commenced which materially affects Lender's interest in the Property, including, but not limited to, foreclosure, involuntary sale, eminent domain, insolvency, code enforcement, or arrangements or proceedings involving a bankrupt or decedant, then Lender may, upon notice to Borrower, make such appearances, disburse such sums and take such actions as are necessary to protect Lender's interest, including, but not limited to, disbursement of judgments, costs or reasonable attorney's fees and entry upon the Property to make repairs.

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

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

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

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

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

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

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

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

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

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

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

15. Acceleration on Transfer or Refinancing of the Property; Assumption. Except as otherwise provided in the Loan Agreement, if all or any part of the Property or an interest in the Property is sold or transferred or refinanced by Borrower without Lender's prior written consent, Lender may, at Lender's option, declare all the sums secured by this Deed of Trust to be immediately due and payable. Lender shall have waived such option to accelerate if, prior to the refinancing, sale or transfer, Lender and the person to whom the Property is to be sold or transferred reach agreement in writing that the loan may be assumed. If Lender has waived the option to accelerate provided in this Section and if Borrower's successor in interest has executed a written assumption agreement accepted in writing by Lender, Lender shall release Borrower from all obligations under this Deed of Trust and the Note. Lender's prior approval is not required for (1) the sale or transfer of the Limited Partner's interest to one or more of the other partners that currently comprise the Borrower's entity, (2) the admission of the Limited Partner or its affiliate to the Borrower and the transfer of its interest to an affiliate thereof so long as the general partner, or managing member, of the transferor, or an affiliate thereof, is the general partner, or managing member of the transferee, or partner; however, Borrower is obligated to notify Lender within 30 days from the date of such

sale or transfer, (3) the removal of the general partner of the Borrower by the Limited Partner for a default under Borrower's partnership agreement, provided that any replacement general partner is approved by Lender, which approval shall not be unreasonably withheld, conditioned or delayed. For purposes hereof, Limited Partner shall mean, U.S. Bancorp Community Development Corporation and its permitted successors and assigns need to include limited liability companies in which U.S. Bancorp Community Development Corporation or one of its affiliates is the manager or managing member, and its permitted successors and assigns.

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

16. Acceleration on Breach; Remedies. Except as provided in Section 15, upon Borrower's breach of any covenant or agreement of Borrower in this Deed of Trust, the Regulatory Agreement, the Note, (including the covenants to pay when due any sums secured by this Deed of Trust and restricting transfer of the Property) or Loan Agreement, Lender shall mail notice to Borrower specifying: (1) the breach; (2) the action required to cure such breach; (3) a date, no less than 30 days from the date the notice is mailed to Borrower, by which breach must be cured; and (4) that failure to cure such breach on or before the date specified in the notice may result in acceleration of the sums secured by this Deed of Trust and sale of the Property. If the breach is not cured on or before the date specified in the notice, Lender at Lender's option may declare all of the sums secured by this Deed of Trust to be immediately due and payable without further demand and may invoke the power of sale and any other remedies permitted by applicable law, provided, however, that if such cure cannot reasonably be effected within such 30-day period, such failure shall not be a default so long as Borrower promptly (and in any event, within ten (10) days after receipt of such notice) commences such cure and thereafter diligently (and in any event, within ninety (90) days after receipt of such notice) prosecutes such cure to completion. The Limited Partner is entitled to cure any defaults on behalf of the Borrower within the same specified time periods; said cure periods shall not extend statutory periods and times for notice and commencement of foreclosure; provided, however, that if, in order to cure any such default the Limited Partner must first remove a general partner of Borrower, then, provided that the Limited Partner notifies Lender of such removal and removes such general partner within a reasonable period, then the Limited Partner shall have until the date 30 days after the effective date of such removal to effect such cure. In any event, such cure process shall not exceed 120 days. The provisions of this Section 16 shall control in the event of any conflict with any other provisions of this Deed of Trust, the Note, or the Loan Agreement. Lender shall be entitled to collect from the Borrower, or sale proceeds, if any, all reasonable costs and expenses incurred in pursuing the remedies provided in this Section, including, but not limited to reasonable attorney's fees.

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

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

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

Upon acceleration for breach or abandonment of the Property, Lender, in person, by agent or by judicially appointed receiver shall be entitled to enter upon, take possession of and manage the Property and to collect the rents of the Property including those past due. All rents collected by Lender, its agent, or the receiver shall be applied first to payment of the costs of management of the Property and collection of rents, including, but not limited to receiver's fees, premiums on receiver's bonds and reasonable attorney's fees, and then to the sums secured by this Deed of Trust. Lender, its agent and the receiver shall be liable to account only for those rents actually received.

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

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

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

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

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

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

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

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

IN WITNESS WHEREOF, Borrower has executed this Deed of Trust as of the Effective Date.

BORROWER (Trustor):

MERCY HOUSING CALIFORNIA 80, L.P. a California limited partnership

By: Florin Housing Corporation,
a California nonprofit public benefit corporation
its general partner

By: _____
Stephan Daues, Vice President

Date: _____

[NOTARIZED ACKNOWLEDGEMENTS]

Exhibit 1: Legal Description

For APN/Parcel ID(s): 007-0104-019

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

Lots 5, 6, 7 and 8 and the abandoned 20 foot wide alley vacated by Resolution No. 92-597 recorded in the office of the Recorder of Sacramento County in Book 920911, Page 796, of Official Records, in the Block bounded by K Street, L Street, 25th Street and 26th Street, of the City of Sacramento, according to the official map or plan thereof, described as follows:

Beginning at the Southwest corner of said Lot 8 and the Southwest corner of said Block; thence, from said point of beginning, along the Westerly line of said Lot 8, along the Westerly line of said Block, and along the Easterly line of said 25th Street, an 80 foot wide street, North $18^{\circ}30'00''$ East 181.11 feet to the Northwest corner of said Alley and to the Southwest corner of Lot 1 of said Block; thence, along the Northerly line of said Alley, along the Southerly line of said Lot 1 and along the Southerly lines of Lots 2, 3 and 4 of said Block, South $71^{\circ}32'00''$ East 323.14 feet to the Northeast corner of said Alley and to the Southeast corner of said Lot 4; thence, along the Easterly line of said Block, along the Easterly line of said Lot Sand along the Westerly line of said 26th Street, an 80 foot wide street, South $18^{\circ}27'30''$ West 181.20 feet to the Southeast corner of said Lot 5 and to the Southeast corner of said Block; thence, along the Southerly lines of said Lots 5, 6, 7 and 8, along the Southerly line of said Block and along the Northerly line of said L Street, an 80 foot wide street, North $71^{\circ}30'00'$ West 323.28 feet to the point of beginning, pursuant to that Certificate of Conpliance for Lot Merger recorded December 10, 1992, in Book 921210, Page 108, of Official Records.

Exhibit 5: HOME Regulatory Agreement and Low and Moderate Income Housing Fund Regulatory Agreement

NO FEE DOCUMENT:

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

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

**HOME REGULATORY AGREEMENT FOR RESIDENTIAL RENTAL PROPERTY
AND DECLARATION OF RESTRICTIVE COVENANTS AFFECTING REAL PROPERTY**

PROJECT NAME:	St. Francis Terrace Apartments
PROJECT ADDRESS:	2525 L Street, Sacramento, CA 95816
APN:	007-0104-019

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

1. **GENERAL.** This Regulatory Agreement, includes the Exhibits listed below which are attached to and incorporated in this Regulatory Agreement by this reference.
2. **DEFINITIONS.** The capitalized terms in this Regulatory Agreement shall have the meanings assigned in the following table and in the body of the Regulatory Agreement as the context indicates. (Terms being defined are indicated by quotation marks.)

TERM	DEFINITION		
“Effective Date”	This Regulatory Agreement shall be effective as of the following date:		April __, 2018
“Agency”	Sacramento Housing and Redevelopment Agency		
	The Agency is a joint powers agency.		
“Owner”	Mercy Housing California 80, L.P.		
“Agency Address”	Agency’s business address is 801 12th Street, Sacramento, California 95814		
“Owner Address”	Owner’s business address is as follows:	c/o Florin Housing Corporation, 1360 Mission Street, Suite 300, San Francisco, CA 94103	
“Jurisdiction”	City of Sacramento		
“Property”	That certain real property which is subject to this Regulatory Agreement as further described in the legal description, attached as Exhibit 1 – Legal Description of the Property and incorporated in this Regulatory Agreement by this reference		
“Funding Agreement”	The Funding Agreement between Agency and Owner as follows:	Titled:	Acquisition, Construction and Permanent Loan Agreement
		Dated:	April __, 2018
“Agency Funding”	The Agency Funding made by Agency to Owner under the Funding Agreement for development of the Property		

“Agency Funding Amount”	The amount of the Agency Funding, as follows:	\$2,547,000.00 comprised of \$2,247,000.00 in City HOME and \$300,000 in Tax Increment funds
“Proportionate Agency Assistance”	The percentage of the Project cost, including without limitation, land, predevelopment and development costs, that is attributable to the Agency Funding. For rehabilitation projects, the percentage that the Agency Funding bears to the total of the fair market value of the Property before rehabilitation and the total costs of rehabilitation.	Twenty percent (20%)
“Funding Requirements”	The legal restrictions on the use of the funds that Agency has used to make the Agency Funding, as applicable to and restricting the Property. The Funding Requirements are set out in Exhibit 2 – Funding Requirements.	
“Approved Use”	The only permitted use of the Property, which is as a residential property available for rent by the general public and containing not less than the following number of units:	48 units, including one property manager’s exempt unit

3. RESTRICTED PARCELS; APPROVAL OF LEASES. In order to assure that the proper number and types of units have been rented in accordance with this Regulatory Agreement, Owner is prohibited from leasing any Unit within the Project until either the parties have recorded against the Property a list of the Restricted Units or the Agency has approved the individual lease or lease form for the Restricted Units. The following numbers of Units are restricted for each respective funding source. The initial rents for the respective units shall be the following; provided, however, that upon the request of Owner, Owner and Agency may agree to a schedule for the Restricted Units that complies with the following affordability requirements as of the date when the Project is available for occupancy. In any event the rents for the respective units may be adjusted not more often than annually. The rents shall include allowance for utilities and costs reasonably related to the rental of the units, as may be required in determining the rents for the applicable funding sources. Only units indicated under Agency Funding Source are assisted by the Agency. Nevertheless, Owner shall assure the affordability of all of the following units at the named affordability levels.

HOME Units are fixed units if referenced by Apartment Number or equivalent; otherwise such units are "floating units" in which the number of units of an affordability level and bedroom type remains the same, but the actual designated unit may change from time to time.

Funding Source:	Affordability Level:	Number of Units:	Describe Restricted Units:	Initial Rent per Unit per Month:
HOME/LIHTC	Very Low Income - 50% AMI (Low HOME Rent)	4	One-bedroom	\$856
HOME/LIHTC	Very Low Income - 50% AMI (Low HOME Rent)	2	Two-bedroom	\$989
HOME/LIHTC	Very Low Income - 50% AMI (Low HOME Rent)	5	Three-bedroom	\$1,103
	TOTAL UNITS	11		

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

If the Agency determines in its reasonable judgment that the Project is not being operated and managed in accordance with one or more of the material requirements or standards of the Funding Agreement, the Agency may deliver notice to the Owner requesting replacement of the Manager, which notice shall state clearly the reasons for such request. The Owner agrees that, upon receipt of such notice, the Owner shall within 60 days submit to the Agency, a proposal to engage a new Manager meeting the requirements of this provision. The Agency shall respond within 30 days to such proposal or such approval shall be deemed given. Upon receipt of such consent or deemed consent, the Owner shall promptly terminate the existing Manager's engagement and engage the new Manager. In addition, all management agreements between the Owner and Manager shall include a clause alerting the Manager that Agency may require Owner to terminate the management agreement for the aforementioned reasons.

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

Approved Management Company
Mercy Housing Management Group

5. AFFIRMATIVE MARKETING REQUIREMENTS. Owner must design and employ marketing plans that promote fair housing by ensuring outreach to all potentially eligible households, especially those least likely to apply for assistance. Affirmative marketing consists of actions to provide information and otherwise attract eligible persons to available housing without regard to race, color, national origin, sex, religion, familial status (persons with children under 18 years of age, including pregnant women), or disability. The affirmative marketing requirements also apply to projects targeted to persons with special needs (24 CFR 92.351(a)).

6. SPECIAL PROVISIONS. Owner shall also comply with the following special provision.

Provision	Term
Annual Administrative Fee: The Owner agrees to pay an Annual Administrative Fee (Fee) to Agency as compensation for monitoring compliance with regulatory restrictions and the administration of the loans. Owner shall pay annually a Fee equal to 15 basis points (0.15%) of the Agency Funding Amount of \$2,547,000.00 in equal semi-annual installments on April 1 and October 1 each year.	Fifteen (15) years from the date of the Certificate of Occupancy or building permit sign offs by the Building Department of the City of Sacramento have been issued following rehabilitation.

7. REPRESENTATIONS. Agency has provided Agency Funding to Owner to develop the Property, subject to the terms of the Funding Agreement. This Regulatory Agreement is a substantial part of the consideration to Agency for making the Agency Funding. "Property" shall mean Property or Restricted Unit as the context may indicate.] The funds used by Agency under the Funding Agreement are funds from public funding sources administered by Agency and their use is subject to certain requirements some of which are embodied in this Regulatory Agreement. Further, Agency has made the Agency Funding in accordance with the laws, rules and regulations to which Agency is subject. Therefore, Agency has made the Agency Funding conditioned upon Owner's agreement, for itself and its successors and assigns, to comply with all provisions of this Regulatory Agreement, including without limitation, the Funding Agreement. Owner has had full opportunity to make itself independently familiar with such limitations and restrictions, and Owner accepts them and agrees to comply fully with them.

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

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

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

c. Owner shall not transfer or encumber any of the Property or permit the conveyance, transfer, or encumbrance of the Property unless such assignee, transferee or encumbrancer has agreed, in writing and in a form suitable for recordation, to be bound by the terms of this Regulatory Agreement.

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

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

f. Owner shall not cause and shall not permit discrimination based on race, color, national origin, religion, sexual orientation, gender, familial status, age or disability in the sale, lease, or rental or in the use or occupancy of the Property. Owner covenants by and for him/her/itself, his/her/its heirs, executors, administrators, and assigns, and all persons claiming under or through them that there shall be no discrimination against or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the Property. This covenant against discrimination shall continue in perpetuity.

g. Owner shall not refuse to rent, evict, or otherwise treat someone differently because of that person's status as a victim of domestic violence, dating violence, sexual assault, or stalking, in compliance with the Violence Against Women Act. This protection is available regardless of sex, gender identity, or sexual orientation.

h. Owner shall assure compliance with the obligations imposed by the federal Personal Responsibility and Work Opportunity Act (Public Law 104-193, commonly known as the Welfare Reform Act) as amended by California Welfare and Institutions Code Section 17851, which restrict the Agency funding of federal, state or local benefits to persons who are not citizens or qualified aliens as defined in such act.

i. Owner shall provide 16 hours/week of approved resident services at the development according to the following minimum schedule: five (5) hours of an on-site service coordinator, eight (8) hours of after school programs, and three (3) hours of education and enrichment programs.

i. Owner shall not pass utility charges paid by Owner, including water, sewer, and garbage collection charges, through to tenants as an add-on to their contracted rent subject to adjustments permitted by applicable utility allowances.

j. Owner shall not make payment of rental insurance premiums a condition of occupancy. If owners require renters' insurance, the policy premium must be deducted from the tenant's rent. The owner shall not add the insurance premium to the tenant's rent in either the initial or subsequent years.

k. Owner shall make at least 50% of the buildings but no less than 50% of the units must be smoke free. All indoor common areas must be smoke-free.

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

10. TERM. The term of this Regulatory Agreement shall commence on the Effective Date and continue until the terms of all of the covenants, including without limitation, the terms stated in the Funding Requirements, have expired or otherwise been terminated. Notwithstanding the term in the Funding Requirements, the term of this Regulatory Agreement shall be fifteen (15) years from the date of the completion of the rehabilitation of the Property, as evidenced by a Certificate of Occupancy or building permit sign offs by the Building Department of the City of Sacramento.

a. **EXPIRATION OF AFFORDABILITY PERIOD.** Owner agrees the rent of "in-place" tenants at the conclusion of Term, the required affordability will continue to be governed by the applicable affordability restrictions, so long as those tenants continue to live in the development.

11. **REVIVAL OF COVENANTS AFTER FORECLOSURE.** The affordability restrictions shall be revived after foreclosure, or deed in lieu of foreclosure according to the original terms if, during the original term of this Regulatory Agreement, if the Owner, who was owner of record before the termination event, or a party related to the Owner obtains an ownership interest in the Property or Restricted Unit, as the case may be. For purposes of this provision, a related party is anyone with whom the Owner has or had family or business ties; provided that such interest would not be considered a "remote interest" in the usual and customary use of the term.

12. **MULTIPLE FUNDING REQUIREMENTS.** If more than one form of Funding Requirements is attached, each Restricted Unit shall be subject to the Funding Requirements for every Funding Source applied to the respective Restricted Unit. If the terms of the Funding Requirements shall conflict as to any Restricted Unit, the Funding Requirements shall be construed so as to meet all applicable requirements for the respective Restricted Unit, including without limitation the use of the most restrictive requirements and the use of the "Recapture" formula that results in the greatest repayment to the Agency.

13. **RECORDKEEPING AND REPORTING.** Upon request of Agency, Owner shall promptly provide any additional information or documentation requested in writing by the Agency to verify Owner's compliance with the provisions of this Regulatory Agreement. At the written request of the Agency, Owner shall, within a reasonable time following receipt of such request, furnish reports and shall give specific answers to questions upon which information is desired from time to time relative to the income, assets, liabilities, contracts, operations, and condition of the property and the status of the Deeds of Trust.

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

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

16. **CHANGES WITHOUT CONSENT OF TENANTS, LESSEES, OR OTHERS.** Only Agency and its successors and assigns, and Owner (subject to the reasonable approval of Owner's lender in accordance with its rights under its loan terms) shall have the right to consent and agree to changes in, or to eliminate in whole or in part, any of the covenants or restrictions contained in this Agreement without the consent of any easement holder, licensee, other mortgagee, trustee, beneficiary under a deed of trust or any other person or entity having any interest less than a fee in the Site.

17. **DEFAULT.** Upon a breach of any of the provisions of this Regulatory Agreement by Owner, the Agency may give written notice of such breach to Owner by registered or certified mail. If such violation is not corrected to the satisfaction of Agency within sixty (60) days after the date such notice is mailed or within such further time as the Agency may reasonably determine is necessary to correct the breach, and without further notice to Owner, the Agency may declare a default under the Agreement, effective on the date of such declaration of default, and upon such default the Agency may: (a) take any action then available under the Funding Agreement for a default under the Funding Agreement and (b) apply to any court for specific performance of this Regulatory Agreement, for an injunction against any violation of the Agreement, for the appointment of a receiver to take over and operate the Property in accordance with the terms of this Regulatory Agreement, for money damages or for such other relief as may be appropriate, since the injury to the Agency arising from a default under any of the terms in this Regulatory Agreement would be irreparable, and the amount of damage would be difficult to ascertain.

a. **REGULATORY AGREEMENT VIOLATIONS.** Owner shall pay the program compliance fees and expenses to Agency set forth in Compliance Violations and Actions (Exhibit 3 - Compliance Violations and Actions) in reimbursement of the amounts and time expended by Agency to insure Owner's compliance with State statutes and federal regulations and

Owner's obligations under the Regulatory Agreement as a result of the Owner not meeting its obligations and reporting requirements. No compliance fee will be assessed for one incident of each type of compliance violation per annual inspection provided the violation is corrected within the specified corrective time period. The second and subsequent violations will be assessed compliance fees as detailed in the Compliance Violations and Actions tables.

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

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

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

21. **SEVERABILITY.** The invalidity of any clause, part or provision of this Regulatory Agreement shall not affect the validity of the remaining portions.

22. **ELECTION OF REMEDIES.** To the extent applicable, in the event of any breach of the covenants, conditions and restrictions contained in this Regulatory Agreement, the Agency shall reasonably endeavor to remedy such breach by conference and conciliation. If, in the opinion of Agency, the Agency and Owner are unable mutually to agree upon a suitable remedy or the circumstances so warrant, such breach may be enjoined or abated by appropriate proceedings brought by the Agency.

Agency may institute or prosecute in its own name, any suit Agency may consider advisable in order to compel specific performance of any obligation of any owner to develop and maintain the subject property in conformity with this Regulatory Agreement and to remedy any default of this Regulatory Agreement. Agency may also seek a decree requiring removal of any improvements constructed on the Property which improvements are designed for uses not permitted under this Regulatory Agreement and which improvements are unsuitable only for uses not permitted under this Regulatory Agreement.

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

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

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

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

BORROWER :
MERCY HOUSING CALIFORNIA 80, L.P. a California
limited partnership

By: Florin Housing Corporation,
a California nonprofit public benefit corporation
its general partner

By: _____
Stephan Daues, Vice President

Date: _____

LENDER:
SACRAMENTO HOUSING AND REDEVELOPMENT
AGENCY, a joint powers agency

By: _____
La Shelle Dozier, Executive Director

Date: _____

Approved as to form:

Lender Counsel

[NOTARIZED ACKNOWLEDGEMENTS]

Exhibit 1: Legal Description of the Property

For APN/Parcel ID(s): 007-0104-019

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

Lots 5, 6, 7 and 8 and the abandoned 20 foot wide alley vacated by Resolution No. 92-597 recorded in the office of the Recorder of Sacramento County in Book 920911, Page 796, of Official Records, in the Block bounded by K Street, L Street, 25th Street and 26th Street, of the City of Sacramento, according to the official map or plan thereof, described as follows:

Beginning at the Southwest corner of said Lot 8 and the Southwest corner of said Block; thence, from said point of beginning, along the Westerly line of said Lot 8, along the Westerly line of said Block, and along the Easterly line of said 25th Street, an 80 foot wide street, North $18^{\circ}30'00''$ East 181.11 feet to the Northwest corner of said Alley and to the Southwest corner of Lot 1 of said Block; thence, along the Northerly line of said Alley, along the Southerly line of said Lot 1 and along the Southerly lines of Lots 2, 3 and 4 of said Block, South $71^{\circ}32'00''$ East 323.14 feet to the Northeast corner of said Alley and to the Southeast corner of said Lot 4; thence, along the Easterly line of said Block, along the Easterly line of said Lot Sand along the Westerly line of said 26th Street, an 80 foot wide street, South $18^{\circ}27'30''$ West 181.20 feet to the Southeast corner of said Lot 5 and to the Southeast corner of said Block; thence, along the Southerly lines of said Lots 5, 6, 7 and 8, along the Southerly line of said Block and along the Northerly line of said L Street, an 80 foot wide street, North $71^{\circ}30'00''$ West 323.28 feet to the point of beginning, pursuant to that Certificate of Conpliance for Lot Merger recorded December 10, 1992, in Book 921210, Page 108, of Official Records.

Exhibit 2: Funding Requirements

HOME FUNDING AND OTHER FEDERAL REQUIREMENTS RENTAL PROJECT

These “HOME Funding and Other Federal Requirements” are attached to the Loan Documents (Loan Agreement and Regulatory Agreement), and are incorporated in the Loan Documents. The capitalized terms used in these HOME and Other Federal Funding Requirements shall have the meanings below in the body of these HOME Funding and other Federal Requirements. Terms being defined are indicated by quotation marks. Capitalized terms in these HOME Funding and Other Federal Requirements that are not defined below are defined in the Loan Documents. References to the CFR are to the Code of Federal Regulations. Project specific restrictions are set forth in Section 3 of this Regulatory Agreement.

1. **DEFINITIONS.** For the purposes of the Loan Documents and in addition to the definitions made elsewhere in the Loan Documents, the following capitalized words and phrases contained in this Contract shall have the following meanings:

a. “HOME” is the federal HOME Investment Partnership program (Catalogue of Federal Domestic Assistance FDA 14.239) administered by the U.S. Department of Housing and Urban Development.

b. The “HOME Requirements” are the laws, rules and regulations which are specifically applicable to this contract. A substantial portion of the Federal Requirements included in this exhibit.

c. “Exhibits” to this contain a substantial portion of the Federal Requirements, and are incorporated into this Agreement in the form of a Universal Serial Bus (USB) drive. Borrower acknowledges receipt of the USB by initialing here: _____. The Exhibits included the following:

i) Exhibit 1 – HOME Regulations: 24 Code of Federal Regulations (CFR) Part 92

ii) Exhibit 2 – Requirements for nonprofit subgrantees; 2 CFR §200.70; Appendix VIII to 2 CFR Part 200

iii) Exhibit 3 –Restrictions on Lobbying; 24 CFR Part 87;

iv) Exhibit 4 - Federal Labor Standards Provisions: 29 CFR Part 5

2. **RECITALS.** The Agency Funding includes proceeds of the federal HOME Investment Partnerships Act (“HOME”) and its implementing regulations (commencing at 24 CFR Part 92) (“HOME Funds”). The Agency has approved the Agency Funding on condition that the property described in the Loan Documents (“Property”) is rehabilitated or developed as residential rental property (“Project”) with certain units regulated in accordance with laws, rules and regulations regarding the use of HOME funds for the benefit of low-income persons (“HOME Restricted Units”) by recordation of these Home Funding and Other Federal Restrictions as covenants running with the land. HOME Restricted Units are made affordable by such regulation to persons and households that qualify as low-income or very low-income as indicated in the table in Article I.

3. **USE OF HOME FUNDS.** Owner shall assure that the HOME Funds are used only for qualified uses. HOME Funds may only be used to provide incentives to develop and support affordable rental housing and homeownership affordability through the acquisition (including assistance to homebuyers), new construction, reconstruction, or rehabilitation of non-luxury housing with suitable amenities, including real property acquisition, site improvements, conversion, demolition, and other expenses, including financing costs, relocation expenses of any displaced persons, families, businesses, or organizations; to provide tenant-based rental assistance, including security deposits; to provide payment of reasonable administrative and planning costs; and to provide for the payment of operating expenses of community housing development organizations, all as further defined in 24 CFR §92.205 *et. seq.* The HOME Funds shall not be used for project reserve accounts except as expressly authorized or to provide operating subsidies.

Owner shall not utilize the Project for explicitly religious activities, including activities that involve overt religious content such as worship, religious instruction, or proselytization, and to the extent that Owner engages in such explicitly religious activities, it shall perform such activities and offer such services outside of the program pursuant to which Owner is developing the Project pursuant to this Agreement. The Owner further represents that the Project units are available to all persons regardless of religion, religious belief, a refusal to hold a religious belief, or a refusal to attend or participate in a religious practice; and that there are no religious or membership criteria for tenants of the Property.

4. PROPERTY STANDARDS. Upon completion, the Project will comply with the applicable property standards of 24 CFR §92.251. For the term of these Funding Requirements, Owner shall provide Agency access at all reasonable times for inspection to assure compliance with such standards. Such provisions are generally as follows:

a. If the Project is new construction, it must meet all applicable local codes, rehabilitation standards, ordinances, and zoning ordinances at the time of project completion. Newly constructed housing must meet the current edition of the Model Energy Code published by the Council of American Building Officials.

b. All other HOME-assisted housing (such as acquisition) must meet all applicable State and local housing quality standards and code requirements.

c. The housing must meet the accessibility requirements at 24 CFR Part 8, which implements Section 504 of the Rehabilitation Act of 1973 (29 United States Code [USC] §794) and covered multifamily dwellings, as defined at 24 CFR §100.201, must also meet the design and construction requirements at 24 CFR §100.205, which implement the Fair Housing Act (42 USC §3601 *et. seq.*).

d. Construction of all manufactured housing must meet the Manufactured Home Construction and Safety Standards established in 24 CFR Part 3280. These standards pre-empt State and local codes covering the same aspects of performance for such housing. Also, installation of manufactured housing units must comply with applicable State and local laws or codes, or in the absence of such laws or codes, the participating jurisdiction must comply with the manufacturer's written instructions for installation of manufactured housing units. Manufactured housing that is rehabilitated using HOME funds must meet the requirements set out in section 4.a.

e. Owner must maintain the housing in compliance with all applicable State and local housing quality standards and code requirements and if there are no such standards or code requirements, the housing must meet the housing quality standards in 24 CFR §982.401.

5. LEAD-BASED PAINT. Owner shall comply with the Lead-Based Paint Poisoning Prevention Act (42 USC §§ 4821 *et. seq.*), the Residential Lead-Based Paint Hazard Reduction Act of 1992 (42 USC §4851 *et. seq.*), and implementing regulations.

6. AFFORDABILITY REQUIREMENTS. Owner shall assure that the of HOME Restricted Units shall be rented at or below the following rates:

a. Low-Income Units shall be rented for amounts that do not exceed thirty percent (30%) of sixty-five percent (65%) of the Sacramento Metropolitan Statistical Area median income ("Median Income"), as determined annually by the federal Department of Housing and Urban Development ("HUD"), as adjusted for family size appropriate to the size and number of bedrooms in the respective HOME Restricted Unit, provided however that if the tenant is paying for utilities and services for the HOME Restricted Unit, the rent shall not exceed the maximum amount calculated as set forth in this subdivision minus a monthly allowance for utilities and services as set forth in the maximum monthly allowances for utilities and services established and updated annually by the Agency pursuant to 24 CFR §92.252(d).

b. Very Low-Income Units shall be rented for amounts that do not exceed thirty percent of fifty-percent (50%) of the Median Income as adjusted for family size appropriate to the size and number of bedrooms in the respective HOME Restricted Unit, provided however that if the tenant is paying for utilities and services for the HOME Restricted Unit, the rent shall not exceed the maximum amount calculated as set forth in this subdivision minus a monthly allowance for utilities and services as set forth in the maximum monthly allowances for utilities and services established and updated annually by the Agency pursuant to 24 CFR §92.252(d).

c. Notwithstanding any other provision, the maximum rent on any HOME-Restricted Unit shall not exceed the "Fair Market Rent" as established by HUD under 24 CFR §888.111.

d. Unless Owner has obtained prior written Agency authorization, Owner shall maintain the allocation of HOME-Restricted Units by the bedroom sizes stated in the Regulatory Agreement.

e. Such maximum rent limits shall be recalculated periodically after HUD determination of the Fair Market Rent or the Median Income; provided, however, that the rents are not required to be lower than the initial rent for the HOME-Restricted Units. Owner shall give tenants not less than thirty (30) days' written notice of a change in rents.

f. The Agency shall review and approve rents proposed by Owner for the HOME Restricted Units, subject to the maximum rent limitations as set forth in section 6(a), (b) and (c) of this Agreement. The Agency will provide Owner with information on updated HOME rent limits. Owner must annually provide the Agency with information on rents and occupancy of HOME Restricted Units to demonstrate compliance with this Section 6. The Agency must review rents for compliance and approve or disapprove them every year.

g. The foregoing affordability requirements may, with the consent of the Agency, terminate on foreclosure or deed in lieu of foreclosure; provided, however, that the affordability requirements will revive according to the original terms if the Owner at the time of foreclosure, or any entity that includes such Owner or anyone with whom such Owner has or had family or business ties, obtains an ownership interest in the Project or Property.

7. OCCUPANCY REQUIREMENTS. Owner shall assure that all HOME Restricted Rental Units shall be initially occupied by households earning less than sixty-five percent (65 %) of the Median Income, as verified by the Agency. Notwithstanding any other provision, if five or more units in the Project are HOME-Restricted Units, not less than twenty percent of the HOME-Restricted Units shall be Very Low-Income Units and shall be occupied by families whose annual income does not exceed fifty-percent (50%) of the Median Income. If a tenant of a HOME-Restricted Unit no longer qualifies as for the HOME-Restricted Unit as a result of an increase in family income, the HOME-Restricted Unit continues to qualify under these Funding Requirements so long as actions satisfactory to HUD are being taken to ensure that all vacancies are filled in accordance with these Funding Requirements until the noncompliance is corrected. Such tenants shall pay as rent the lesser of the amount payable by the tenant under State or local law or thirty percent (30%) of the family's adjusted income, except that tenants of HOME-assisted units that have been allocated low-income housing tax credits by a housing credit agency pursuant to section 42 of the Internal Revenue Code of 1986 (26 USC §42) must pay rent governed by such section. In addition, for projects where HOME units are designated as floating pursuant to 24 CFR §92.252(j), tenants who no longer qualify as low-income are not required to pay as rent an amount that exceeds the market rent for comparable, unassisted units in the neighborhood. If the HOME-Restricted Units are not occupied by eligible tenants within six months following the date of Project completion, Owner shall, in accordance with the requirements of 24 CFR §92.252, submit marketing information to Agency and to HUD and, if appropriate, submit a marketing plan. If any HOME-Restricted Unit has not been rented to eligible tenants 18 months after the date of project completion, Owner shall repay the HOME funds invested in such HOME-Restricted Unit to HUD.

8. INCOME VERIFICATION. Owner shall fully cooperate with Agency by requiring every prospective tenant of a HOME Restricted Unit to provide to Owner, prior to initial occupancy of a Home-Restricted Unit and annually, all information required to verify income-eligibility of the prospective tenant to assure income eligibility in accordance with 24 CFR §92.203. For the initial eligibility determination, Owner shall cause the tenant to provide the Agency with at least two months of source documents evidencing annual income (by way of example, wage statement, interest statement, unemployment compensation statement) for the family. Thereafter, Owner shall cause the tenant to provide the Owner with such source documents; a written statement of the amount of the family's annual income and family size, with a certification that the information is complete and accurate and assurance that the family will provide source documents upon request; or a written statement from the administrator of a government program under which the family receives benefits and which examines each year the annual income of the family, stating the tenant's family size and the amount of the family's annual income or alternatively, stating the current dollar limit for very low- or low-income families for the family size of the tenant and state that the tenant's annual income does not exceed such limit.

9. TENANT PROTECTIONS; LEASE PROVISIONS. Owner shall comply with the following provisions for protection of tenants in HOME-Restricted Units.

a. Owner shall enter into an initial lease with a tenant of a HOME-Restricted Unit for not less than one year, unless by mutual agreement between the tenant and the Owner and not required by Owner as a condition of entering into the lease. Such lease shall not contain any of the following provisions, in addition to any other applicable requirements of law:

1) Agreement by the tenant to be sued, to admit guilt, or to a judgment in favor of the Owner in a lawsuit brought in connection with the lease;

2) Agreement by the tenant that the Owner may take, hold, or sell personal property of household members without notice to the tenant and a court decision on the rights of the parties; excepting an agreement by the tenant concerning disposition of personal property remaining in the housing unit after the tenant has moved out of the unit that is in accordance with State law;

3) Agreement by the tenant not to hold the Owner or the Owner's agents legally responsible for any action or failure to act, whether intentional or negligent;

- 4) Agreement of the tenant that the Owner may institute a lawsuit without notice to the tenant;
- 5) Agreement by the tenant that the Owner may evict the tenant or household members without instituting a civil court proceeding in which the tenant has the opportunity to present a defense, or before a court decision on the rights of the parties;
- 6) Agreement by the tenant to waive any right to a trial by jury;
- 7) Agreement by the tenant to waive the tenant's right to appeal, or to otherwise challenge in court, a court decision in connection with the lease; and
- 8) Agreement by the tenant to pay attorney's fees or other legal costs, even if the tenant wins in a court proceeding by the Owner against the tenant. The tenant, however, may be obligated to pay costs if the tenant loses.
- 9) Agreement by the tenant (other than a tenant in transitional housing) to accept supportive services that are offered.

b. An Owner may not terminate the tenancy or refuse to renew the lease of a tenant of rental housing assisted with HOME funds except for serious or repeated violation of the terms and conditions of the lease; for violation of applicable Federal, State, or local law; for completion of the tenancy period for transitional housing or failure to follow any required transitional housing supportive services plan; or for other good cause. Good cause does not include an increase in the tenant's income or refusal of the tenant to purchase the housing. To terminate or refuse to renew tenancy, the Owner must serve written notice upon the tenant specifying the grounds for the action at least 30 days before the termination of tenancy.

c. Owner must adopt and follow written tenant selection policies and criteria that:

- 1) Limit the housing to very low-income and low-income families;
- 2) Are reasonably related to program eligibility and the applicants' ability to perform the obligations of the lease (i.e., to pay the rent, not to damage the housing; not to interfere with the rights and quiet enjoyment of other tenants);
- 3) Limit eligibility or give a preference to a particular segment of the population if required in the Loan Documents (and only if the limitation or preference is described in the Agency's consolidated plan).

a) Any limitation or preference must not violate nondiscrimination requirements in 24 CFR §92.350. A limitation or preference does not violate nondiscrimination requirements if the housing also receives funding from a Federal program that limits eligibility to a particular segment of the population (e.g., the Housing Opportunity for Persons with AIDS program under 24 CFR Part 574, the Shelter Plus Care program under 24 CFR Part 582, the Supportive Housing program under 24 CFR Part 583, supportive housing for the elderly or persons with disabilities under 24 CFR Part 891), and the limit or preference is tailored to serve that segment of the population.

b) If the Project does not receive funding from a Federal program that limits eligibility to a particular segment of the population, the project may have a limitation or preference for persons with disabilities who need services offered at a project only if:

- i) The limitation or preference is limited to the population of families (including individuals) with disabilities that significantly interfere with their ability to obtain and maintain housing;
- ii) Such families will not be able to obtain or maintain themselves in housing without appropriate supportive services; and

iii) Such services cannot be provided in a non-segregated setting. The families must not be required to accept the services offered at the Project. In advertising the Project, Owner may advertise the Project as offering services for a particular type of disability; however, the Project must be open to all otherwise eligible persons with disabilities who may benefit from the services provided in the Project.

4) Provide for the selection of tenants from a written waiting list in the chronological order of their application, insofar as is practicable; and

5) Give prompt written notification to any rejected applicant of the grounds for any rejection.

d. Owner shall not refuse to lease a HOME-Restricted unit to a certificate or voucher holder under 24 CFR Part 982 – Section 8 Tenant-Based Assistance: Unified Rule for Tenant-Based Assistance under the Section 8 Rental Certificate Program and the Section 8 Rental Voucher Program or to the holder of a comparable document evidencing participation in a HOME tenant-based rental assistance program because of the status of the tenant as a holder of such certificate, voucher or comparable certification.

10. UNIT QUALITY & DETERMINATION OF COST ALLOCATION. OWNER shall assure that HOME Restricted Units assisted with HOME Funds must be comparable in size and amenities to other units in the Project. If the assisted and non-assisted units are comparable in terms of size, features and number of bedrooms, the actual cost of the HOME Restricted units can be determined by pro-rating the total HOME eligible development costs of the Project so that the proportion of the total development costs charged to the HOME program does not exceed the proportion of the HOME Restricted units in the

Project. If the assisted and non-assisted units are not comparable, the actual costs may be determined based on a method of cost allocation.

11. COMPLIANCE WITH LOAN DOCUMENTS. Owner shall comply with any and all applicable provisions of the Loan Agreement for so long as they continue to be in effect.

12. REPAYMENT ON DEFAULT OR EARLY TERMINATION. If the Agency determines the Project does not comply with HOME requirements for affordability as specified in 24 CFR §§ 92.252 or 92.254; or if the Project is terminated before completion, either voluntarily or otherwise; or if Owner does not comply with these funding restrictions; or if the Project is determined to be an ineligible activity under HOME, Owner must repay to Agency any HOME Funds invested in the Project upon demand.

13. PROGRAM INCOME. If Project income is considered to be HOME program income, it shall nevertheless be paid to or retained by Owner in accordance with the agreement between Agency and Owner.

14. ADMINISTRATIVE REQUIREMENTS. Owners that are governmental or non-profit organizations shall comply with the provisions of 24 CFR § 92.505 regarding uniform administrative requirements. Owner shall cooperate fully with the Agency and provide all documents and records required by Agency in preparing for HOME related audits. Owner shall comply with all applicable requirements under HOME, including without limitation, recordkeeping and reporting.

15. GOVERNMENTAL ENTITIES, NON-PROFITS, CHDOS. Special HOME regulations apply to an Owner that is governmental or non-profit entities or a community housing development organization. Such Owner is responsible for knowledge of and shall fully comply with such regulations.

16. TERM. These covenants shall burden and regulate the HOME Restricted Units assisted with HOME Funds for the following term as applicable, unless a longer term is specified in the body of the document to which this attached:

- a. For rehabilitation or acquisition of existing housing, five (5) years if the subsidy for each of HOME-Restricted Unit is less than \$15,000;
- b. For ten (10) years if such subsidy is \$15,000 or more but not more than \$40,000;
- c. for fifteen (15) years if such subsidy is more than \$40,000 or if the project involves refinancing of an existing loan; and
- d. For new construction or acquisition of newly constructed housing, twenty (20) years.

17. NO TERMINATION ON RECAPTURE. Notwithstanding any other provisions of the Regulatory Agreement, the provisions of this HOME Funding and Other Federal Restrictions shall continue for the duration of the applicable preceding term.

Exhibit 3: Compliance Violations and Actions

COMPLIANCE VIOLATIONS AND ACTIONS
(All payments due and payable within 30-days of assessment)

Tenant Eligibility and Affordability Violations		
Compliance Violation	Fees and Actions*	Corrective Time Period
Tenants over income at initial move-in	Initial \$500 per unit, again every 90 days until another income qualified tenant is housed. Correction: Evict tenant if tenant fraud. Otherwise, next available unit must be Affordable and rented to an Income-Qualified tenant.	90 days from discovery date to avoid additional \$500 charge every 90-days the problem is not corrected.
Incorrect eligibility documentation	Initial \$50 per file for incorrect calculations, verifications, or required documents. Additional \$50 per month if not corrected. Correction: Submit copies of corrections to compliance staff as applicable.	30 days from discovery date to submit copies of corrections to compliance staff to avoid additional \$50 per month if not corrected
Failure to complete annual recertifications	Initial \$250 for each incomplete file. Additional \$50 per month if not corrected. Correction: Submit copies of recertifications to compliance staff.	30 days from discovery date to submit corrections to avoid additional \$50 per month if not corrected.
Failure to maintain tenant eligibility records	Initial \$500 per unit, again every 90-days thereafter until new records in place. Additional \$100 per unit per month the project remains out of compliance. Correction: Immediately establish new files/records.	30 days from discovery date to submit copies of new records to avoid additional \$100 per unit per month the project remains out of compliance.
Incorrect Rents	Reimbursement to tenant of the entire amount overcharged. \$100 payment to Agency for each over-charged unit. Correction: Refund tenant with letter of correction.	30 days from discovery date to avoid additional \$100 per overcharged unit per month fee to Agency.
Failure to submit complete and accurate monthly Bond Report by due date	Initial \$100 per report. Additional \$100 per day until complete and accurate report submitted. Correction: Submit copies of corrections to compliance staff as applicable.	7 days from discovery date to submit complete and accurate report to avoid additional \$100 per day charge.
Failure to comply with approved Management Plan	Initial \$100 per report. Additional \$100 per day until complete and accurate report submitted. Correction: Submit copies of corrections to compliance staff as applicable.	30 days from discovery date to submit corrections to avoid additional \$100 per day charge.
Failure to submit complete and accurate quarterly Resident Services report by due date	Initial \$100 per report. Additional \$100 per day until complete and accurate report submitted. Correction: Submit copies of corrections to compliance staff as applicable.	7 days from discovery date to submit corrections to avoid additional \$100 per day charge.
Failure to provide a resident service required by Resident Services Plan	Initial \$250 per service. Additional \$100 per day until service is provided. Correction: Implement required service or new resident services plan submitted and	7 days from discovery date to implement required service or provide new resident services plan to avoid additional \$100 per day charge; 30 days from discovery date to implement new plan to

	approved; approved plan implemented.	avoid additional \$100 per day charge.
Noncompliant lease	\$100 per noncompliant lease. Correction: Prepare and execute approved lease or addendum to address the deficiency.	30 days from discovery date to avoid additional \$100 per noncompliant lease per month charge to Agency.

Housing Quality Standards Violations		
Compliance Violation	Fees and Actions*	Corrective Time Period
Verifiable existence of Toxic Mold	\$200 per unit. Additional \$75 per day charge each time efforts fall outside of corrective timeframes. Correction: Prepare and submit action plan that addresses scope of work and timetable to complete. Relocate tenant if necessary. Obtain certified clearance that mold has been abated and unit is safe to occupy once again.	3-days from discovery date to submit action plan to address. 10-days to relocate tenant if necessary. 30-days to obtain certification that unit is mold free. \$75 per day additional charge each time efforts fall outside of these timeframes.
Broken pipes and plumbing facilities	\$200 per unit. Additional \$75 charge per day if not corrected. Correction: Repair/replace as necessary	7-days from discovery date to avoid additional \$75 per day each day thereafter corrective action not taken.
Smoke detectors not working in the units	\$200 per unit with non-functional smoke detector. Additional \$75 charge per day if not corrected. Correction: Replace batteries or non-working unit within 24 hours.	Within 24 hours of discovery date to avoid \$75 per day additional charge each day thereafter corrective action not taken.
Windows with large cracks or missing glass	\$200 per unit. Additional \$75 charge per day if not corrected. Correction: Repair/replace as necessary.	7-days from date of discovery to avoid \$75 per day additional charge each day thereafter corrective action not taken.
Infestation of roaches or vermin	\$200 per infested unit. Additional \$75 charge per day if not corrected. Correction: Letter from pest control company verifying removal of pests with paid invoice to compliance staff.	7-days from date of discovery to avoid \$75 per day additional charge each day thereafter corrective action not taken.
Non-working heating unit (Winter) or air conditioning unit (Summer)	\$500 per nonworking unit. Additional \$75 charge per day if not corrected. \$75 re-inspection fee if necessary to verify problem corrected. Correction: Repair/replace as necessary.	Within 24 hours of discovery date to avoid \$75 per day additional charge each day thereafter corrective action not taken.
Excessive amount of urine/ feces	\$200 per unit. Additional \$75 charge per day if not corrected. Correction: Clean unit as necessary and address problem as the lease allows. Submit correction letter with documentation to compliance staff.	7-days from date of discovery to avoid \$75 per day additional charge each day thereafter corrective action not taken.
Excessive amount of trash/garbage in the unit	\$75 per unit. Additional \$75 charge per day if not corrected. Correction: Clean unit and send letter of correction to compliance staff.	14-days from date of discovery to avoid an additional \$75 per day thereafter each day corrective action not taken.
Hazardous exterior conditions	\$500 for hazardous conditions. Additional \$75 charge per day if not corrected. \$75 re-inspection fee. Correction: Clean and/or repair as	7-days from date of discovery to avoid \$75 per day additional charge each day corrective action not taken.

	necessary. Re-inspection to verify problem addressed.	
Large holes walls/ceiling	\$100 per unit. Additional \$75 charge per day if not corrected. Correction: Submit correction letter with documentation to compliance staff.	30-days from date of discovery to avoid \$75 per day additional charge each day corrective action not taken.
Non-Operable Security Gate	\$500 per non-working gate. Additional \$75 charge per day if not corrected. \$75 re-inspection fee if necessary to verify problem corrected. Correction: Repair/replace as necessary.	7-days from date of discovery to avoid \$75 per day additional charge each day corrective action not taken.
No Security Cameras (if cameras required)	\$250 per discovery. Additional \$75 charge per day if not corrected. \$75 re-inspection charge to verify problem corrected. Correction: Replace cameras.	30-days from the date of discovery to avoid \$75 per day additional charge each day thereafter corrective action not taken.
Non-working Security Cameras	\$100 per camera per discovery. Additional \$75 charge per day if not corrected. \$75 re-inspection charge to verify problem corrected. Correction: Repair/replace as necessary.	7-days from date of discovery to avoid \$75 per day additional charge each day corrective action not taken.
Non-working or non-accessible amenities/services	\$100 per item per discovery. Additional \$75 charge per day if not corrected. \$75 re-inspection charge to verify problem corrected. Correction: Repair/replace as necessary.	7-days from date of discovery to avoid \$75 per day additional charge each day corrective action not taken.

* No compliance fee will be assessed for one incident of each type of compliance violation per annual inspection provided the violation is corrected within the specified corrective time period. The second and subsequent violations will be assessed compliance fees as detailed in the Tenant Eligibility and Affordability Violations and Housing Quality Standards Violations tables.

NO FEE DOCUMENT:

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

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

**LOW AND MODERATE INCOME HOUSING FUND
REGULATORY AGREEMENT FOR RESIDENTIAL RENTAL PROPERTY
AND DECLARATION OF RESTRICTIVE COVENANTS AFFECTING REAL PROPERTY**

PROJECT NAME:	St. Francis Terrace Apartments
PROJECT ADDRESS:	2525 L Street, Sacramento, CA 95816
APN:	007-0104-019

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

25. **GENERAL.** This Regulatory Agreement, includes the Exhibits listed below which are attached to and incorporated in this Regulatory Agreement by this reference.

26. **DEFINITIONS.** The capitalized terms in this Regulatory Agreement shall have the meanings assigned in the following table and in the body of the Regulatory Agreement as the context indicates. (Terms being defined are indicated by quotation marks.)

TERM		DEFINITION	
“Effective Date”	This Regulatory Agreement shall be effective as of the following date:		April __, 2018
“Agency”	Sacramento Housing and Redevelopment Agency		
	The Agency is a joint powers agency.		
“Owner”	Mercy Housing California 80, L.P.		
“Agency Address”	Agency’s business address is 801 12th Street, Sacramento, California 95814		
“Owner Address”	Owner’s business address is as follows:	c/o Florin Housing Corporation, 1360 Mission Street, Suite 300, San Francisco, CA 94103	
“Jurisdiction”	City of Sacramento		
“Property”	That certain real property which is subject to this Regulatory Agreement as further described in the legal description, attached as Exhibit 1 – Legal Description of the Property and incorporated in this Regulatory Agreement by this reference		
“Funding Agreement”	The Funding Agreement between Agency and Owner as follows:	Titled:	Acquisition, Construction and Permanent Loan Agreement
		Dated:	April __, 2018
“Agency Funding”	The Agency Funding made by Agency to Owner under the Funding Agreement for development of the Property		
“Agency Funding Amount”	The amount of the Agency Funding, as follows:		\$2,547,000.00 comprised of \$2,247,000.00 in City HOME and \$300,000 in Low/Mod Tax Increment (TI) funds

“Proportionate Agency Assistance”	The percentage of the Project cost, including without limitation, land, predevelopment and development costs, that is attributable to the Agency Funding. For rehabilitation projects, the percentage that the Agency Funding bears to the total of the fair market value of the Property before rehabilitation and the total costs of rehabilitation.	Twenty percent (20%)
“Funding Requirements”	The legal restrictions on the use of the funds that Agency has used to make the Agency Funding, as applicable to and restricting the Property. The Funding Requirements are set out in Exhibit 2 – Funding Requirements.	
“Approved Use”	The only permitted use of the Property, which is as a residential property available for rent by the general public and containing not less than the following number of units:	48 units, including one property manager’s exempt unit

27. **RESTRICTED PARCELS; APPROVAL OF LEASES.** In order to assure that the proper number and types of units have been rented in accordance with this Regulatory Agreement, Owner is prohibited from leasing any Unit within the Project until either the parties have recorded against the Property a list of the Restricted Units or the Agency has approved the individual lease or lease form for the Restricted Units. The following numbers of Units are restricted for each respective funding source. The initial rents for the respective units shall be the following; provided, however, that upon the request of Owner, Owner and Agency may agree to a schedule for the Restricted Units that complies with the following affordability requirements as of the date when the Project is available for occupancy. In any event the rents for the respective units may be adjusted not more often than annually. The rents shall include allowance for utilities and costs reasonably related to the rental of the units, as may be required in determining the rents for the applicable funding sources. Only units indicated under Agency Funding Source are assisted by the Agency. Nevertheless, Owner shall assure the affordability of all of the following units at the named affordability levels. HOME Units are fixed units if referenced by Apartment Number or equivalent; otherwise such units are "floating units" in which the number of units of an affordability level and bedroom type remains the same, but the actual designated unit may change from time to time.

Funding Source:	Affordability Level:	Number of Units:	Describe Restricted Units:	Initial Rent per Unit per Month:
City Low/Mod TI Fund/LIHTC	Very Low Income - 50% AMI (Low HOME Rent)	2	One-bedroom	\$761
	TOTAL UNITS	2		

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

If the Agency determines in its reasonable judgment that the Project is not being operated and managed in accordance with one or more of the material requirements or standards of the Funding Agreement, the Agency may deliver notice to the Owner requesting replacement of the Manager, which notice shall state clearly the reasons for such request. The Owner agrees that, upon receipt of such notice, the Owner shall within 60 days submit to the Agency, a proposal to engage a new Manager meeting the requirements of this provision. The Agency shall respond within 30 days to such proposal or such approval shall be deemed given. Upon receipt of such consent or deemed consent, the Owner shall promptly terminate the existing Manager’s engagement and engage the new Manager. In addition, all management agreements between the Owner and Manager shall include a clause alerting the Manager that Agency may require Owner to terminate the management agreement for the aforementioned reasons.

The Owner shall not enter into any management agreement or arrangement with any party with respect to the management of the Project without the Agency’s prior written consent, such consent not to be unreasonably withheld or delayed. The Owner shall not materially modify, amend or terminate any approved management agreement (other than as required to

comply with the terms of the Funding Agreement and/or applicable law or without the Agency's prior written consent, which consent will not be unreasonably withheld or delayed; provided, however, that such consent shall not be required to extend the term of an existing management agreement.

Approved Management Company
Mercy Housing Management Group

29. AFFIRMATIVE MARKETING REQUIREMENTS. Owner must design and employ marketing plans that promote fair housing by ensuring outreach to all potentially eligible households, especially those least likely to apply for assistance. Affirmative marketing consists of actions to provide information and otherwise attract eligible persons to available housing without regard to race, color, national origin, sex, religion, familial status (persons with children under 18 years of age, including pregnant women), or disability. The affirmative marketing requirements also apply to projects targeted to persons with special needs (24 CFR 92.351(a)).

30. SPECIAL PROVISIONS. Owner shall also comply with the following special provision.

Provision	Term
Annual Administrative Fee: The Owner agrees to pay an Annual Administrative Fee (Fee) to Agency as compensation for monitoring compliance with regulatory restrictions and the administration of the loans. Owner shall pay annually a Fee equal to 15 basis points (0.15%) of the Agency Funding Amount of \$2,547,000.00 in equal semi-annual installments on April 1 and October 1 each year.	Fifty-five (55) years from the date of the Certificate of Occupancy or building permit sign offs by the Building Department of the City of Sacramento have been issued following rehabilitation.

31. REPRESENTATIONS. Agency has provided Agency Funding to Owner to develop the Property, subject to the terms of the Funding Agreement. This Regulatory Agreement is a substantial part of the consideration to Agency for making the Agency Funding. "Property" shall mean Property or Restricted Unit as the context may indicate.] The funds used by Agency under the Funding Agreement are funds from public funding sources administered by Agency and their use is subject to certain requirements some of which are embodied in this Regulatory Agreement. Further, Agency has made the Agency Funding in accordance with the laws, rules and regulations to which Agency is subject. Therefore, Agency has made the Agency Funding conditioned upon Owner's agreement, for itself and its successors and assigns, to comply with all provisions of this Regulatory Agreement, including without limitation, the Funding Agreement. Owner has had full opportunity to make itself independently familiar with such limitations and restrictions, and Owner accepts them and agrees to comply fully with them.

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

- a. Owner shall use and permit others to use the Property only for the Approved Use.
- b. Owner shall assure full compliance with the Funding Requirements.
- c. Owner shall not transfer or encumber any of the Property or permit the conveyance, transfer, or encumbrance of the Property unless such assignee, transferee or encumbrancer has agreed, in writing and in a form suitable for recordation, to be bound by the terms of this Regulatory Agreement.
- d. Owner shall not cause and shall not permit expansion, reconstruction, or demolition of any part of improvements on the Property, except as provided by the Funding Agreement.
- e. Owner shall maintain the Property and the building improvements, grounds and equipment of the Property in good repair and condition and in compliance with all applicable housing quality standards and local code requirements. Owner shall maintain the Property in good condition and shall keep the Property reasonably free from graffiti and unrepaired vandalism and from accumulation of abandoned property, inoperable vehicles, unenclosed storage, debris, and waste materials. In the event of a casualty loss, Owner shall cause the restoration or replacement of the Property, in a timely manner and provided that such restoration or replacement is then economically feasible.

f. Owner shall not cause and shall not permit discrimination based on race, color, national origin, religion, sexual orientation, gender, familial status, age or disability in the sale, lease, or rental or in the use or occupancy of the Property. Owner covenants by and for him/her/itself, his/her/its heirs, executors, administrators, and assigns, and all persons claiming under or through them that there shall be no discrimination against or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the Property. This covenant against discrimination shall continue in perpetuity.

g. Owner shall not refuse to rent, evict, or otherwise treat someone differently because of that person's status as a victim of domestic violence, dating violence, sexual assault, or stalking, in compliance with the Violence Against Women Act. This protection is available regardless of sex, gender identity, or sexual orientation.

h. Owner shall assure compliance with the obligations imposed by the federal Personal Responsibility and Work Opportunity Act (Public Law 104-193, commonly known as the Welfare Reform Act) as amended by California Welfare and Institutions Code Section 17851, which restrict the Agency funding of federal, state or local benefits to persons who are not citizens or qualified aliens as defined in such act.

i. Owner shall provide 16 hours/week of approved resident services at the development according to the following minimum schedule: five (5) hours of an on-site service coordinator, eight (8) hours of after school programs, and three (3) hours of education and enrichment programs.

i. Owner shall not pass utility charges paid by Owner, including water, sewer, and garbage collection charges, through to tenants as an add-on to their contracted rent subject to adjustments permitted by applicable utility allowances.

j. Owner shall not make payment of rental insurance premiums a condition of occupancy. If owners require renters' insurance, the policy premium must be deducted from the tenant's rent. The owner shall not add the insurance premium to the tenant's rent in either the initial or subsequent years.

k. Owner shall make at least 50% of the buildings but no less than 50% of the units must be smoke free. All indoor common areas must be smoke-free.

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

34. TERM. The term of this Regulatory Agreement shall commence on the Effective Date and continue until the terms of all of the covenants, including without limitation, the terms stated in the Funding Requirements, have expired or otherwise been terminated. Notwithstanding the term in the Funding Requirements, the term of this Regulatory Agreement shall be fifty-five (55) years from the date of the completion of the rehabilitation of the Property, as evidenced by a Certificate of Occupancy or building permit sign offs by the Building Department of the City of Sacramento.

a. **EXPIRATION OF AFFORDABILITY PERIOD.** Owner agrees the rent of "in-place" tenants at the conclusion of Term, the required affordability will continue to be governed by the applicable affordability restrictions, so long as those tenants continue to live in the development.

35. REVIVAL OF COVENANTS AFTER FORECLOSURE. The affordability restrictions shall be revived after foreclosure, or deed in lieu of foreclosure according to the original terms if, during the original term of this Regulatory Agreement, if the Owner, who was owner of record before the termination event, or a party related to the Owner obtains an ownership interest in the Property or Restricted Unit, as the case may be. For purposes of this provision, a related party is anyone with whom the Owner has or had family or business ties; provided that such interest would not be considered a "remote interest" in the usual and customary use of the term.

36. MULTIPLE FUNDING REQUIREMENTS. If more than one form of Funding Requirements is attached, each Restricted Unit shall be subject to the Funding Requirements for every Funding Source applied to the respective Restricted Unit. If the terms of the Funding Requirements shall conflict as to any Restricted Unit, the Funding Requirements shall be

construed so as to meet all applicable requirements for the respective Restricted Unit, including without limitation the use of the most restrictive requirements and the use of the "Recapture" formula that results in the greatest repayment to the Agency.

37. RECORDKEEPING AND REPORTING. Upon request of Agency, Owner shall promptly provide any additional information or documentation requested in writing by the Agency to verify Owner's compliance with the provisions of this Regulatory Agreement. At the written request of the Agency, Owner shall, within a reasonable time following receipt of such request, furnish reports and shall give specific answers to questions upon which information is desired from time to time relative to the income, assets, liabilities, contracts, operations, and condition of the property and the status of the Deeds of Trust.

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

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

40. CHANGES WITHOUT CONSENT OF TENANTS, LESSEES, OR OTHERS. Only Agency and its successors and assigns, and Owner (subject to the reasonable approval of Owner's lender in accordance with its rights under its loan terms) shall have the right to consent and agree to changes in, or to eliminate in whole or in part, any of the covenants or restrictions contained in this Agreement without the consent of any easement holder, licensee, other mortgagee, trustee, beneficiary under a deed of trust or any other person or entity having any interest less than a fee in the Site.

41. DEFAULT. Upon a breach of any of the provisions of this Regulatory Agreement by Owner, the Agency may give written notice of such breach to Owner by registered or certified mail. If such violation is not corrected to the satisfaction of Agency within sixty (60) days after the date such notice is mailed or within such further time as the Agency may reasonably determine is necessary to correct the breach, and without further notice to Owner, the Agency may declare a default under the Agreement, effective on the date of such declaration of default, and upon such default the Agency may: (a) take any action then available under the Funding Agreement for a default under the Funding Agreement and (b) apply to any court for specific performance of this Regulatory Agreement, for an injunction against any violation of the Agreement, for the appointment of a receiver to take over and operate the Property in accordance with the terms of this Regulatory Agreement, for money damages or for such other relief as may be appropriate, since the injury to the Agency arising from a default under any of the terms in this Regulatory Agreement would be irreparable, and the amount of damage would be difficult to ascertain.

a. **REGULATORY AGREEMENT VIOLATIONS.** Owner shall pay the program compliance fees and expenses to Agency set forth in Compliance Violations and Actions (Exhibit 3 - Compliance Violations and Actions) in reimbursement of the amounts and time expended by Agency to insure Owner's compliance with State statutes and federal regulations and Owner's obligations under the Regulatory Agreement as a result of the Owner not meeting its obligations and reporting requirements. No compliance fee will be assessed for one incident of each type of compliance violation per annual inspection provided the violation is corrected within the specified corrective time period. The second and subsequent violations will be assessed compliance fees as detailed in the Compliance Violations and Actions tables.

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

43. CONTRADICTORY AGREEMENTS. Owner warrants that it has not, and will not, execute any other agreement with provisions contradictory of or in opposition to, the provisions of this Regulatory Agreement, and that, in any event, the

requirements of this Regulatory Agreement are paramount and controlling as to the rights and obligations set forth and supersede any other requirements in conflict with this Regulatory Agreement.

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

45. SEVERABILITY. The invalidity of any clause, part or provision of this Regulatory Agreement shall not affect the validity of the remaining portions.

46. ELECTION OF REMEDIES. To the extent applicable, in the event of any breach of the covenants, conditions and restrictions contained in this Regulatory Agreement, the Agency shall reasonably endeavor to remedy such breach by conference and conciliation. If, in the opinion of Agency, the Agency and Owner are unable mutually to agree upon a suitable remedy or the circumstances so warrant, such breach may be enjoined or abated by appropriate proceedings brought by the Agency.

Agency may institute or prosecute in its own name, any suit Agency may consider advisable in order to compel specific performance of any obligation of any owner to develop and maintain the subject property in conformity with this Regulatory Agreement and to remedy any default of this Regulatory Agreement. Agency may also seek a decree requiring removal of any improvements constructed on the Property which improvements are designed for uses not permitted under this Regulatory Agreement and which improvements are unsuitable only for uses not permitted under this Regulatory Agreement.

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

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

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

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

BORROWER :
MERCY HOUSING CALIFORNIA 80, L.P. a California
limited partnership

By: Florin Housing Corporation,
a California nonprofit public benefit corporation
its general partner

By: _____
Stephan Daues, Vice President

Date: _____

LENDER:
SACRAMENTO HOUSING AND REDEVELOPMENT
AGENCY, a joint powers agency

By: _____
La Shelle Dozier, Executive Director

Date: _____

Approved as to form:

Lender Counsel

[NOTARIZED ACKNOWLEDGEMENTS]

Exhibit 1: Legal Description of the Property

For APN/Parcel ID(s): 007-0104-019

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

Lots 5, 6, 7 and 8 and the abandoned 20 foot wide alley vacated by Resolution No. 92-597 recorded in the office of the Recorder of Sacramento County in Book 920911, Page 796, of Official Records, in the Block bounded by K Street, L Street, 25th Street and 26th Street, of the City of Sacramento, according to the official map or plan thereof, described as follows:

Beginning at the Southwest corner of said Lot 8 and the Southwest corner of said Block; thence, from said point of beginning, along the Westerly line of said Lot 8, along the Westerly line of said Block, and along the Easterly line of said 25th Street, an 80 foot wide street, North $18^{\circ}30'00''$ East 181.11 feet to the Northwest corner of said Alley and to the Southwest corner of Lot 1 of said Block; thence, along the Northerly line of said Alley, along the Southerly line of said Lot 1 and along the Southerly lines of Lots 2, 3 and 4 of said Block, South $71^{\circ}32'00''$ East 323.14 feet to the Northeast corner of said Alley and to the Southeast corner of said Lot 4; thence, along the Easterly line of said Block, along the Easterly line of said Lot Sand along the Westerly line of said 26th Street, an 80 foot wide street, South $18^{\circ}27'30''$ West 181.20 feet to the Southeast corner of said Lot 5 and to the Southeast corner of said Block; thence, along the Southerly lines of said Lots 5, 6, 7 and 8, along the Southerly line of said Block and along the Northerly line of said L Street, an 80 foot wide street, North $71^{\circ}30'00''$ West 323.28 feet to the point of beginning, pursuant to that Certificate of Conpliance for Lot Merger recorded December 10, 1992, in Book 921210, Page 108, of Official Records.

Exhibit 2: Funding Requirements

TI FUNDING REQUIREMENTS FOR RENTAL HOUSING LOW AND MODERATE INCOME HOUSING FUND

These “TI Funding Requirements” are attached to a Regulatory Agreement, and are incorporated in that Regulatory Agreement. In turn, the Regulatory Agreement is incorporated in the financing document that is described in the Regulatory Agreement. [The capitalized terms used shall have the meanings below. Terms being defined are indicated by quotation marks. Capitalized terms in these TI Funding Requirements that are not defined below are defined in the Regulatory Agreement and in such financing document.] Project specific restrictions are set forth in Section 3 of this Regulatory Agreement.

1. **RECITALS.** Agency is a redevelopment agency organized and operating under the California Redevelopment Law (commencing at Health & Safety Code Section 33000). The Agency Funding is funded by the Agency with proceeds of the Low and Moderate Income Housing Fund (as defined in Health & Safety Code Section 33334.3) and made in accordance with the Aggregation of Agency Funding that occurred pursuant to Resolution 2009-57 adopted by the Redevelopment of the City of Sacramento or Resolution 0896 adopted by the County of Sacramento Redevelopment Area in accordance with Health and Safety Code Sections 33334.2(g) and 33413, the provisions of the redevelopment plans for the Agency’s Project Areas (“Redevelopment Plans”), and the California Redevelopment Law. The Agency has approved the Agency Funding on condition that the property securing the Agency Funding (“Property”) is rehabilitated or developed as residential rental property (“Project”) with certain units regulated in accordance with Health & Safety Code Section 33487 (“TI Restricted Units”) by recordation of these TI Funding Restrictions as covenants running with the land, in accordance with Health & Safety Code Section 33334.3(f). TI Restricted Units are made affordable by such regulation to persons and households that qualify as moderate-income, low-income or very low-income as indicated in Article I of the Regulatory Agreement. The development of the Project will benefit the Project Areas because the Project will provide housing for persons who work within the Project Areas.
2. **AFFORDABILITY REQUIREMENTS.** Owner shall assure that the TI Restricted Units shall be rented or sold at or below the following rates to households whose incomes are at or below the respective income limits for the rental rate:
 - a. Low-Income TI Restricted Units shall be rented for amounts that do not exceed payments of thirty percent (30%) of sixty percent (60%) of the Median Income as adjusted for family size appropriate to the size and number of bedrooms in the respective TI Restricted Unit.
 - b. Very Low-Income TI Restricted Units shall be rented for amounts that do not exceed payments of thirty percent (30%) of fifty percent (50%) of the Median Income as adjusted for family size appropriate to the size and number of bedrooms in the respective TI Restricted Unit.
 - c. Owner shall be responsible to determine the affordable amounts for the TI Restricted Units. Within ten (10) days of Owner request, Agency shall provide all information necessary for Owner to compute such affordable rents and will assist Owner in determining such amounts.
3. **TERM.** These covenants shall burden and regulate the TI Restricted Units for a term of (55) years following the Certificate of Occupancy date.

Exhibit 3: Compliance Violations and Actions

COMPLIANCE VIOLATIONS AND ACTIONS
(All payments due and payable within 30-days of assessment)

Tenant Eligibility and Affordability Violations		
Compliance Violation	Fees and Actions*	Corrective Time Period
Tenants over income at initial move-in	Initial \$500 per unit, again every 90 days until another income qualified tenant is housed. Correction: Evict tenant if tenant fraud. Otherwise, next available unit must be Affordable and rented to an Income-Qualified tenant.	90 days from discovery date to avoid additional \$500 charge every 90-days the problem is not corrected.
Incorrect eligibility documentation	Initial \$50 per file for incorrect calculations, verifications, or required documents. Additional \$50 per month if not corrected. Correction: Submit copies of corrections to compliance staff as applicable.	30 days from discovery date to submit copies of corrections to compliance staff to avoid additional \$50 per month if not corrected
Failure to complete annual recertifications	Initial \$250 for each incomplete file. Additional \$50 per month if not corrected. Correction: Submit copies of recertifications to compliance staff.	30 days from discovery date to submit corrections to avoid additional \$50 per month if not corrected.
Failure to maintain tenant eligibility records	Initial \$500 per unit, again every 90-days thereafter until new records in place. Additional \$100 per unit per month the project remains out of compliance. Correction: Immediately establish new files/records.	30 days from discovery date to submit copies of new records to avoid additional \$100 per unit per month the project remains out of compliance.
Incorrect Rents	Reimbursement to tenant of the entire amount overcharged. \$100 payment to Agency for each over-charged unit. Correction: Refund tenant with letter of correction.	30 days from discovery date to avoid additional \$100 per overcharged unit per month fee to Agency.
Failure to submit complete and accurate monthly Bond Report by due date	Initial \$100 per report. Additional \$100 per day until complete and accurate report submitted. Correction: Submit copies of corrections to compliance staff as applicable.	7 days from discovery date to submit complete and accurate report to avoid additional \$100 per day charge.
Failure to comply with approved Management Plan	Initial \$100 per report. Additional \$100 per day until complete and accurate report submitted. Correction: Submit copies of corrections to compliance staff as applicable.	30 days from discovery date to submit corrections to avoid additional \$100 per day charge.
Failure to submit complete and accurate quarterly Resident Services report by due date	Initial \$100 per report. Additional \$100 per day until complete and accurate report submitted. Correction: Submit copies of corrections to compliance staff as applicable.	7 days from discovery date to submit corrections to avoid additional \$100 per day charge.

Failure to provide a resident service required by Resident Services Plan	Initial \$250 per service. Additional \$100 per day until service is provided. Correction: Implement required service or new resident services plan submitted and approved; approved plan implemented.	7 days from discovery date to implement required service or provide new resident services plan to avoid additional \$100 per day charge; 30 days from discovery date to implement new plan to avoid additional \$100 per day charge.
Noncompliant lease	\$100 per noncompliant lease. Correction: Prepare and execute approved lease or addendum to address the deficiency.	30 days from discovery date to avoid additional \$100 per noncompliant lease per month charge to Agency.

Housing Quality Standards Violations		
Compliance Violation	Fees and Actions*	Corrective Time Period
Verifiable existence of Toxic Mold	\$200 per unit. Additional \$75 per day charge each time efforts fall outside of corrective timeframes. Correction: Prepare and submit action plan that addresses scope of work and timetable to complete. Relocate tenant if necessary. Obtain certified clearance that mold has been abated and unit is safe to occupy once again.	3-days from discovery date to submit action plan to address. 10-days to relocate tenant if necessary. 30-days to obtain certification that unit is mold free. \$75 per day additional charge each time efforts fall outside of these timeframes.
Broken pipes and plumbing facilities	\$200 per unit. Additional \$75 charge per day if not corrected. Correction: Repair/replace as necessary	7-days from discovery date to avoid additional \$75 per day each day thereafter corrective action not taken.
Smoke detectors not working in the units	\$200 per unit with non-functional smoke detector. Additional \$75 charge per day if not corrected. Correction: Replace batteries or non-working unit within 24 hours.	Within 24 hours of discovery date to avoid \$75 per day additional charge each day thereafter corrective action not taken.
Windows with large cracks or missing glass	\$200 per unit. Additional \$75 charge per day if not corrected. Correction: Repair/replace as necessary.	7-days from date of discovery to avoid \$75 per day additional charge each day thereafter corrective action not taken.
Infestation of roaches or vermin	\$200 per infested unit. Additional \$75 charge per day if not corrected. Correction: Letter from pest control company verifying removal of pests with paid invoice to compliance staff.	7-days from date of discovery to avoid \$75 per day additional charge each day thereafter corrective action not taken.
Non-working heating unit (Winter) or air conditioning unit (Summer)	\$500 per nonworking unit. Additional \$75 charge per day if not corrected. \$75 re-inspection fee if necessary to verify problem corrected. Correction: Repair/replace as necessary.	Within 24 hours of discovery date to avoid \$75 per day additional charge each day thereafter corrective action not taken.
Excessive amount of urine/ feces	\$200 per unit. Additional \$75 charge per day if not corrected. Correction: Clean unit as necessary and address problem as the lease allows. Submit correction letter with documentation to compliance staff.	7-days from date of discovery to avoid \$75 per day additional charge each day thereafter corrective action not taken.
Excessive amount of trash/garbage in the unit	\$75 per unit. Additional \$75 charge per day if not corrected. Correction: Clean unit and send letter of correction to compliance staff.	14-days from date of discovery to avoid an additional \$75 per day thereafter each day corrective action not taken.
Hazardous exterior conditions	\$500 for hazardous conditions. Additional \$75 charge per day if not corrected. \$75 re-inspection fee.	7-days from date of discovery to avoid \$75 per day additional charge each day corrective action not taken.

	Correction: Clean and/or repair as necessary. Re-inspection to verify problem addressed.	
Large holes walls/ceiling	\$100 per unit. Additional \$75 charge per day if not corrected. Correction: Submit correction letter with documentation to compliance staff.	30-days from date of discovery to avoid \$75 per day additional charge each day corrective action not taken.
Non-Operable Security Gate	\$500 per non-working gate. Additional \$75 charge per day if not corrected. \$75 re-inspection fee if necessary to verify problem corrected. Correction: Repair/replace as necessary.	7-days from date of discovery to avoid \$75 per day additional charge each day corrective action not taken.
No Security Cameras (if cameras required)	\$250 per discovery. Additional \$75 charge per day if not corrected. \$75 re-inspection charge to verify problem corrected. Correction: Replace cameras.	30-days from the date of discovery to avoid \$75 per day additional charge each day thereafter corrective action not taken.
Non-working Security Cameras	\$100 per camera per discovery. Additional \$75 charge per day if not corrected. \$75 re-inspection charge to verify problem corrected. Correction: Repair/replace as necessary.	7-days from date of discovery to avoid \$75 per day additional charge each day corrective action not taken.
Non-working or non-accessible amenities/services	\$100 per item per discovery. Additional \$75 charge per day if not corrected. \$75 re-inspection charge to verify problem corrected. Correction: Repair/replace as necessary.	7-days from date of discovery to avoid \$75 per day additional charge each day corrective action not taken.

* No compliance fee will be assessed for one incident of each type of compliance violation per annual inspection provided the violation is corrected within the specified corrective time period. The second and subsequent violations will be assessed compliance fees as detailed in the Tenant Eligibility and Affordability Violations and Housing Quality Standards Violations tables.

**JOINT ESCROW INSTRUCTIONS
FOR AGENCY LOAN
ST. FRANCIS TERRACE APARTMENTS
2525 L STREET, SACRAMENTO, CALIFORNIA**

“Effective Date”	April ___, 2018
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Agency and Borrower execute these Escrow Instructions as of the Effective Date. This document, including attachments and any amendments and additions, shall constitute the joint escrow instructions of Agency and Borrower for the Agency loan secured by the Property.

ARTICLE I. GENERAL TERMS.

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

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

“Title Company”	Fidelity National Title Company			
	Address:	2150 John Glenn Drive, Suite 400, Concord, CA 94520		
“Escrow” with Title Company	Escrow Number:	FSSE-0101600118 KA	Attention:	Kristi Adan
“Agency”	Sacramento Housing and Redevelopment Agency			
	Address:	801 12 th Street, Sacramento, CA 95814		
	Attention:	Anne Nicholls		
“Borrower”	Mercy Housing California 80, L.P.			
	Address:	c/o Mercy Housing California, 1360 Mission Blvd., Suite 300, San Francisco, CA 94103		
	Attention:	Stephan Daues		
“Closing Date”	April 20, 2018 or as it may be extended.			
“Property”	Address:	2525 L Street, Sacramento, CA	APN:	007-0104-019
Description of the transaction	The Agency is making a new acquisition, construction and permanent financing loan to a property against which there are existing loans to be assigned to and assumed by the new owner so that the property can be completely renovated. This loan will close simultaneously with senior financing and will be subordinate to such senior financing. A regulatory agreement pursuant to this loan will be recorded against the Property.			

“Recorded Documents”- The following documents are to be recorded in the order listed (top being first in priority). Copies of the Recorded documents are attached.	Documents: <ol style="list-style-type: none"> 1. Second Amendment to Owner Participation Agreement 2. Amended and Restated Deed of Trust and Assignment of Rents and Substitution Trustee (1993 Loan 1) 3. Amended and Restated Deed of Trust and Assignment of Rents and Substitution Trustee (1993 Loan 2) 4. Grant Deed (provided by Mercy Housing’s counsel) 5. Assignment, Acknowledgement and Acceptance of Agreement containing Covenants Affecting Real Property 6. Assignment, Acknowledgement and Acceptance of Regulatory Agreement with Rental and Resale Restrictions 7. Assignment and Assumption Agreement regarding loans per Owner Participation Agreement 8. Low and Moderate Income Housing Fund Regulatory Agreement for Residential Property and Declaration of Restrictive Covenants Affecting Real Property 9. HOME Regulatory Agreement for Residential Property and Declaration of Restrictive Covenants Affecting Real Property 10. Deed of Trust and Assignment of Rents 	Marked for return to: Sacramento Housing and Redevelopment Agency 801 12th Street – 4 th Floor Sacramento, CA 95814 Attention: Anne Nicholls
“Agency Items”	Promissory Note for subject loan Loan Agreement for the subject loan Authorizing resolutions for all Borrower signatories	
“Borrower Items”	conformed copies of the recorded documents.	

“Special Provisions”:	Title Policy shall, in addition to customary endorsements, bear the following endorsements: ALTA 101.1 Mechanic’s Lien Endorsement for the Regulatory Agreement - CLTA 124.1
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“Agency Title Policy” in the form of an ALTA Agency’s Policy insuring that the following are valid liens against the property:	Documents:	Coverage amount:	
	<ol style="list-style-type: none"> 1. Regulatory Agreement for Residential Property and Declaration of Restrictive Covenants Affecting Real Property 2. Deed of Trust and Assignment of Rents 	In the amount of the loan secured: Two Million Five Hundred Forty-Seven Thousand Dollars and No Cents (\$2,547,000.00)	
The title policies shall be subject only to the following “Conditions of Title”:	As listed on the pro forma title policy to be approved by the Agency.	Dated:	TBD
		Number:	FSSE-0101600118 KA

THE PARTIES HAVE EXECUTED THESE ESCROW INSTRUCTIONS in Sacramento, California as of the Effective Date.

BORROWER: MERCY HOUSING CALIFORNIA 80, L.P., a California limited partnership

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

By: Florin Housing Corporation,
a California nonprofit public benefit corporation
its general partner

By: _____
LaShelle Dozier, Executive Director

By: _____
Stephan Daues, Vice President

ARTICLE II. INSTRUCTIONS

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

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

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

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

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

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

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

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

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

2.2. **TRUST DEED FORM.** If no exhibit setting out the form of the Trust Deed form is attached, the Title Company shall draw the Trust Deed on the Title Company’s Long Form Deed of Trust. Title Company shall assure that the Trust Deed includes a standard clause giving Agency the option to accelerate the Loan upon the sale, conveyance, transfer or further encumbrance of the Property, whether voluntary or involuntary. Title Company shall also affix the following provision to the Trust Deed and incorporate it in the Trust Deed by reference:

“The Loan Agreement requires the filing of the “Regulatory Agreement” that is defined in the Loan Agreement. The Regulatory Agreement contains covenants running with the land and is recorded against the Property. If Developer does not comply with the requirements of the Regulatory Agreement and fails to come into compliance with the Regulatory Agreement within thirty (30) days after Agency’s written notice to Developer of such failure, the principal balance of the Loan shall, at Agency’s option, be immediately due and payable, together with all unpaid interest at the stated rate from the date of the advancement of the Loan’s proceeds.”

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

2.3.1. Assure fulfillment of the Special Provisions;

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

2.3.3. Obtain full execution of all unexecuted documents;

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

2.3.5. Record the Recorded Documents in the priority listed;

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

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

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

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

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

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ACCEPTANCE OF ESCROW INSTRUCTIONS

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

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

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

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

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

Dated: _____

TITLE COMPANY
FIDELITY NATIONAL TITLE COMPANY

By: _____

Name: _____

Title: _____
Its authorized agent and signatory