



**SACRAMENTO
HOUSING AND REDEVELOPMENT
AGENCY**



Comm Rpt
BTE
9.4

January 16, 1990

APPROVED
BY THE CITY COUNCIL

JAN 16 1990

OFFICE OF THE
CITY CLERK



Redevelopment Agency of the
City of Sacramento
Sacramento, California

Honorable Members in Session:

SUBJECT: Execution of Owner Participation Agreement (OPA) with Demetrio Bautista Jr. and Naeko Bautista for Rehabilitation of a Residential Historic Structure and Authorization to Allocate Funds

SUMMARY

This report requests authorization to enter into an Owner Participation Agreement (OPA) with Demetrio Bautista Jr. and Naeko Bautista Development Partners (Developer) for rehabilitation of a residential historic structure. As part of the OPA, the Agency will award a rehabilitation loan of \$158,474 to the developer.

BACKGROUND

Demetrio Bautista Jr. and Naeko Bautista, Development Partners, have submitted a proposal to the Agency to rehabilitate a residential historic structure located at 502-504 10th Street for residential use. A map of the parcel is attached as Exhibit A. By way of qualification, Demetrio Bautista, Jr. is a state licensed general contractor and has completed several residential rehabilitation projects throughout the Sacramento Metropolitan Area. A list of these projects is attached as Exhibit B.

1-16-90
D-1

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Redevelopment Agency of the
City of Sacramento
January 16, 1990
Page 2

SUMMARY OF PROPOSAL

The developer proposes to rehabilitate the three story wood frame historic structure, located at 502-504 10th Street, to provide eleven (11) rental units. The structure, which has an interior area of 9,980 square feet, is located in an R3A zone. The structure's original integrity is intact and is individually eligible for the National Register of Historic Places. The three story wood frame Moorish-Mission Revival apartment building was constructed circa 1905. It has distinctive second floor corner porches with Moorish arches surmounted by third floor corner square bays; third floor Moorish "window surrounds" surmount the second story central bay. The structure is located within the boundaries of the Alkali Flat Historic District #5.

The property has been condemned by the City's Code Enforcement Division and the units are currently vacant. The property cannot be sold due to its substandard condition and outstanding liens placed on the property.

The developer proposes to act as the general contractor and will contribute 22% equity (\$93,397) to the project. An Agency Rental Rehabilitation Program (0% interest) loan of \$75,500 has been approved for the project and a Alkali Flat tax increment (3% interest) Special Rehabilitation Program loan of \$158,474 is requested from the Agency to complete the project. The developer proposes to complete construction within 270 days after award of rehabilitation loan funds.

Staff has prepared the following estimate of costs for the project based on the developer's proposal.

<u>PROJECT COST</u>		<u>SOURCE OF FUNDS</u>	
Land and Improvement Acquisition	\$144,000	Land and Improvement Acquisition (Private Loan)	\$ 91,500
Rehabilitation	\$274,871	Developer Equity	\$ 93,397
		Rental Rehab Loan	\$ 75,500
		AF Tax Increment Special Rehab Loan	<u>\$158,474</u>
Total Cost	\$418,871	Total Cost	\$418,871

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Redevelopment Agency of the
City of Sacramento
January 16, 1990
Page 3

The developer proposes to rent the eleven completed apartments for \$275 and \$300 (2-studio units), \$315 (2-one bedroom units), \$400 (3-two bedroom units), \$425 (2-two bedroom units), \$450 (1-two bedroom unit) \$475 (1-two bedroom unit) respectively, for a total income of \$50,160 annually. Unit size ranges from studio, one and two bedrooms. An Alkali Flat tax increment (3% interest) loan of \$158,474 is required to make the project feasible. Under this scenario, operating expenses, vacancy losses and debt service will allow what we believe to be a very modest after rehabilitation cash flow of \$3,569 annually. The estimated after-rehabilitation value of the project based on comparable sales data and an 8% capitalization rate, is approximately \$477,000. (Please see Developer's Proposal and Agency Proforma attached as Exhibits C and D).

Approval of this project has the following advantages:

1. Saves an endangered historically and architecturally significant building;
2. Significantly improves the appearance of the vacant and deteriorating structure;
3. Improves the balance of low and moderate income housing in the Alkali Flat Area;
4. Advances the goals of the Central City Plan for more residential housing and for a 24 hour downtown community environment.

An Owner Participation Agreement (OPA) has been prepared by the Agency and executed by the Developer. The OPA restricts the project to residential use for the term of the loan (15 years).

FINANCIAL DATA

The Agency proposes to provide a 15 year low-interest (3%) loan of \$158,474. A Rental Rehabilitation Program (0% interest) loan of \$75,500 has already been approved pursuant to that programs adopted procedures. The developer will provide an equity contribution of \$93,397 which equals 22% of project costs to complete the project. The Alkali Flat Special Rehabilitation Program fund currently has a balance of \$491,526 leaving a balance of \$333,052 if this loan is approved. This loan approval does not amend the 1989 budget.

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Redevelopment Agency of the
City of Sacramento
January 16, 1990
Page 4

POLICY IMPLICATIONS

This recommendation is consistent with the Alkali Flat Redevelopment Plan and Implementation Strategy and the goals of the Agency's Alkali Flat Special Rehabilitation Program guidelines.

ENVIRONMENTAL REVIEW

CEQA: This action is exempt from environmental review per Section 15301 Class 1 (d), as it relates to the restoration and rehabilitation of deteriorated and damaged structures. The rehabilitation works will be consistent with federal requirements for preserving the historic integrity of the structures.

NEPA: The Agency is completing Section 106 requirements with the State Historic Preservation Officer. No federal rehabilitation funds will be spent until SHPO and the Advisory Council on Historic Preservation have concurred with the architectural plans. This project is categorically excluded from NEPA requirements per 24 CFR Part 58.35(a)(1)(ii), and meets all other Statutory Requirements.

MBE/WBE EFFORTS

The Agency's MBE/WBE policy applies to this project. The developer/general contractor is a member of a minority group and is in the process of applying for Minority Business Enterprise certification. The OPA contains the specific goals and requirements of the MBE/WBE program and the Agency will provide the owner with a directory of certified firms to use in soliciting subcontractors.

VOTE AND RECOMMENDATION OF THE ALKALI FLAT PROJECT AREA COMMITTEE (PAC)

At its regular meeting of October 18, 1989, the Alkali Flat PAC voted unanimously to recommend approval of this project, with the condition that the project's density be reduced by converting the three and four bedroom units to two bedroom units.

AYES: Barajas, Booher, Bustamante, Flores, Glauz, Masters,
Murguia, Viarnes, C. Williams, T. Williams
NOES: None
ABSENT: Camacho, Castillo, Fanner, Giannini, Gonzales

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Redevelopment Agency of the
City of Sacramento
January 16, 1990
Page 5

VOTE AND RECOMMENDATION OF THE COMMISSION'S LOAN COMMITTEE

At its regular meeting of May 11, 1989, the Sacramento Housing and Redevelopment Commission's Loan Committee voted unanimously to recommend approval of this project, subject to Alkali Flat PAC's recommendation, and authorization for the Executive Director to execute the Owner Participation Agreement. Because PAC recommendations resulted in some changes to the financing of this proposal, the project was considered again at the Loan Committee's regular meeting of December 14, 1989. At this meeting, the Loan Committee again voted unanimously to recommend approval of this project, as revised, and authorization for the Executive Director to execute the Owner Participation Agreement with Demetrio Bautista Jr. and Naeko Bautista Development Partners:

AYES: Kaiser, Tobe, Strong, Wooley
NOES: None
ABSTAIN: None
ABSENT: Simpson-Fontaine, Walls

VOTE AND RECOMMENDATION OF THE COMMISSION

At its meeting of January 8, 1990, the Sacramento Housing and Redevelopment Commission adopted a motion recommending approval of the attached resolution. The votes were as follows:

AYES: Amundson, Moose, Pernell, Sheldon, Simon, Simpson,
Strong, Wiggins, Wooley, Yew
NOES: None
ABSENT: None

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Redevelopment Agency of the
City of Sacramento
January 16, 1990
Page 6

RECOMMENDATION

The staff recommends adoption of the attached resolution, which authorizes the Executive Director to: (1) execute an Owner Participation Agreement and all documents related thereto, with Demetrio Bautista Jr. and Naeko Bautista Development Partners for Rehabilitation of a residential historic structure, (2) approve permanent financing of \$158,474 from Alkali Flat Tax Increment Funds to the developer to finance this project. Staff further recommends recognition of the exempt status of the project, per CEQA Section 15301 Class 1(d).

Respectfully submitted,



ROBERT E. SMITH
Executive Director

TRANSMITTAL TO COUNCIL



WALTER J. SLIFE
City Manager

Contact Person: Anne Moore
440-1315

0090Q



RESOLUTION NO. 90-004

ADOPTED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

ON DATE OF _____

**OWNER PARTICIPATION AGREEMENT WITH DEMETRIO BAUTISTA, JR.
AND NAEKO BAUTISTA DEVELOPMENT PARTNERS, AND
AUTHORIZATION TO ALLOCATE ALKALI FLAT
TAX INCREMENT FUNDS**

BE IT RESOLVED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO:

Section 1: The Executive Director is hereby authorized to execute the attached Owner Participation Agreement (OPA) with Demetrio Bautista, Jr. and Naeko Bautista Development Partners (Developers), for rehabilitation of an historic residential structure.

Section 2: The Executive Director is authorized to take all necessary action to prepare and execute all other agreements and documents related to, and in connection with, the OPA.

Section 3: Allocation of \$158,474 of Alkali Flat Tax Increment Funds for the above project is authorized for use by the Executive Director in accordance with the terms described in the Owner Participation Agreement.

CHAIR

ATTEST:

SECRETARY

1100WPP2(451)

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

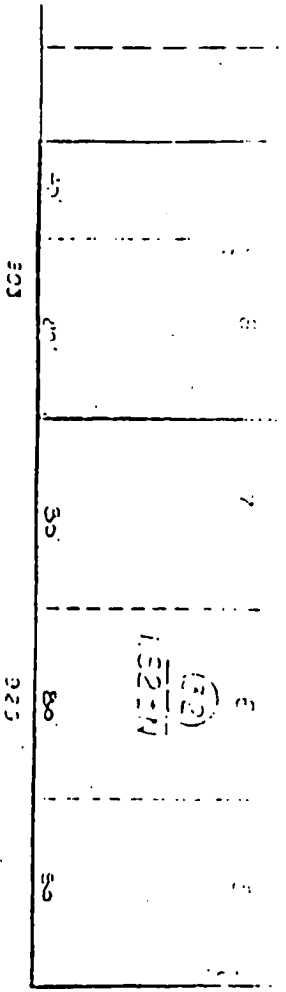
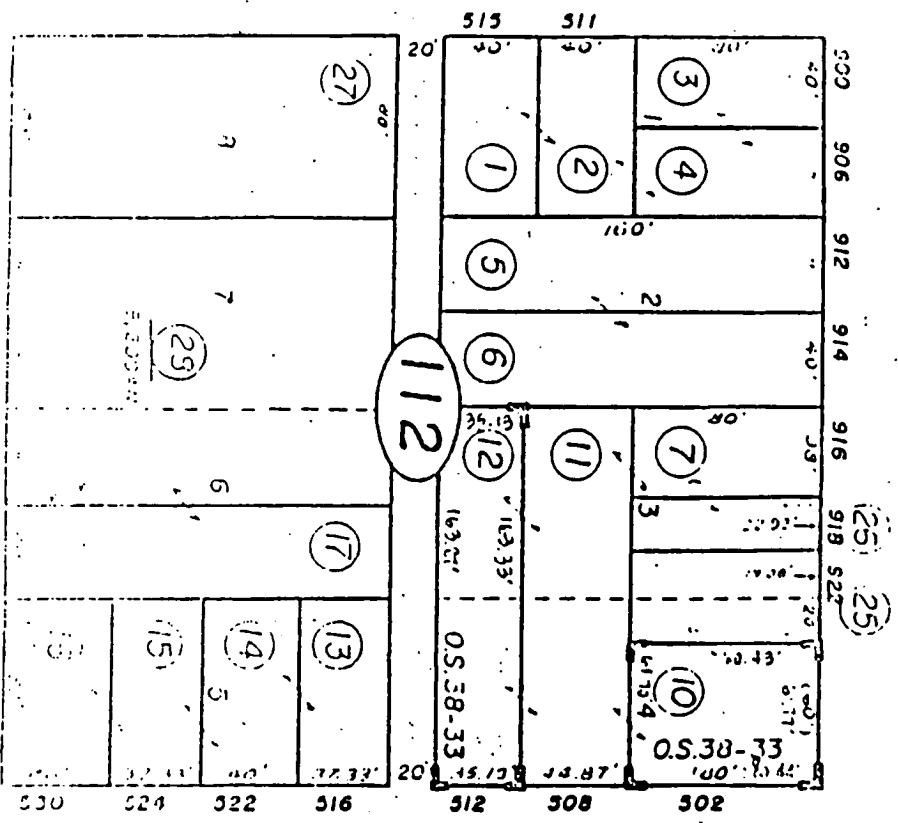
DATE ADOPTED: _____

10

80 E



9th



10th

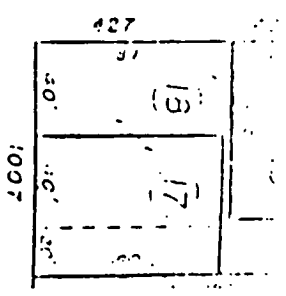
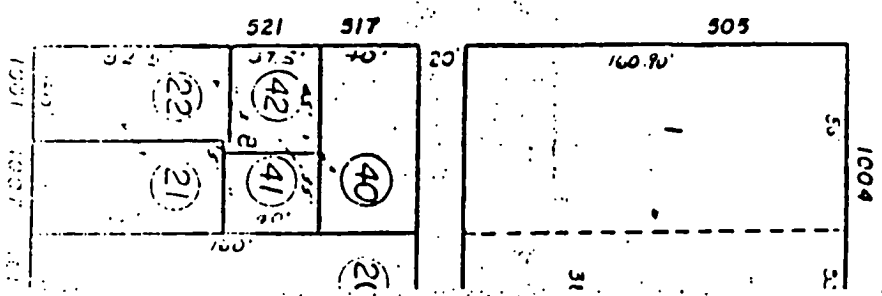


EXHIBIT B

REHABILITATION PROJECTS - BAUTISTA

1517 F Street, Sacramento
1310 F Street, Sacramento
1501 F Street, Sacramento
1429 E Street, Sacramento
5230 San Francisco Boulevard, Sacramento

0120Q

Potential Developer Inquiry
Page 2

7. What type of assistance are you requesting from the Redevelopment Agency? Indicate type and amount.

I NEED A LOAN IN THE AMOUNT OF \$309,152.00

8. Who will occupy the completed structure? List potential occupants by company name (if known) or by type. For example: renters, homeowners, retail shops, offices, restaurants, etc.

RENTERS FROM SECTION 8 AND ANY OTHER PERSONS NEEDED A PLACE TO LIVE

9. Please Provide:

NAME: DEMETRIO V. BAUTISTA

BUSINESS NAME: N/A

ADDRESS: 9235 CARLA WAY SACRAMENTO 95826

WORK PHONE: 366-0948

HOME PHONE: 366-0948

RETURN THE COMPLETED QUESTIONNAIRE TO:

SACRAMENTO REDEVELOPMENT AGENCY
NEIGHBORHOOD DEVELOPMENT DIVISION
630 I STREET, SECOND FLOOR (C-25)
SACRAMENTO, CALIFORNIA 95814

ATTENTION: MR. TIM QUINTARO

EXHIBIT C
SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY
APPLICATION FOR DEVELOPER ASSISTANCE

I. PROJECT DESCRIPTION

- A. Project Name: NAME OF APARTMENT
NOT APPLICABLE AT PRESENT
- B. Project Location: 502 10TH STREET, SACRAMENTO
- C. Project Description (describe type of use, number of units, or square footage uses):

CONVERT EXISTING 17 UNITS INTO 11 UNITS TO
PROVIDE LARGER LIVING SPACE. SEE DRAWING
ATTACHED. COMPLETE REWIRING, RE PLUMBING
PAINT INTERIOR AND EXTERIOR, INSTALL NEW CARPET
LINOLEUM, NEW APPLIANCES, AIR CONDITION AND HEAT
AND EXTERIOR REPAIR AS APPROVED BY PLANNING COMMISSION

<u>Floor Area</u>	<u>Use</u>	<u>Units</u>	<u>Construction</u>	<u>Rehab</u>
<u>SEE ATTACHED FLOOR PLANS</u>				
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

Current zoning: RESIDENTIAL Size of site: 73.6' X 62'

Proposed Building Coverage (sq. ft.): 4,233 EACH FLOOR LEVEL

Proposed Parking: VARIANCE APPROVED IN 1984 SUBMITTED
BY DEVELOPER BRUCE MINTZER, RE SUBMIT IN 1987 APPROVED
BY PLANNING COM

Type of Site Control: AS PURCHASED IN 8 MARCH 1987

Anticipated Construction Start Date: DECEMBER 1988 OR
AS SOON AS POSSIBLE

II. PROJECT DEVELOPER

Name: DEMETRIO V. BAUTSTA

Address: 9235 CARLA WAY SACRAMENTO CA 95826

Phone Numbers 366-0946

Legal Status of Developer (corporation, partnership, individual):

INDIVIDUAL.

Proposed Team Participants: Please name and give the phone number of your development team members:

Architect/Engineer: ROBERT A. MESSATTI LICENCE # C-122

Contractor: DEMETRIO V. BAUTSTA

Accountant: NORID H. BAUTSTA / BOOKKEEPER DON SHATO 961-696

Other: SUB-CONTRACTORS WILL BE TRADELICENSEES

Development Experience: Please list or attach a summary of your past development experience including a description of the development, the development team members, and your role in the project:

1077 "F" STREET SACRAMENTO VICTORIAN HOMES REHAB. \$50,000

1310 "F" STREET SACRAMENTO REHAB. \$30,000

1501 "F" STREET SACRAMENTO REHAB \$40,000

1429 "E" STREET SACRAMENTO REHAB \$60,000

5230 SAN FRANCISCO BLVD. REHAB ROOM SAC. ADDITION \$80,000

PRIOR TO MY RETIREMENT FROM ARMY (1976 TO 1984)

AND AIR FORCE EXCHANGE SERVICE I

WAS IN CHARGE OF EQUIPMENT AND FACILITIES WHICH

DEVELOPED AND EXECUTED APPROXIMATELY \$30,000,000

COST OF PROJECTS FOR RENOVATION AND NEW

CONSTRUCTION AND REPAIR OF BUILDINGS FOR

TRAVIS AFB, MATHER AFB, McLELLAN AFB,

BEALIE AFB., AND AMMO SITE, CALIF. AND

NEVADA. 1976 TO 1969 I WAS ASSIGNED UNDER THE

PACIFIC COMMAND AT AFES SAME CAPACITY.

Lender References: Please list the name and phone number of lenders you have worked with before:

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY 31
THE REAL STATE- LOAN CENTER 966-1400
HOME SAVINGS OF AMERICA, GREAT WESTERN BANK AND HOME
13.

III. PROJECT DEVELOPMENT COST SUMMARY:

A. Existing Indebtedness: (If the proposed site or project has existing financing please describe):

	<u>LOAN #1</u>	<u>LOAN #2</u>
AMOUNT:	<u>30,000</u>	<u>50,000</u>

USED FOR: ACQUISITION

TERM: LOAN #1 ASSUMED 4 MORE YEARS LIFE OF LOAN

AMORTIZED 1992 AT \$1,170 MONTHLY PAYMENT

BALLOON PAYMENT: LOAN #2 1990

INTEREST RATE: 11 1/2 PERCENT

SECURED BY: DEED OF TRUST

LENDER: SARAH PAPASTEPHANOS LOAN #1
BAUILLIO RAMIREZ LOAN #2

ANNUAL PAYMENT: LOAN #1 \$14,040. CURRENT
LOAN #2 5,000 BALLOON PAYMENT 19

B. Proposed Development Costs: (Use attachment 1 to develop and support your estimates):

DEVELOPMENT

Total Acquisition Costs \$130,000

Total Construction Costs \$309,152.

Hard Costs \$ ~~309,152~~ 241,800.00

Soft Costs \$ ~~67,352.00~~

Other (Specify) \$ _____

TOTAL \$439,152

FINANCING COSTS

Interim Financing of \$ 0 amount assumed at 0 % interest through construction period of _____ months and lease-up/sale period of _____ months.
Proposed Lender(s) N/A

IV. INCOME ESTIMATES: (Please use annual information)

Type of Units	No. of Units	x	Monthly Rent	x 12	= Annual Income
Residential	EF STORAGE 11		440		\$ 5,280
	1 BR 3		400		14,400
	2 BR 4		500		24,000
	3 BR 9		600		21,600
	4 BR 1		750		9,000
	LAUNDRY & SNACKS VENDING MACHINE				1,200
					Sub-TOTAL \$ 78,400
	<u>Sq.Ft. x \$ Per Sq.Ft./month</u>				
Commercial/					
Retail		x \$		x 12 =	\$ <u>0</u>
Office		x		x 12 =	\$ <u>0</u>
Parking Spaces		x		x 12 =	\$ <u>0</u>
	TOTAL ANNUAL PROJECT INCOME				\$ 78,400.

V. EXPENSES: (Please use annual data and use Attachment 2 to develop and support your estimates):

ANNUAL VACANCY LOSS	6%: 10% OF 78,400	\$ 7,840.00
ANNUAL EXPENSES	5%	\$ 3,920.00
TOTAL		\$ 11,760.00

VI. PROJECT VALUE ESTIMATES:

Please estimate the after rehabilitation or after construction value of the project based on:

Comparable data of \$ 40.00 per sq.ft. or \$ 50. PER SQ.FT.
Capitalization rate of 27 1/2 YEARS or
Gross Rent Multiplier of 8.9.
Other (describe) 0

TOTAL AFTER VALUE: \$ 768,679.00 USING FACTOR OF NET INCOME
\$ 634,950.00 USING 50.00 PER SQ.FT. 8.9

VII. PROPOSED FINANCING:

A. Private Financing:

Amount: _____
Terms (Permanent Loan): _____
Proposed Lenders: _____

B. Equity Contributions: ~~TOTAL INVESTED IN THIS PROJECT~~ 63,150
UP TO DATE 21 NOV. 1985

Amount: \$50,000 TOTAL INVESTED ON THIS PROPERTY ~~63,150~~
Source (cash on hand, investor capital):

MORTGAGE (1ST) UPPER MORTGAGE PAYMENT 21 MONTHS 41170 = 24,570.00
MORTGAGE (2ND) PAID TO BARDILLIC 10,500, ESCROW FEE 2,600, LAWYERS
FEES 2,750, TAXES 2,800. CLOSING UTILITY BKL AND TRANS.

C. Developer Assistance Request: TAXES APPROX 43,000 ACCOUNT
AND BOOKKEEPING 8,500, APPRAISAL FEE \$ 3,000 REPAIR OF WALKWAY

Amount: 309,152
Uses: _____ \$2,600 INSURANCE \$10,000 PERMIT

VIII. MARKETING INFORMATION

A. Do you have a marketing study for this project?

YES _____ NO _____

B. Please list your proposed marketing or lease-up agent.

DIEMETRIO V. BAUTISTA
BASED ON MY EXPERIENCED AS LAND LORD
SINCE 1984, I HAVE 40 UNITS. I HAVE
SOLD 19 UNITS RECENTLY TO GENERATE
CASH FOR SUPPORTING THIS PROJECT.

- 1517 "F" ST. 2 PLEX
 - 1511 "F" ST 2 PLEX
 - 1310 "F" ST 3 PLEX
 - 1429 "E" ST 2 PLEX
 - 3644 1ST AVE. 3 PLEX
 - 5230 SF BLVD 4 PLEX
 - 3820 STEPHEN DR. SINGLE FAMILY HOME
 - 1505 "F" ST. 2 PLEX
- 19 UNITS

C. Please discuss your marketing plans for this project:

PRIORITY #1 TO RENT APARTMENT TO HOMELESS
PERSON UNDER SEC. #8

PRIORITY #2 TO RENT APARTMENT TO HOMELESS
FAMILY WITH NO EXCEPTION. COLOR, RACE
OR RELIGION

PRIORITY #3 TO RENT APARTMENT TO PERSONS
WORKING IN DOWNTOWN, SO THAT THEY CAN
WALK TO WORK-SITE.

PRIORITY #4 ANY PERSON NEEDED A HOME

Prepared and Submitted By:

Domitio V. Blandino
(Name/Signature)

Date 21 Nov. 1988

1988K

Project Name:

N/A

ATTACHMENT 1
DEVELOPMENT COST BREAKDOWN

1. Land Costs

- a. Acquisition Costs \$ 139,000.
 - b. Closing Costs 1,200.
 - c. Other (Specify) UTILITY BILL 1,800.
- TOTAL \$ _____

2. Construction Costs (Hard Costs)

- a. Demolition and Site Preparation \$ SITE ATTACHED
- b. Off Site Improvements ESTIMATE SHEET
- c. Building Shell Construction Costs
 Commercial sq.ft. x \$ _____ sq.ft.
 Residential sq.ft. x \$ _____ sq. ft.
- d. Tenant Improvements \$ _____
- e. Parking \$ _____
 Surface/Lot # of spaces 2
 Structure Parking # of floors _____
 and # of spaces _____ VARIANCE APPROVED IN 1984
- f. Landscaping SITE ESTIMATE SHEET \$ _____
- g. Other Costs (Specify) \$ _____

TOTAL CONSTRUCTION

\$ 309,152

Project Name: _____

ATTACHMENT 1
DEVELOPMENT COST BREAKDOWN

3. Fees and Other Costs (Soft Costs)

a.	Architectural and Engineering Fees	\$ 10,000.
b.	Legal Fees	2,750
c.	Insurance and Bonding	4,500
d.	Loan fees and Points	4,300
	Interim Loan _____	9,000
	Permanent Loan _____	2,000
e.	Contractor fees	0
f.	Developer Overhead	26,000
g.	Governmental Fees	
	(List: <u>ACCOUNTANT AND BOOKKEEPER</u>	6,500
	<u>APPRAISAL FEE</u>	3,300

h.	2% art in Public Spaces	
i.	Other Costs (Please Specify	

	TOTAL SOFT COSTS	<u>69,350.00</u>

Project Name: _____

ATTACHMENT 2
VACANCY AND EXPENSES BREAKDOWN

1. VACANCY

- 1. 80% of space to be leased or sold within _____ months of construction completion.
- 2. The estimated operating vacancy rate is _____ %.
- 3. Estimated average annual income loss due to vacancy for the first year of stabilized occupancy:
\$ _____

2. ANNUAL OPERATING EXPENSES

1. Taxes	\$ 1,400.
2. Insurance	2,400
3. Utilities	1,300
4. Landscape Maintenance	600
5. Building Maintenance	600
6. Advertising/Marketing	200
7. Legal, accounting and other professional services	3,400
8. Property Management Agent	2,400
9. Replacement Reserves <i>utility UNDER FIRST YEARS</i>	600 <i>Secondary</i>
10. Other (Specify) _____	

11. Existing Debt Service Obligations (See Section III A)	18,840
12. New Debt Service Estimates	28,669
ESTIMATED TOTAL EXPENSES	\$ 11,300.00

\$ 58,809

1988K

NOTE: \$250,000 AT 8% 1.5 YEARS
\$250,000 AT 4% " " \$22,190

PROJECTED ANNUAL INCOME \$78,400.00

MULTI-FAMILY AND COMMERCIAL LOAN
COST ESTIMATE / FACADE

This report reflects the actual work completed on the structure located at:

502-504 10th Street, Sacramento, CA 95014

Owner: DEMETRIO BAUTISTA

Contractor: OPA

State Lic Number

Date: Revised 4-11-89

Progress Payment # _____

Date: _____

Original Submittal

This Period

TRADE ITEM	(1)	(2)	(3)	(4)
	Estimated Cost	Prev Report % Amount	This Period % Amount	To Date % Amount
1. Concrete	3000.00			
2. Masonry	1250.00			
3. Metals	2650.00			
4. Rough Carpentry	10,000.00			
5. Finish Carpentry	8000.00			
6. Waterproofing	1000.00			
7. Insulation	600.00			
8. Roofing	2420.00			
9. Gutters	1200.00			
10. Doors	10,000.00			
11. Windows	5000.00			
12. Glass	2000.00			
13. Lath & Plaster	2000.00			
14. Drywall	12,000.00			
15. Tile Work				
16. Acoustical				
17. Wood Flooring	3000.00			
18. Resilient Flooring	11,000.00			
19. Painting & Decorating	12,200.00			
20. Specialties-Telephone	2000.00			
21. Special Equipment				
22. Cabinets	19,800.00			
23. Appliances	11,000.00			
24. Carpets	11,000.00			
25. Special Const				
26. Elevators				
27. Plumbing & Hot Water	22,000.00			
28. Heat & Ventilation	27,000.00			
29. Air Conditioning				
30. Electrical	22,000.00			
31. Earth Work	1000.00			
32. Site Utilities	2000.00			
33. Roads & Walks	1000.00			
34. Site Improvements	1000.00			
35. Lawns & Planting	1000.00			
36. Demo & Site Prep	Complete			
37. Exterior Repair	20,000.00			
38. Sheet Metal	3000.00			
39. Hardware	2000.00			
40. Fences & Retainer	1000.00			
41. Sewer & Water Fees	500.00			
42. Misc O/H & Profit	10,000.00			
43. Contingency	16,132.00			
44. Bond Premium				
45. Permits #89190II	0			
46. Arch. Eng Fees				
47. Exterior Stairs	5000.00			
48. Scaffolding	3000.00			
49. Fire Sprinkler	2400.00			
50.				
TOTALS:	\$255,320.00			

TOTAL AMT. CLAIMED \$ _____ LESS 20 % \$ _____ PAYMENT AMT. \$ _____
This Period (3)

INSTRUCTIONS:

Complete ONE form for each structure under Contract.

COLUMNS TO BE FILLED OUT BY

(1) OWNER and CONTRACTOR.

(2) CONTRACTOR on each progress report.

(3 & 4) DESIGN ARCHITECT.

Contractor's Signature _____ Date _____

TO: SACRAMENTO CITY HOUSING DEVELOPMENT AGENCY
FM: DEMETRIO V. BAUTISTA
RE: PROPOSED PROPERTY MANAGEMENT PLAN
DT: 12/28/88

Resident manager's will be hired to run the apartment complex on a day to day basis. The resident manager's will follow the following criteria listed below :

A. ADMINISTRATION:

1. Resident manager's will maintain regular office hours (office hours may vary during heavy turnover months) as required by the employer.
2. Resident manager's will be " on call " for emergencies during non-office hours
3. The resident manager's responsibilities will include:
 - a. Report on maintenance, tenant problems and requests, banking, purchases, and vacancies to employer on a regular and timely basis.
 - b. Taking and responding to tenant maintenance requests.
 - c. Contacting and hiring maintenance persons as requested by the employer.
 - d. Banking rents and security deposits.
 - e. Preparing and disbursing tenants forms and notices as necessary.
 - f. Follow-up on forms and notices disbursed.

4

- g. Enforcement of complex rules
- h. Supervision of and delegation of duties to the assistant manager.

B. RENTING ACTIVITIES:

1. The terms of the rent:

- a. Six months or one year leases or Month to Month leases (Need to give 30 days notice to management in order for a tenant to vacate with month to month leases.)
- b. Before a tenant moves into a designated apartment, he needs to pay:
 - i) Total amount of the first months rent
 - ii) Total amount of the last months rent
 - iii) Security deposit of \$ 200.00

2. Collection of rent:

- a. The monthly rent price will be collected on the first day of the month.
- b. If a tenant can not pay rent on the first of the month, 10 dollar will added to the rent price for every 5 days that the rent is late.
- c. If a tenant is one month late with his rent, he will be subjected to termination of his lease.

3. The management will not allow any pets (with the exception of birds and fishs).

C. CLEANING:

1. The resident manager's will:
 - a. Keep the grounds, common rooms, and garbage area free from debris.
 - b. Sweep down cobwebs, stairwells and walkways.
 - c. Minor cleaning of vacant apartments, ie. vacuuming, light appliance cleaning, bathrooms and kitchen surfaces.
 - e. Keep laundry and venting machine areas clean.

E. MAINTENANCE AND REPAIRS:

1. The resident manager's will be "on call" for emergency repairs.
2. Minor repairs not requiring professionals will be done on a routine basis (such as replacing screws, unjamming disposals, rehanging towel bars, replacing air conditioner filters and smoke detector batteries, installing screens, etc.)
3. Any repairs that needs a professional, will be contracted by the employer.
4. Overall , keep the appearance in top condition

TO: PAC COMMITTEE
FM: BAUTISTA AND SON CONSTRUCTION & PROPERTY MANAGEMENT
COMPANY
RE: REVISED PROPERTY MANAGEMENT PROPOSAL
DT: 10/10/89

A on site resident manager will be hired to run the apartment complex on a day to day basis. The resident manager will follow the criteria listed below:

A. INSPECTIONS:

On a quarterly basis, the resident manager will conduct a thorough inspection of all the units with the Health Department and the Building Inspectors to uphold the *highest quality of safety and living conditions*.

B. POLICIES REGARDING THE GROUNDS OF THE COMPLEX:

1. VEHICLE REPAIR: There will be no vehicle repair or storage in the complex premises. Abandoned vehicles will be towed away after a three day notice has been posted.

2. SECURITY OF THE COMPLEX PREMESIS: The resident manager will patrol the premises throughout the day and evening to ensure *no drug traffic* or any *illegal activities* are occurring. If any illegal activities are observed, the resident manager will *notify police*. In addition, anyone who is not registered as a tenant or a guest of a tenant will be asked to leave the complex premises immediately.

C. MANAGEMENT RESPONSIBILITIES:

The resident manager will maintain regular office hours (office hours may vary during heavy turnover months) as required. Tenant's will be able to contact the resident manager during non-office hours for emergencies. The basic responsibilities of the resident manager are:

1. MAINTENANCE AND REPAIR: The resident manager will be "on call" *twenty four hour a day* for emergency repairs. Minor repairs not requiring professionals will be done on a routine basis (such as replacing screws, clogged plumbing, rehangng towel bars, replacing air condition filters and smoke setector batteries, installing screens, etc.) Any repairs that needs a professional will be contracted immediately.

2. CLEANING: The resident manager will keep the grounds, common rooms, and garbage area free from debris and waste. The stairwells, walkways laundry room and vending machine area will be cleaned once a week or more (if necessary).

3. **ADMINISTRATION:** Terms of the rent are one year leases or month to month leases (month to month leases will pay a higher rent price). Before a tenant moves into a designated apartment, the following are required: (1) the total amount of the first and last month rent;(2) security deposit of \$200;(3) if month to month lease, in addition to (1) and (2), additional \$250 security deposit is required.

4. **COLLECTION OF RENT:** The monthly rent will be collected on the first day of each month. If a tenant can not pay the rent of the first of the month, \$10 will be added to the rent price for every 5 days that the rent is late. If a tenant is one month late with his rent, he will be subjected to the termination of his lease and eviction.

D. PETS:

The management will not allow any pets in any unit or around the premisis of the apartment complex.

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

LOAN COMMITTEE MEETING

Date: DECEMBER 14, 1989

APPLICATION NUMBER: _____

APPLICANT(S): DEMETRIO AND NAKAO BAUTISTA

PROPERTY ADDRESS: 502 10th Street, Sacramento, CA. 95814

REQUESTED LOAN AMOUNT: \$75,500.00

Based upon application and supporting documentation in this case, I recommend that the loan for DEMETRIO BAUTISTA be approved.


CHARLOTTA KIRBY-LEONARD
Loan Officer

Date: 12/7/89

RECOMMENDED: _____ Approved _____ Disapproved _____

ACTION TAKEN BY LOAN COMMITTEE, BASED UPON INFORMATION SUBMITTED AT
LOAN COMMITTEE MEETING DATED: DECEMBER 14, 1989

APPROVAL _____

DISAPPROVAL _____

In the amount of \$ 75,500.00

Interest Rate: 0%

Term: 15 yrs

LOAN COMMITTEE MEMBERS:

NEIGHBORHOOD ANALYSIS

The neighborhood is made up of older buildings that were residential buildings being converted to apartments. The neighborhood consists of apartments, commercial and residential.

SITE ANALYSIS

The lot size is approximately 80 feet wide and 60 feet deep. Located on the corner of 10th Street & "E" Street. The zoning is R3A. The topography is level.

IMPROVEMENT ANALYSIS

The subject property consists of wood frame structure with wood studs bearing wall, primarily combustible construction. Some of the floors are slab on grade and with wood floor joists on others. The subject when thru will be an 11 (eleven) unit apartment complex, 3 stories high.

Legal Description: Por. of Lot 3, Official Survey, Bk. 38, Pg. 31

Exterior Walls: Wood

Floor: Wood / Slab

Roof: Composition Shingles

Building Size: 9,980 sq.ft.

Zoning: R3A

Location: Good

Drainage: Adequate

Topography: Level

Flood Hazard Area: No

Flood Map Panel No.: #060266 0025 D

Condition of Improvements: * Good

Appeal & Marketability: Average

Economic Age: * 25

Economic Years Remaining Life: * 45

General Appearance of Neighborhood: Average

Off-Site Improvements: Paved Streets, Sidewalks, Curbs & Gutters

* Subject to Rehabilitation

RENTAL REHABILITATION PROGRAM FINANCIAL MODEL

GROUP: RRP Run
 PROJECT NAME: BAUTISTA
 NUMBER OF UNITS: 1
 FILE STORAGE NAME: 502 10TH ST.
 DATE: DAY 6TH
 MONTH DECEMBER
 YEAR 1989

PROJECT INCOME GROUP:	RRP	PROJECT NAME:	BAUTISTA	PROPOSED MONTHLY RENT	MONTHLY RENTAL INCOME	ANNUAL RENTAL INCOME
UNIT IDENT	NUMBER BEDRMS	QUANTITY OF UNITS				
1a	0	1		\$275	\$275	\$3,300
2a	0	1		300	300	3,600
3a	1	2		315	630	7,560
4a	2	3		400	1,200	14,400
5a	2	2		425	850	10,200
6a	2	1		450	450	5,400
7a	2	1		475	475	5,700
					0	0

TOTAL # OF UNITS 11

ANNUAL GROSS POTENTIAL RENTAL INCOME.....	\$50,160
VACANCY LOSS FACTOR 5.00%.....	(2,508)
Other Losses	0
MISCELLANEOUS INCOME	
STORAGE	3,600
Vending Machines	0
Laundromat	660
Air Cond. Fees	0
GROSS EFFECTIVE INCOME	\$51,912

PROJECT NAME:	BAUTISTA	UNITS:	1
PROJECT OPERATING EXPENSES			
GROUP: RRP			
Real Estate Taxes			1,440
COMMON AREA UTILITIES			
Electricity			1,200
Gas			1,200
.....			0
.....			0
OWNER PROVIDED UNIT UTILITIES			
Water, Sewer &			3,600
Garbage			0
Hot Water			0
Electricity			0
.....			
.....			
Maintenance			3,330
Ground Maintenance			1,200
Supplies			600
Elevator			0
.....			0
Admin			0
Advertising			200
Wages			
Payroll Taxes			0
Management Fee			4,000
Insurance			1,200
Miscel & Reserves			2,000
Other			1,200
.....			
.....			
TOTAL ANNUAL OPERATING COST			\$21,170

* D EXISTING DEBT	
* Current Balance	\$85,000
* Current Annual Debt Service Payments	\$14,040
* Years Remaining to Amortize Existing Debt	15

NET OPERATING INCOME	\$30,742
EXISTING DEBT SERVICE	\$14,040
REMAINING DEBT AMOUNT	\$85,000
RESULTING CASH FLOW	\$16,702
CURRENT APPRAISAL VALUE	\$140,000
PERCENT RETURN	30.37%

* E NEW DEBT	
* Outstanding Liens(not incl in C or D above)	\$0
* Closing Costs(not incl above)	\$0
* Rehabilitation Expenses	\$273,974

* G ADDED CASH INVESTMENT FROM OWNER	\$40,000
* Value Before Rehabilitation	\$140,000

* H AFTER REHABILITATION APPRAISED VALUE	\$477,000
--	-----------

* I FINANCING

(New Debt Financed With Second Mortgage)

Maximum Amount of Second Mortgage
\$158,474

Second Mortgage Terms
Term 15 Years
Rate 3.00%

Terms For Subsidy Loan
Deferral 1 Years
Number Of Pmt Yrs 14 Years
Rate 0.00%

PROJECT NAME	BAUTISTA		
NUMBER OF UNITS	1		
FILE STORAGE NAME	502 10TH ST. Subsidy	RATE	0.00%
Conventional Mortgage	RATE 3.00%	Mortgage	# PMT YRS 14
	TERM(Yrs) 15	DEFERRAL	1
TOTAL PROJECT EFFECTIVE ANNUAL INCOME	\$51,912		
TOTAL PROJECT ANNUAL OPERATING EXPENSES	(21,170)		
NET OPERATING ANNUAL INCOME	\$30,742		
EXISTING DEBT AMOUNT	85,000		
ANNUAL DEBT SERVICE			14,040
NEW DEBT	273,974		
OWNER'S CASH INVESTMENT	40,000		
ADDITIONAL FUNDS REQUIRED	\$233,974		
SECOND MTG AMOUNT	158,474		
ANNUAL DEBT SERVICE			13,133
(2nd Mtg Not To Exceed)	\$158,474		
SUBSIDY AMOUNT	75,500		
(DEPERRED PAYMENT LOAN, NOT FORGIVABLE)			
DEPERRED DEBT SERVICE	\$5,393		
Payments begin in year	2		
(Subsidy Not To Exceed)	\$75,500		
TOTAL PROJECT COST	\$358,974		
TOTAL DEBT SERVICE			\$27,173
CASH RETURN TO OWNER			\$3,569
ANNUAL RATE OF RETURN ON OWNER'S INVESTMENT			3.76%
OWNER'S IMMEDIATE EQUITY			158,027
OWNER'S IMMEDIATE LEVERAGE ON CASH INVESTMENT			295.07%
PROGRAM LEVERAGE RATIO	2.63		
NET PRESENT VALUE OF FUTURE LOAN REPAYMENTS			\$16,043
ASSUME DISCOUNT RATE	12.00%		

REMARKS IN REFERENCE TO REHABILITATION

This appraisal is subject to fully rehabilitation of subject property. The subject is to have new wiring, new plumbing, new plumbing fixtures, a sprinkler system, new sheetrock & texture on interior walls, new wood on exterior walls, new appliances, new heating and cooling systems for individual units, new carpet & radiant floor covering thru out, new misc. hardware, lawn, fence and landscaping.

The appraisal is subject to having Robert A. Massetti, the supervising architect sign off upon completion as having first hand knowledge that all the above has been completed.

502 - 1st Floor = 1269 sq.ft.
504 - 1st Floor = 2005 sq.ft.
502 - 2nd Floor = 1238 sq.ft.
504 - 2nd Floor = 2068 sq.ft.
502 - 3rd Floor = 1387 sq.ft.
504 - 3rd Floor = 2013 sq.ft.

Total Square Ft. - 9980 sq.ft.

9980 sq.ft. x \$55.72 (47.22 x 1.18) =	\$556,085
Less Depreciation =	<u>\$100,000</u>
Estimated Value of Improvements =	\$456,085
Plus Land Value =	<u>\$ 25,000</u>
Total Cost of Land & Improvements =	\$481,085
	Rounded @ \$481,000

It should be noted that the Cost Approach is subject to the property being completely rebuilt with new wiring, plumbing, plumbing fixtures, ductrock, textured, paint, floor coverings, everything except the foundation & framing.

INCOME APPROACH

9980 sq.ft. x \$.49/sq.ft. =	\$ 4,890/month
	x <u>12/months</u>
Estimated Gross Income =	\$ 58,680
Less estimated expenses such as Taxes, Insurance, Repair & Maintenance, Management & Misc. costs to operate (30%) =	(\$ 17,604)
Estimated Vacancy Factor (5%) =	<u>(\$ 2,934)</u>
Estimated Net Income =	\$ 38,142
Using a Cap Rate of 8%, places the Estimated Value @	\$476,775
Rounded @	\$477,000

9990 sq.ft. x \$48.00 per sq.ft. = \$479,040

Rounded @ \$479,000

GRM APPROACH

\$58,680/year x 8.2 (GRM) = \$481,176

Rounded @ \$481,000

COST APPROACH: \$481,000

MARKET APPROACH: \$479,000

GRM APPROACH: \$481,000

INCOME APPROACH: \$477,000
(CAP RATE)

It is estimated that if the subject property was placed on the open market, with proper exposure, for a reasonable period of time, after the full rehabilitation of the building in a professional manner, the subject could be sold for \$477,000 (Four Hundred and Seventy Seven Thousand Dollars).

Respectfully Submitted:



Coralie Chesney
Fee Appraiser

REQUEST FOR LOAN/GRAANT PROCESS

Owner: Demetris Buntate
Job Address: 502-504 10th St
Sacramento 95814

Loan: RR X 312 _____ Other T.I. & 200000

No. of Units: 9 2 1 Br. 2 2 Br. 7 3 Br. _____ 4 Br. _____

STRUCTURAL DESCRIPTION

Contractor: Owner - State Licensed

Contract days: 270

Contract Breakdown:

Code & PRB: (contract) \$ 255,320-
Recommended Contingency: \$ 16,132-
Construction funds required \$ 271,452-

Owners funds to be deposited with Agency

I have reviewed the Owner/Contractor's Bid & Proposal forms and work Write-up specifications as submitted and find the work items, as specified, meet all the Housing and Redevelopment Agency Program Guidelines currently approved.

I have also reviewed the submitted project costs and find them within reasonable ranges for comparable work found in this area at this time.

Larry Kraemer
Specialist

Date: 7-12-88

Attachments: Work Write-Up
Plans
Cost Estimate

.....			
* D EXISTING DEBT			
* Current Balance			\$85,000
* Current Annual Debt Service Payments			\$14,040
* Years Remaining to Amortize Existing Debt			15
.....			
NET OPERATING INCOME			\$30,742
EXISTING DEBT SERVICE			\$14,040
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CURRENT APPRAISAL VALUE	\$140,000		
PERCENT RETURN			30.37%
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* Outstanding Liens(not incl in C or D above)			\$0
* Closing Costs(not incl above)			\$0
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.....			
* G ADDED CASH INVESTMENT FROM OWNER			\$40,000
* Value Before Rehabilitation	\$140,000		
.....			
* H AFTER REHABILITATION APPRAISED VALUE			\$477,000
.....			
* I FINANCING			
* (New Debt Financed With Second Mortgage)			
* Maximum Amount of Second Mortgage			
\$158,474			
* Second Mortgage Terms			
Term	15 Years		
Rate	3.00%		
.....			
* Terms For Subsidy Loan			
Deferral	1 Years		
Number Of Pmt Yrs	14 Years		
Rate	0.00%		
.....			
PROJECT NAME	BAUTISTA		
NUMBER OF UNITS	1		
FILE STORAGE NAME	502 10TH ST. Subsidy	RATE	0.00%
Conventional	RATE	3.00% Mortgage	\$ PMT YRS
Mortgage	TERM(Yrs)	15	DEFERRAL
			1
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TOTAL PROJECT ANNUAL OPERATING EXPENSES			(21,170)
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ASSUME DISCOUNT RATE	12.00%		
.....			

OWNER PARTICIPATION AGREEMENT
502 AND 504 TENTH STREET PROJECT

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY
AND
DEMETRIO BAUTISTA, JR. AND NAEKO BAUTISTA

TABLE OF CONTENTS

1. <u>Purpose of Agreement</u>	1
1.1. <u>The Redevelopment Plan</u>	1
1.2. <u>Project Area</u>	1
1.3. <u>The Site</u>	1
1.4. <u>The Agency</u>	1
1.5. <u>The Owner</u>	1
1.6. <u>The Development of the Site</u>	1
2. <u>Predevelopment Obligations</u>	2
2.1. <u>Preparation of Construction Plans and Related Documents</u>	2
2.2. <u>Agency Approval of Plans</u>	2
2.3. <u>Development Financing</u>	3
2.4. <u>Payment and Performance Bonds</u>	3
2.5. <u>Compliance with Surety Requirements</u>	3
2.6. <u>Permits</u>	3
3. <u>Agency Loan</u>	3
3.1. <u>General Terms</u>	3
3.2. <u>Conditions to Disbursement</u>	4
3.3. <u>Disbursements</u>	5
4. <u>Construction Covenants</u>	5
4.1. <u>No Construction Prior to Required Approvals</u>	6
4.2. <u>Substantial Changes</u>	6
4.3. <u>No Construction Over Utility Easements</u>	7
4.4. <u>Reports</u>	7
4.5. <u>Local, State and Federal Laws</u>	7
4.6. <u>Antidiscrimination During Construction</u>	7
4.7. <u>Minority/Women's Business Enterprises Requirements</u>	8
4.8. <u>Local Hire</u>	9
4.9. <u>Agency Access</u>	9
4.10. <u>Public Improvements</u>	9
4.11. <u>Agency Sign</u>	9
4.12. <u>Agency's Completion of Construction</u>	9
4.13. <u>Certificate of Completion Issuance</u>	10
5. <u>Agency Approval of Final Documents</u>	10
5.1. <u>Approval of Final Plans</u>	10
5.2. <u>Bid Documents</u>	10
5.3. <u>Contracts</u>	10
6. <u>Insurance and Indemnification</u>	10
6.1. <u>Indemnification</u>	10
6.2. <u>Public Safety Protections</u>	10
6.3. <u>Liability Insurance</u>	11
6.4. <u>Liability Insurance Policy Limits</u>	11
6.4. <u>Builder's "All Risk" Insurance</u>	12
6.5. <u>Errors and Omissions Insurance</u>	12
6.6. <u>Fire and Extended Coverage</u>	13
6.7. <u>Insurance Provisions</u>	13
7. <u>Land Uses</u>	14
7.1. <u>Covenants for Use of the Site</u>	14
7.2. <u>Nondiscrimination</u>	14
7.3. <u>Effect and Duration of Covenants</u>	15

7.4.	<u>Documentation</u>	15
7.5.	<u>Effect of Violation</u>	15
8.	<u>General Provisions</u>	16
8.2.	<u>Notification of Contractors, Architects and Engineers</u>	16
8.3.	<u>Approvals</u>	16
8.4.	<u>Entire Agreement, Waivers and Amendment</u>	16
8.5.	<u>Attorneys' Fees</u>	16
8.6.	<u>Definitions</u>	16
8.7.	<u>Contents of Agreement</u>	17
8.8.	<u>No Waiving by Delay</u>	17
8.9.	<u>Delay for Causes Beyond Control of Party</u>	17
8.10.	<u>Rights and Remedies Cumulative</u>	17
8.11.	<u>Waiver of Defenses of Surety</u>	17
8.12.	<u>Counterparts</u>	18
8.13.	<u>Nonliability of Agency Officials and Employees</u>	18
8.14.	<u>Notices And Demands</u>	18
8.15.	<u>Time For Acceptance of Agreement By Agency</u>	18

OWNER PARTICIPATION AGREEMENT

502 AND 504 TENTH STREET PROJECT

This Agreement is entered as of this ____ day of _____, 1990, by and between the Redevelopment Agency of the City of Sacramento (the "Agency") and Demetrio Bautista, Jr. and Naeko Bautista (collectively, the "Owner"). The Agency and Owner agree as follows:

1. Purpose of Agreement

The purpose of this Agreement is to effectuate the Redevelopment Plan (the "Redevelopment Plan") for the Alkali Flat Neighborhood Development Program, Project Number 6 (the "Project Area") by providing for the development and use of certain real property (the "Site") in the Project Area. This Agreement is entered into for the purpose of development and not for speculation in landholding. The Agency represents that the development of the property pursuant to this Agreement, and the fulfillment generally of the Agreement, are in the vital and best interests of the City of Sacramento and the health, safety, and welfare of its residents, and in accord with the public purposes and provisions of the applicable federal, state and local laws and requirements under which the Project is to be undertaken and is being assisted.

1.1. The Redevelopment Plan.

The Redevelopment Plan was adopted by the City Council of the City on February 10, 1972, by City Ordinance No. 3086, Fourth Series, and was most recently amended on July 17, 1984, by City Ordinance No. 84-073. A copy of the Redevelopment Plan as initially adopted was recorded on February 15, 1972, in the Official Records of the County of Sacramento, in Book 72-02-15, beginning at page 296. This Agreement is subject to the provisions of the Redevelopment Plan (as it may be from time to time amended) which is incorporated in this Agreement by this reference.

1.2. Project Area.

The Project Area is located in the City of Sacramento, California (the "City"), and is described in detail in the Redevelopment Plan.

1.3. The Site.

The Site is located at 502 and 504 Tenth Street in City and is that portion of the Project Area described more particularly in Exhibit 1 Site Description, attached to and incorporated in this Agreement by this reference.

1.4. The Agency.

The Agency is a public body, corporate and politic, exercising governmental functions and powers, and organized and existing under the Community Redevelopment Law of the State of California. The principal office of the Agency is located at 630 I Street, Sacramento, California 95814.

Agency, as used in this Agreement, includes the Redevelopment Agency of the City of Sacramento, California, and any assignee of or successor to its rights, powers and responsibilities.

1.5. The Owner

Demetrio Bautista and Naeko Bautista, husband and wife are, collectively, the Owner. The principal office of Owner is located at 9235 Carla Way, Sacramento, California 95826.

1.6. The Development of the Site

On the Site is an historic, three-story frame structure containing approximately 9,980 square foot. Said structure contains 11 residential units. Owner shall rehabilitate said structure for use as residential dwelling units. The construction time schedule shall be as set out in the "Schedule of

Performances", attached as Exhibit 2 Schedule of Performances and incorporated in this Agreement by this reference.

Owner shall construct and manage all improvements on or to be constructed and rehabilitated on or adjacent to the Site ("Improvements") within the limitations established in this Agreement and the Plans.

In the event that the cost of construction exceeds the costs projected by Owner, Owner shall, nevertheless, bear the responsibility to complete the construction of the Improvements.

2. Predevelopment Obligations

2.1. Preparation of Construction Plans and Related Documents

As soon as possible and, in any event, no later than the date specified in the Schedule of Performances, Owner shall prepare the Plans for the development of the Site (including all necessary on-site and off-site improvements, landscaping and signs) subject to Agency approval. The Plans shall conform to any preliminary plans previously approved by Agency, to the Redevelopment Plan; to all applicable statutes, laws, codes, regulations, ordinances and rules; and to the provisions of this Agreement. Owner shall submit the Plans to the Agency and the Agency shall approve or disapprove the Plans in writing. The Plans shall be submitted when required by the Schedule of Performances. The Plans shall be in sufficient detail to obtain a building permit.

The Agency and the Owner shall communicate and consult informally as frequently as is necessary to insure that the formal submittal of the Plans and related documents to the Agency receive prompt and speedy consideration. Any items so submitted and approved in writing by the Agency shall not be subject to subsequent disapproval except as a result of the discovery of material information not previously available to Agency.

2.2. Agency Approval of Plans

The Agency shall have the right of review of the Plans; including all specifications, drawings, construction schedule and other related submissions and any material changes thereto, including the right of architectural and landscaping review.

2.2.1. Time for Approval

Agency shall approve the submitted plans and submissions within forty-five (45) days after receipt thereof.

2.2.2. Approval of Material Changes

If the Owner desires to make any material changes in the Plans as approved by the Agency, the Owner shall submit any such proposed changes to the Agency for its approval. The Agency shall approve or disapprove the proposed change as soon as practicable but in any event within thirty (30) days after submission to the Agency. Such change in construction plans shall be deemed approved by the Agency unless rejected, in whole or in part, by Agency's written notice to the Owner made within said thirty (30) day period and stating fully the reasons for rejection. Agency may reject without review any request for change made after the date for approval of Plans as specified in the Schedule of Performances.

2.2.3. Purpose of Approval

Agency's approval of Plans is not an assurance of the adequacy or correctness of the Plans, but merely an acknowledgement that the Plans conform to the uses and designs contemplated

by this Agreement and to assure that Agency funds provided under this Agreement are properly utilized.

2.3. Development Financing

Owner shall be responsible for, obtain and pay all costs of developing the Site and constructing all Improvements. Owner shall provide a firm cost estimate for the construction of the Improvements in a form and with specificity satisfactory to Agency.

2.4. Payment and Performance Bonds

Prior to commencement of construction of the Improvements, the Owner shall obtain a performance bond and a labor and materials payment bond in favor of the Agency as a named obligee, in American Institute of Architects Form A311, or equivalent approved by Agency, securing faithful performance of the terms of the Contract in a penal sum equivalent to the cost of construction as approved by Agency and securing payment of all labor and material suppliers and subcontractors for the work of this Agreement. The bonds shall be written with a surety listed as acceptable to the federal government on its most recent list of sureties. In lieu of said bonds, Owner may provide letter of credit, cash equivalent or real property security in a form and amount acceptable to and verified and approved by the Agency legal staff, subject to such assurances (including title insurance) as they may require.

2.5. Compliance with Surety Requirements

Owner shall comply with all requirements of the surety. Owner shall make no changes in the work to be performed by Owner and shall make no advance payments to such contractor without prior written notice to each surety and the Agency.

2.6. Permits

Before commencement of construction or development of any buildings, structures or other work of improvements upon the Site, the Owner shall at its own expense secure any and all certifications and permits which may be required by any governmental agency affected by such construction, development or work. The Agency shall provide at no cost to Owner reasonable assistance in securing these certifications and permits.

3. Agency Loan

In order to encourage the development of the Site for the uses described in this Agreement and in order to acquire for the Agency the rights in the Site as described in this Agreement, the Agency agrees to advance funds ("Loan") for construction and rehabilitation of Improvements on the Site in the amounts and at the times as set out in, and subject to the following terms and conditions. Owner shall execute a promissory note ("Note") secured by deed of trust ("Trust Deed") on the Site. A copy of the Note is attached as Exhibit 3 Note and a copy of the Trust Deed is attached as Exhibit 4 Trust Deed.

3.1. General Terms

Agency shall advance funds in the actual amount of construction costs for construction on the Site, only, in a total amount not to exceed ONE HUNDRED FIFTY-EIGHT THOUSAND FOUR HUNDRED SEVENTY-FOUR DOLLARS (\$158,474).

The unpaid principal and interest on the principal balance of the Loan shall be fully amortized, payable in equal monthly installments of principal and interest commencing on the first day of the first calendar month after issuance of a Certificate of Completion of the Improvements on the Site and continuing for one hundred and eighty (180) payments.

The principal balance shall bear interest at the rate of three percent (3%) per year commencing on the date of issuance of a Certificate of Completion for the Site.

3.2. Conditions to Disbursement

Agency agrees to advance the funds at such time as each of the following conditions precedent to disbursement are satisfied:

3.2.1. Default

Owner shall not be in default of any of its obligations under this Agreement.

3.2.2. Recording and Title Insurance

The Agency's Deed of Trust is recorded and A.L.T.A. Lender's policy of title insurance showing merchantable title to the Parcel vested in Owner and the Deed of Trust as a valid second lien on the Site (subject only to the existing first loan on the Site) is issued in favor of the Agency. To carry out the recordation of the Deed of Trust and to obtain the title insurance policies, the parties shall open an escrow for the loan in accordance with the escrow instructions attached as Exhibit 5 Escrow Instructions.

3.2.3. Plan Approval and Permits

The Agency shall have received and approved final construction drawings for the development of the Site in accordance with this Agreement. The Agency shall receive a copy of all building permits required by all governmental agencies for such development, or written evidence of the availability of such permits in a form satisfactory to Agency.

3.2.4. Evidence of Financing

The Agency shall receive evidence satisfactory to Agency that Owner has placed not less than Forty-Thousand Dollars (\$40,000) in an escrow account and has obtained commitment for construction financing (not including Agency funding as herein provided) in sufficient amounts to enable Owner to develop the Site as required by this Agreement. Such evidence of financing shall include the written acceptance by Owner of each financing commitment, evidence that Owner has paid any required commitment fee and has otherwise satisfied or is capable of satisfying all conditions of each commitment which shall include any requirements of this Agreement. Owner shall fully comply with all requirements of any lender with regard to such financing.

3.2.5. Construction Contracts

The Agency shall receive a copy of executed construction contracts in a form consistent with the requirements of this Agreement and showing that Owner has obtained a valid and binding obligation of a licensed contractor to construct the Improvements. The construction contracts shall be in an amount consistent with the financing commitments, require satisfactory labor and material and faithful performance bonds in the full amount of the contract require ten (10%) percent retention of all labor costs and require such other assurances as the Agency shall deem necessary.

3.2.6. Commencement of Construction

Owner shall have diligently commenced and proceeded with construction within thirty (30) days following Agency issuance of Notice to Proceed.

3.2.7. Disbursements of Owner's Equity

Owner shall expend its equity for construction on the Site (as held in the above-described escrow account) prior to Agency's disbursement of construction loan funds.

3.3. Disbursements

3.3.1. Disbursement Procedures

Agency shall disburse the Loan funds in accordance with a schedule prepared by Owner's architect for the Project subject to Agency approval of the schedule. The schedule shall be based upon a detailed cost estimate prepared by said architect, shall be in a form and detail satisfactory to Agency, and shall be modified only with Agency approval. Disbursements shall be made after acknowledgment by an Agency-approved inspector that the work, for which payment is requested, has been done. In any event, funds shall not be disbursed more often than once each month. Agency may, at its election, disburse its funds directly to subcontractors, laborers or materialmen and may require such assurances as necessary to determine that the advance is being made for work which has been performed (including demand for unconditional release of all liens from said payees). Owner's equity shall be controlled by the construction lender and shall be disbursed prior to Agency disbursements. Agency funds shall be disbursed pro rata with the construction lender's disbursements.

3.3.2. Retention

Agency shall retain ten percent (10%) of each disbursement of Loan funds. Within thirty days after issuance of a Certificate of Completion and not sooner than thirty-one days after recording of a Notice of Completion for the Site under this Agreement, Agency shall make a "Final Payment" in the amount retained under this provision; provided that Agency may withhold from such final payment an amount deemed necessary by the Agency to assure the completion of any items listed as uncompleted in the Certificate of Completion.

3.3.3. Deposit of Funds by Owner

If, at any time, Agency reasonably determines that the amount of undisbursed Loan funds will not be sufficient to fully pay for all costs required to complete construction of the Improvements in accordance with the Plans and for all financing and development costs to be incurred by Owner, Agency may require, upon written demand that Owner deposit with Agency for disbursement, within 15 days the additional funds which Agency has determined that Owner must provide to complete the Project. Until such time as Owner has deposited such additional funds, Agency need not make additional Loan fund disbursements. Agency shall make disbursements first from such additional funds deposited by Owner.

4. Construction Covenants

The Owner shall promptly begin and thereafter diligently prosecute to completion the construction of the Improvements and the development of the Site in accordance with the provisions of this Agreement and at the times specified in the Schedule of Performances. In consideration of Owner's performance in constructing the Improvements and developing the Site, Agency has made significant material concessions for loan of funds for the Project to Owner. Therefore, the parties agree that such obligations of Owner shall be covenants running with the land and that they shall, in any event, and without regard to technical classification or designation, be to the fullest extent permitted by law and equity, binding for the benefit of the Agency and enforceable by the Agency against the Owner and its successors and assigns to or of the Site all or any interest in the Site.

4.1. No Construction Prior to Required Approvals

No construction of the Improvements shall be undertaken by the Owner until Owner has obtained and the Agency has approved the evidence of equity and financing commitments, the Plans, and all construction-related contracts and sub-contracts, the policies of insurance, and the bonds or other security submitted by the Owner pursuant to this Agreement. To the extent approved by Agency, contracts may be submitted subsequent to commencement of construction. Owner shall not commence any work which might be construed as commencement of the Project for establishment of mechanic's lien rights, and in any event, Owner shall not commence any work on the Site without Agency's written approval of the work to be done.

4.2. Substantial Changes

Owner covenants and agrees that Owner shall not make or permit to be made any construction of the Improvements which substantially deviate from the Plans without approval by the Agency of such changes. For purposes of this paragraph, substantial deviation from the Plans shall include, without limitation the following:

4.2.1. Building Coverage

Change in size or design materially affecting bulk, square footage, building coverage or floor area ratio, number of floors or residential units or size of residential units.

4.2.2. Exterior

Material changes affecting the size or design or use of exterior finishing materials noticeably affecting architectural appearance or functional use and operation of the Improvements.

4.2.3. Facilities

Material changes in size or placement of service or handicapped facilities; or in the number of elevators, stairs and ramps; and changes in general pedestrian or vehicular circulation in, around or through the Improvements.

4.2.4. Requiring Approvals

Any changes requiring approval of any city or state board, body, commission or officer, or any change required by any city or state board, body, commission or officer.

4.2.5. Signs

Material changes in number, size, placement, graphics, design or materials of all exterior signs differing from those shown and specified in the Plans;

4.2.6. Landscaping

Material changes in landscape planting and site improvements for the Site.

4.2.7. Site Improvements

Material changes in size or quality of exterior pavement, pedestrian malls, plazas, retaining walls, pools and fountains, exterior lighting and other site development of the Site other than that shown and specified in the Plans.

4.2.8. Required Changes

If any material change or corrections of the Plans shall be required by any governmental official, Agency, department or bureau having jurisdiction or any lending institution involved in financing, the Owner and the Agency shall cooperate in efforts to obtain waiver of such requirements or to develop a mutually acceptable alternative.

4.2.9. Other Changes

All change orders that result in a net increase in the construction cost, alter the scope of work or extend the period for performance shall require the prior written approval of Agency.

4.3. No Construction Over Utility Easements

Owner shall not construct any building or other structure or improvement on, over, or within the boundary lines of any easement for public utilities on the Site, unless such construction is provided for in such easement or has been approved by the beneficiary of the easement. If approval for such construction is requested by Owner, Agency shall use its best efforts to assure that such approval shall not be withheld unreasonably.

4.4. Reports

During the period of construction, the Owner shall submit to the Agency a written report of the progress of the work when reasonably requested by the Agency, but not more often than once each month. The report shall be in such form and detail as may reasonably be required by the Agency and shall include a reasonable number of construction photographs taken since the last report if requested by the Agency.

4.5. Local, State and Federal Laws

The Owner shall carry out the construction of all improvements in conformity with all applicable laws, including all applicable federal and state labor standards.

4.6. Antidiscrimination During Construction

The Owner for itself and its 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 Improvements provided for in this Agreement.

4.6.1. Employment

The Owner shall not discriminate against any employee or applicant for employment because of race, color, religion, sex, marital status, creed or national origin. The Owner will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, creed, religion, sex, marital status, or national origin. Such action shall include, but not limited to, the following: employment, upgrading, demotion or transfer; recruitment or recruitment advertising; layout or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The Owner 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.

4.6.2. Advertising

The Owner will, in all solicitations or advertisements for employees placed by or on behalf of the Owner, state that all qualified applicants will receive consideration for employment without regard to race, color, creed, religion, sex, marital status, or national origin.

4.6.3. GSAP

For the purpose of monitoring the antidiscrimination provisions, Owner and Owner's contractor and subcontractors shall become a signatories to the Greater Sacramento Area Plan (GSAP), and shall require all contractors performing work on the Site under this Agreement to become a signatory to GSAP.

4.7. Minority/Women's Business Enterprises Requirements

The provisions of Agreement related to the Residential Site are subject to Agency's minority and women's business enterprises ("MBE/WBE") requirements.

4.7.1. In Solicitations

In all services solicitation (whether by bid, Request for Proposal or Request for Qualification), Owner shall take all reasonable steps necessary to encourage the participation of minority-owned and female-owned businesses. Such steps may include, but are not limited to:

4.7.1.1. Registry

Obtaining the Minority and Women's Business Enterprises Registry from the Agency MBE/WBE Coordinator to ensure such contractors receive an invitation to bid.

4.7.1.2. Advertising

Advertising the invitation to bid or to submit proposals in the "El Hispano" and the "Sacramento Observer" as well as a newspaper of general circulation.

4.7.1.3. Direct Contacts

Reviewing the telephone directory or professional organization membership lists, or making direct contact with minority-owned or female-owned businesses for specialized trades and services and inviting such firms to bid.

4.7.2. Documentation

Owner shall maintain such documentation of efforts of outreach to minority or female owned businesses as may be required by Agency. Additionally, Owner shall maintain any documentation of contract awards for the Quarterly Minority Business Enterprise Report which may be required by the United States Department of Housing and Urban Development ("HUD").

4.7.3. Goal

The MBE/WBE utilization goal for this Project is 20% of contract dollars for Minority Business Enterprise and 5% of contract dollars for Women's Business Enterprise.

4.7.4. Inclusion in Contracts

The requirements and contract provisions for the Minority and Women's Business Enterprises must be included in all contracts. Contracts for purchases of goods and services over \$10,000 must be coordinated with the Agency's MBE/WBE Coordinator.

4.8. Local Hire

Owner shall use its best efforts to hire, or cause to be hired, for no less than sixty percent (60%) of the cost of the work relating to direct labor of the Project, local contractors and subcontractors with permanent places of business within the County of Sacramento. To the extent that labor for any portion of the Project is not available within the county, such portion shall not be included in determining the said percentage. Agency shall have the right to approve the computations as described in the foregoing sentence. If Agency determines that Owner has failed to comply with the aforesaid, Owner shall give written justification for such failure including a detailed listing of all efforts made to effect such compliance.

4.9. Agency Access

Owner shall permit the representatives of Agency access to the Site at all reasonable times which any of them deems necessary for the purposes of the Agreement, including, but not limited to, inspection of all work being performed in connection with the construction of the Improvements. No compensation shall be payable nor shall any charge be made in any form by any party for the access provided for in this Section.

4.10. Public Improvements

The Owner shall at Owner's expense, undertake and complete any modification, construction, relocation or improvement of public facilities, improvements and utilities on or for the development of the Site.

4.11. Agency Sign

Owner shall place a sign on the Site during construction which states "A Project of Sacramento Housing and Redevelopment Agency". The sign shall be of commercial quality. The sign colors shall be blue or black on a light grey, light blue or white background or such other colors as the Agency may approve. The Agency name on the sign shall be in letters not less than four inches in height. The sign shall be displayed in a location easily legible from the nearest major thoroughfare.

4.12. Agency's Completion of Construction

Notwithstanding any other provision of this Agreement, if the Owner fails to commence construction of the Improvements on the date stated in the Schedule of Performances, or fails to diligently prosecute and substantially complete such construction within thirty (30) days following the date for substantial completion, the Agency may, upon fifteen (15) days written notice to the Owner and construction lender, and with or without legal process, take possession of the Site, remove the Owner and all agents, employees and contractors of the Owner from the Site, complete the work of construction and market and sell or lease the Site with all improvements. All contracts with contractors, subcontractors, suppliers and other entities related to the construction of the Improvements and all sources of funds for construction of the Improvements are irrevocably assigned by Owner to the Agency upon Agency demand after such failure by Owner. Upon the Agency taking possession of the Site, the Owner irrevocably appoints the Agency as its attorney-in-fact with regard to the Site and Improvements, and construction and financing agreements related thereto, until issuance of a Certificate of Occupancy for the said improvements, which Agency is coupled with an interest. Nevertheless, Agency has no obligation to take possession of the Site or to complete the construction of the improvements on the Site.

4.13. Certificate of Completion Issuance

After the Agency has determined that Owner has completed the Improvements in accordance with Owner's obligations under this Agreement, the Agency will furnish the Owner with a "Certificate of Completion" certifying such completion. Such certification shall be a conclusive determination of satisfaction and termination of the agreements and covenants in the Agreement and in the Deed with respect to the obligations of the Owner to construct the Improvements and of the dates for the commencement and completion of construction, subject to any qualifications or limitations stated in such certification. Such certification and such determination shall not constitute evidence of compliance with or satisfaction of any governmental requirements other than Agency or any obligation of the Owner to any holder of a mortgage, or any insurer of a mortgage, securing money loaned to finance all or any part of the Improvements.

If the Agency shall refuse or fail to provide a Certificate of Completion, the Agency shall, within thirty (30) days after written request by the Owner, provide the Owner with a written statement, indicating in adequate detail in what respects the Owner has failed to complete the Improvements in accordance with the provisions of the Agreement, or is otherwise in default, and what measure or acts it will be necessary, in the opinion of the Agency, for the Owner to take or perform in order to obtain such certification.

5. Agency Approval of Final Documents

The following documents shall be subject to prior Agency review and approval, as specified:

5.1. Approval of Final Plans

Unless the Agency specifically reserves the right to review all or any portion of the final revision of the Plans, such plans shall be deemed approved, if they conform to the preliminary version of the Plans, previously approved by Agency if no changes requiring Agency approval have been made, and if City Design Review/Preservation Board and City Planning have approved such plans and the City is prepared to issue a building permit based upon such plans.

5.2. Bid Documents

Owner shall provide bid documents relating to the construction of the Improvements to Agency for review and approval by the Agency's staff prior to requesting bid proposals for construction.

5.3. Contracts

Owner shall submit to authority for review and approval all contracts related to construction of the Improvements and the development of the Site.

6. Insurance and Indemnification

6.1. Indemnification

Owner shall indemnify the Agency, its officers, directors, employees and agents, and hold them harmless from any and all liability from bodily injury, death and property damage caused by or resulting from the negligent or tortious acts or omissions of Owner, its officers, employees, agents or independent contractors and for any and all costs incurred by the Agency in defending against such liability claims, including attorney's fees, investigation costs, expert fees, court costs and other related costs and fees.

6.2. Public Safety Protections

Owner shall immediately take all necessary steps including the erection of fences, barricades and warning devices, to protect private contractors and their employees and the public from the risk of injury arising out of or in any way connection with the Site, including without limitation, fire, or the failure, collapse or deterioration of any improvements or buildings. Prior to transfer of title to the Site to Owner, the Agency agrees to permit Owner, upon request and subject to reasonable restrictions imposed by Agency, to enter upon the Site for purposes of performing his obligations under this paragraph.

6.3. Liability Insurance

The Owner shall obtain and maintain, and require the contractor and subcontractors for the Project to purchase and maintain such insurance as will protect him from the following claims which may result from the operations under the Agreement of the Owner, any contractor, subcontractor or anyone directly or indirectly employed by any of them, or by anyone for whose acts any of them may be liable:

6.3.1. Worker's Compensation

Claims under workers' compensation benefit acts;

6.3.2. Bodily Injury - Employees

Claims for damages because of bodily injury, occupational sickness or disease, or death of his employees;

6.3.3. Bodily Injury - Others

Claims for damages because of bodily injury, sickness or disease, or death of any person other than his employees;

6.3.4. Employee Offenses

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 Owner, or (2) by any other person;

6.3.5. Injury to Property

Claims for damages, other than to the construction itself, because of injury to or destruction of tangible property, including loss of use resulting therefrom;

6.3.6. Motor Vehicle

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

6.3.7. Contractual Liability

Claims for contractual liability arising from the Owner's obligations under this Agreement.

6.4. Liability Insurance Policy Limits

The insurance required by this Section shall be written for with a deductible of not more than TWENTY-FIVE THOUSAND DOLLARS (\$25,000) and not less than the following limits of liability:

6.3.8. Worker's Compensation

Worker's Compensation Statutory Limits as set forth in Article 1 (commencing with Section 3700) of Chapter 4 of Part 1 of Division 4 of the California Labor Code and having an employer's Liability of not less than \$2,000,000.

6.3.9. Comprehensive General Liability

Commercial General Liability coverage to include Premises-Operations, Independent Contractor's Protective, Products and Completed Operation (for two years), Broad Form Property Damage, or as otherwise approved by Agency Counsel:

6.3.9.1. Bodily Injury:

Bodily injury liability of \$1,000,000 each occurrence and \$1,000,000 Aggregate, Products and Completed Operations

6.3.9.2. Property Damage:

Property damage liability of \$1,000,000 each occurrence; \$1,000,000 Single limit and \$1,000,000 aggregate.

6.3.9.3. Contractual Liability:

Contractual liability for Bodily Injury of \$1,000,000 each occurrence; for Property Damage of \$1,000,00 each occurrence and \$1,000,000 aggregate; and Personal Injury with Employment Exclusion Deleted of \$1,000,000 aggregate.

6.3.10. Comprehensive Automobile Liability

Comprehensive Automobile Liability for any vehicle used for or in connection with the Work (Owned, Nonowned, hired, leased): \$1,000,000.

6.4. Builder's "All Risk" Insurance

Owner shall obtain and maintain, or require his contractor to obtain and maintain at all times during the course of construction of the Improvements on the Site, Builder's Risk Insurance for protection against all loss of, or damage to the Improvements or materials, on-site and off-site, to be used in the construction of the Improvements to their full insurable value. Said Builder's Risk Insurance shall name the Agency as a loss-payee as its interests may appear, and all subcontractors and sub-subcontractors as their interests may appear. Said insurance shall insure against the perils of fire and extended coverage and shall include "all risk" insurance for physical loss or damage including without duplication of coverage, theft, vandalism and malicious mischief. The Owner shall be responsible for materials stored on-site, off-site or in transit unless supplied by Agency and shall obtain and maintain similar insurance for any of the materials not otherwise covered by said "all risk" insurance.

Owner shall obtain and maintain such equipment insurance as required by the contractor or by law which insurance shall insure the interests of the Agency, the Contractor and all subcontractors in said work as their interests may appear.

6.5. Errors and Omissions Insurance

Architects, engineers and others for whom errors and omissions insurance coverage is available shall obtain and maintain such insurance, acceptable to Agency, in the policy amount of \$1,000,000 each occurrence and \$1,000,000 aggregate.

6.6. Fire and Extended Coverage

Upon completion of the Project and until the Note shall be repaid in full and the Trust deed reconveyed, Owner shall obtain and maintain fire and extended coverage insurance to the full insurable value of the Site including all improvements. Said insurance shall include protection for inflation in the replacement costs of the improvements on the Site. The proceeds of any claim by Owner against such insurance shall be used solely for the reconstruction or replacement of the damaged or destroyed improvements for which the claim was made.

6.7. Insurance Provisions

6.7.1. Provider

Each policy of insurance required under this Agreement shall be obtained from a provider licensed to do business in California and having the highest current Best's Insurance Guide rating, or such other rating as may be approved in writing by Agency's legal counsel.

6.7.2. Additional Insured

Unless otherwise approved by Agency's legal counsel in writing, the Agency shall be additional insured on all insurance policies, except the worker's compensation policy. Agency shall have the right to arbitrarily withhold such approval.

6.7.3. Single Project Insurance

The specified insurance amount shall be provided solely for this Project. Insurance amounts shall not be provided which are considered in aggregate with other Projects which Owner or the respective contractor might have concurrently under construction. The Agency may at its discretion permit an aggregate policy if and only if Owner or the respective contractor has fully disclosed to Agency other projects which will or may be considered in aggregate with the Project, and thereafter, Owner shall immediately inform Agency of the change in or addition to any such projects. Nevertheless, Agency may, at any time require that the insurance coverage be provided solely for the Project.

6.7.4. Cancellation

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

6.7.5. Certificates and Policies

Owner shall provide to Agency certificates of said insurance prior to commencing the work of this Agreement and shall provide to Agency true copies of the policies of said insurance as soon as available.

6.7.6. Failure to Maintain

If Owner fails to obtain or maintain, or cause to be obtained and maintained, any insurance required by this Agreement, the Agency shall have the right to purchase the insurance and Owner shall promptly reimburse the full cost of such insurance to the Agency. If Owner fails to reimburse the Agency for insurance, the amount of unpaid reimbursement shall bear interest until paid at the maximum rate permissible under the law. Owner shall be deemed in default of the Note or Conditional Grant, as the case may be, and this Agreement unless Owner has fully reimbursed Agency and provided the required insurance.

7. Land Uses

The general intent of this Agreement is to secure residential development for low- and moderate-income families which will strengthen the economic base and enhance the attractiveness of the City in general and the Project Area in particular and to preserve a structure with historic significance to both the City and the Project Area. Owner shall develop and devote the Site to the uses specified in this Agreement, the plans, specifications and drawings approved by the Agency under this Agreement ("Plans") and the "Agreement Containing Covenants Affecting Real Property" attached as Exhibit 6 Agreement Containing Covenants Affecting Real Property and incorporated in this Agreement by this reference, and continue to maintain and use the Site in accordance with said uses and plans.

Owner covenants and agrees for itself, its successors, its assigns and every successor-in-interest to all or any part of the Site, that the Owner, such successors and such assignees shall act as follows:

7.1. Covenants for Use of the Site

After rehabilitation, the Owner agrees to strictly maintain and retain the described residential units on the Site. Owner shall comply with the provisions of Owner's "Revised Property Management Plan", dated October 10, 1989, a copy of which is attached as Exhibit 7 Revised Property Management Plan.

7.2. Nondiscrimination

Owner, its successors and assigns, shall not discriminate, and shall not permit anyone to discriminate, upon the basis of race, color, ancestry, religion, creed, sex, marital status, or national origin 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 non-segregation clauses:

7.2.1. In Deeds

The following shall be included in deeds:

"The grantee herein covenants by and for 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 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 grantee 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, subtenants, sublessees or vendees in the land herein conveyed. The foregoing covenants shall run with the land."

7.2.2. In Leases

The following shall be included in leases:

"The lessee herein covenants by and for 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 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 leasing, subleasing, transferring, use, 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."

7.2.3. In Contracts

The following shall be included in contracts:

"There shall be no discrimination against or segregation of any persons, or group of persons on account on account of sex, marital status, religion, race, color, creed, national origin or ancestry in the sale, lease, sublease, transfer, use or enjoyment of the land, nor shall the transferee 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 of the land."

7.3. Effect and Duration of Covenants

The Agreement Containing Covenants subjects and burdens the Site with the covenants regarding use of the Site and regarding nondiscrimination, as covenants running with the land. The Agreement Containing Covenants shall be recorded prior to the commencement of construction by Owner. It is intended and agreed that the agreements and covenants provided in this Agreement and in the Agreement Containing Covenants shall be covenants running with the land and equitable servitudes thereon 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 Owner, its successors and assigns and every successor in interest to all or any part of the Site, and any party in possession or occupancy of the Site and any subcontracting party or parties or other transferees under this Agreement.

The covenant regarding residential use of the Site shall continue in effect for a minimum period of fifteen (15) years from the date stated in this Agreement for completion of construction. All other covenants contained in this Agreement and in the Agreement Containing Covenants shall remain in effect until July 17, 2014, except the covenants against discrimination which shall remain in perpetuity.

7.4. Documentation

Owner agrees to execute, as necessary, any and all recordable documents necessary to subject the Site to the covenants and restrictions contained in this Agreement, including the Agreement Containing Covenants.

7.5. Effect of Violation

The Agency is deemed the beneficiary of the terms and provisions of this Agreement and the covenants running with the land, both for its own right and for the purposes of protecting the interests of the community and other parties, public or private, in whose benefit this Agreement and the covenants running with the land have been provided. The Agreement and the covenants shall run in favor of the Agency without regard to whether the Agency has had or does have any interest in the Site. If the covenants against racial discrimination are breached, the Agency shall have the right to exercise all rights and remedies, and to maintain any actions or suits at law or in equity or other proper proceedings to enforce the curing of such breaches to which it or any other beneficiaries of this Agreement and covenants are entitled.

8. General Provisions

8.1. Prohibition Against Transfer or Assignment

Except as required to obtain the financing approved by Agency and necessary for Owner to perform its obligations under the Agreement, Owner shall not, prior to the completion of the Improvements as finally certified by the Agency, make any total or partial sale, assignment or transfer of any interest in the Agreement or the Site without the prior written approval of the Agency.

8.2. Notification of Contractors, Architects and Engineers

Owner shall have the responsibility of notifying his contractors, architects and engineers of the requirements of this Agreement, and Owner shall be responsible for their compliance with said requirements.

8.3. Approvals

Unless otherwise provided, Agency shall give required approvals or disapprovals within forty-five (45) days after submission. If the Agency disapproves the Plans the Owner shall submit corrected Plans within thirty (30) days from the date on which the Owner receives written notice from the Agency of such disapproval. Agency shall review all such corrections to disapproved Plans submitted within thirty (30) days after the date for approval of Plans specified in the Schedule of Performances.

8.4. Entire Agreement, Waivers and Amendment

This Agreement, including all documents incorporated in this Agreement, integrates all the terms and conditions mentioned herein or incidental hereto and supercedes all negotiations or previous agreements between the parties with respect to all or part of the subject matter hereof. All waivers of the provisions of this Agreement must be in writing and signed by the appropriate authorities of the Agency or the Owner, and all amendments hereto must be in writing and signed by the appropriate authorities of the Agency and the Owner.

8.5. Attorneys' Fees

In the event that Owner breaches the terms of this Agreement, Owner shall pay Agency Agency's reasonable attorneys' fees and court costs incurred by Agency in connection with enforcement of the terms of this Agreement.

8.6. Definitions

The following terms are defined, respectively, on the page listed after each term:

Agency (1)
Agreement Containing Covenants Affecting Real Property (14)
Certificate of Completion (10)
City (1)
HUD (8)
Improvements (2)
Loan (3)
MBE/WBE (8)
Note (3)
Owner (1)
Plans (14)
Project Area (1)
Revised Property Management Plan (14)
Revised Property Management Plan (36)

Redevelopment Plan (1)
Schedule of Performances (2)
Site (1)
Trust Deed (3)

8.7. Contents of Agreement

This Agreement shall consist of this document and the following Exhibits which are attached to, and incorporated in, this document by this reference:

Exhibit 1 Site Description
Exhibit 2 Schedule of Performances
Exhibit 3 Note
Exhibit 4 Trust Deed
Exhibit 5 Escrow Instructions
Exhibit 6 Agreement Containing Covenants Affecting Real Property
Exhibit 7 Revised Property Management Plan

8.8. No Waiving by Delay

Any delay by the Agency in asserting any rights under this Section shall not operate as a waiver of such rights or to deprive Agency of or limit such rights in any way. Any waiver in fact made by the Agency with respect to any specific default by Owner under this Section shall not be considered as a waiver of the rights of the Agency with respect to any other defaults by Owner under this Section or with respect to the particular default except to the extent specifically waived in writing.

8.9. Delay for Causes Beyond Control of Party

For the purposes of any of the provisions of the Agreement, neither Agency nor Owner shall be considered in breach of, or default in, its obligations with respect to the preparation of the Site for development, or the beginning, prosecution and completion of construction of the Improvements, if delay in the performance of such obligations is due to unforeseeable causes beyond the delayed party's control and without its fault or negligence. Unforeseeable causes 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 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 Agency and Owner shall be extended for the period of the enforced delay, as determined by the Agency, provided that the party seeking the benefit of the provisions of this Section shall, within ten (10) days after the beginning 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.

8.10. Rights and Remedies Cumulative

The rights and remedies of the parties to the Agreement, shall be cumulative, and the exercise by either party of any one or more of such remedies shall not preclude the exercise by it, at the same or different times, of any other such remedies for the same default or breach or of any of its remedies for any other default or breach by the other party. No waiver made by either such party with respect to the performance of any obligation of the other party or any condition to its own obligation under the Agreement shall be considered a waiver of any rights beyond those expressly waived in writing.

8.11. Waiver of Defenses of Surety

Owner, for itself and its successors and assigns, and for all other persons who shall become subject to any obligation under the Agreement, hereby waives, to the fullest extent permitted by law and equity, and all claims and defenses otherwise available to a surety, whether real, personal, or otherwise or whether by agreement or operation of law, including any and all claims and defenses based upon extension of time, indulgence, or modification of terms of contract.

8.12. Counterparts

This Agreement may be executed in not more than five (5) counterpart originals, each of which shall constitute one and the same instrument.

8.13. Nonliability of Agency Officials and Employees

No member, official or employee of the Agency shall be personally liable to the Owner, or any successor in interest, in the event of any default or breach by the Agency or for any amount which may become due to the Owner or its successors, or on any obligations under the terms of this Agreement.

8.14. Notices And Demands

A notice, demand or other communication under the Agreement by either party to the other shall be sufficiently given or delivered if it is dispatched by registered or certified mail, postage prepaid, return receipt requested, or delivered personally, to the address set out above, or at such other address with respect to either such party as that party may, from time to time, designate in writing and forward to the other as provided for a Notice in this Section.

8.15. Time For Acceptance of Agreement By Agency

Participant shall execute this Agreement prior to the public meeting of the Agency approved of this Agreement.

This Agreement, when executed by the Participant and delivered to the Agency, must be authorized, executed and delivered by the Agency within sixty (60) days after date of signature by the Participant, or this Agreement shall be void, except to the extent that the Participant shall consent in writing to a further extension of time for the authorization, execution and delivery of this Agreement. The date of this Agreement shall be the following date, when the Agreement shall have been signed by the Agency.

EXECUTED as of the date first written above in the County of Sacramento, California.

AGENCY:
REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

BY _____
ROBERT E. SMITH, Executive Director

OWNER:

DEMETRIO BAUTISTA, JR.

NAEKO BAUTISTA

State of California |
County of Sacramento | ss.

On this _____ day of _____, 1990, before me _____
_____, a Notary Public in and for said County and State, personally appeared DEMETRIO
BAUTISTA, JR. AND NAEKO BAUTISTA, husband and wife, proved to me on the basis of satisfactory
evidence to be the persons whose name are subscribed to this instrument, and acknowledged the they executed
it.

NOTARY PUBLIC

State of California |
County of Sacramento | ss.

On this _____ day of _____, 1990, before me _____
A Notary Public in and for said County and State, personally appeared ROBERT E. SMITH, personally know
to me to be the person who executed this instrument as Executive Director of the Redevelopment Agency
of the City of Sacramento and acknowledged to me that the Agency executed it.

NOTARY PUBLIC

APPROVED AS TO FORM:

Agency Counsel

APPROVED:

Finance Department

Account Code: _____
Organization: _____
Cost Center: _____

APPROVED: _____
Organization

LIST OF EXHIBITS

- Exhibit 1 Site Description
- Exhibit 2 Schedule of Performances
- Exhibit 3 Note
- Exhibit 4 Trust Deed
- Exhibit 5 Escrow Instructions
- Exhibit 6 Agreement Containing Covenants Affecting Real Property
- Exhibit 7 Revised Property Management Plan

EXHIBIT 1 SITE DESCRIPTION

LEGAL DESCRIPTION OF THE SITE

Parcel number: 002-0112-010

The Site is described as: The North 1/2 of the Lot No. 4, in the block bounded by 9th and 10th and E and F Streets, of the City of Sacramento, according to the official map on plat thereof.

Excepting therefrom the West 20 feet of the North 1/2 of said Lot No. 4.

0333Q

EXHIBIT 2 SCHEDULE OF PERFORMANCES

SCHEDULE OF PERFORMANCES

ACTION:

1. Open Escrow.
2. Submit all items to Escrow, take all actions necessary for close of Escrow and close Escrow.
3. Owner shall submit Plans to Agency for approval.
4. Agency shall approve or disapprove the Plans submitted by Owner.
5. Owner shall submit proposed construction contracts and payment and performance bonds.
6. Agency shall disapprove proposed construction contracts or payment and performance bonds.
7. Owner shall commence construction.
8. Owner shall complete construction.

TIME FOR ACTION:

Within 5 days after execution of this Agreement.

Within 15 business days after opening escrow.

Within 45 days after close of Escrow.

Within 45 days after Owner's submission of Plans to Agency.

Not less than 10 business days prior to commencement of construction.

Not less than 5 business days prior to commencement of construction.

Not later than _____.

Not later than _____.

PROMISSORY NOTE
502 and 504 Tenth Street

\$158,474

_____, 1990

For value received, DEMETRIO BAUTISTA, JR. AND NAEKO BAUTISTA, husband and wife, ("Borrower") jointly and severally, promise to pay to REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO ("Lender") or order at 630 I Street, Sacramento, California 95814 the sum of ONE HUNDRED FIFTY-EIGHT THOUSAND, FOUR HUNDRED SEVENTY-FOUR DOLLARS (\$158,474), or so much as may actually be advanced, upon the following terms and conditions.

1. This Note evidences the obligation of Borrower to Lender for repayment of funds loaned to Borrower under an Owner Participation Agreement dated _____, 1990 (the "OPA"). The terms and covenants of the OPA are incorporated herein by reference. Lender has made this loan for the benefit of the general welfare of the citizens of the City and County of Sacramento for the purpose of increasing the supply of decent, safe and sanitary housing which is affordable to persons and families of low and moderate income. Loan funds are to be used exclusively for the rehabilitation of property located at 502 and 504 Tenth Street, Sacramento, California (the "Site").

2. Interest shall accrue upon all unpaid principal at a simple rate of three percent (3%) per annum commencing on the date of issuance of a "Certificate of Completion" on the Site, in accordance with the OPA. Repayment shall be in equal monthly installments on the first day of each month, in the amount of \$ _____, or more, commencing on the first day of the first full calendar month following issuance of the Certificate of Completion on the Site, and continuing each month thereafter until all principal and accrued interest have been paid in full, with any unpaid principal and all accrued but unpaid interest on the Loan due and payable fifteen years following the date of the first payment. Each payment shall be credited first on interest then due and the remainder on principal. Immediately thereafter, interest shall cease on the principal so credited.

If any installment under this Note is not received by the holder hereof within fifteen (15) calendar days after the installment is due, the Borrower shall pay to the holder hereof a late charge of five percent (5%) of such installment. Such late charge shall be immediately due and payable without demand by the holder hereof. Notwithstanding this provision regarding late charge, Lender may elect to find Borrower in default if any payment is not made when due.

3. This Note is secured by a Deed of Trust with Assignment of Rents against the above-referenced property, recorded in the office of the County Recorder of Sacramento County (the "Deed of Trust").

4. The Deed of Trust securing this Note contains the following provisions: "In the event the Trustor, without the prior written consent of the Beneficiary, sells, agrees to sell, transfers or conveys its interest in the real property or any part thereof, or any interest therein, whether voluntarily or involuntarily, Beneficiary may, at its option, declare all funds secured hereby immediately due and payable. Consent to one such transaction shall not be deemed to be a waiver of the right to require such consent to future or successive transactions. The terms "Trustor" and "Beneficiary" include their successors."

5. Upon occurrence of any one or more the following the Lender may, at its sole discretion, declare all unpaid loan principal and interest immediately due and payable without demand or notice:

- a. The transfer of title to the Site, whether by sale, exchange, gift, inheritance or other means, without prior written consent of Agency;
- b. Borrower fails to commence and complete rehabilitation on Site within the time specified in the OPA;
- c. Borrower ceases rehabilitation work for a period of fifteen (15) consecutive calendar days.

- d. Borrower fails to carry out and complete rehabilitation of the Site in accordance with the plans, specifications and work write-up approved by the Lender, without prior written consent of the Lender;
 - e. Lender discovers that Borrower in any application to the Lender in connection with the Loan had failed to disclose or misrepresented any fact deemed by the Lender to be material or which would have prevented the Borrower from being eligible for the Loan;
 - f. Lender discovers that the Borrower has made any misrepresentations or failed to disclose any fact deemed material by the Lender in the OPA, this Note or the Deed of Trust;
 - g. Borrower defaults or breaches any of the terms of the OPA, this Note or the Deed of Trust;
 - h. Borrower fails to perform any covenant, term or condition in any instrument creating a lien upon the property which is the security under the Deed of Trust, or any part thereof, which lien shall have priority over the lien of the Deed of Trust securing this Note;
 - i. Occurrence of any of the following:
 - i. The Borrowers becoming insolvent or bankrupt or being unable or admitting in writing its inability to pay its debts as they mature or making a general assignment of or entering into any arrangement with creditors;
 - ii. Proceedings for the appointment of a receiver, trustee or liquidator of the assets of the Borrower or a substantial part thereof, being authorized or instituted by or against the Borrower;
 - iii. Proceedings under any bankruptcy, reorganization, readjustment of debt, insolvency, dissolution, liquidation or other similar law of any jurisdiction being authorized or instituted against the Borrower.
 - j. Borrower discriminates against prospective tenants on the basis of their receipt of or eligibility for housing assistance under any federal, state or local housing assistance program, or except for elderly housing, on the basis that the tenants have minor children.
 - k. Borrower defaults in the payment of any principal or interest when due.
6. No waiver of any default or breach by Borrower hereunder shall be implied from any omission by the Lender to take action on account of such default, and no express waiver shall effect 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.

EXECUTED as of the date first written above in Sacramento County, California.

BORROWER:

DEMETRIO BAUTISTA, JR.

NAEKO BAUTISTA

WITNESS

EXHIBIT 4 TRUST DEED

ATTACHMENT TO DEED OF TRUST
(For Attachment to Title Company Standard Long-Form Deed of Trust)

1. The purpose of the loan evidenced by the Promissory Note secured by this Deed of Trust is for the general welfare of the citizens of the City and County of Sacramento for the purpose of increasing the supply of decent safe and sanitary housing which is affordable to persons and families of low and moderate income. Loan funds have been advanced pursuant to an Owner Participation Agreement dated _____ between Borrower and Beneficiary (the "OPA"). The terms and covenants of the OPA are incorporated herein by reference.

2. In the event Trustor, without the prior written consent of the Beneficiary, sells, agrees to sell, transfers or conveys its interest in the real property or any part thereof, or any interest therein, whether voluntarily or involuntarily, Beneficiary may, at its option, declare all sums secured hereby immediately due and payable. Consent to one such transaction shall not be deemed to be a waiver of the right to require such consent to future or successive transactions. The terms "Trustor" and "Beneficiary" include their successors.

EXHIBIT 5 ESCROW INSTRUCTIONS

ESCROW INSTRUCTIONS

DATE: _____

TO: ESCROW HOLDER (TITLE COMPANY):

Escrow No: _____

FROM: LENDER:

REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO
630 "I" Street
Sacramento, California 95814
Attention: Tim Quintero

ESCROW INFORMATION:

- a. Owner/Borrower: DEMETRIO AND NAEKO BAUTISTA, JR., Husband and Wife
- b. Property: 502 and 504 10th Street, SACRAMENTO
- c. Preliminary Report: Order No. _____ dated _____
- d. Close of Escrow: _____
- e. Note Amount: \$158,474

This document and any amendments and additions to this document, shall constitute Lender's escrow instructions to Escrow Holder for the purchase money loan related to sale of that certain real property ("Property") described in the Preliminary Report. These escrow instructions shall refer to the above Escrow Information where the context so indicates.

1. SUBMISSION OF DOCUMENTS. YOU WILL RECEIVE PRIOR TO CLOSING, THE FOLLOWING:

- a. Deed of Trust on the Property executed by Owner/Borrower duly notarized. Draw the Deed of Trust on your standard long-form deed of trust and incorporate in the Deed of Trust by reference as an attachment the "Attachment to Deed of Trust" attached to these instructions.
- b. Original of the attached promissory note ("Note") in the Note Amount and executed by Owner/Borrower.
- c. Owner Participation Agreement ("OPA") between Lender and Owner/Borrower.
- d. Agreement Containing Covenants Affecting Real Property ("ACC").
- e. Certificate of Owner/Borrower's comprehensive general liability, automobile, builder's all-risk and fire and extended coverage insurance for the Property naming Lender as additional insured. Certificate of worker's compensation insurance.
- f. Lender's written approval of the following items:
 - i. The above listed insurance.
 - ii. Owner/Borrower's equity contribution
- g. Such additional items which you will need to close the escrow. Promptly notify the parties to the escrow of the additional items required.

2. REQUIREMENTS FOR CLOSE OF ESCROW: BEFORE YOU ARE AUTHORIZED TO CLOSE ESCROW, THE FOLLOWING EVENTS MUST OCCUR:

- a. You have received all items listed in Section 1 for close of escrow and all additional items required to complete this transaction and close the escrow;
- b. All conditions and provisions of these escrow instructions have been met.
- c. You have determined that the OPA, the ACC, the Deed of Trust and the Note are fully executed by Lender and/or Owner/Borrower, as the case may be; that the ACC, the OPA and the Deed of Trust are in sufficient form for recordation and that the Deed of Trust is sufficient to convey title to the Property.
- d. You are prepared to issue an A.L.T.A. standard form lender's policy of title insurance, with usual lender endorsements insuring that title to the Property is vested in Owner/Borrower and that the OPA, the ACC and the Deed of Trust are encumbrances against the Property subject only to the following title exceptions:
 - i. Lien of general and special taxes not yet due.
 - ii. Alkali Flat Redevelopment Plan.
 - iii. Utility easements now of record.
 - iv. Such other items as Lender's legal staff may approve in writing prior to close of escrow.
- e. You are prepared to strictly comply with these instructions.

3. CLOSING OF ESCROW: WHEN THE REQUIREMENTS FOR CLOSE OF ESCROW HAVE BEEN MET, THEN AND ONLY THEN, YOU ARE AUTHORIZED AND INSTRUCTED TO DO THE FOLLOWING:

- a. Date all undated documents as of the date of recording.
- b. Record the OPA, the ACC and the Deed of Trust in the Official Records of Sacramento County, California, in the order listed. No recording fees shall be paid. The instruments shall state: "Official Business - Document entitled to free recording per Government Code Section 6103."
- c. All costs of this escrow, including Lender's title insurance premium shall be billed to and paid by Owner/Borrower. All disbursements are to be made from the escrow accounts by your check.
- d. Deliver to Owner/Borrower the following:
 - i. Copy of each instrument as it is to be recorded.
 - ii. Your itemized statement of the costs charged to Owner/Borrower's account.
 - iii. Your check for the balance of Owner/Borrower's deposit, if any, or your bill for the amount due you for Owner/Borrower's account.
- e. Deliver to Lender, the following:
 - i. Copy of each instrument to be recorded. Instruct the recorder to send recorded originals of all such recorded instruments to Lender at the above-named address.
 - ii. The original of the Note executed by Owner/Borrower.
 - iii. Copies of Owner/Borrower's insurance certificates and/or policies.
 - iv. Copy of your itemized statement of the costs charged to Owner/Borrower's account.

f. Lender shall disburse the Loan funds from its own account in accordance with the OPA and the Note. You are not responsible to receive or disburse the Loan funds. Lender may disburse Owner/Borrower's escrow fees and charges from the undisbursed Loan funds.

4. TIME FOR CLOSE OF ESCROW: YOU ARE AUTHORIZED AND DIRECTED TO CLOSE ESCROW AS FOLLOWS:

a. On or before the date stated above for Close of Escrow at 5:00 p.m. provided all prior conditions to the Close of Escrow, as set forth in these instructions, have been met.

b. If you are unable to close the escrow on or before the date stated for the Close of Escrow, you are authorized to hold the funds, documents and other items delivered to you pending further instructions from Lender. Unless otherwise stated in these escrow instructions, Lender reserves the right to demand the return of all items deposited by it if the escrow has not closed by the stated date and time. If no such demand is made, you are authorized and instructed to close this escrow as soon as possible.

5. ACCEPTANCE OF THE ESCROW:

Your acceptance of this escrow shall create a contractual obligation by you with Lender for complete compliance with these instructions. Lender reserves the right to 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:

a. Any adjustments or prorations shall be made on the basis of a 30-day month.

b. You are not responsible as to the authority or rights of any person executing any instrument submitted to you under this escrow. 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 the your obligations as specifically provided under this agreement. You are responsible for the sufficiency of any instruments or documents prepared by you for this escrow.

c. You are authorized to furnish copies of these escrow instructions and any amendments or additions to these escrow instructions to Owner/Borrower's agents, real estate brokers or lenders.

d. Mail all documents and other items to Lender at the address shown above unless otherwise directed.

e. As Lender's agent, you are instructed to assign any fire and casualty insurance policy delivered to you and to secure any endorsements required in performance of these instructions.

f. You may deposit monies received under these instructions in your escrow accounts in accordance with usual and acceptable practice in your industry.

6. ACKNOWLEDGEMENT OF ACCEPTANCE:

Please acknowledge your receipt and acceptance of these escrow instructions on the enclosed counterparts of these escrow instructions and return the same to Lender.

**LENDER: REDEVELOPMENT AGENCY OF
THE CITY OF SACRAMENTO**

By: _____
ROBERT E. SMITH,
Executive Director

Approved: _____
Agency Counsel

OWNER/BORROWER CONCURRENCE

In consideration of the making of the Loan, Owner/Borrower acknowledges and agrees to the terms of these escrow instructions.

DEMETRIO BAUTISTA, JR.

NAEKO BAUTISTA

ACCEPTANCE OF ESCROW INSTRUCTIONS

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

Dated: _____

ESCROW HOLDER:

By: _____
Title: _____

NOTE AND ATTACHMENT TO TRUST DEED

EXHIBIT 6 AGREEMENT CONTAINING COVENANTS AFFECTING REAL PROPERTY

OFFICIAL BUSINESS

Document entitled to free
recording per Government
Code Section 6103

Recording Requested by and
When Recorded Return to:
The Redevelopment Agency
of the City of Sacramento
630 I Street
Sacramento, CA 95814
Attn: Legal Department

**AGREEMENT CONTAINING COVENANTS AFFECTING REAL PROPERTY
502 & 504 TENTH STREET PROJECT**

THIS AGREEMENT is entered into this _____ day of _____, 1990, by and between DEMETRIO BAUTISTA, JR. and NAEKO BAUTISTA, husband and wife, (the "Owner") and the REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO, a public body, corporate and politic (the "Agency").

WHEREAS, Owner is the owner of the real property ("Site") within the Alkali Flat Redevelopment Project Area (defined in the Redevelopment Plan as initially adopted was recorded on February 15, 1972, in the Official Records of the County of Sacramento, in Book 72-02-15, beginning at page 296 Official Records of the County of Sacramento, State of California), which Site is described in the "Legal Description of the Site" attached to, and incorporated in this Agreement by this reference; and

WHEREAS, Owner and Agency have entered into an Owner Participation Agreement ("Owner Participation Agreement") in which Owner has agreed to develop and manage the Site in conformity with the Owner Participation Agreement, and the Agency has agreed to provide financing for the development of the Site;

NOW, THEREFORE, AGENCY AND OWNER AGREE AS FOLLOWS:

1. The 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. Rehabilitate and develop the Site solely for residential uses, in conformance with the Owner Participation Agreement;

b. Maintain the improvements on the Site in conformance with the Owner Participation Agreement, and keep the Site free from any accumulation of debris or waste materials;

c. In the rental of dwelling units on the Site, the Owner agrees that during the "Project Term" (which shall mean a period of fifteen years following the date of Certificate of Occupancy for Site issued under the Owner Participation Agreement) the Owner will not discriminate against prospective tenants on the basis of their receipt of or eligibility for housing assistance under any federal, state or local housing assistance program, or, except for units specifically identified in this Agreement as designated to the elderly and for units that are too small for the intended occupancy, on the basis that they have a minor child or children who will be living with them.

d. Owner shall comply with the provisions of Owner's "Revised Property Management Plan", a copy of which is attached as "Exhibit 7 Revised Property Management Plan" to the Owner Participation Agreement.

e. Owner, its successors and assigns, shall not discriminate, and shall not permit anyone to discriminate, upon the basis of race, color, ancestry, religion, creed, sex, marital status, or national origin 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 non-segregation clauses:

i. In Deeds

The following shall be included in deeds:

"The grantee herein covenants by and for 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 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 grantee 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, subtenants, sublessees or vendees in the land herein conveyed. The foregoing covenants shall run with the land."

ii. In Leases

The following shall be included in leases:

"The lessee herein covenants by and for 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 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 leasing, subleasing, transferring, use, 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."

iii. In Contracts

The following shall be included in contracts:

"There shall be no discrimination against or segregation of any persons, or group of persons on account on account of sex, marital status, religion, race, color, creed, national origin or ancestry in the sale, lease, sublease, transfer, use or enjoyment of the land, nor shall the transferee 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 of the land."

All of the covenants contained in this Agreement shall remain in effect until the expiration of the Project Term, except for the covenants against discrimination, which shall remain in perpetuity and subject to the exceptions stated in Section 3 of this Agreement, below.

2. 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.

3. 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 at law or suits in equity or other property proceedings to enforce the curing of such breach, to which beneficiaries of such covenants may be entitled.

4. 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 tenants, 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.

5. Owner, its successors and assigns, shall perform each and every obligation set forth in this Agreement and the Owner Participation Agreement 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:
THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

BY _____
ROBERT E. SMITH, Executive Director

OWNER:

BY _____
DEMETRIO BAUTISTA, JR.

BY _____
NAEKO BAUTISTA

State of California |
County of Sacramento | ss.

On _____, 1990, before me, the undersigned Notary Public, personally appeared ROBERT E. SMITH, proved to me on the basis of satisfactory evidence to be the person who executed the within instrument as the Executive Director of the Redevelopment Agency of the City of Sacramento and acknowledged to me that the Agency executed it.

Notary Public

State of California |
County of Sacramento | ss.

On _____, 1990, before me, the undersigned Notary Public, personally appeared DEMETRIO BAUTISTA, JR. and NAEKO BAUTISTA, husband and wife, personally known to me, or proved to me on the basis of satisfactory evidence, to be the person who executed the within instrument as Owner and acknowledged to me that they executed it.

Notary

LEGAL DESCRIPTION OF THE SITE

Parcel number: 002-0112-010

The Site is described as: The North 1/2 of the Lot No. 4, in the block bounded by 9th and 10th and E and F Streets, of the City of Sacramento, according to the official map on plat thereof.

Excepting therefrom the West 20 feet of the North 1/2 of said Lot No. 4.

0333Q

EXHIBIT 7 REVISED PROPERTY MANAGEMENT PLAN

TO: PAC COMMITTEE

FM: BAUTISTA AND SON CONSTRUCTION & PROPERTY MANAGEMENT
COMPANY

RE: REVISED PROPERTY MANAGEMENT PROPOSAL

DT: 10/10/89

A on site resident manager will be hired to run the apartment complex on a day to day basis. The resident manager will follow the criteria listed below:

A. INSPECTIONS:

On a quarterly basis, the resident manager will conduct a thorough inspection of all the units with the Health Department and the Building Inspectors to uphold the *highest quality of safety and living conditions*.

B. POLICIES REGARDING THE GROUNDS OF THE COMPLEX:

1. VEHICLE REPAIR: There will be no vehicle repair or storage in the complex premises. Abandoned vehicles will be towed away after a three day notice has been posted.

2. SECURITY OF THE COMPLEX PREMESIS: The resident manager will patrol the premises throughout the day and evening to ensure *no drug traffic* or any *illegal activities* are occurring. If any illegal activities are observed, the resident manager will *notify police*. In addition, anyone who is not registered as a tenant or a guest of a tenant will be asked to leave the complex premises immediately.

C. MANAGEMENT RESPONSIBILITIES:

The resident manager will maintain regular office hours (office hours may vary during heavy turnover months) as required. Tenant's will be able to contact the resident manager during non-office hours for emergencies. The basic responsibilities of the resident manager are:

1. MAINTENANCE AND REPAIR: The resident manager will be "on call" *twenty four hour* a day for emergency repairs. Minor repairs not requiring professionals will be done on a routine basis (such as replacing screws, clogged plumbing, rehangng towel bars, replacing air condition filters and smoke selector batteries, installing screens, etc.) Any repairs that needs a professional will be contracted immediately.

2. CLEANING: The resident manager will keep the grounds, common rooms, and garbage area free from debris and waste. The stairwells, walkways laundry room and vending machine area will be cleaned once a week or more (if necessary).

3. ADMINISTRATION OF LEASES: Terms of the rent are one year leases or month to month leases (month to month leases will pay a higher rent price). Before a tenant moves into a designated apartment, the following are required: (1) the total amount of the first and last month rent;(2) security deposit of \$200;(3) if month to month lease, in addition to (1) and (2), additional \$250 security deposit is required.

4. COLLECTION OF RENT: The monthly rent will be collected on the first day of each month. If a tenant cannot pay the rent of the first of the month, \$10 will be added to the rent price for every 5 days that the rent is late. If a tenant is one month late with his rent, he will be subjected to the termination of his lease and eviction.

D. PETS:

The management will not allow any pets in any unit or around the premises of the apartment complex.