

File ID: 2026-00677

5/19/2026

Scotty Station Apartments: Approval of Construction and Permanent Loan Documents between Sacramento Housing and Redevelopment Agency and Chelsea Investment Corporation, Inc. or Related Entity, in the Amount of \$4.1 Million

File ID: 2026-00677

Location: 1601 69th Street, District 6

Recommendation: Adopt a **City Council Resolution:** 1) approving the \$4.1 million Construction and Permanent Loan Agreement utilizing the HOME Investment Partnership Program (HOME), Mixed Income Housing Funds (MIHF), Permanent Local Housing Allocation funds (PLHA), and Housing Trust Fund (HTF), and related documents between Sacramento Housing and Redevelopment Agency (SHRA) and Chelsea Investment Corporation or related entity (Developer) for Scotty Station Apartments formerly River City Apartments (Project); 2) authorizing SHRA to negotiate, enter into, execute, transmit, and amend as needed the Loan Documents to the Developer and perform other actions; 3) authorizing SHRA to amend its budget and lend \$4.1 million in HOME, MIHF, PLHA, and HTF funds for construction and permanent financing of the project; and 4) making environmental and other related findings.

Contact: Christine Weichert, Director of Development Finance, (916) 440-1353, cweichert@shra.org, Sacramento Housing and Redevelopment Agency

Presenter: None

Attachments:

- 1-Description/Analysis
- 2-City Council Resolution - Loan Documents Approval
- 3-Exhibit A - Construction and Permanent Loan Agreement Documents
- 4-Vicinity Map
- 5-Rendering
- 6-Site Plan
- 7-Residential Project Summary
- 8-Project Cash Flow & Pro Forma
- 9-Maximum Income and Rent Limits

Description/Analysis

Issue Detail: In January 2024, Chelsea Investment Corporation, Inc. (Developer) applied to the Sacramento Housing and Redevelopment Agency (Agency) for funding River City Apartments, now renamed to Scotty Station Apartments (Project).

In April 2024, the Housing Authority of the City of Sacramento approved the issuance of up to \$42 million in tax-exempt mortgage revenue bonds, and the City Council approved a \$2 million loan commitment for the acquisition, construction, and permanent financing of the Project.

The Developer applied for Mortgage Revenue Bonds, and Federal and State Low-Income Housing Tax Credits in April 2024 but was unsuccessful due to decreased availability of State Tax Credits. The lack of State Tax Credits created an \$8 million gap for the Project. To fill the gap, in March 2025, the City Council approved an additional \$2.1 million in funding, bringing the total loan commitment to \$ 4.1 million. The Developer applied for and received nine percent (9%) Low Income Housing Tax Credits (LIHTC) in 2025.

Project Description: Scotty Station Apartments (formerly River City Apartments) will be a new construction development on 0.97 acres of land located at 1601 69th Street. This will be a five-story building with two elevators, comprised of 66 units, which consists of 19 one-bedroom units, 27 two-bedroom units, 19 three-bedroom units, and one two-bedroom manager's unit. Fifteen units will be reserved for developmentally disabled individuals and families. There will be 19 parking spaces, including one (1) ADA parking space. The units will be restricted to families of 30 percent to 60 percent of Area Median Income (AMI).

All apartments will have Energy Star-rated appliances, an electric stove and range, a dishwasher, and a garbage disposal. All units will have bathtubs or showers with water-efficient toilets, and all flooring throughout will have luxury vinyl planks. The kitchen in every unit will have a stainless-steel sink, microwave shelving, and solid vanity tops.

The common areas and amenities include a fully furnished community room, a BBQ area, a school-age play structure, a laundry room, and an outdoor exercise area. A vicinity map is included in Attachment 4, the project rendering is included in Attachment 5, and the Site Plan in Attachment 6.

Project Developer: Chelsea Investment Corporation (CIC) is the developer for the Project. CIC brings forth a wealth of expertise and experience since its establishment in 1986. As a vertically integrated organization, CIC intertwines development, asset management, construction, and community investment within its framework. CIC has successfully developed over 100 Low-Income Housing Tax Credit communities, providing homes for more than 10,000 individuals.

Property Management: CONAM Management Corporation is the proposed property management company. They are currently managing five properties in the Sacramento area. Established in 1975, CONAM specializes in managing both conventional and affordable housing across 12 states.

Supportive Services: Alta California Regional Center (ACRC) is a non-profit organization operating in collaboration with the State of California, Department of Developmental Services. ACRC provides services to over 30,000 individuals across 10 counties, including Sacramento, and offers comprehensive services to individuals who face developmental disabilities. ACRC will provide supportive services for 15 units reserved for ACRC residents at Scotty Station Apartments.

Resident Services: The Agency has approved Pacific Southwest Community Development (PSCDC) as the resident service provider. PSCDC has over 26 years of experience in delivering services. This property represents PSCDC's second in Sacramento, reflecting its commitment to expanding its impact and community development efforts in the region. Presently, they oversee operations at 79 properties throughout California. PSCDC will be required to provide a minimum of 15 hours of services per week for the residents, including after-school programs.

Project Financing: The proposed financing of the Project includes an Agency Loan totaling \$4.1 million, comprised of HOME Investment Partnership Program, Permanent Local Housing Allocation funds (PLHA), Mixed Income Housing Funds (MIHF), and Housing Trust Funds, nine percent LIHTC, deferred developer fee, conventional loan, and a Community Resource Development loan. The Summary and Proforma are included as Attachments 7 and 8.

PROGRAM FUNDS	AMOUNT
HOME	\$1,150,000
PLHA	\$850,000
MIHF	\$1,300,000
HTF	\$800,000
Total	\$4,100,000

Low-Income Set-Aside Requirements: The Agency requires at least 15 percent of the units to have affordable rents to households with income up to 50 percent AMI, and at least five percent of the units to have rents that are affordable to households with income up to 30 percent AMI, based on financial feasibility. The affordability restrictions will be specified in regulatory agreements between the Agency and the Developer. A schedule of maximum income and rents is included in Attachment 9.

Scotty Station Apartments

Affordability Restrictions (55 years)	Units	% of Units
Extremely Low Income (30% AMI)	7	11%
Very-Low Income (40% AMI)	14	22%
Very-Low Income (50% AMI)	20	30%
Low Income (60% AMI)	24	36%

Manager Unit (1 Bedroom)	1	1%
Total	66	100%

Policy Considerations: The recommended actions are consistent with 1) Agency’s approved Multifamily Lending and Mortgage Revenue Bond Policies, priority 2 - New Construction, and Priority 2(i), Permanent Supportive Housing and Homeless Housing; and 2) the 2021-2029 Housing Element, which encourages the provision of a variety of quality housing types to create affordable and inclusive housing, and c) the Sacramento Promise Zone Plans and Goals, Sustainably Built Community sub-goal to increase housing types and transit growth to promote livability and connectivity within the Promise Zone.

Economic Impacts: This multi-family residential project is expected to create 417.93 total jobs (236.83 direct jobs and 181.10 through indirect and induced activities) and create \$34,827,720 in total economic output (\$21,229,665 of direct output and \$13,598,055 indirect output and induced activities).

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

Environmental Considerations:

California Environmental Quality Act (CEQA): California Environmental Quality Act (CEQA): The City of Sacramento granted the project Ministerial Approval (Record No. PLN23-02769) under the requirements for Infill Housing Development. Pursuant to Public Resources Code section 15268, the project is exempt from CEQA requirements.

National Environmental Policy Act (NEPA): In accordance with 24 C.F.R. 58.40(g)(1), an Environmental Assessment was conducted for this project, resulting in a Finding of No Significant Impact (FONSI) with mitigation.

Sustainability: The proposed Project has been reviewed for consistency with the goals, policies, and targets of the 2035 General Plan. If approved, this project will advance the following goal, policy, and target of Goal H-1.1.1 Sustainable Housing Practices, specifically by developing housing and neighborhoods to be environmentally sustainable.

Commission/Committee Action: Not applicable.

Rationale for Recommendation: The actions recommended in this report support the Agency's ability to continue to fulfill its mission of providing a range of affordable housing opportunities in the City and are consistent with the Agency's approved Multifamily Lending and Mortgage Revenue Bond Policies, and the City of Sacramento 2021-2029 Housing Element as part of General Plan Sacramento's 2035 General Plan.

Financial Considerations: The recommended funding for this project is \$4.1 million, comprised of \$1.15 million in HOME, \$850,000 in PLHA, \$1.3 million in MIHF, and \$800,000 in HTF funds. The loans will all have a term of 42 years and a simple interest rate of three percent, with repayments that achieve a debt service coverage ratio of 1.20. SHRA will collect an annual administrative fee of 0.125 percent (12.5 basis points) of the total SHRA loan amount, plus a fee equal to \$100 per SHRA-funded unit per year for monitoring regulatory restrictions and administration of the funds, not to exceed \$15,000.

Local Business Enterprise (LBE): Minority and Women's Business Enterprise requirements and Section 3 considerations will be applied to all activities to the extent required by the federal funding.

RESOLUTION 2026-

Adopted by the Sacramento City Council

May 19, 2026

Scotty Station Apartments (Project): Execution of Construction and Permanent Loan Documents with Chelsea Investment Company, Inc. or Related Entity (Developer); Related Findings; and Environmental Findings

BACKGROUND

- A. In April 2024, the Chelsea Investment Corporation (Developer) was approved for an allocation of \$2 million in HOME Investment Partnership Program funds and Permanent Local Housing Allocation Program funds to assist with the Project's development of the Scotty Station (fka River City Apartments).
- B. In March 2025, the Developer applied for an additional \$2.1 million of gap financing for the Project. The new construction project will serve a mixture of homeless and low-income households.
- C. The Project is consistent with Sacramento Housing and Redevelopment Agency's (Agency) previously approved Multifamily Lending and Mortgage Revenue Bond Policies, Funding Priority #2: New Construction and Conversion of Non-Residential to Residential use.
- D. The City of Sacramento granted the project Ministerial Approval (Record No. PLN23-02769) under the requirements for Infill Housing Development. Pursuant to Public Resources Code section 15268, the project is exempt from CEQA requirements.
- E. In accordance with 24 C.F.R. 58.40 (g)(1), an Environmental Assessment was conducted for this project, resulting in a Finding of No Significant Impact (FONSI) with mitigation.

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

SECTION 1.

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

SECTION 2.

The Construction and Permanent Loan Agreement and related documents, attached as Exhibit A to this Resolution, comprised of \$4.1 million in HOME Investment Partnership Program (HOME), Mixed Income Housing Funds (MIHF), Permanent Local Housing Allocation (PLHA), and Housing Trust Funds (HTF) funds (Construction and Permanent Loan Agreement) is

approved and the Agency is delegated authority to execute and transmit the Construction and Permanent Loan Agreement and related documents to the Developer for the Construction and Permanent financing of the Project.

SECTION 3.

The Agency is authorized to negotiate, enter into, execute, transmit and amend as needed the Construction and Permanent Loan Agreement with the Developer, and enter into and execute other documents, as approved to form by Agency's Office of the General Counsel, and perform other actions necessary to fulfill the intent of the Construction and Permanent Loan Agreement, in accordance its terms, and to ensure proper repayment of the Agency funds, including without limitation, loan restructuring, subordination and extensions, consistent with Agency's adopted policies and with this resolution.

SECTION 4.

This resolution shall take effect immediately upon its adoption.

TABLE OF CONTENTS:

Exhibit A - Construction and Permanent Loan Agreement Documents

Exhibit A

Construction and Permanent Loan Agreement RIVER CITY APARTMENTS

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

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

A. “LOAN INFORMATION” The general loan provisions of the Loan:		
“EFFECTIVE DATE”	TBD	The date as of which this Loan Agreement shall be effective.
“LENDER”	The following public agency that is making the Loan, and whose legal status and address are:	
Name	Sacramento Housing and Redevelopment Agency	
Legal Status	A public body, corporate and politic	
Principal Address	801 12th Street, Sacramento CA 95814	
“BORROWER”	The borrower of the Loan Proceeds whose name, legal status and address are:	
Name	River City CIC, LP	
Legal Status	California limited partnership	
Principal Address	6339 Paseo Del Lago, Carlsbad, CA 92011	
“LOAN”	The Loan made by this Loan Agreement.	
“LOAN COMMITMENT”	Lender’s loan commitment, made by letter dated as of	March 11, 2025
“LOAN PROGRAM”	Lender’s Loan Programs commonly known as	HOME, City Housing Trust Fund (HTF), Mixed Income Housing Funds (MIHF) and Permanent Local Housing Allocation Funds (PLHA)
“LOAN AMOUNT”	Four Million One Hundred Thousand Dollars and No Cents (\$4,100,000.00) comprised of: \$1,150,000.00 HOME \$850,000.00 PLHA \$1,300,000.00 MIHF \$800,00.00 HTF	
“INTEREST RATE”	The interest rate is 3% per year, simple interest.	
“PAYMENT START DATE”	The first day of the 204 th calendar month following the Effective Date.	
“MATURITY DATE”	The first day of the 504 th calendar month following the Effective Date.	

Annual principal and interest shall be deferred from the Loan’s Effective Date through the first 17 years following the Effective Date.

Beginning with the first year of operations after permanent loan conversion, Borrower will allocate 20% of ”Residual Receipts” (as defined below) to an SHRA loan reserve account (“Reserve Account”). The Reserve Account shall be used beginning in Year 18, as necessary, to provide funding for Annual Payments (below) and/or Residual Receipts payments in any given year in order to achieve a 1.20 debt service coverage ratio (DSCR). For the avoidance of doubt, following Year 17, Borrower will no longer allocate 20% of Residual Receipts into the Reserve Account.

Annual Payments shall be made at the start of year 18. If, in any year, the required Annual Payment is less than a 1.20 DSCR, any amount owed to achieve a 1.20 DSCR (any such owed amounts, the “Deferred Payments”) will be paid out of the Reserve Account to the extent of available funds, and following depletion of the Reserve Account, out of 75% of the Residual Receipts. Payments will be applied to the unpaid interest first. In any year in which some or all of any Deferred Payments remain unpaid following the process set forth in this paragraph, such remaining portion shall be payable in future years from 75% of Residual Receipts. Any Deferred Payments not paid prior to the Maturity Date shall be payable on the Maturity Date.

Borrower’s audited financial statement must be submitted annually and indicate that the Project’s DSCR achieves the required 1.20 DSCR.

The Payment Schedule is as follows:

“PAYMENT SCHEDULE”

Years	Annual Payment
0-17(2026-2042) (Construction Years 1-2 and Permanent Years 1 – 15)	\$0.00
Year 18 (2043)	\$124,072
Year 19 (2044)	\$127,794
Year 20 (2045)	\$131,628
Year 21 (2046)	\$135,577
Year 22 (2047)	\$139,644
Year 23 (2048)	\$143,833
Year 24 (2049)	\$148,148
Year 25 (2050)	\$152,593
Year 26 (2051)	\$157,171
Year 27 (2052)	\$161,886
Year 28 (2053)	\$166,742
Year 29 (2054)	\$171,745
Year 30 (2055)	\$176,897
Year 31 (2056)	\$182,204
Year 32 (2057)	\$187,670
Year 33 (2058)	\$193,300
Year 34 (2059)	\$199,099
Year 35 (2060)	\$205,072
Year 36 (2061)	\$211,224
Year 37 (2062)	\$217,561
Year 38 (2063)	\$224,088
Year 39 (2064)	\$230,810
Year 40 (2065)	\$237,735
Year 41 (2066)	\$244,867
Year 42 (2067)	\$252,213
Maturity Year (2068)	The unpaid balance of the note is due and payable on the Maturity Date including without limitation all unpaid principal , interest, fees, and charges.

Payments will be applied as follows:

1. HTF Loan until it has been fully repaid
2. MIHF Loan until it has been fully repaid
3. HOME Loan until it has been fully repaid
4. PLHA Loan until it has been fully repaid

“Residual Receipts” is defined as Net Operating Income (NOI) (as defined below) less the items described in the below Subsections (i) through (vi), based on the annual audited financial statement from the preceding year. No such proceeds or amounts shall be applied in payments of any amounts specified in any of the Subsections below until all amounts specified in any earlier Subsection have been paid in full :

- i. Senior loan payments
- ii. Monitoring fees on the regulatory agreements;
- iii. Payments to Limited Partner Management fee: \$7,000 escalating at 3.0% annually;
- iv. Payments towards any unpaid credit deficiencies and tax equivalency payments, together with interest thereon;
- v. Payment to the operating reserve to maintain the required balance pursuant to Borrower’s limited partnership agreement;
- vi. Payments to Managing General Partner Management fee: \$5,000 escalating at 3.0% annually;

The Net Operating Income is defined as periodic “Revenue” less “Operating Expenses.” “Revenue” means all revenue from the leasing of the Project, including but not limited to all rents, fees, and charges paid by tenants as well as rental subsidy payments regardless of the source of these subsidies, forfeited tenant deposits, rent increases, proceeds from vending machines and laundry room machines. Revenue shall not include tenants’ security deposits (unless forfeited), interest on those deposits, loan proceeds, capital contributions or similar advances, or amounts released from reserves or interest on reserves.

“Operating Expenses” shall mean actual costs, fees and expenses as evidenced by invoices attributable to the operation, recordkeeping, maintenance, taxes and management of the Project, including property management fees; taxes and assessments; payroll, benefits and payroll taxes of for property employees; insurance; security; painting, cleaning, repairs, and alterations; landscaping; sewer charges; utility charges; advertising, promotion and publicity; cable television, satellite and other similar services; office, janitorial, cleaning and building supplies; recreational amenities and supplies; purchase, repair, servicing and installation of appliances; costs and expenses associated with the provision of social and/or community services to the residents of the Project; equipment, fixtures and furnishing; fire alarm and elevator monitoring; fees and expenses of accountants, attorneys, consultants and other professionals. The definition will include deposits into operating and/or replacement reserves maintained by the Borrower but will not include initial deposits to capitalize the reserve accounts or amounts expended from a reserve account, or capital costs.

"BORROWER EQUITY"	Twenty-Two Million Nine Hundred Ninety-Seven Thousand Seven Hundred Dollars and No Cents (\$22,997,700.00)	Which is the minimum amount of cash or cash equivalent (excluding land equity or other non-cash investment in the Project) that Borrower is investing in the Project.
	One Million Two Hundred Forty Thousand Twenty Dollars and No Cents (\$1,240,020.00)	Which is Borrower's non-cash contribution to the Project (such as deferred Developer fees).
"SPECIAL TERMS"	At the completion of construction, borrower shall submit to Agency a cost certification prepared by a qualified, independent auditor acceptable to Agency, which cost certification shall indicate the amounts actually spent for each item in the cost breakdown and shall indicate the amounts actually spent for each item in the cost breakdown and shall indicate the projected final sources of funding. If there is aggregate savings, net of any increases or decreases in sources of funding, in the total of all such cost breakdown items from the cost breakdown items from the original budget approved by the Agency, the Agency shall withhold for itself as loan repayment, one half of such savings from the amount of retention then held by the Agency, in its sole discretion, shall determine any reduction and/or repayment of the Agency loan based upon this cost certification, the projected final sources of funding, and the original approved budget for the Project.	
"PROJECT"	Which is the Project to be developed on the Property with the Loan Proceeds, described as:	River City Apartments development is a modern style feature with recessed windows architectural projections with multiple off-setting planes. The 5 story on grade structure will offer 17 parking spaces, and 66 units comprised of 19 1-bedroom. 28 2-bedroom, and 19 3-bedroom units. The Project will contain amenities that include secure bicycle parking, landscaped courtyards and a play area. Additionally, residents will have access to the master plan site amenities that include management offices, resident community rooms, and barbeque area.

B. "COLLATERAL" The Collateral securing repayment of the Loan, which Collateral consists of the following:		
"PROPERTY"	The following described real property, which is security for the Loan and the site of the Project:	
Address	1601 69th St, Sacramento, CA 95822	
Assessor's Parcel Number	015-0010-033-0000	
"Legal Description"	The Property is situated in the State of California, County of Sacramento, and is more particularly described in Exhibit 1: Legal Description attached and incorporated by reference.	
Borrower's Title Interest	Borrower has fee interest in the Property or, if the Additional Escrow Instructions so indicate, Borrower will acquire fee interest in the Property at Close of Escrow.	
"ADDITIONAL COLLATERAL"	The Additional Collateral securing repayment of the Loan is any additional security required by Lender under this Loan Agreement, including without limitation the following items, if any	
"PERSONAL PROPERTY"	Borrower's interest in the following personal property, tangible and intangible, and all other such property listed as security in this Loan Agreement:	Materials and supplies for the Project, Assigned Documents
OTHER ADDITIONAL COLLATERAL	Borrower's interest in the following property:	None

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

D. "LIST OF EXHIBITS" (The following are attached and incorporated in this Loan Agreement):

EXHIBIT	DEFINED TERM
<u>Exhibit 1: Legal Description</u>	"Legal Description"
<u>Exhibit 2: Scope of Development</u>	"Scope of Development"
<u>Exhibit 3a: HOME Note Form</u>	"Note"
<u>Exhibit 3b: PLHA Note Form</u>	"Note"
<u>Exhibit 3c: MIHF Note Form</u>	"Note"
<u>Exhibit 3d: HTF Note Form</u>	"Note"
<u>Exhibit 4a: HOME Trust Deed Form</u>	"Trust Deed"
<u>Exhibit 4b: PLHA Trust Deed Form</u>	"Trust Deed"
<u>Exhibit 4c: MIHF Trust Deed Form</u>	"Trust Deed"
<u>Exhibit 4d: HTF Trust Deed Form</u>	"Trust Deed"
<u>Exhibit 5a: HOME Regulatory Agreement</u>	"Regulatory Agreement"
<u>Exhibit 5b: PLHA Regulatory Agreement</u>	"Regulatory Agreement"
<u>Exhibit 5c: MIHF-HTF Regulatory Agreement</u>	"Regulatory Agreement"
<u>Exhibit 6: Escrow Instructions</u>	"Escrow Instructions"
<u>Exhibit 7a: HOME Funding Requirements</u>	"Funding Requirements"
<u>Exhibit 7b: PLHA Funding Requirements</u>	"Funding Requirements"
<u>Exhibit 7c: MIHF Funding Requirements</u>	"Funding Requirements"
<u>Exhibit 7d: HTF Funding Requirements</u>	"Funding Requirements"

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

Construction Agreements for the Project
Architectural Agreement for the Project
Borrower's organizational documents, such as partnership agreements or corporate articles and by-laws
"Budget" for the Project
Evidence of financing as described in this Loan Agreement
Plans and Specifications as defined in this Loan Agreement

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

Construction Contract
Architectural Contract

G. "CONSTRUCTION INFORMATION":

"Completion Date"	TBD	Which is the date on or before which the Completion of the Project must occur.	
"General Contractor"	JN Beach Construction LLC	Which is the general contractor for construction of the Project.	
"Project Architect"	The McKinley Associates, Inc.	Which is the architect for design of the Project	
"Retention"	The following percentage of each disbursement made for construction work, in aggregate not to exceed the following percentage of the Loan Amount, which shall be retained by Lender for disbursement with the final disbursement of the Loan:	Percentage of disbursement:	TEN Percent (10%)

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

Loan Proceeds shall be used solely for actual costs of Property acquisition (but not to exceed four million one hundred thousand dollars and 00/100 (\$4,100,000.00) and for Project construction. No Loan Proceeds shall be used for predevelopment costs, except as provided in an approved Lender budget. Unless otherwise noted in the budget, predevelopment costs are not subject to withholding as Retention.
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3. **DEFINITIONS.** Terms not defined in this Loan Agreement shall have the definitions assigned in the Trust Deed. As used in this Loan Agreement, the following terms shall have the following meanings:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- 3.15. "Loan" is the loan from Lender to Borrower made pursuant to this Loan Agreement.
- 3.16. "Loan Agreement" means this Construction and Permanent Loan Agreement, all exhibits attached to this Loan Agreement (which are incorporated in this Loan Agreement by this reference) and the Loan Documents which are not otherwise included in this definition.
- 3.17. "Loan Documents" means the Note, this Loan Agreement, the Security Documents, the Regulatory Agreement, and all other documents (including guaranties, if any) evidencing, securing, or relating to the Loan.
- 3.18. "Loan Maturity Date" means the date on which the entire unpaid balance of the Loan, including principal and interest, is due and payable.
- 3.19. "Loan Proceeds" means funds disbursed by Lender on account of the Loan and pursuant to this Loan Agreement.
- 3.20. "Mitigation Measure(s)" means those feasible measures, actions, or features that are to be incorporated into the Project in order to avoid or substantially reduce the Projects significant impact on the environment.
- 3.21. "National Environmental Policy Act" or "NEPA" contains the federally required procedures to review and analyze the effect and impact of the Project on the environment as applied to the Project under 24 Code of Federal Regulations Parts 50 and 58 et seq.
- 3.22. "Note" means that certain promissory note evidencing the Loan and attached hereto as Exhibit 3.
- 3.23. "Other Lender Draw" means a draw request or other request for disbursement submitted to another lender for the Project.
- 3.24. "Person" means any natural person, corporation, firm, partnership, association, trust, government, governmental agency, or any other entity, whether acting in an individual, fiduciary, or other capacity.
- 3.25. "Personalty" means, whether or not listed as Additional Collateral, all of Borrower's interest in all accounts, contract rights, and general intangibles (specifically including any insurance proceeds and condemnation awards) arising out of the ownership, development, or operation of the Property, and all furniture, furnishings, equipment, machinery, construction materials and supplies, leasehold interests in personal property, and all other personal property (other than Fixtures) of Borrower now or later located about the Property, together with all present and future attachments, accessions, replacements, substitutions, and additions, and the cash and noncash proceeds.
- 3.26. "Plans and Specifications" means the final set of architectural, structural, mechanical, electrical, grading, sewer, water, street, and utility plans and specifications for the Project, including all supplements, amendments, and modifications.
- 3.27. "Potential Default" means an event that would constitute an Event of Default but for any requirement of notice to be given or period of grace or time to elapse.
- 3.28. "Project" means the development of the Property in accordance with the Plans and Specifications including, without limitation, all existing buildings, improvements, and appurtenances on the Property, all work of demolition and rehabilitation to be conducted on the Property, and all improvements, additions, and replacements constructed or placed at any time on the Property.
- 3.29. "Security Documents" means the Trust Deed, together with all other documents entered into between Borrower and Lender or by Borrower in favor of, or for the benefit of, Lender that recite that they are to secure the Loan.
- 3.30. "Title Policy" means the title insurance policies to be issued in connection with this Loan, as further defined in the Escrow Instructions.
- 3.31. "Trust Deed" means that certain Deed of Trust and Assignment of Rents between Borrower, as trustor, Lender, as beneficiary, and trustee which secures the Note and is attached hereto as Exhibit 4.

3.32. “Unavoidable Delay” is a delay in the performance by a party of any obligation which delay is unforeseeable and beyond the control of such party and without its fault or negligence. Unavoidable Delay shall not be reasonably foreseeable events consisting solely of acts of God, acts of the public enemy, acts of the Federal Government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, and unusually severe weather (as for example, floods, tornadoes, or hurricanes) or delays of subcontractors due to such causes. In the event of the occurrence of any such enforced delay, the time or times for performance of such obligations of the parties shall be extended for the period of the enforced delay, as determined by Lender, provided that the party seeking the benefit of the provisions of this Section shall, within thirty (30) days after it has or should have knowledge of any such enforced delay, have first notified the other party, in writing, of the delay and its cause, and requested an extension for the period of the enforced delay.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

6. **INSURANCE.**

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

6.2. **COMMERCIAL GENERAL LIABILITY AND OTHER INSURANCE.** Borrower shall carry insurance as set forth below, effective prior to the disbursement of the Loan, and such insurance shall be maintained in full force and effect at all times. Such insurance coverage must list Lender as an additional insured, and must be approved in writing by Lender prior to the disbursement of the Loan.

6.2.1. Commercial general liability insurance, in Insurance Services Office (ISO) policy form CG 00 01 or equivalent, with limits of liability not less than: \$1,000,000 per occurrence, and \$2,000,000 general aggregate, all per location of the project, such coverage to include contractual liability to include bodily injury, property damage and personal injury;

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

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

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

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

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

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

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

_____ Borrower's Initials

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

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

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

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

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

7.4. **BORROWER RESERVES.** Borrower shall maintain reserves for replacement and repairs required to be made to the Property, fixtures on the Property or personal property used on the Property, or otherwise as approved by Lender, in an amount, at all times, of not less than 0.06% of the estimated construction cost or \$500.00 per unit annually for PLHA regulated units, and \$250.00 per unit annually for the remainder of the units.

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

7.6. **ANNUAL ADMINISTRATIVE FEE.** Borrower agrees to pay an annual administrative fee ("Fee") to Lender as compensation for monitoring compliance with regulatory restrictions and the administration of the Loan. Borrower shall pay annually a Fee equal to 12.5 basis points (0.125%) of the Loan Amount and One Hundred and No/100 Dollars (\$100.00) for each unit assisted by the Loan Program, not to exceed fifteen thousand (\$15,000). Fee payments shall commence on the Closing Date for the prorated semiannual period from the Closing Date to and including May 31, 2026, and in equal semiannual installments in advance on each June 1 and December 1 of each year thereafter throughout the term of the Regulatory Agreement.

7.7. **BOND PROCEEDS.** Borrower shall secure financing in the amount of N/A Dollars (\$N/A) in bond proceeds from the N/A.

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

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

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

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

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

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

8.6. **SECURITY AGREEMENT.** This Loan Agreement is a "security agreement" within the meaning of the Uniform Commercial Code. Borrower by executing and delivering this Loan Agreement has granted and hereby grants to

Lender, as security for the Loan, a security interest in the Additional Collateral to the full extent that the Additional Collateral may be subject to the Uniform Commercial Code. Borrower irrevocably appoints Lender as its true and lawful limited attorney-in-fact solely to execute and deliver any and all financing statements pursuant to the appropriate statutes, and any other documents or instruments as are required to convey to Lender a valid perfected security interest in the Additional Collateral. Borrower agrees to perform all acts which Lender may reasonably request so as to enable Lender to maintain such valid perfected security interest in the Additional Collateral in order to secure the payment of the Note in accordance with their terms. Lender is authorized to file a copy of any such financing statement in any jurisdiction(s) as it shall deem appropriate from time to time in order to protect the security interest established pursuant to this Loan Agreement. Lender may require at any time, and from time to time additions of new contracts and other property to the Additional Collateral. Borrower irrevocably assigns to Lender, effective upon Lender's written demand, as security for the due performance of this Loan Agreement all of its right, title, and interest in the Assigned Documents.

8.7. **REGULATORY AGREEMENT.** The Regulatory Agreement imposing covenants, conditions and restrictions running with the land is a material consideration for the making of the Loan. Borrower shall execute the Regulatory Agreement prior to Close of Escrow and deliver it to Escrow for recordation. The Regulatory Agreement shall constitute and be maintained as a first-priority lien against the Property. All liens, mortgages, and financial security interests are, and shall remain, unconditionally subordinate to the priority of the Regulatory Agreement for its entire term. Violation of the Regulatory Agreement is an Event of Default of this Loan.

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

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

8.10. **ACCELERATION ON TRANSFER OR REFINANCING OF THE PROPERTY; ASSUMPTION.** Except as otherwise provided in section 8.11 of this Agreement, if all or any part of the Property or an interest in the Property is sold, transferred or conveyed to any person, or refinanced by Borrower such that additional debt is added to the Property or the cash flows change without Lender's prior written consent, Lender may, at Lender's option, declare all the sums secured by the Trust Deed to be immediately due and payable. Lender shall have waived such option to accelerate if, prior to the sale or transfer, Lender and the Person to whom the Property is to be sold or transferred reach agreement in writing that the Loan may be assumed. If Lender has waived the option to accelerate provided in this Section and if Borrower's successor in interest has executed a written assumption agreement accepted in writing by Lender, Lender shall release Borrower from all obligations under the Trust Deed and the Note.

8.11. **Permitted Transfers.** Without Lender's prior written consent, Tax Credit Limited Partner may transfer its interests to any affiliate, so long as such change does not affect the identity, powers or duties of Borrower's general partners or the ability of the limited partners to change the general partner or its powers. The Tax Credit Limited Partner must provide notice of such transfer within three (3) business days.

8.11.1. The Tax Credit Limited Partner may remove Borrower's general partner for cause as permitted by its rights under its limited partnership agreement. If the Tax Credit Limited Partner removes the Borrower's general partner for cause, the Tax Credit Limited Partner must provide a true and accurate copy of the duly authorized action removing the general partner to Lender immediately, not to exceed more than three (3) business days, after the removal. Immediately upon the Tax Credit Limited Partner's removal of the Borrower's general partner, the interim general partner of the Borrower shall be The Richman Group Capital Corporation (TRGCC). Such interim appointment shall not to exceed a term of six (6) months commencing on the date of the Tax Credit Limited Partner's removal of the Borrower's general partner for cause.

8.11.2. Lender's prior approval shall not be required for amendments to Borrower's Partnership Agreement executed for the sale or transfer of the Limited Partner's interest to one or more of the other partners that currently comprise the Borrower's entity.

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

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

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

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

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

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

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

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

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

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

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

the General Contractor. Borrower shall maintain funds available in the contingency reserve that are in substantially the same percentage of the original contingency reserve as the percentage of the Project then remaining to be completed.

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

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

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

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

- (a) Identifying the number of positions in the various occupational categories including skilled, semi-skilled, and unskilled labor, needed to perform each phase of the Project;
- (b) Identifying, within the positions identified in Paragraph (1) of this subsection, the number of positions in the various occupational categories which are currently occupied by regular, permanent employees;
- (c) Identifying, within the positions described in Paragraph (1) of this subsection, the number of positions in the various occupational categories which are not currently occupied by regular, permanent employees;
- (d) Establishing the positions identified in Paragraph (3) of this subsection, a goal which is consistent with the purpose of this subsection within each occupational category of the number of positions to be filled by lower income Project area residents; and
- (e) Making a good faith effort to fill all of the positions established in Paragraph (4) of this subsection with lower income Project area residents through Greater Sacramento Urban League, Sacramento Works, Sacramento Employment Training Agency, or similar local workforce agencies.

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

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

12.4. **INSPECTION.** Lender may, at any time and without notice to Borrower, enter on the Property and inspect the Project; and, during regular business hours, examine the books, records, accounting data, plans, shop drawings,

specifications, and other documents of Borrower pertaining to the Project and to make extracts or copies. Borrower shall make all such documents available to Lender promptly on demand. Borrower agrees to cooperate fully (and to cause the General Contractor to cooperate fully) with Lender and its Lender's designated agent and to permit all appropriate access to the Property and to all relevant books and records. Borrower shall bear the cost of reasonable inspections, except that Lender shall bear its costs of inspection. If however, Lender's inspection discovers issues of a nature that require further third-party review or investigation, Borrower shall bear the costs of such third party review.

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

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

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

12.6. PAYMENT AND PERFORMANCE BONDS. As a condition precedent to beginning construction of the Project, Borrower shall provide Lender a performance bond and a labor and material payment bond obtained by Borrower or its general contractor in favor of Borrower and Lender as named dual obligees, in form and amount as approved by Lender and securing, respectively, completion of the work and payment of all labor and material suppliers and subcontractors for the work as stated in the construction contract for the Project. The bonds shall be written with a surety listed as acceptable to the federal government on its most recent list of sureties. Borrower shall assure compliance with all requirements of the surety. Borrower shall permit no changes in the work to be performed by the general contractor and shall make no advance payments to the general contractor without prior written notice to the surety and Lender, if such change or payment could release the surety of its obligations under the bonds.

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

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

12.7.2. LIQUIDATED DAMAGES. IF BORROWER FAILS TO PROVIDE TO LENDER ANY OTHER LENDER DRAW, AS AND WHEN REQUIRED UNDER THIS LOAN AGREEMENT, LENDER SHALL BE IRREPARABLY HARMED IN THAT BORROWER'S ABILITY TO REPAY THE LOAN AND LENDER'S SECURITY FOR THE LOAN SHALL BE IMPAIRED TO AN UNKNOWN EXTENT. BORROWER AND LENDER AGREE THAT IT WOULD BE IMPRACTICAL OR EXTREMELY DIFFICULT TO FIX ACTUAL RESULTING DAMAGES IN SUCH EVENT. BORROWER AND LENDER, THEREFORE, AGREE THAT AN AMOUNT EQUAL TO TWO PERCENT (2%) OF THE LOAN AMOUNT SHALL CONSTITUTE LIQUIDATED DAMAGES PAYABLE TO LENDER ON ACCOUNT OF SUCH EVENT, RECEIPT OF WHICH SHALL CONSTITUTE THE EXCLUSIVE REMEDY OF LENDER FOR SUCH EVENT, AND ONLY FOR SUCH EVENT. PAYMENT OF SAID AMOUNT TO LENDER AS LIQUIDATED DAMAGES IS NOT INTENDED AS A FORFEITURE OR PENALTY

WITHIN THE MEANING OF CALIFORNIA CIVIL CODE SECTIONS 3275 OR 3369, BUT INSTEAD, IS INTENDED TO CONSTITUTE LIQUIDATED DAMAGES TO LENDER PURSUANT TO SECTIONS 1671, 1676 AND 1677 OF THE CALIFORNIA CIVIL CODE. SAID AMOUNT SHALL BE IMMEDIATELY DUE AND PAYABLE AS OF THE DATE ON WHICH BORROWER DELIVERED SUCH OTHER LENDER DRAW TO THE OTHER LENDER. LENDER SHALL HAVE THIRTY (30) DAYS AFTER RECEIVING ACTUAL NOTICE OF SUCH EVENT TO NOTIFY BORROWER IN WRITING THAT LIQUIDATED DAMAGES UNDER THIS SECTION ARE DUE. BORROWER SHALL HAVE FIFTEEN (15) DAYS AFTER SUCH WRITTEN NOTIFICATION TO CURE THE DEFAULT BY WITHDRAWING THE OTHER LENDER DRAW AND RETURNING ANY DISBURSEMENT ON ACCOUNT OF SUCH OTHER LENDER DRAW. IF BORROWER FAILS TO PAY LIQUIDATED DAMAGES WHEN DUE UNDER THIS SECTION, THE LOAN SHALL BE ALL DUE AND PAYABLE AT THE ELECTION OF LENDER.

_____ Lender's Initials

_____ Borrower's Initials

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

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

12.10. **PREVAILING WAGES.** In accordance with Labor Code Section 1720(c)(4), so long as the sole and only public subsidy for the Project is from Lender's Low and Moderate Income Housing Fund, the Project is not subject to prevailing wages. Borrower represents to Lender that if, at any time, Borrower does not qualify for any exemption under Labor Code Section 1720(c) Borrower shall pay prevailing wages for the Project. Therefore, Borrower indemnifies, holds harmless, and defends Lender from all additional wages, benefits, fees, penalties, fines, legal fees, court costs, arbitration costs, and other costs arising from the improper application of California prevailing wage laws to the Project by Borrower or General Contractor or both of them

In accordance with Labor Code Section 1720(c)(5)(E)), so long as the public subsidy for the Project consists of below market rate loans, and the Project restricts occupancy on at least 40% of the units for at least 20 years to individuals or families earning no more than 80% of the area median income, the Project is not subject to prevailing wages. If at any time the exemptions contained in 1720(c)(5)(E) do not apply, Borrower shall pay prevailing wages for the Project. It will be the sole responsibility of Borrower to ensure compliance with California Labor Codes relating to prevailing wages. Borrower indemnifies, holds harmless and defends Lender from all additional wages, benefits, fees, penalties, fines, legal fees, court costs, arbitration costs, and other costs arising from the improper application of California prevailing wage laws to the Project by Borrower or General Contractor or both of them. If more than eleven (11) units are assisted with HOME funds as the Funding Source (as indicated in the Regulatory Agreement), Borrower shall comply with Davis-Bacon prevailing wage requirements as described in the Funding Requirements.

13. **LOAN DISBURSEMENT PROCEDURES.**

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

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

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

13.1.3. **Borrower has obtained and maintained, and Lender has approved a loan approval from a financial institution or other lender approved by Lender in its sole discretion, to make the permanent financing obtained by Borrower, or has obtained commitments to issue bonds, which repays after completion of the Project all construction and other loans secured by the Project and which is secured by a senior lien against the Property. Such permanent financing approval must provide: (a) that it is subject only to those conditions that are usual and customary in the industry and that can be satisfied by the proposed closing date of the permanent financing; (b) that it is in full**

force with no default by any party; (c) any such loan approval or commitments for financing shall not require modification of the Loan Documents, or any term of this commitment letter, (d) any such loan approval or commitments shall not be based upon sources and uses of Project funds that are different from those approved by Lender for the Project, and (e) that Lender will have notice of, and a reasonable opportunity to cure, any Borrower defaults;

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

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

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

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

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

13.2. **CONDITIONS PRECEDENT TO FIRST DISBURSEMENT.** Borrower's request for the first disbursement of Loan Proceeds (the "First Disbursement") is a representation and warranty by Borrower that there has been no material adverse change in Borrower's financial capacity or in any representation made to Lender in Borrower's application for the Loan or Borrower's supporting documentation. Lender shall make the First Disbursement when the following conditions precedent and the conditions precedent stated in Section 13.1 have been met:

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

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

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

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

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

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

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

13.3. **CONDITIONS PRECEDENT TO FINAL DISBURSEMENT.** Lender shall make the final loan disbursement under this Loan Agreement when the following conditions precedent and the conditions precedent stated in Section 13.1 have been met:

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

(a) That the Project has been duly completed in a good and proper manner using sound, new materials;

(b) That the Project complies with the Plans and Specifications, the requirements of all Governmental Authorities and any other party having enforceable rights regarding the construction of the Project; and

(c) That the Project is structurally sound.

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

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

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

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

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

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

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

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

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

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

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

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

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

13.4. **MAKING DISBURSEMENT.** Lender shall pay each disbursement request within twenty (20) business days after the disbursement request is submitted to Lender, subject to fulfillment of the conditions precedent as stated in Section 13.1. Lender shall disburse the actual cost of the work represented in the disbursement request by Borrower, reduced by the cost of work included in the request and not satisfactorily completed and by the amount of the Retention to be withheld.

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

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

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

14. **RESIDENTIAL OPERATIONS.**

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

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

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

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

15. **DEFAULT.**

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

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

15.1.2. The occurrence of a breach or default under any of the Loan Documents;

15.1.3. Subject to Borrower's legal rights to contest a Governmental Requirement, Borrower's failure to comply with any Governmental Requirement, unless within ten (10) days after notice of such failure by Lender or the

respective governmental entity or after any action has been commenced to enforce such requirement, Borrower has cured such failure;

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

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

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

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

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

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

16. **REMEDIES.**

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

16.1.1. Terminate its obligation to make disbursements;

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

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

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

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

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

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

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

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

18. **MISCELLANEOUS.**

18.1. **NONRECOURSE.** Subject to the provisions of this Section 18.1, and notwithstanding any provision of the Loan Documents other than this Section 18.1, the personal liability of Borrower, and Borrower's principals, partners, members, agents, officers, and successors in interest, to pay the principal of and interest on the debt evidenced by the Note and any other agreement evidencing Borrower's obligations under the Note shall be limited to (a) the Collateral, (b) the personal property described in and pledged under any Loan Document, and (c) the rents, profits, issues, products and income of the Property, including any received or collected by or on behalf of Borrower after an Event of Default.

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

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

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

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

18.4. **SUBORDINATION.** Lender may subordinate this Loan to a senior loan, provided that any senior loan for the

Project indicated in the Budget meets all requirements of this Loan Agreement, and that such senior loan does not require modification of this Loan Agreement or the subordination of the Regulatory Agreement.

18.5. **FUNDING REQUIREMENTS.** Borrower shall comply with all laws, rules, regulations and Funding Requirements that govern the use of such funds as more particularly described in Exhibit 7. Lender, to the extent required by law, shall cooperate with and assist Borrower in fulfillment of such obligations. If Lender, as a result of actions of Borrower, shall be obligated to repay the Loan Program any amount of the Loan Proceeds, Borrower shall make such repayment on account of Lender and failure to do so shall be an Event of Default.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

18.29. **DISCLOSURE OF INFORMATION.** If Lender elects to sell the Loan, Lender may forward to the buyer of the

Loan all documents and information related to the Loan in Lender's possession, including without limitation all Financial Statements, whether furnished by Borrower or otherwise.

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

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

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

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

**BORROWER :
RIVER CITY CIC, LP**

By: Pacific Southwest Community Development Corporation, a California nonprofit public benefit corporation,
Managing General Partner

By: _____
Robert W. Laing
Executive Director/President

By: CIC River City, LLC,
a California limited liability company,
Administrative General Partner

By: Chelsea Investment Corporation,
a California corporation,
its Manager

By: _____
Cheri Hoffman
President

**LENDER:
SACRAMENTO HOUSING AND REDEVELOPMENT
AGENCY**

By: _____
Kris Warren, Interim Executive Director

Approved as to form:

Lender Counsel

LEGAL DESCRIPTION

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

All that portion of the Northwest one-quarter of Section 15, Township 8 North, Range 5 East, M D B & M, as shown on the Record of Survey "Portion of NW 1/4 Section 15, T 8 N, R 5 E, M D B & M ", filed in the Office of the Recorder of Sacramento County, California, on April 13, 1962, in [Book 19 of Surveys, Map No 15](#), described as follows

Beginning at the intersection of the East line of Redding Avenue and the South line of Folsom Boulevard, thence along the South line of Folsom Boulevard, South 65° 33' 46" East 209.15 feet to the Southwesterly line of the Central Pacific Railway Company Right of Way, thence along said Right of Way South 34° 04' 00" East 176.57 feet, thence South 55° 56' 00" West 45.39 feet, thence along a curve to the left, with a radius of 40.00 feet subtended by a chord bearing North 53° 30' 15" West 26.62 feet, thence North 72° 56' 30" West 248.20 feet, thence along a curve to the right, with a radius of 22.00 feet, subtended by a chord bearing North 34° 06' 41" West 28.77 feet, to the East line of Redding Avenue, thence North 08° 43' 08" East 146.90 feet to the point of beginning.

APN: 015-0010-033

**River City Apartments
Scope of Development**

Scope of River City Apartments

River City Apartments (“Project”) is a new construction development on approximately 0.97 acres located at 1601 69th St., Sacramento, CA 95819. The Project consists of 66 units comprised of 19 one-bedroom/one-bathroom units, 28 two bedroom/ one-bathroom units, and 19 three-bedroom/two-bathroom units. Inclusive of this unit mix, one two-bedroom unit will be exempt for management staff. The common areas and amenities include a community room, a BBQ area, a covered tot lot, a half-court basketball court, outdoor exercise area, and a laundry room.

All work shall comply with Federal and State Americans with Disability Act (ADA) accessibility requirements, as well as any other requirements stipulated by the funding sources. When there are differences, the stricter shall prevail.

I. Building Exteriors:

1. **Asphalt Pavements:** The development will include approximately 17 onsite uncovered surface parking spaces. There will be one (1) ADA parking space.
2. **Balconies and Patios:** No proposed balconies or patios.
3. **Site Lighting:** The site will be lit with Title 24 compliant wall packs, pole lights and other luminaires for all parking and outside public spaces and will be of LED or similarly energy efficient type.
4. **Non-Smoking:** The Project is 100% non-smoking.
5. **Landscaping and Courtyard:** Landscaping is designed with drought tolerant plants and trees. Trees will be planted throughout the site to meet City shading requirements. The site will have a BBQ area, covered playground, half-court basketball court, and an outdoor exercise area.
6. **Picnic Area:** BBQ and seating areas will be provided.
7. **Play Area:** The play area will have one (1) playground with a shade structure for children ages 2-12, and (1) half-court basketball court for children ages 13-17.
8. **Outdoor Exercise Area:** There will be an outdoor exercise area located along the perimeter of the site.
9. **Mailboxes:** New mailboxes will be installed in a centralized location near the community room.
10. **Site Fencing:** The site will have tubular steel perimeter fence along the west and south sides and six-foot CMU wall along north and east. The main entrance and on-site parking lot will be located on the 69th St. cul-de-sac. Pedestrian access to the site is through a person-gate on the south side of the building.
11. **Stormwater:** The development will meet storm water requirements through use of on-site storm water planters and/or bioswales along the project perimeter.
12. **Roof:** The building is planned with flat roofs and parapets in order to provide a platform for solar panels and mechanical equipment. The material on the roof will be Thermoplastic Polyolefin (TPO).
13. **Siding:** The building skin will be a painted one-coat stucco system.
14. **Offsite Improvements:** Public offsite improvements consist of street frontage improvements along 69th St, including new sidewalks, curbs, gutters, and landscaping.

II. Building Interiors

1. **Americans with Disabilities Act (ADA) Units:** There will be seven (7) units, 10% of the units, accessible with mobility features, and an additional three (3) units, 4% of the units, will include communications features for persons with hearing or vision impairment.
2. **Non-Smoking:** The Project will have 100% non-smoking units.
3. **Smoke Detectors:** All units, offices and interior common areas will have a smoke/carbon monoxide detector installed in accordance with current code requirements.
4. **Appliances:** All apartment kitchens will have brand new Energy Star rated appliances including, refrigerator with freezer combination, electric stove and range, dishwasher and garbage disposal.
5. **Bathtubs and Toilets:** All apartments will have a bathtub or shower. Restrooms will have water efficient toilet and fixtures, and bath accessories.
6. **Doors (Interior, Exterior and Sliding Glass):** All interior and exterior doors will have matching hardware finishes. All exterior doors will have deadbolt locks, keyed latch assemblies, viewers, and screws in strike plates long enough to penetrate the door jamb framing by at least one inch. The dwelling entry door hardware shall have single action hardware to release deadbolt and latch assembly. All doors will meet current egress standards.
7. **Cabinets, Counters and Sinks:** All apartment kitchens will have modular cabinets, solid surface countertops, and stainless steel sink. Microwave shelving will be provided (except in ADA units) either above the counter, or on the pantry shelving with electrical outlet for microwave. All apartment bathrooms will have a vanity and solid surface vanity top with integral sink.
8. **Ceilings and Walls:** Low or no VOC paint will be used in building interiors.

9. **Windows:** All apartments will have energy efficient vinyl dual pane windows. Windows designed to open will have screens. All windows will meet current egress standards. The Property Management Company will be responsible for contracting all window washing above the first floor.
10. **Blinds:** Vertical blinds will be provided in all apartment windows.
11. **Electrical, Lighting, and HVAC:** All apartments will have high efficiency lighting, exhaust fans vented to the exterior and bathroom humidistat fans. Central air conditioning and forced air heat will be provided. Any exterior mounted electrical, mechanical and plumbing systems will be protected from vandalism. Wiring from telephone/data/cable suppliers will be installed within walls. Conduits are not allowed to be mounted on the exterior of the buildings.
12. **Flooring:** Apartment interiors will have luxury vinyl plank (LVP) flooring throughout, except in bathrooms where they will have vinyl sheet flooring.
13. **Plumbing Fixtures:** All apartments will have new water efficient plumbing fixtures.

III. Community Amenities

1. **Management Office:** The furnished management office will have energy efficient lighting and HVAC systems and will be adjacent to the Community Room.
2. **Ceilings and Walls:** Low or no VOC paint will be used in all building interiors.
3. **Community Restrooms:** The two community restrooms on the first floor will be ADA compliant, have low-flow bathroom fixtures, sink, solid surface countertop, and bathroom accessories. Bathroom walls will have glazed wall tile to 48 inches high.
4. **Community Room:** The community room will be located on the 1st floor of the building. It will be 2400 SQFT furnished with tables, chairs, and desks. It will have energy efficient lighting and HVAC systems. The space will be ADA compliant.
5. **Maintenance Room:** The Maintenance Room will be located on the first floor. It will serve as the building's electrical and IDF room.
6. **Elevator:** Two hydraulic elevators will be installed. One elevator will be adjacent to the Community Room and one elevator will be adjacent to the Maintenance Room.
7. **Hallways and Stairs (open corridor style):** Residential hallways and stairs will be of durable flooring. There will be two (2) stairwells, each with non-slip treads, landings and closed risers. All hallway floorings will be exterior finish due to open corridor design. The 1st floor hallways will be concrete. The 2nd, 3rd, 4th, and 5th floor hallways will be lightweight concrete topping material.
8. **HVAC & Plumbing Systems:** Each apartment will have its own split system air conditioning and forced air heat with its own thermostat. Residential hallways will not have heating and air conditioning, due to open corridor ends designed to allow natural airflow. Stairwells will not have heating or air conditioning. Bathroom exhaust fans will be humidistat controlled.
9. **Laundry Facility:** There will be one laundry room adjacent to the Community Room on the first floor. The laundry room accommodates seven (7) washers and seven (7) dryers, which will include one (1) set of ADA accessible laundry machines.
10. **Signage:** A comprehensive signage package will be implemented throughout the development including all common area signage, unit ID, wayfinding, code, fire, life and safety signage.
11. **Trash/Recycle Room:** One trash chute and one recycle chute will be located on each floor. A trash and recycle room is located on the ground floor within the building envelope with a concrete apron at the exterior for trash pickup.
12. **Recycle:** One recycle chute will be located on each floor, emptying into the ground floor trash and recycle room.
13. **Bicycle parking:** There will be sufficient bicycle parking for the residents in a centralized location.
14. **Security Cameras:** There will be interior and exterior web-based security cameras. The equipment will record events for primary ingress/egress points to and from the site, parking lots and indoor and outdoor common areas where people will be congregating.

Attachment 1: Rental Property Minimum Construction Standards are on the following page.

Attachment 1: Lender's Minimum Construction Standards

This attachment is from Exhibit 2 from the Lender's Multifamily Lending and Mortgage Revenue Bond Policies.

RENTAL PROPERTY MINIMUM CONSTRUCTION STANDARDS

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

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

Useful Life Expectancy – Rehabilitation only

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

General Requirements

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

General Requirements – Rehabilitation only

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

Site Work

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

Site Work – Rehabilitation only

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

Building Envelope and Moisture Protection – Rehabilitation only

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

Doors and Windows

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

Doors and Windows – Rehabilitation only

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

Casework

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

Casework – Rehabilitation only

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

Finishes

- A. All dwelling unit kitchens shall contain luxury vinyl plank (LVP) flooring. Bathrooms must be floored with LVP, sheet vinyl or ceramic tile to provide a cleanable, impervious surface. Bedrooms, hallways, and living and dining rooms may be floored with carpeting, LVP or hardwood. Wear layer of LVP shall be at least 12 mils inside dwelling units. Tenant unit entries shall be floored with LVP or ceramic tile.
- B. In common areas, corridors may be floored with LVP, glue-down carpeting, or carpet tiles. Community rooms and kitchens shall be floored with LVP. Wear layer of LVP in common/commercial areas shall be a minimum of 20 mils thick.
- C. Carpet shall meet or exceed the minimum standards as set by HUD's UM-44D bulletin.

Finishes – Rehabilitation only

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

Equipment

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

Furnishings

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

Special Construction

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

Mechanical/Plumbing

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

Mechanical/Plumbing – Rehabilitation only

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

Electrical

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

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

Electrical – Rehabilitation only

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

Resident Services Community Space

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

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

End of Scope of Development.

**PROMISSORY NOTE
FOR RIVER CITY APARTMENTS
CONSTRUCTION AND PERMANENT LOAN AGREEMENT
(HOME FUNDS)**

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

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

DEFINED TERM:	DEFINITION:
“Effective Date”	TBD
“Lender”	Sacramento Housing and Redevelopment Agency
“Borrower”	River City CIC, LP
“Borrower Legal Status”	a California limited partnership
“Loan Agreement”	The Loan Agreement between the Borrower and Lender as of the Effective Date for making of the loan (“Loan”) evidenced by this Note.
“Principal Amount”	One Million One Hundred Fifty Thousand Dollars and No Cents (\$1,150,000.00)
“Interest Rate”	The interest rate is 3% per year, simple interest.
“Accrual Date”	Interest shall accrue starting on the following “Accrual Date”: The Effective Date
“Special Terms”	At the completion of construction, Borrower shall submit to Lender a cost certification prepared by a qualified, independent auditor acceptable to Lender, which cost certification shall indicate the amounts actually spent for each item in the cost breakdown. If there is an aggregate savings in the total of all such cost break down items from the cost breakdown items in the original budget approved by the Lender, the Lender shall withhold for itself as Loan repayment, one-half of such savings from the amount of retention then held by the Lender, and the Loan balance shall be reduced by the amount so withheld. The lender, in its sole discretion, shall determine any reduction and/or repayment of the Loan based upon this cost certification and the original approved Budget for the Project.
PAYMENT SCHEDULE. Repayment of this Note shall be made as follows:	
“Maturity Date”	The first day of the 504 th calendar month following the Effective Date.
“Payment Start Date”	The first day of the 204 th calendar month following the Effective Date.

<p>“Payment Amount(s)”</p>	<p>Annual principal and interest shall be deferred from the Loan’s Effective Date through the first 17 years following the Effective Date.</p> <p>Beginning with the first year of operations after permanent loan conversion, Borrower will allocate 20% of ”Residual Receipts” (as defined below) to an SHRA loan reserve account (“Reserve Account”). The Reserve Account shall be used beginning in Year 18, as necessary, to provide funding for Annual Payments (below) and/or Residual Receipts payments in any given year in order to achieve a 1.20 debt service coverage ratio (DSCR). For the avoidance of doubt, following Year 17, Borrower will no longer allocate 20% of Residual Receipts into the Reserve Account.</p> <p>Annual Payments shall be made at the start of year 18. If, in any year, the required Annual Payment is less than a 1.20 DSCR, any amount owed to achieve a 1.20 DSCR (any such owed amounts, the “Deferred Payments”) will be paid out of the Reserve Account to the extent of available funds, and following depletion of the Reserve Account, out of 75% of the Residual Receipts. Payments will be applied to the unpaid interest first. In any year in which some or all of any Deferred Payments remain unpaid following the process set forth in this paragraph, such remaining portion shall be payable in future years from 75% of Residual Receipts. Any Deferred Payments not paid prior to the Maturity Date shall be payable on the Maturity Date.</p> <p>Borrower’s audited financial statement must be submitted annually and indicate that the Project’s DSCR achieves the required 1.20 DSCR.</p> <p>The Payment Schedule is as follows:</p> <table border="1" data-bbox="381 884 1421 989"> <thead> <tr> <th data-bbox="381 884 998 919">Payment Year</th> <th data-bbox="998 884 1421 919">Payment Amount</th> </tr> </thead> <tbody> <tr> <td data-bbox="381 919 998 989">0-17(2026-2042) (Construction Years 1-2 and Permanent Years1 – 15)</td> <td data-bbox="998 919 1421 989">\$0.00</td> </tr> </tbody> </table>	Payment Year	Payment Amount	0-17(2026-2042) (Construction Years 1-2 and Permanent Years1 – 15)	\$0.00																																																
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	Payments will be applied as follows <ol style="list-style-type: none"> 1. HTF Loan until it has been fully repaid 2. MIHF Loan until it has been fully repaid 3. HOME Loan until it has been fully repaid 4. PLHA Loan until it has been fully repaid 	
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“Residual Receipts” is defined as Net Operating Income (NOI) (as defined below) less the items described in the below Subsections (i) through (vi), based on the annual audited financial statement from the preceding year. No such proceeds or amounts shall be applied in payments of any amounts specified in any of the Subsections below until all amounts specified in any earlier Subsection have been paid in full :

- i. Senior loan payments
- ii. Monitoring fees on the regulatory agreements;
- iii. Payments to Limited Partner Management fee: \$7,000 escalating at 3.0% annually;
- iv. Payments towards any unpaid credit deficiencies and tax equivalency payments, together with interest thereon;
- v. Payment to the operating reserve to maintain the required balance pursuant to Borrower’s limited partnership agreement;
- vi. Payments to Managing General Partner Management fee: \$5,000 escalating at 3.0% annually.

The Net Operating Income is defined as periodic “Revenue” less “Operating Expenses.” “Revenue” means all revenue from the leasing of the Project, including but not limited to all rents, fees, and charges paid by tenants as well as rental subsidy payments regardless of the source of these subsidies, forfeited tenant deposits, rent increases, proceeds from vending machines and laundry room machines. Revenue shall not include tenants’ security deposits (unless forfeited), interest on those deposits, loan proceeds, capital contributions or similar advances, or amounts released from reserves or interest on reserves.

“Operating Expenses” shall mean actual costs, fees and expenses as evidenced by invoices attributable to the operation, recordkeeping, maintenance, taxes and management of the Project, including property management fees; taxes and assessments; payroll, benefits and payroll taxes of for property employees; insurance; security; painting, cleaning, repairs, and alterations; landscaping; sewer charges; utility charges; advertising, promotion and publicity; cable television, satellite and other similar services; office, janitorial, cleaning and building supplies; recreational amenities and supplies; purchase, repair, servicing and installation of appliances; costs and expenses associated with the provision of social and/or community services to the residents of the Project; equipment, fixtures and furnishing; fire alarm and elevator monitoring; fees and expenses of accountants, attorneys, consultants and other professionals. The definition will include deposits into operating and/or replacement reserves maintained by the Borrower but will not include initial deposits to capitalize the reserve accounts or amounts expended from a reserve account, or capital costs.

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

1. This Note evidences the obligation of Borrower to Lender for repayment of the Loan. The terms and covenants of the Loan Agreement are incorporated in this Note by reference. The Loan Agreement provides for and incorporates the Regulatory Agreement (as defined in the Loan Agreement), the making of which is further consideration for this Note.
2. All payments on this Note shall be applied first to fees and charges due under the Loan Agreement, if any, then to interest and then to the principal due on this Note. Borrower shall make the payments to the Lender at 801 12th Street, Sacramento, CA 95814, or to such other person or organization as may be designated by Lender to Borrower and noticed as provided in the Loan Agreement.
3. If any installment under this Note is not received by Lender within fifteen (15) calendar days after the installment is due, Borrower shall pay to Lender a late charge of five percent (5%) of such installment. Such late charge shall be immediately due and payable without demand by Lender.

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

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

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

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

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

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

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

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

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

g. Any of the following occur:

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

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

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

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

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

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

10. Subject to the provisions of this Section 10, and notwithstanding any provision of the Loan Documents other than this Section 10, the personal liability of Borrower, and Borrower's principals, partners, members, agents, officers, and successors in interest, to pay the principal of and interest on the debt evidenced by this Note and any other agreement evidencing Borrower's obligations under this Note shall be limited to (a) the Collateral (as defined in the Loan Agreement), (b) the personal property described in and pledged under any Loan Document, and (c) the rents, profits, issues, products and income of the Property, including any received or collected by or on behalf of Borrower after an Event of Default under the Loan Documents.

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

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

Borrower:

River City CIC, LP
a California limited partnership

By: Pacific Southwest Community Development Corporation,
a California nonprofit public benefit corporation,
Managing General Partner

By: _____
Robert W. Laing
Executive Director/President

By: CIC River City, LLC,
a California limited liability company,
Administrative General Partner

By: Chelsea Investment Corporation,
a California corporation, its Manager

By: _____
Cheri Hoffman
President

**PROMISSORY NOTE
FOR RIVER CITY APARTMENTS
CONSTRUCTION AND PERMANENT LOAN AGREEMENT
(PLHA FUNDS)**

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

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

DEFINED TERM:	DEFINITION:	
“Effective Date”	TBD	
“Lender”	Sacramento Housing and Redevelopment Agency	
“Borrower”	River City CIC, LP	
“Borrower Legal Status”	a California limited partnership	
“Loan Agreement”	The Loan Agreement between the Borrower and Lender as of the Effective Date for making of the loan (“Loan”) evidenced by this Note.	
“Principal Amount”	Eight Hundred Fifty Thousand Dollars and No Cents (\$850,000.00)	
“Interest Rate”	The interest rate is 3% per year, simple interest.	
“Accrual Date”	Interest shall accrue starting on the following “Accrual Date”:	The Effective Date
“Special Terms”	At the completion of construction, Borrower shall submit to Lender a cost certification prepared by a qualified, independent auditor acceptable to Lender, which cost certification shall indicate the amounts actually spent for each item in the cost breakdown. If there is an aggregate savings in the total of all such cost break down items from the cost breakdown items in the original budget approved by the Lender, the Lender shall withhold for itself as Loan repayment, one-half of such savings from the amount of retention then held by the Lender, and the Loan balance shall be reduced by the amount so withheld. The lender, in its sole discretion, shall determine any reduction and/or repayment of the Loan based upon this cost certification and the original approved Budget for the Project.	
PAYMENT SCHEDULE. Repayment of this Note shall be made as follows:		
“Maturity Date”	The first day of the 504 th calendar month following the Effective Date.	
“Payment Start Date”	The first day of the 204 th calendar month following the Effective Date.	

<p>“Payment Amount(s)”</p>	<p>Annual principal and interest shall be deferred from the Loan’s Effective Date through the first 17 years following the Effective Date.</p> <p>Beginning with the first year of operations after permanent loan conversion, Borrower will allocate 20% of ”Residual Receipts” (as defined below) to an SHRA loan reserve account (“Reserve Account”). The Reserve Account shall be used beginning in Year 18, as necessary, to provide funding for Annual Payments (below) and/or Residual Receipts payments in any given year in order to achieve a 1.20 debt service coverage ratio (DSCR). For the avoidance of doubt, following Year 17, Borrower will no longer allocate 20% of Residual Receipts into the Reserve Account.</p> <p>Annual Payments shall be made at the start of year 18. If, in any year, the required Annual Payment is less than a 1.20 DSCR, any amount owed to achieve a 1.20 DSCR (any such owed amounts, the “Deferred Payments”) will be paid out of the Reserve Account to the extent of available funds, and following depletion of the Reserve Account, out of 75% of the Residual Receipts. Payments will be applied to the unpaid interest first. In any year in which some or all of any Deferred Payments remain unpaid following the process set forth in this paragraph, such remaining portion shall be payable in future years from 75% of Residual Receipts. Any Deferred Payments not paid prior to the Maturity Date shall be payable on the Maturity Date.</p> <p>Borrower’s audited financial statement must be submitted annually and indicate that the Project’s DSCR achieves the required 1.20 DSCR.</p> <p>The Payment Schedule is as follows:</p>																																																								
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	Payments will be applied as follows <ol style="list-style-type: none"> 1. HTF Loan until it has been fully repaid 2. MIHF Loan until it has been fully repaid 3. HOME Loan until it has been fully repaid 4. PLHA Loan until it has been fully repaid 	
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“Residual Receipts” is defined as Net Operating Income (NOI) (as defined below) less the items described in the below Subsections (i) through (vi), based on the annual audited financial statement from the preceding year. No such proceeds or amounts shall be applied in payments of any amounts specified in any of the Subsections below until all amounts specified in any earlier Subsection have been paid in full :

- i. Senior loan payments
- ii. Monitoring fees on the regulatory agreements;
- iii. Payments to Limited Partner Management fee: \$7,000 escalating at 3.0% annually;
- iv. Payments towards any unpaid credit deficiencies and tax equivalency payments, together with interest thereon;
- v. Payment to the operating reserve to maintain the required balance pursuant to Borrower’s limited partnership agreement;
- vi. Payments to Managing General Partner Management fee: \$5,000 escalating at 3.0% annually.

The Net Operating Income is defined as periodic “Revenue” less “Operating Expenses.” “Revenue” means all revenue from the leasing of the Project, including but not limited to all rents, fees, and charges paid by tenants as well as rental subsidy payments regardless of the source of these subsidies, forfeited tenant deposits, rent increases, proceeds from vending machines and laundry room machines. Revenue shall not include tenants’ security deposits (unless forfeited), interest on those deposits, loan proceeds, capital contributions or similar advances, or amounts released from reserves or interest on reserves.

“Operating Expenses” shall mean actual costs, fees and expenses as evidenced by invoices attributable to the operation, recordkeeping, maintenance, taxes and management of the Project, including property management fees; taxes and assessments; payroll, benefits and payroll taxes of for property employees; insurance; security; painting, cleaning, repairs, and alterations; landscaping; sewer charges; utility charges; advertising, promotion and publicity; cable television, satellite and other similar services; office, janitorial, cleaning and building supplies; recreational amenities and supplies; purchase, repair, servicing and installation of appliances; costs and expenses associated with the provision of social and/or community services to the residents of the Project; equipment, fixtures and furnishing; fire alarm and elevator monitoring; fees and expenses of accountants, attorneys, consultants and other professionals. The definition will include deposits into operating and/or replacement reserves maintained by the Borrower but will not include initial deposits to capitalize the reserve accounts or amounts expended from a reserve account, or capital costs.

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

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

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

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

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

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

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

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

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

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

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

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

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

g. Any of the following occur:

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

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

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

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

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

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

10. Subject to the provisions of this Section 10, and notwithstanding any provision of the Loan Documents other than this Section 10, the personal liability of Borrower, and Borrower's principals, partners, members, agents, officers, and successors in interest, to pay the principal of and interest on the debt evidenced by this Note and any other agreement evidencing Borrower's obligations under this Note shall be limited to (a) the Collateral (as defined in the Loan Agreement), (b) the

personal property described in and pledged under any Loan Document, and (c) the rents, profits, issues, products and income of the Property, including any received or collected by or on behalf of Borrower after an Event of Default under the Loan Documents.

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

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

Borrower:

a California limited partnership

By: Pacific Southwest Community Development Corporation,
a California nonprofit public benefit corporation,
Managing General Partner

By: _____
Robert W. Laing
Executive Director/President

By: CIC River City, LLC,
a California limited liability company,
Administrative General Partner

By: Chelsea Investment Corporation,
a California corporation, its Manager

By: _____
Cheri Hoffman
President

**PROMISSORY NOTE
FOR RIVER CITY APARTMENTS
CONSTRUCTION AND PERMANENT LOAN AGREEMENT
(MIHF FUNDS)**

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

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

DEFINED TERM:	DEFINITION:
“Effective Date”	TBD
“Lender”	Sacramento Housing and Redevelopment Agency
“Borrower”	River City CIC, LP
“Borrower Legal Status”	a California limited partnership
“Loan Agreement”	The Loan Agreement between the Borrower and Lender as of the Effective Date for making of the loan (“Loan”) evidenced by this Note.
“Principal Amount”	One Million Three Hundred Thousand Dollars and No Cents (\$1,300,000.00)
“Interest Rate”	The interest rate is 3% per year, simple interest.
“Accrual Date”	Interest shall accrue starting on the following “Accrual Date”: The Effective Date
“Special Terms”	At the completion of construction, Borrower shall submit to Lender a cost certification prepared by a qualified, independent auditor acceptable to Lender, which cost certification shall indicate the amounts actually spent for each item in the cost breakdown. If there is an aggregate savings in the total of all such cost break down items from the cost breakdown items in the original budget approved by the Lender, the Lender shall withhold for itself as Loan repayment, one-half of such savings from the amount of retention then held by the Lender, and the Loan balance shall be reduced by the amount so withheld. The lender, in its sole discretion, shall determine any reduction and/or repayment of the Loan based upon this cost certification and the original approved Budget for the Project.
PAYMENT SCHEDULE. Repayment of this Note shall be made as follows:	
“Maturity Date”	The first day of the 504 th calendar month following the Effective Date.
“Payment Start Date”	The first day of the 204 th calendar month following the Effective Date.

<p>“Payment Amount(s)”</p>	<p>Annual principal and interest shall be deferred from the Loan’s Effective Date through the first 17 years following the Effective Date.</p> <p>Beginning with the first year of operations after permanent loan conversion, Borrower will allocate 20% of ”Residual Receipts” (as defined below) to an SHRA loan reserve account (“Reserve Account”). The Reserve Account shall be used beginning in Year 18, as necessary, to provide funding for Annual Payments (below) and/or Residual Receipts payments in any given year in order to achieve a 1.20 debt service coverage ratio (DSCR). For the avoidance of doubt, following Year 17, Borrower will no longer allocate 20% of Residual Receipts into the Reserve Account.</p> <p>Annual Payments shall be made at the start of year 18. 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“Residual Receipts” is defined as Net Operating Income (NOI) (as defined below) less the items described in the below Subsections (i) through (vi), based on the annual audited financial statement from the preceding year. No such proceeds or amounts shall be applied in payments of any amounts specified in any of the Subsections below until all amounts specified in any earlier Subsection have been paid in full :

- i. Senior loan payments
- ii. Monitoring fees on the regulatory agreements;
- iii. Payments to Limited Partner Management fee: \$7,000 escalating at 3.0% annually;
- iv. Payments towards any unpaid credit deficiencies and tax equivalency payments, together with interest thereon;
- v. Payment to the operating reserve to maintain the required balance pursuant to Borrower’s limited partnership agreement;
- vi. Payments to Managing General Partner Management fee: \$5,000 escalating at 3.0% annually.

The Net Operating Income is defined as periodic “Revenue” less “Operating Expenses.” “Revenue” means all revenue from the leasing of the Project, including but not limited to all rents, fees, and charges paid by tenants as well as rental subsidy payments regardless of the source of these subsidies, forfeited tenant deposits, rent increases, proceeds from vending machines and laundry room machines. Revenue shall not include tenants’ security deposits (unless forfeited), interest on those deposits, loan proceeds, capital contributions or similar advances, or amounts released from reserves or interest on reserves.

“Operating Expenses” shall mean actual costs, fees and expenses as evidenced by invoices attributable to the operation, recordkeeping, maintenance, taxes and management of the Project, including property management fees; taxes and assessments; payroll, benefits and payroll taxes of for property employees; insurance; security; painting, cleaning, repairs, and alterations; landscaping; sewer charges; utility charges; advertising, promotion and publicity; cable television, satellite and other similar services; office, janitorial, cleaning and building supplies; recreational amenities and supplies; purchase, repair, servicing and installation of appliances; costs and expenses associated with the provision of social and/or community services to the residents of the Project; equipment, fixtures and furnishing; fire alarm and elevator monitoring; fees and expenses of accountants, attorneys, consultants and other professionals. The definition will include deposits into operating and/or replacement reserves maintained by the Borrower but will not include initial deposits to capitalize the reserve accounts or amounts expended from a reserve account, or capital costs.

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

1. This Note evidences the obligation of Borrower to Lender for repayment of the Loan. The terms and covenants of the Loan Agreement are incorporated in this Note by reference. The Loan Agreement provides for and incorporates the Regulatory Agreement (as defined in the Loan Agreement), the making of which is further consideration for this Note.
2. All payments on this Note shall be applied first to fees and charges due under the Loan Agreement, if any, then to interest and then to the principal due on this Note. Borrower shall make the payments to the Lender at 801 12th Street, Sacramento, CA 95814, or to such other person or organization as may be designated by Lender to Borrower and noticed as provided in the Loan Agreement.
3. If any installment under this Note is not received by Lender within fifteen (15) calendar days after the installment is due, Borrower shall pay to Lender a late charge of five percent (5%) of such installment. Such late charge shall be immediately due and payable without demand by Lender.

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

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

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

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

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

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

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

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

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

g. Any of the following occur:

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

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

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

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

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

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

10. Subject to the provisions of this Section 10, and notwithstanding any provision of the Loan Documents other than this Section 10, the personal liability of Borrower, and Borrower's principals, partners, members, agents, officers, and successors in interest, to pay the principal of and interest on the debt evidenced by this Note and any other agreement evidencing Borrower's obligations under this Note shall be limited to (a) the Collateral (as defined in the Loan Agreement), (b) the personal property described in and pledged under any Loan Document, and (c) the rents, profits, issues, products and income of the Property, including any received or collected by or on behalf of Borrower after an Event of Default under the Loan Documents.

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

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

Borrower:

River City CIC, LP
a California limited partnership

By: Pacific Southwest Community Development Corporation,
a California nonprofit public benefit corporation,
Managing General Partner

By: _____
Robert W. Laing
Executive Director/President

By: CIC River City, LLC,
a California limited liability company,
Administrative General Partner

By: Chelsea Investment Corporation,
a California corporation,
its Manager

By: _____
Cheri Hoffman
President

**PROMISSORY NOTE
FOR RIVER CITY APARTMENTS
CONSTRUCTION AND PERMANENT LOAN AGREEMENT
(HTF FUNDS)**

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

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

DEFINED TERM:	DEFINITION:
“Effective Date”	TBD
“Lender”	Sacramento Housing and Redevelopment Agency
“Borrower”	River City CIC, LP
“Borrower Legal Status”	a California limited partnership
“Loan Agreement”	The Loan Agreement between the Borrower and Lender as of the Effective Date for making of the loan (“Loan”) evidenced by this Note.
“Principal Amount”	Eight Hundred Thousand Dollars and No Cents (\$800,000.00)
“Interest Rate”	The interest rate is 3% per year, simple interest.
“Accrual Date”	Interest shall accrue starting on the following “Accrual Date”: The Effective Date
“Special Terms”	At the completion of construction, Borrower shall submit to Lender a cost certification prepared by a qualified, independent auditor acceptable to Lender, which cost certification shall indicate the amounts actually spent for each item in the cost breakdown. If there is an aggregate savings in the total of all such cost break down items from the cost breakdown items in the original budget approved by the Lender, the Lender shall withhold for itself as Loan repayment, one-half of such savings from the amount of retention then held by the Lender, and the Loan balance shall be reduced by the amount so withheld. The lender, in its sole discretion, shall determine any reduction and/or repayment of the Loan based upon this cost certification and the original approved Budget for the Project.
PAYMENT SCHEDULE. Repayment of this Note shall be made as follows:	
“Maturity Date”	The first day of the 504 th calendar month following the Effective Date.
“Payment Start Date”	The first day of the 204 th calendar month following the Effective Date.

<p>“Payment Amount(s)”</p>	<p>Annual principal and interest shall be deferred from the Loan’s Effective Date through the first 17 years following the Effective Date.</p> <p>Beginning with the first year of operations after permanent loan conversion, Borrower will allocate 20% of ”Residual Receipts” (as defined below) to an SHRA loan reserve account (“Reserve Account”). The Reserve Account shall be used beginning in Year 18, as necessary, to provide funding for Annual Payments (below) and/or Residual Receipts payments in any given year in order to achieve a 1.20 debt service coverage ratio (DSCR). For the avoidance of doubt, following Year 17, Borrower will no longer allocate 20% of Residual Receipts into the Reserve Account.</p> <p>Annual Payments shall be made at the start of year 18. If, in any year, the required Annual Payment is less than a 1.20 DSCR, any amount owed to achieve a 1.20 DSCR (any such owed amounts, the “Deferred Payments”) will be paid out of the Reserve Account to the extent of available funds, and following depletion of the Reserve Account, out of 75% of the Residual Receipts. Payments will be applied to the unpaid interest first. In any year in which some or all of any Deferred Payments remain unpaid following the process set forth in this paragraph, such remaining portion shall be payable in future years from 75% of Residual Receipts. Any Deferred Payments not paid prior to the Maturity Date shall be payable on the Maturity Date.</p> <p>Borrower’s audited financial statement must be submitted annually and indicate that the Project’s DSCR achieves the required 1.20 DSCR.</p> <p>The Payment Schedule is as follows:</p> <table border="1" data-bbox="381 886 1421 982"> <thead> <tr> <th>Payment Year</th> <th>Payment Amount</th> </tr> </thead> <tbody> <tr> <td>0-17(2026-2042) (Construction Years 1-2 and Permanent Years1 – 15)</td> <td>\$0.00</td> </tr> </tbody> </table>	Payment Year	Payment Amount	0-17(2026-2042) (Construction Years 1-2 and Permanent Years1 – 15)	\$0.00																																																
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The Net Operating Income is defined as periodic “Revenue” less “Operating Expenses.” “Revenue” means all revenue from the leasing of the Project, including but not limited to all rents, fees, and charges paid by tenants as well as rental subsidy payments regardless of the source of these subsidies, forfeited tenant deposits, rent increases, proceeds from vending machines and laundry room machines. Revenue shall not include tenants’ security deposits (unless forfeited), interest on those deposits, loan proceeds, capital contributions or similar advances, or amounts released from reserves or interest on reserves.

“Operating Expenses” shall mean actual costs, fees and expenses as evidenced by invoices attributable to the operation, recordkeeping, maintenance, taxes and management of the Project, including property management fees; taxes and assessments; payroll, benefits and payroll taxes of for property employees; insurance; security; painting, cleaning, repairs, and alterations; landscaping; sewer charges; utility charges; advertising, promotion and publicity; cable television, satellite and other similar services; office, janitorial, cleaning and building supplies; recreational amenities and supplies; purchase, repair, servicing and installation of appliances; costs and expenses associated with the provision of social and/or community services to the residents of the Project; equipment, fixtures and furnishing; fire alarm and elevator monitoring; fees and expenses of accountants, attorneys, consultants and other professionals. The definition will include deposits into operating and/or replacement reserves maintained by the Borrower but will not include initial deposits to capitalize the reserve accounts or amounts expended from a reserve account, or capital costs.

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

1. This Note evidences the obligation of Borrower to Lender for repayment of the Loan. The terms and covenants of the Loan Agreement are incorporated in this Note by reference. The Loan Agreement provides for and incorporates the Regulatory Agreement (as defined in the Loan Agreement), the making of which is further consideration for this Note.
2. All payments on this Note shall be applied first to fees and charges due under the Loan Agreement, if any, then to interest and then to the principal due on this Note. Borrower shall make the payments to the Lender at 801 12th Street, Sacramento, CA 95814, or to such other person or organization as may be designated by Lender to Borrower and noticed as provided in the Loan Agreement.
3. If any installment under this Note is not received by Lender within fifteen (15) calendar days after the installment is due, Borrower shall pay to Lender a late charge of five percent (5%) of such installment. Such late charge shall be immediately due and payable without demand by Lender.

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

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

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

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

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

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

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

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

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

g. Any of the following occur:

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

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

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

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

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

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

10. Subject to the provisions of this Section 10, and notwithstanding any provision of the Loan Documents other than this Section 10, the personal liability of Borrower, and Borrower's principals, partners, members, agents, officers, and successors in interest, to pay the principal of and interest on the debt evidenced by this Note and any other agreement evidencing Borrower's obligations under this Note shall be limited to (a) the Collateral (as defined in the Loan Agreement), (b) the personal property described in and pledged under any Loan Document, and (c) the rents, profits, issues, products and income of the Property, including any received or collected by or on behalf of Borrower after an Event of Default under the Loan Documents.

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

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

Borrower:

River City CIC, LP
a California limited partnership

By: Pacific Southwest Community Development Corporation,
a California nonprofit public benefit corporation,
Managing General Partner

By: _____
Robert W. Laing
Executive Director/President

By: CIC River City, LLC,
a California limited liability company,
Administrative General Partner

By: Chelsea Investment Corporation,
a California corporation,
its Manager

By: _____
Cheri Hoffman
President

Exhibit 4a: HOME Trust Deed Form

NO FEE DOCUMENT:

Entitled to free recording

per Government Code §§6103 and 27383.

When recorded, return to:

SACRAMENTO HOUSING AND

REDEVELOPMENT AGENCY

801 12th Street

Sacramento, CA 95814

Attention: Portfolio Management

DEED OF TRUST AND ASSIGNMENT OF RENTS

River City Apartments

(HOME Funds)

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

TERM	DEFINITION	
“Effective Date”	TBD	
“Trustor” and “Borrower”	River City CIC, LP, a California limited partnership	
“Borrower Address”	6339 Paseo Del Lago, Carlsbad, CA 92011	
“Trustee”	Stewart Title Guaranty Company	
“Beneficiary” and “Lender”	Sacramento Housing and Redevelopment Agency, a public body, corporate and politic	
“Lender Address”	801 12th Street, Sacramento, California 95814	
“Property”	Which is real property located in the County of Sacramento and the State of California as more particularly described in the Legal Description.	
	Address	1601 69th St, Sacramento, CA 95822
	Assessor’s Parcel Number	015-0010-033-0000
“Legal Description”	The Legal Description of the Property which is more particularly described in the attached Exhibit 1 Legal Description , which is incorporated in and an integral part of this Deed of Trust	
“Loan”	Which is Lender’s loan to Borrower evidenced by the Note and which is secured by this Deed of Trust.	
“Loan Agreement”	Which is the agreement between Lender and Borrower stating the term and conditions of the Loan.	
	Which is dated: TBD	
“Additional Notices”	Lender shall give copies of notices required to be delivered to Borrower to the following parties at the following addresses; provided, however that Borrower acknowledges that such notice is an accommodation and the failure of the Lender to properly deliver any such notice shall not give rise to any claims or defenses of Borrower or any third party:	

	TRGHT, Inc. USA Institutional River City LLC 777 West Putnam Avenue Greenwich, Connecticut 06830 Attention: General Counsel With a copy to: Buchalter LLP 1000 Wilshire Blvd., Suite 1500 Los Angeles, CA 90017 Attention: Scott Salomon, Esq.	
"Note"	Which is Borrower's promissory note made in accordance with the Loan Agreement evidencing the following principal sum or such lesser amount as shall equal the aggregate amount disbursed to Borrower by Lender, with interest.	
	Which has a principal sum of	One Million One Hundred Fifty Thousand Dollars and No Cents (\$1,150,000.00)
"Regulatory Agreement"	Which is that certain Regulatory Agreement for Residential Rental Property and Declaration of Restrictive Covenants Affecting Real Property [HOME Funding] entered into by and between Borrower and Lender as additional consideration for Lender making the Loan.	
	Which is dated: TBD	

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

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

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

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

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

Borrower and Lender covenant and agree as follows:

1. Payment of Principal and Interest. Borrower shall promptly pay when due the principal and interest, if any, on the indebtedness evidenced by the Note. All payments received by Lender under the Note shall be applied by Lender first to interest payable on the Note and thereafter to the unpaid principal of the Note.
2. Charges; Liens. Borrower shall pay all taxes, assessments and other charges, fines and impositions attributable to the Property and leasehold payments or ground rents, if any by Borrower making payment, when due, directly to the appropriate payee. Borrower shall promptly furnish to Lender all notices of amounts due under this paragraph, and in the event that Borrower makes payment directly, Borrower shall promptly furnish to Lender receipts evidencing such payments. Borrower

shall pay when due any encumbrance, charge and lien, with interest in accordance with its terms, on the Property or any portion which is inferior or superior to this Deed of Trust.

3. Hazard Insurance. Borrower shall keep the improvements now existing or later erected on the Property insured against loss of fire or hazards under a policy approved by Lender consistent with the insurance requirements of the Loan Agreement. In addition, Borrower shall insure against loss of all furniture, equipment and other personal property owned by Borrower related to Borrower's operation of the Property. Lender shall have the right to hold the policies and policy renewals, and Borrower shall promptly furnish to Lender all renewal notices and all receipts of paid premiums. In the event of loss, Borrower shall give prompt notice to the insurance carrier and Lender. Lender may make proof of loss if not made promptly by Borrower.

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

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

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

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

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

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

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

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

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

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

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

successor or refuse to extend time payment by reason of any demand made by the original Borrower or Borrower's successors in interest.

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

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

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

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

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

15. Permitted Transfers. Without Lender's prior written consent, Tax Credit Limited Partner may transfer its interests to any affiliate, so long as such change does not affect the identity, powers or duties of Borrower's general partners or the ability of the limited partners to change the general partner or its powers. The Tax Credit Limited Partner must provide notice of such transfer within three (3) business days.

The Tax Credit Limited Partner may remove Borrower's general partner for cause as permitted by its rights under its limited partnership agreement. If the Tax Credit Limited Partner removes the Borrower's general partner for cause, the Tax Credit Limited Partner must provide a true and accurate copy of the duly authorized action removing the general partner to Lender immediately, not to exceed more than three (3) business days, after the removal. Immediately upon the Tax Credit Limited Partner's removal of the Borrower's general partner, the interim general partner of the Borrower shall be The Richman Group Capital Corporation (TRGCC). Such interim appointment shall not to exceed a term of six (6) months commencing on the date of the Tax Credit Limited Partner's removal of the Borrower's general partner for cause.

16. Acceleration on Breach; Remedies. Except as provided in Section 15, upon Borrower's breach of any covenant or agreement of Borrower in this Deed of Trust, the Note, the Regulatory Agreement, or Loan Agreement, Lender shall mail notice to Borrower specifying: (1) the breach; (2) the action required to cure such breach; (3) a date, no less than 30 days from the date the notice is mailed to Borrower, by which breach must be cured; and (4) that failure to cure such breach on or before the date specified in the notice may result in acceleration of the sums secured by this Deed of Trust and sale of the Property. If the breach is not cured on or before the date specified in the notice, Lender at Lender's option may declare all of the sums secured by this Deed of Trust to be immediately due and payable without further demand and may invoke the power of sale and any other remedies permitted by applicable law. Lender shall be entitled to collect from the Borrower, or sale proceeds, if any, all reasonable costs and expenses incurred in pursuing the remedies provided in this Section, including, but not limited to reasonable attorney's fees.

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

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

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

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

18. Financing Statement. This Deed of Trust is both a real property deed of trust and a "security agreement" within the meaning of the Uniform Commercial Code. The Property includes both real and personal property and all other rights and interests, whether tangible or intangible in nature, of Borrower in the Property. Borrower by executing and delivering this Deed of Trust has granted and hereby grants to Lender, as security for the Loan, a security interest in the Property to the full extent that the Property may be subject to the Uniform Commercial Code (the Property so subject to the Uniform Commercial Code, including without limitation, the Rent, being called in this paragraph the "Collateral"). Borrower irrevocably appoints Lender as its true and lawful limited attorney-in-fact solely to execute and deliver any and all financing statements pursuant to the appropriate statutes, and any other documents or instruments as are required to convey to Lender a valid perfected security interest in the Collateral. Borrower agrees to perform all acts which Lender may reasonably request so as to enable Lender to maintain such valid perfected security interest in the Collateral in order to secure the payment of the Note in accordance with their terms. Lender is authorized to file a copy of any such financing statement in any jurisdiction(s) as it shall deem appropriate from time to time in order to protect the security interest established pursuant to this Deed of Trust.

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

20. Nonrecourse. Notwithstanding any provision of this Deed of Trust or any document evidencing or securing the Loan, Borrower, and Borrower's principals, agents, officers, and successors in interest shall not be personally liable for the payment of the Loan or any obligation of the Loan, and in the event of a default Lender shall look solely to the Property subject to this Deed of Trust and to the rents, issues and profits thereof in satisfaction of the indebtedness evidenced by the Note; provided, that nothing in this condition and no action so taken shall operate to impair any obligation of Borrower under the Regulatory Agreement.

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

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

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

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

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

26. Extended Use Agreement. In order to receive an allocation of federal low income housing tax credits, Borrower will be required to record in the real property records of the County in which the property is located, an “extended low-income housing commitment” (as defined in Section 42(h)(6)(B) of the Internal Revenue Code of 1986, as amended (“Code”)) (“Extended Use Agreement”). Lender acknowledges and agrees that, in the event of a foreclosure of its interest under this Deed of Trust or delivery by Borrower of a deed in lieu thereof (collectively, a “Foreclosure”), Lender expressly agrees to undertake, with respect to low-income housing tenants, the requirements of Section 42(h)(6)(E)(ii) of the Code, as amended from time to time.

IN WITNESS WHEREOF, Borrower has executed this Deed of Trust.

BORROWER (Trustor):

**RIVER CITY CIC, LP,
A CALIFORNIA LIMITED PARTNERSHIP**

**BY: PACIFIC SOUTHWEST COMMUNITY DEVELOPMENT CORPORATION,
A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION,
MANAGING GENERAL PARTNER**

**BY: _____
ROBERT W. LAING
EXECUTIVE DIRECTOR/PRESIDENT**

**BY: CIC RIVER CITY, LLC,
A CALIFORNIA LIMITED LIABILITY COMPANY,
ADMINISTRATIVE GENERAL PARTNER**

**BY: CHELSEA INVESTMENT CORPORATION,
A CALIFORNIA CORPORATION,
ITS MANAGER**

**BY: _____
CHERI HOFFMAN
PRESIDENT**

EXHIBIT 1

LEGAL DESCRIPTION

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

All that portion of the Northwest one-quarter of Section 15, Township 8 North, Range 5 East, M D B & M, as shown on the Record of Survey "Portion of NW 1/4 Section 15, T 8 N, R 5 E, M D B & M ", filed in the Office of the Recorder of Sacramento County, California, on April 13, 1962, in [Book 19 of Surveys, Map No 15](#), described as follows

Beginning at the intersection of the East line of Redding Avenue and the South line of Folsom Boulevard, thence along the South line of Folsom Boulevard, South 65° 33' 46" East 209.15 feet to the Southwesterly line of the Central Pacific Railway Company Right of Way, thence along said Right of Way South 34° 04' 00" East 176.57 feet, thence South 55° 56' 00" West 45.39 feet, thence along a curve to the left, with a radius of 40.00 feet subtended by a chord bearing North 53° 30' 15" West 26.62 feet, thence North 72° 56' 30" West 248.20 feet, thence along a curve to the right, with a radius of 22.00 feet, subtended by a chord bearing North 34° 06' 41" West 28.77 feet, to the East line of Redding Avenue, thence North 08° 43' 08" East 146.90 feet to the point of beginning.

APN: 015-0010-033

[NOTARIZED ACKNOWLEDGEMENTS]

Exhibit 4b: PLHA Trust Deed Form

NO FEE DOCUMENT:

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

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

DEED OF TRUST AND ASSIGNMENT OF RENTS

River City Apartments
(PLHA Funds)

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

TERM	DEFINITION	
“Effective Date”	TBD	
“Trustor” and “Borrower”	River City CIC, LP, a California limited partnership	
“Borrower Address”	6339 Paseo Del Lago, Carlsbad, CA 92011	
“Trustee”	Stewart Title Guaranty Company	
“Beneficiary” and “Lender”	Sacramento Housing and Redevelopment Agency, a public body, corporate and politic	
“Lender Address”	801 12th Street, Sacramento, California 95814	
“Property”	Which is real property located in the County of Sacramento and the State of California as more particularly described in the Legal Description.	
	Address	1601 69th St, Sacramento, CA 95822
	Assessor’s Parcel Number	015-0010-033-0000
“Legal Description”	The Legal Description of the Property which is more particularly described in the attached Exhibit 1 Legal Description , which is incorporated in and an integral part of this Deed of Trust	
“Loan”	Which is Lender’s loan to Borrower evidenced by the Note and which is secured by this Deed of Trust.	
“Loan Agreement”	Which is the agreement between Lender and Borrower stating the term and conditions of the Loan.	
	Which is dated:	TBD
“Additional Notices”	Lender shall give copies of notices required to be delivered to Borrower to the following parties at the following addresses; provided, however that Borrower acknowledges that such notice is an accommodation and the failure of the Lender to properly deliver any such notice shall not give rise to any claims or defenses of Borrower or any third party:	

	TRGHT, Inc. USA Institutional River City LLC 777 West Putnam Avenue Greenwich, Connecticut 06830 Attention: General Counsel With a copy to: Buchalter LLP 1000 Wilshire Blvd., Suite 1500 Los Angeles, CA 90017 Attention: Scott Salomon, Esq.	
"Note"	Which is Borrower's promissory note made in accordance with the Loan Agreement evidencing the following principal sum or such lesser amount as shall equal the aggregate amount disbursed to Borrower by Lender, with interest.	
	Which has a principal sum of	Eight Hundred Fifty Thousand Dollars and No Cents (\$850,000.00)
"Regulatory Agreement"	Which is that certain Regulatory Agreement for Residential Rental Property and Declaration of Restrictive Covenants Affecting Real Property [PLHA Funding] entered into by and between Borrower and Lender as additional consideration for Lender making the Loan.	
	Which is dated:	TBD

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

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

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

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

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

Borrower and Lender covenant and agree as follows:

1. Payment of Principal and Interest. Borrower shall promptly pay when due the principal and interest, if any, on the indebtedness evidenced by the Note. All payments received by Lender under the Note shall be applied by Lender first to interest payable on the Note and thereafter to the unpaid principal of the Note.

2. Charges; Liens. Borrower shall pay all taxes, assessments and other charges, fines and impositions attributable to the Property and leasehold payments or ground rents, if any by Borrower making payment, when due, directly to the appropriate payee. Borrower shall promptly furnish to Lender all notices of amounts due under this paragraph, and in the event that Borrower makes payment directly, Borrower shall promptly furnish to Lender receipts evidencing such payments. Borrower

shall pay when due any encumbrance, charge and lien, with interest in accordance with its terms, on the Property or any portion which is inferior or superior to this Deed of Trust.

3. Hazard Insurance. Borrower shall keep the improvements now existing or later erected on the Property insured against loss of fire or hazards under a policy approved by Lender consistent with the insurance requirements of the Loan Agreement. In addition, Borrower shall insure against loss of all furniture, equipment and other personal property owned by Borrower related to Borrower's operation of the Property. Lender shall have the right to hold the policies and policy renewals, and Borrower shall promptly furnish to Lender all renewal notices and all receipts of paid premiums. In the event of loss, Borrower shall give prompt notice to the insurance carrier and Lender. Lender may make proof of loss if not made promptly by Borrower.

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

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

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

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

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

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

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

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successor or refuse to extend time payment by reason of any demand made by the original Borrower or Borrower's successors in interest.

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

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

15. Permitted Transfers. Without Lender's prior written consent, Tax Credit Limited Partner may transfer its interests to any affiliate, so long as such change does not affect the identity, powers or duties of Borrower's general partners or the ability of the limited partners to change the general partner or its powers. The Tax Credit Limited Partner must provide notice of such transfer within three (3) business days.

The Tax Credit Limited Partner may remove Borrower's general partner for cause as permitted by its rights under its limited partnership agreement. If the Tax Credit Limited Partner removes the Borrower's general partner for cause, the Tax Credit Limited Partner must provide a true and accurate copy of the duly authorized action removing the general partner to Lender immediately, not to exceed more than three (3) business days, after the removal. Immediately upon the Tax Credit Limited Partner's removal of the Borrower's general partner, the interim general partner of the Borrower shall be The Richman Group Capital Corporation (TRGCC). Such interim appointment shall not to exceed a term of six (6) months commencing on the date of the Tax Credit Limited Partner's removal of the Borrower's general partner for cause.

16. Acceleration on Breach; Remedies. Except as provided in Section 15, upon Borrower's breach of any covenant or agreement of Borrower in this Deed of Trust, the Note, the Regulatory Agreement, or Loan Agreement, Lender shall mail notice to Borrower specifying: (1) the breach; (2) the action required to cure such breach; (3) a date, no less than 30 days from the date the notice is mailed to Borrower, by which breach must be cured; and (4) that failure to cure such breach on or before the date specified in the notice may result in acceleration of the sums secured by this Deed of Trust and sale of the Property. If the breach is not cured on or before the date specified in the notice, Lender at Lender's option may declare all of the sums secured by this Deed of Trust to be immediately due and payable without further demand and may invoke the power of sale and any other remedies permitted by applicable law. Lender shall be entitled to collect from the Borrower, or sale proceeds, if any, all reasonable costs and expenses incurred in pursuing the remedies provided in this Section, including, but not limited to reasonable attorney's fees.

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

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

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

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

18. Financing Statement. This Deed of Trust is both a real property deed of trust and a "security agreement" within the meaning of the Uniform Commercial Code. The Property includes both real and personal property and all other rights and interests, whether tangible or intangible in nature, of Borrower in the Property. Borrower by executing and delivering this Deed of Trust has granted and hereby grants to Lender, as security for the Loan, a security interest in the Property to the full extent that the Property may be subject to the Uniform Commercial Code (the Property so subject to the Uniform Commercial Code, including without limitation, the Rent, being called in this paragraph the "Collateral"). Borrower irrevocably appoints Lender as its true and lawful limited attorney-in-fact solely to execute and deliver any and all financing statements pursuant to the appropriate statutes, and any other documents or instruments as are required to convey to Lender a valid perfected security interest in the Collateral. Borrower agrees to perform all acts which Lender may reasonably request so as to enable Lender to maintain such valid perfected security interest in the Collateral in order to secure the payment of the Note in accordance with their terms. Lender is authorized to file a copy of any such financing statement in any jurisdiction(s) as it shall deem appropriate from time to time in order to protect the security interest established pursuant to this Deed of Trust.

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

20. Nonrecourse. Notwithstanding any provision of this Deed of Trust or any document evidencing or securing the Loan, Borrower, and Borrower's principals, agents, officers, and successors in interest shall not be personally liable for the payment of the Loan or any obligation of the Loan, and in the event of a default Lender shall look solely to the Property subject to this Deed of Trust and to the rents, issues and profits thereof in satisfaction of the indebtedness evidenced by the Note; provided, that nothing in this condition and no action so taken shall operate to impair any obligation of Borrower under the Regulatory Agreement.

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

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

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

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

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

26. Extended Use Agreement. In order to receive an allocation of federal low income housing tax credits, Borrower will be required to record in the real property records of the County in which the property is located, an “extended low-income housing commitment” (as defined in Section 42(h)(6)(B) of the Internal Revenue Code of 1986, as amended (“Code”)) (“Extended Use Agreement”). Lender acknowledges and agrees that, in the event of a foreclosure of its interest under this Deed of Trust or delivery by Borrower of a deed in lieu thereof (collectively, a “Foreclosure”), Lender expressly agrees to undertake, with respect to low-income housing tenants, the requirements of Section 42(h)(6)(E)(ii) of the Code, as amended from time to time.

IN WITNESS WHEREOF, Borrower has executed this Deed of Trust.

BORROWER (Trustor):

RIVER CITY CIC, LP
A CALIFORNIA LIMITED PARTNERSHIP

BY: PACIFIC SOUTHWEST COMMUNITY DEVELOPMENT CORPORATION,
A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION,
MANAGING GENERAL PARTNER

BY: _____
ROBERT W. LAING
EXECUTIVE DIRECTOR/PRESIDENT

BY: CIC RIVER CITY, LLC,
A CALIFORNIA LIMITED LIABILITY COMPANY,
ADMINISTRATIVE GENERAL PARTNER

BY: CHELSEA INVESTMENT CORPORATION,
A CALIFORNIA CORPORATION,
ITS MANAGER

BY: _____
CHERI HOFFMAN
PRESIDENT

EXHIBIT 1
LEGAL DESCRIPTION

LEGAL DESCRIPTION

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

All that portion of the Northwest one-quarter of Section 15, Township 8 North, Range 5 East, M D B & M, as shown on the Record of Survey "Portion of NW 1/4 Section 15, T 8 N, R 5 E, M D B & M ", filed in the Office of the Recorder of Sacramento County, California, on April 13, 1962, in [Book 19 of Surveys, Map No 15](#), described as follows

Beginning at the intersection of the East line of Redding Avenue and the South line of Folsom Boulevard, thence along the South line of Folsom Boulevard, South 65° 33' 46" East 209.15 feet to the Southwesterly line of the Central Pacific Railway Company Right of Way, thence along said Right of Way South 34° 04' 00" East 176.57 feet, thence South 55° 56' 00" West 45.39 feet, thence along a curve to the left, with a radius of 40.00 feet subtended by a chord bearing North 53° 30' 15" West 26.62 feet, thence North 72° 56' 30" West 248.20 feet, thence along a curve to the right, with a radius of 22.00 feet, subtended by a chord bearing North 34° 06' 41" West 28.77 feet, to the East line of Redding Avenue, thence North 08° 43' 08" East 146.90 feet to the point of beginning.

APN: 015-0010-033

[NOTARIZED ACKNOWLEDGEMENTS]

Exhibit 4c: MIHF Trust Deed Form

NO FEE DOCUMENT:

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

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

DEED OF TRUST AND ASSIGNMENT OF RENTS
River City Apartments
(MIHF Funds)

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

TERM	DEFINITION	
“Effective Date”	TBD	
“Trustor” and “Borrower”	River City CIC, LP, a California limited partnership	
“Borrower Address”	6339 Paseo Del Lago, Carlsbad, CA 92011	
“Trustee”	Stewart Title Guaranty Company	
“Beneficiary” and “Lender”	Sacramento Housing and Redevelopment Agency, a public body, corporate and politic	
“Lender Address”	801 12th Street, Sacramento, California 95814	
“Property”	Which is real property located in the County of Sacramento and the State of California as more particularly described in the Legal Description.	
	Address	1601 69th St, Sacramento, CA 95822
	Assessor’s Parcel Number	015-0010-033-0000
“Legal Description”	The Legal Description of the Property which is more particularly described in the attached Exhibit 1 Legal Description , which is incorporated in and an integral part of this Deed of Trust	
“Loan”	Which is Lender’s loan to Borrower evidenced by the Note and which is secured by this Deed of Trust.	
“Loan Agreement”	Which is the agreement between Lender and Borrower stating the term and conditions of the Loan.	
	Which is dated:	TBD
“Additional Notices”	Lender shall give copies of notices required to be delivered to Borrower to the following parties at the following addresses; provided, however that Borrower acknowledges that such notice is an accommodation and the failure of the Lender to properly deliver any such notice shall not give rise to any claims or defenses of Borrower or any third party:	

	TRGHT, Inc. USA Institutional River City LLC 777 West Putnam Avenue Greenwich, Connecticut 06830 Attention: General Counsel With a copy to: Buchalter LLP 1000 Wilshire Blvd., Suite 1500 Los Angeles, CA 90017 Attention: Scott Salomon, Esq.	
"Note"	Which is Borrower's promissory note made in accordance with the Loan Agreement evidencing the following principal sum or such lesser amount as shall equal the aggregate amount disbursed to Borrower by Lender, with interest.	
	Which has a principal sum of	One Million Three Hundred Thousand Dollars and No Cents (\$1,300,000.00)
"Regulatory Agreement"	Which is that certain Regulatory Agreement for Residential Rental Property and Declaration of Restrictive Covenants Affecting Real Property [MIHF Funding] entered into by and between Borrower and Lender as additional consideration for Lender making the Loan.	
	Which is dated:	TBD

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

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

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

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

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

Borrower and Lender covenant and agree as follows:

1. Payment of Principal and Interest. Borrower shall promptly pay when due the principal and interest, if any, on the indebtedness evidenced by the Note. All payments received by Lender under the Note shall be applied by Lender first to interest payable on the Note and thereafter to the unpaid principal of the Note.

2. Charges; Liens. Borrower shall pay all taxes, assessments and other charges, fines and impositions attributable to the Property and leasehold payments or ground rents, if any by Borrower making payment, when due, directly to the appropriate payee. Borrower shall promptly furnish to Lender all notices of amounts due under this paragraph, and in the event that Borrower makes payment directly, Borrower shall promptly furnish to Lender receipts evidencing such payments. Borrower

shall pay when due any encumbrance, charge and lien, with interest in accordance with its terms, on the Property or any portion which is inferior or superior to this Deed of Trust.

3. Hazard Insurance. Borrower shall keep the improvements now existing or later erected on the Property insured against loss of fire or hazards under a policy approved by Lender consistent with the insurance requirements of the Loan Agreement. In addition, Borrower shall insure against loss of all furniture, equipment and other personal property owned by Borrower related to Borrower's operation of the Property. Lender shall have the right to hold the policies and policy renewals, and Borrower shall promptly furnish to Lender all renewal notices and all receipts of paid premiums. In the event of loss, Borrower shall give prompt notice to the insurance carrier and Lender. Lender may make proof of loss if not made promptly by Borrower.

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

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

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

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

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

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

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

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

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

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

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

successor or refuse to extend time payment by reason of any demand made by the original Borrower or Borrower's successors in interest.

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

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

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

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

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

15. Permitted Transfers. Without Lender's prior written consent, Tax Credit Limited Partner may transfer its interests to any affiliate, so long as such change does not affect the identity, powers or duties of Borrower's general partners or the ability of the limited partners to change the general partner or its powers. The Tax Credit Limited Partner must provide notice of such transfer within three (3) business days.

The Tax Credit Limited Partner may remove Borrower's general partner for cause as permitted by its rights under its limited partnership agreement. If the Tax Credit Limited Partner removes the Borrower's general partner for cause, the Tax Credit Limited Partner must provide a true and accurate copy of the duly authorized action removing the general partner to Lender immediately, not to exceed more than three (3) business days, after the removal. Immediately upon the Tax Credit Limited Partner's removal of the Borrower's general partner, the interim general partner of the Borrower shall be The Richman Group Capital Corporation (TRGCC). Such interim appointment shall not to exceed a term of six (6) months commencing on the date of the Tax Credit Limited Partner's removal of the Borrower's general partner for cause.

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

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

18. Financing Statement. This Deed of Trust is both a real property deed of trust and a "security agreement" within the meaning of the Uniform Commercial Code. The Property includes both real and personal property and all other rights and interests, whether tangible or intangible in nature, of Borrower in the Property. Borrower by executing and delivering this Deed of Trust has granted and hereby grants to Lender, as security for the Loan, a security interest in the Property to the full extent that the Property may be subject to the Uniform Commercial Code (the Property so subject to the Uniform Commercial Code, including without limitation, the Rent, being called in this paragraph the "Collateral"). Borrower irrevocably appoints Lender as its true and lawful limited attorney-in-fact solely to execute and deliver any and all financing statements pursuant to the appropriate statutes, and any other documents or instruments as are required to convey to Lender a valid perfected security interest in the Collateral. Borrower agrees to perform all acts which Lender may reasonably request so as to enable Lender to maintain such valid perfected security interest in the Collateral in order to secure the payment of the Note in accordance with their terms. Lender is authorized to file a copy of any such financing statement in any jurisdiction(s) as it shall deem appropriate from time to time in order to protect the security interest established pursuant to this Deed of Trust.

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

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26. Extended Use Agreement. In order to receive an allocation of federal low income housing tax credits, Borrower will be required to record in the real property records of the County in which the property is located, an “extended low-income housing commitment” (as defined in Section 42(h)(6)(B) of the Internal Revenue Code of 1986, as amended (“Code”)) (“Extended Use Agreement”). Lender acknowledges and agrees that, in the event of a foreclosure of its interest under this Deed of Trust or delivery by Borrower of a deed in lieu thereof (collectively, a “Foreclosure”), Lender expressly agrees to undertake, with respect to low-income housing tenants, the requirements of Section 42(h)(6)(E)(ii) of the Code, as amended from time to time.

IN WITNESS WHEREOF, Borrower has executed this Deed of Trust.

BORROWER (Trustor):

RIVER CITY CIC, LP
A CALIFORNIA LIMITED PARTNERSHIP

BY: PACIFIC SOUTHWEST COMMUNITY DEVELOPMENT CORPORATION,
A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION,
MANAGING GENERAL PARTNER

BY: _____
ROBERT W. LAING
EXECUTIVE DIRECTOR/PRESIDENT

BY: CIC RIVER CITY, LLC,
A CALIFORNIA LIMITED LIABILITY COMPANY,
ADMINISTRATIVE GENERAL PARTNER

BY: CHELSEA INVESTMENT CORPORATION,
A CALIFORNIA CORPORATION,
ITS MANAGER

BY: _____
CHERI HOFFMAN
PRESIDENT

EXHIBIT 1

LEGAL DESCRIPTION

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

All that portion of the Northwest one-quarter of Section 15, Township 8 North, Range 5 East, M D B & M, as shown on the Record of Survey "Portion of NW 1/4 Section 15, T 8 N, R 5 E, M D B & M ", filed in the Office of the Recorder of Sacramento County, California, on April 13, 1962, in [Book 19 of Surveys, Map No 15](#), described as follows

Beginning at the intersection of the East line of Redding Avenue and the South line of Folsom Boulevard, thence along the South line of Folsom Boulevard, South 65° 33' 46" East 209.15 feet to the Southwesterly line of the Central Pacific Railway Company Right of Way, thence along said Right of Way South 34° 04' 00" East 176.57 feet, thence South 55° 56' 00" West 45.39 feet, thence along a curve to the left, with a radius of 40.00 feet subtended by a chord bearing North 53° 30' 15" West 26.62 feet, thence North 72° 56' 30" West 248.20 feet, thence along a curve to the right, with a radius of 22.00 feet, subtended by a chord bearing North 34° 06' 41" West 28.77 feet, to the East line of Redding Avenue, thence North 08° 43' 08" East 146.90 feet to the point of beginning.

APN: 015-0010-033

[NOTARIZED ACKNOWLEDGEMENTS]

Exhibit 4d: HTF Trust Deed Form

NO FEE DOCUMENT:

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

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

DEED OF TRUST AND ASSIGNMENT OF RENTS

River City Apartments
(HTF Funds)

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

TERM	DEFINITION	
“Effective Date”	TBD	
“Trustor” and “Borrower”	River City CIC, LP, a California limited partnership	
“Borrower Address”	6339 Paseo Del Lago, Carlsbad, CA 92011	
“Trustee”	Stewart Title Guaranty Company	
“Beneficiary” and “Lender”	Sacramento Housing and Redevelopment Agency, a public body, corporate and politic	
“Lender Address”	801 12th Street, Sacramento, California 95814	
“Property”	Which is real property located in the County of Sacramento and the State of California as more particularly described in the Legal Description.	
	Address	1601 69th St, Sacramento, CA 95822
	Assessor’s Parcel Number	015-0010-033-0000
“Legal Description”	The Legal Description of the Property which is more particularly described in the attached Exhibit 1 Legal Description , which is incorporated in and an integral part of this Deed of Trust	
“Loan”	Which is Lender’s loan to Borrower evidenced by the Note and which is secured by this Deed of Trust.	
“Loan Agreement”	Which is the agreement between Lender and Borrower stating the term and conditions of the Loan.	
	Which is dated: TBD	
“Additional Notices”	Lender shall give copies of notices required to be delivered to Borrower to the following parties at the following addresses; provided, however that Borrower acknowledges that such notice is an accommodation and the failure of the Lender to properly deliver any such notice shall not give rise to any claims or defenses of Borrower or any third party:	

	TRGHT, Inc. USA Institutional River City LLC 777 West Putnam Avenue Greenwich, Connecticut 06830 Attention: General Counsel With a copy to: Buchalter LLP 1000 Wilshire Blvd., Suite 1500 Los Angeles, CA 90017 Attention: Scott Salomon, Esq.	
"Note"	Which is Borrower's promissory note made in accordance with the Loan Agreement evidencing the following principal sum or such lesser amount as shall equal the aggregate amount disbursed to Borrower by Lender, with interest.	
	Which has a principal sum of	Eight Hundred Thousand Dollars and No Cents (\$800,000.00)
"Regulatory Agreement"	Which is that certain Regulatory Agreement for Residential Rental Property and Declaration of Restrictive Covenants Affecting Real Property [HTF Funding] entered into by and between Borrower and Lender as additional consideration for Lender making the Loan.	
	Which is dated:	TBD

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

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

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

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

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

Borrower and Lender covenant and agree as follows:

1. Payment of Principal and Interest. Borrower shall promptly pay when due the principal and interest, if any, on the indebtedness evidenced by the Note. All payments received by Lender under the Note shall be applied by Lender first to interest payable on the Note and thereafter to the unpaid principal of the Note.

2. Charges; Liens. Borrower shall pay all taxes, assessments and other charges, fines and impositions attributable to the Property and leasehold payments or ground rents, if any by Borrower making payment, when due, directly to the appropriate payee. Borrower shall promptly furnish to Lender all notices of amounts due under this paragraph, and in the event that Borrower makes payment directly, Borrower shall promptly furnish to Lender receipts evidencing such payments. Borrower

shall pay when due any encumbrance, charge and lien, with interest in accordance with its terms, on the Property or any portion which is inferior or superior to this Deed of Trust.

3. Hazard Insurance. Borrower shall keep the improvements now existing or later erected on the Property insured against loss of fire or hazards under a policy approved by Lender consistent with the insurance requirements of the Loan Agreement. In addition, Borrower shall insure against loss of all furniture, equipment and other personal property owned by Borrower related to Borrower's operation of the Property. Lender shall have the right to hold the policies and policy renewals, and Borrower shall promptly furnish to Lender all renewal notices and all receipts of paid premiums. In the event of loss, Borrower shall give prompt notice to the insurance carrier and Lender. Lender may make proof of loss if not made promptly by Borrower.

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

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

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

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

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

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

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

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

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

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

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

successor or refuse to extend time payment by reason of any demand made by the original Borrower or Borrower's successors in interest.

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

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

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

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

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

15. Permitted Transfers. Without Lender's prior written consent, Tax Credit Limited Partner may transfer its interests to any affiliate, so long as such change does not affect the identity, powers or duties of Borrower's general partners or the ability of the limited partners to change the general partner or its powers. The Tax Credit Limited Partner must provide notice of such transfer within three (3) business days.

The Tax Credit Limited Partner may remove Borrower's general partner for cause as permitted by its rights under its limited partnership agreement. If the Tax Credit Limited Partner removes the Borrower's general partner for cause, the Tax Credit Limited Partner must provide a true and accurate copy of the duly authorized action removing the general partner to Lender immediately, not to exceed more than three (3) business days, after the removal. Immediately upon the Tax Credit Limited Partner's removal of the Borrower's general partner, the interim general partner of the Borrower shall be The Richman Group Capital Corporation (TRGCC). Such interim appointment shall not to exceed a term of six (6) months commencing on the date of the Tax Credit Limited Partner's removal of the Borrower's general partner for cause.

16. Acceleration on Breach; Remedies. Except as provided in Section 15, upon Borrower's breach of any covenant or agreement of Borrower in this Deed of Trust, the Note, the Regulatory Agreement, or Loan Agreement, Lender shall mail notice to Borrower specifying: (1) the breach; (2) the action required to cure such breach; (3) a date, no less than 30 days from the date the notice is mailed to Borrower, by which breach must be cured; and (4) that failure to cure such breach on or before the date specified in the notice may result in acceleration of the sums secured by this Deed of Trust and sale of the Property. If the breach is not cured on or before the date specified in the notice, Lender at Lender's option may declare all of the sums secured by this Deed of Trust to be immediately due and payable without further demand and may invoke the power of sale and any other remedies permitted by applicable law. Lender shall be entitled to collect from the Borrower, or sale proceeds, if any, all reasonable costs and expenses incurred in pursuing the remedies provided in this Section, including, but not limited to reasonable attorney's fees.

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

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

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

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

18. Financing Statement. This Deed of Trust is both a real property deed of trust and a "security agreement" within the meaning of the Uniform Commercial Code. The Property includes both real and personal property and all other rights and interests, whether tangible or intangible in nature, of Borrower in the Property. Borrower by executing and delivering this Deed of Trust has granted and hereby grants to Lender, as security for the Loan, a security interest in the Property to the full extent that the Property may be subject to the Uniform Commercial Code (the Property so subject to the Uniform Commercial Code, including without limitation, the Rent, being called in this paragraph the "Collateral"). Borrower irrevocably appoints Lender as its true and lawful limited attorney-in-fact solely to execute and deliver any and all financing statements pursuant to the appropriate statutes, and any other documents or instruments as are required to convey to Lender a valid perfected security interest in the Collateral. Borrower agrees to perform all acts which Lender may reasonably request so as to enable Lender to maintain such valid perfected security interest in the Collateral in order to secure the payment of the Note in accordance with their terms. Lender is authorized to file a copy of any such financing statement in any jurisdiction(s) as it shall deem appropriate from time to time in order to protect the security interest established pursuant to this Deed of Trust.

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

20. Nonrecourse. Notwithstanding any provision of this Deed of Trust or any document evidencing or securing the Loan, Borrower, and Borrower's principals, agents, officers, and successors in interest shall not be personally liable for the payment of the Loan or any obligation of the Loan, and in the event of a default Lender shall look solely to the Property subject to this Deed of Trust and to the rents, issues and profits thereof in satisfaction of the indebtedness evidenced by the Note; provided, that nothing in this condition and no action so taken shall operate to impair any obligation of Borrower under the Regulatory Agreement.

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

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

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

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

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

26. Extended Use Agreement. In order to receive an allocation of federal low income housing tax credits, Borrower will be required to record in the real property records of the County in which the property is located, an “extended low-income housing commitment” (as defined in Section 42(h)(6)(B) of the Internal Revenue Code of 1986, as amended (“Code”)) (“Extended Use Agreement”). Lender acknowledges and agrees that, in the event of a foreclosure of its interest under this Deed of Trust or delivery by Borrower of a deed in lieu thereof (collectively, a “Foreclosure”), Lender expressly agrees to undertake, with respect to low-income housing tenants, the requirements of Section 42(h)(6)(E)(ii) of the Code, as amended from time to time.

IN WITNESS WHEREOF, Borrower has executed this Deed of Trust.

BORROWER (Trustor):

RIVER CITY CIC, LP
A CALIFORNIA LIMITED PARTNERSHIP

BY: PACIFIC SOUTHWEST COMMUNITY DEVELOPMENT CORPORATION,
A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION,
MANAGING GENERAL PARTNER

BY: _____
ROBERT W. LAING
EXECUTIVE DIRECTOR/PRESIDENT

BY: CIC RIVER CITY, LLC,
A CALIFORNIA LIMITED LIABILITY COMPANY,
ADMINISTRATIVE GENERAL PARTNER

BY: CHELSEA INVESTMENT CORPORATION,
A CALIFORNIA CORPORATION,
ITS MANAGER

BY: _____
CHERI HOFFMAN
PRESIDENT

EXHIBIT 1

LEGAL DESCRIPTION

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

All that portion of the Northwest one-quarter of Section 15, Township 8 North, Range 5 East, M D B & M, as shown on the Record of Survey "Portion of NW 1/4 Section 15, T 8 N, R 5 E, M D B & M ", filed in the Office of the Recorder of Sacramento County, California, on April 13, 1962, in [Book 19 of Surveys, Map No 15](#), described as follows

Beginning at the intersection of the East line of Redding Avenue and the South line of Folsom Boulevard, thence along the South line of Folsom Boulevard, South 65° 33' 46" East 209.15 feet to the Southwesterly line of the Central Pacific Railway Company Right of Way, thence along said Right of Way South 34° 04' 00" East 176.57 feet, thence South 55° 56' 00" West 45.39 feet, thence along a curve to the left, with a radius of 40.00 feet subtended by a chord bearing North 53° 30' 15" West 26.62 feet, thence North 72° 56' 30" West 248.20 feet, thence along a curve to the right, with a radius of 22.00 feet, subtended by a chord bearing North 34° 06' 41" West 28.77 feet, to the East line of Redding Avenue, thence North 08° 43' 08" East 146.90 feet to the point of beginning.

APN: 015-0010-033

[NOTARIZED ACKNOWLEDGEMENTS]

Exhibit 5a HOME Regulatory Agreement

NO FEE DOCUMENT:

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

Recording Requested by, and
when recorded, return to:
SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY
801 12th Street, 4th Floor
Sacramento, CA 95814
Attn: Portfolio Management

**REGULATORY AGREEMENT FOR RESIDENTIAL RENTAL PROPERTY
AND DECLARATION OF RESTRICTIVE COVENANTS AFFECTING REAL PROPERTY
RIVER CITY APARTMENTS (HOME)**

PROJECT NAME:	River City Apartments
PROJECT ADDRESS:	1601 69th St, Sacramento, CA 95822
APN:	015-0010-033-0000

FOR GOOD AND VALUABLE CONSIDERATION, THE RECEIPT OF WHICH IS ACKNOWLEDGED, AGENCY AND OWNER HAVE ENTERED THIS REGULATORY AGREEMENT AND DECLARATION OF RESTRICTIVE COVENANTS AFFECTING REAL PROPERTY (REGULATORY AGREEMENT) AS OF THE EFFECTIVE DATE.

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

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

TERM	DEFINITION
“Effective Date”	This Regulatory Agreement shall be effective as of the following date: **enter date**
“Agency”	Sacramento Housing and Redevelopment Agency a joint powers agency.
“Agency Address”	Agency’s business address is 801 12th Street, Sacramento, California 95814
“Owner”	River City CIC, LP
“Owner Address”	Owner’s business address is as follows: 6339 Paseo Del Lago, Carlsbad, CA 92011
“Jurisdiction”	City of Sacramento
“Property”	That certain real property which is subject to this Regulatory Agreement as further described in the legal description, attached as Exhibit 1 – Legal Description of the Property and incorporated in this Regulatory Agreement by this reference
“Funding Agreement”	The Funding Agreement between Agency and Owner as follows:
	Titled: Construction and Permanent Loan Agreement Dated: **enter date**
“Agency Funding”	Agency Funding made by Agency from HOME funds for the development and purchase of the Property
“Agency Funding Amount”	The amount of Agency Funding, as follows: \$1,150,000.00
“Plans and Specifications”	That certain Plans and Specifications related to this Project and approved in writing by Agency on *enter date* .
“Proportionate Agency Assistance”	The percentage of the Project cost, including without limitation, land, predevelopment and development costs, that is attributable to Agency Funding. For rehabilitation projects, the percentage that Agency Funding bears to the total of the fair market value of the Property before rehabilitation and the total costs of rehabilitation. 3.3%

“Transfer”	A Transfer occurs whenever any of the following occur: 1. The transfer of partnership interests to or from any partner; 2. The removal, addition, or substitution of one or more of the general or limited partners of Owner; or 3. Any change in title to the Property or the Project.	
“Funding Requirements”	The legal restrictions on the use of the funds that Agency has used to make Agency Funding, as applicable to and restricting the Property. The Funding Requirements are set out in Exhibit 2 – Funding Requirements.	
“Approved Use”	The only permitted use of the Property, which is as a residential property available for rent by eligible residents pursuant to the HOME Funding Requirements and containing not less than the following number of units:	5
“Governmental Requirement”	All laws, orders, decrees, ordinances, rules and regulations of any United States federal, California state, local, or other governmental entity with statutory or regulatory authority over the Property or the Project.	
“Title Policy”	A policy issued by First American Title Insurance Company that protects against losses that occur if the property is not free and clear of encumbrances, liens, and defects.	

3. RESTRICTED UNITS; APPROVAL OF LEASES.

a. In order to ensure that the proper number and types of units have been rented in accordance with this Regulatory Agreement, Owner is prohibited from leasing any unit within the Project until either the parties have recorded against the Property a list of the Restricted Units or Agency has approved the individual lease or lease form for the Restricted Units. A “Restricted Unit” is a unit subject to the Agency’s rent and occupancy restrictions as a result of the financial assistance provided by the Agency for the Project. “Rent” means all amounts owed or paid by an Eligible Household reasonably related to an Eligible Household’s occupancy of a Restricted Unit, including without limitation a utility allowance, if any, and any amounts paid to Owner for parking, fees, taxes, pets, or any other expenses required by Agency or the Funding Requirements. In no event shall the Rent exceed 30% of the Affordability Level defined below in Section 3(c).

b. Owner shall ensure that at all times, each of the Restricted Units are leased only to households who meet both of the following requirements:

(1) the household is deemed eligible for assistance in accordance with this Regulatory Agreement, the Funding Requirements, and all applicable Governmental Requirements; and

(2) the household’s annual adjusted income does not exceed the acceptable “Affordability Level,” which is the maximum annual adjusted income most recently established by the United States Department of Housing and Urban Development (HUD) for the Project’s Metropolitan Statistical Area and the household size. (if both requirements are met, an “**Eligible Household**”).

An Eligible Household who meets the Project’s eligibility criteria on the date of the Eligible Household’s initial occupancy shall remain eligible to continue to lease the Restricted Unit where the Eligible Household resides so long as the Eligible Household’s annual adjusted income does not exceed the Affordability Level as adjusted for the current number of household members. In the event the Project is assisted with more than one source of Agency Funding, Owner shall determine household eligibility based on the Affordability Level stated for the source of assistance provided for each Restricted Unit, respectively.

c. When determining family size for the purposes of determining whether a prospective tenant qualifies as an Eligible Household, Owner must include all persons applying to reside in the applicable Restricted Unit, except a qualified live-in aid, as determined in accordance with 24 CFR Part 8.

The maximum initial rent for the Restricted Unit shall be the following; provided, however, that upon the request of Owner, Owner and Agency may agree to a schedule of rents for the Restricted Units that complies with the following affordability requirements as of the date when the Project is first made available for occupancy. In any event the maximum rent for the Restricted Units shall not be adjusted not more often than once in a 12 month period.

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

Agency Funding Source:	Affordability Level:	Number of Restricted Units:	Type of Restricted Units:	Maximum Initial Rent per Restricted Unit per Month:
HOME	60% Area Median Income (AMI)	-1-	One Bedroom	\$1,548
HOME	60% Area Median Income (AMI)	-2-	Two Bedroom	\$1,859
HOME	60% Area Median Income (AMI)	-1-	Three Bedroom	\$2,140
HOME	50% Area Median Income (AMI)	1	Two Bedroom	\$1,447

a. In the event of a conflict between the Funding Requirements and this Regulatory Agreement regarding the Initial Rent per Unit per Month, the lowest amount shall control.

5. INCOME TARGETING REQUIREMENTS. Owner shall ensure that during any given fiscal year, at least 40% of Restricted Units that become available are leased to Eligible Households. If Owner has actively marketed the available Restricted Units to Eligible Households and has been unable to achieve the 40% target for admissions, Owner must promptly notify Agency and provide complete records of Owner’s marketing efforts, demonstrate that best efforts were made to fill available Restricted Units with Eligible Households, and certify that Owner is diligently continuing to attempt to meet the 40% target.

It shall be an Event of Default under this Regulatory Agreement if Agency finds, in its sole and absolute discretion, that Owner has not made or is currently not making a diligent effort to meet the 40% target.

6. MANAGEMENT COMPANY; MANAGEMENT AGREEMENT.

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

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

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

Approved Management Company
CONAM Management Corporation

7. **SPECIAL PROVISIONS.** Owner shall also comply with the following special provisions.

Provision	Term
N/A	N/A

8. **REPRESENTATIONS.** Agency has provided Agency Funding to Owner to develop the Property, subject to the terms of the Funding Agreement. For purposes of this Section 8, “Property” shall mean Property or Restricted Unit as the context may indicate. This Regulatory Agreement is a substantial part of the consideration to Agency for making Agency Funding. The funds used by Agency under the Funding Agreement are funds from public funding sources administered by Agency and their use is subject to certain requirements some of which are embodied in this Regulatory Agreement. Further, Agency has made Agency Funding in accordance with the laws, rules and regulations to which Agency is subject. Therefore, Agency has made Agency Funding conditioned upon Owner’s agreement, for itself and its successors and assigns, to comply with all provisions of this Regulatory Agreement, including without limitation, the Funding Agreement. Owner represents that it has had full opportunity to make itself independently familiar with such limitations and restrictions, and Owner accepts them and agrees to comply fully with them. As a material inducement to Agency to enter into the Funding Agreement and to give Agency Funding to Owner, Owner unconditionally, and each signatory who signs on its behalf, to the extent of their best knowledge, represents and warrants to Agency, as of the Close of Escrow, as follows:

a. Owner represents that it has had full opportunity to make itself independently familiar with the limitations and restrictions contained herein, and Owner accepts them and agrees to comply fully with them.

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

c. Owner is duly formed and validly exists in the form stated above, is qualified to do business in California, and has full power to consummate the transactions contemplated.

d. The consummation of the transactions covered by this Regulatory Agreement and the payment and performance of all of the obligations in the Funding Agreement and all documents evidencing, securing, or otherwise related to the Funding Agreement, will not result in any breach of, or constitute a default under, any mortgage, deed of trust, lease, contract, loan or credit agreement, corporate charter, bylaws, partnership agreement, trust agreement, or other instrument to which Borrower or any of its general partners is a party or by which it or they or the Property may be bound or affected.

e. Owner is the sole legal and beneficial owner of the Property, which is free of all claims, liens, and encumbrances other than those shown in the Title Policy.

f. Owner has not received financing for either the acquisition of the Property, the construction of the Project or the permanent financing of the Project except as has been specifically disclosed to and approved by Agency in writing.

g. All Personalty is vested solely in Owner, free of all claims, liens, and encumbrances, and the security interest of Agency in the Personalty is a first lien.

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

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

a. Owner shall use and permit others to use the Property only for the Approved Use. . Additionally, Owner shall not use or permit others to use the Property, in whole or in part, for any “**Disapproved Use,**” which includes any use not listed as an Approved Use, including but not limited to a liquor store, bar, adult film store, hazardous materials storage or warehousing,

tattoo or piercing establishment, pawn shop, check cashing or paycheck advance business, or cannabis sales, including medical cannabis.

b. Owner shall ensure full compliance with the Funding Requirements at all times.

c. Without Lender's prior written consent, Tax Credit Limited Partner may transfer its interests to any affiliate, so long as such change does not affect the identity, powers or duties of Borrower's general partners or the ability of the limited partners to change the general partner or its powers. The Tax Credit Limited Partner must provide notice of such transfer within three (3) business days.

The Tax Credit Limited Partner may remove Borrower's general partner for cause as permitted by its rights under its limited partnership agreement. If the Tax Credit Limited Partner removes the Borrower's general partner for cause, the Tax Credit Limited Partner must provide a true and accurate copy of the duly authorized action removing the general partner to Lender immediately, not to exceed more than three (3) business days, after the removal. Immediately upon the Tax Credit Limited Partner's removal of the Borrower's general partner, the interim general partner of the Borrower shall be The Richman Group Capital Corporation (TRGCC). Such interim appointment shall not to exceed a term of six (6) months commencing on the date of the Tax Credit Limited Partner's removal of the Borrower's general partner for cause.

d. Owner shall not cause and shall not permit expansion, construction, modification reconstruction, or demolition of all or any part of any improvements on the Property, except as provided by the Funding Agreement or as authorized in a written agreement between Agency and Owner that has been executed by Agency's Executive Director or their designee.

e. During the construction of the Project, Owner shall ensure that any funding received from Agency is used solely for payment of the costs of construction of the Project in accordance with the Plans and Specifications, or for other purposes specified in a written agreement between Agency and Owner that has been executed by Agency's Executive Director or their designee.

f. During the Term of this Regulatory Agreement, to prevent defects, Owner shall inspect, review, supervise, and assure the high quality and suitability of any construction, demolition, rehabilitation, alteration, or maintenance performed on the Property. Additionally, Owner shall ensure that any of the above acts are performed in a timely manner.

g. If, at any time, residents of the Project are displaced, Owner shall comply fully with all relocation laws. Owner's failure to comply with applicable relocation laws is an Event of Default.

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

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

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

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

l. At or before the close of escrow, Owner shall provide Agency with a detailed resident services plan including but not limited to the following information: (1) identification of all entities responsible for providing resident services to Project tenants and each entity's role in the provision of those services; (2) a description of the services to be provided; (3) a resident

services budget; and (4) Agency approved resident services at the Project according to the schedule of fifteen (15) hours per week and including the following services (the “Resident Services Plan”). Agency shall have the right to reject or approve the Resident Services Plan submitted by Owner. Prior to initial occupancy, Owner must have a Resident Services Plan in place that has been approved in writing by the Agency:

- 1) An onsite Coordinator who provides services to residents for a minimum of: four (4) hours per week; and
- 2) After school Programming: Eight (8) hours per week (two hours per day and four days per week, minimum)
- 3) Additional Programming: Balance of minimum three (3) hours per week shall include, but are not limited to:
 - i. Workforce development support and activities
 - ii. Education classes such as nutrition, exercise, health resources, health insurance application assistance, Annual onsite health fair and ESL classes.
 - iii. Socialization activities such as bingo, gardening, and community building events.
 - iv. Other services such as transportation assistance, counseling assistance, and employee readiness and job search assistance

m. Beginning at initial occupancy of the Project, Owner shall ensure the resident services are provided to Project residents at all times in accordance with the Resident Services Plan. Beginning at initial occupancy of the Project, and at all times during the Term of this Regulatory Agreement, Owner shall deliver to Agency a once-quarterly report that includes information deemed necessary by the Agency to evaluate the resident services being provided at the Project, including but not limited to: the schedule of services and activities offered, the efforts made by Owner or resident services providers to advertise the activities and services, the number of Tenants served by each service or activity per week, the demographics of the Tenants served by each service or activity per week.

n. Owner shall ensure that the resident services offered at the Property are reasonably tailored to the needs of the Project’s resident community. Beginning at 75% occupancy of the Project’s residential units, Owner shall ensure that, at least once annually, the needs of the Project’s resident community are evaluated and, if necessary, the Resident Services Plan is amended to best suit the Project residents’ needs. The Resident Services Plan is not amended until the Agency provides written consent to the amendment.

o. At least once every calendar year, Owner shall deliver to Agency a “**Needs Assessment Report**,” which describes the following information in sufficient detail for the Agency to determine whether the needs assessment performed was adequate and whether the Resident Services Plan is adequately tailored to the Project’s needs:

- 1) the methodology used by Owner to determine the Project community’s needs;
- 2) a summary of the data collected about the Project community’s needs;
- 3) a summary of the data collected about the utilization of the existing resident services provided at the Project; and
- 4) an explanation of Owner’s decision to maintain the current Resident Services Plan or to amend the Resident Services Plan.

p. If Agency determines the Owner’s efforts to assess the Project residents’ needs or to tailor the Resident Services Plan to the Project’s residents’ needs are inadequate, Agency shall provide notice to Owner, and Owner shall remedy the deficiencies identified by Agency within 45 days of deemed delivery of such notice. Failure to remedy such deficiencies in a timely manner shall be an Event of Default.

q. Owner shall not permit any entity to provide resident services at the Project without the Agency’s prior approval of such entity, such approval to be given, withheld, or revoked at any time upon Agency’s determination, in Agency’s sole and absolute discretion, that the resident services provider is not performing satisfactorily. Upon deemed delivery of notice from the Agency to Owner of the Agency’s determination that any resident services provider is performing or has performed unsatisfactorily to the Agency, Owner must ensure that such provider is removed and replaced with a new Agency-approved service provider within 60 days. Failure to timely remove and replace such service provider shall be an Event of Default under this Regulatory Agreement.

r. Subject to Agency’s written approval, Owner shall obtain and maintain for the life of this Regulatory Agreement an Agency approved, top quality property management agreement with a duly accredited real estate property management company for the management of the Property, and shall assure compliance of the property manager with the property management agreement. Agency shall have the right to review and approve or reject any proposed changes to scope of said agreement and to changes in the real estate property management company prior to making such changes. Any such changes

made without Agency approval shall be an Event of Default under this Regulatory Agreement. Agency approval of a property management company or a property management agreement is fully revocable with 60 days' notice from Agency. Upon the effective date of the revocation of Agency approval of a property management company or a property management agreement, the maintenance by Owner of the disapproved property management company or property management agreement, whichever applies, shall constitute an Event of Default under this Regulatory Agreement.

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

t. Owner shall not make any Tenant's payment of rental insurance premiums a condition of occupancy. If Owner require renters' insurance, the policy premium must be deducted from the Tenant's Rent. Owner shall not add the insurance premium to the Tenant's Rent in either the initial year at any time thereafter.

u. Owner shall ensure all of the units, indoor common areas and buildings are smoke free.

10. NATURE OF COVENANTS. This Regulatory Agreement shall constitute and be maintained as a first-priority lien against the Property. All liens, mortgages, and financial security interests are, and shall remain, unconditionally subordinate to the priority of this Regulatory Agreement during the Term, and shall survive foreclosure and bankruptcy of Owner, or any successors in interest thereto or assigns, as the case may be. Owner, or any successors in interest thereto, as the case may be, shall provide written notice to Agency in the event of any filing of foreclosure or bankruptcy. The provisions contained in this Regulatory Agreement are covenants which subject and burden the Property, as covenants running with the land. It is intended and agreed that the agreements and covenants provided in this Regulatory Agreement shall be covenants running with the land and equitable servitudes on the land and that they shall, in any event, and without regard to technical classifications or designation, be binding, to the fullest extent permitted by law and equity, for the benefit and in favor of, and enforceable by, Agency, Agency's successors and assigns, any other governmental entity acting within its authority, and any successor in interest to Agency's interest under this Regulatory Agreement against Owner, its successors and assigns and every successor in interest to all or any part of the Property.

11. TERM. The "Term" of this Regulatory Agreement shall commence on the Effective Date and continue until the terms of all of the covenants, including without limitation, the terms stated in the Funding Requirements, have expired or otherwise been terminated. Unless a longer term is stated in the Funding Requirements, the term of this Regulatory Agreement shall be Twenty (20) years from the Effective Date.

12. EXPIRATION OF AFFORDABILITY PERIOD. Owner agrees the rent of "in-place" Tenants at the conclusion of the Term will continue to be governed by the applicable affordability restrictions for as long as those Tenants continue to reside in the Project.

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

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

15. AUDIT AND INSPECTION. The Property and all related equipment, buildings, plans, offices, books, contracts, records, documents and other related papers shall at all times be maintained in reasonable condition for audit and shall be subject to examination by Agency or its agent at any time without prior notice. The books and accounts of the operations of the Property shall be kept in accordance with generally accepted accounting principles. Owner shall provide Agency access to the Property and its tenants during reasonable hours for the purpose of reviewing Owner's compliance with this Regulatory Agreement.

16. INDEMNITY FOR OWNER'S FAILURE TO MEET LEGAL REQUIREMENTS. Owner shall indemnify and hold Agency, its officers, directors, and employees harmless from any and all liability arising from Owner's failure to comply with the covenants, conditions and restrictions contained in this Regulatory Agreement or to comply with all other laws, rules,

regulations and restrictions related to the use of Agency Funding. Without limitation, such indemnity shall include repayment to the appropriate parties of rents or sales proceeds in excess of amounts authorized to be charged and repayment to Agency of the costs of funds and the value of lost opportunities resulting from the required repayment by Agency to the funding source of funds improperly used.

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

18. DEFAULT. Upon a breach of any of the provisions of this Regulatory Agreement by Owner, Agency may give written notice of such breach to Owner by registered or certified mail. If such violation is not corrected to the satisfaction of Agency within thirty (30) days after the date such notice is mailed or within such further time as Agency may determine in its sole and absolute discretion is necessary to correct the breach, and without further notice to Owner, Agency may declare a default under this Regulatory Agreement, effective on the date of such declaration of default, and upon such default Agency may: (a) during the term of the Funding Agreement take any action then available under the Funding Agreement for a default under the Funding Agreement; (b) apply to any court for specific performance of this Regulatory Agreement, (c) apply to any court for an injunction against any violation of this Regulatory Agreement; (d) apply to any court for the appointment of a receiver to take over and operate the Property in accordance with the terms of this Regulatory Agreement, (e) apply to any court for money damages; or (f) apply to any court or other tribunal for such other relief as may be appropriate. The parties agree the injury to Agency arising from a default under any of the terms in this Regulatory Agreement would be irreparable, and the amount of damage would be difficult to ascertain.

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

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

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

22. COMPLIANCE AMENDMENTS. If revisions to the provisions of this Regulatory Agreement are necessitated to comply with the laws or regulations governing Agency Funding, Owner agrees to execute modifications to this Regulatory Agreement that are needed to comply with such laws or regulations.

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

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

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

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

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

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

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

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

OWNER :

RIVER CITY CIC, LP
a California limited partnership

By: Pacific Southwest Community Development Corporation, a California nonprofit public benefit corporation,
Managing General Partner

By: _____
Robert W. Laing
Executive Director/President

By: CIC River City, LLC,
a California limited liability company,
Administrative General Partner

By: Chelsea Investment Corporation,
a California corporation,
its Manager

By: _____
Cheri Hoffman
President

AGENCY:

Sacramento Housing and Redevelopment Agency

By: _____
Kris Warren, Interim Executive Director

Approved as to form: _____
Agency Counsel

[NOTARIZED ACKNOWLEDGEMENTS]

EXHIBIT 1

LEGAL DESCRIPTION

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

All that portion of the Northwest one-quarter of Section 15, Township 8 North, Range 5 East, M D B & M, as shown on the Record of Survey "Portion of NW 1/4 Section 15, T 8 N, R 5 E, M D B & M ", filed in the Office of the Recorder of Sacramento County, California, on April 13, 1962, in [Book 19 of Surveys, Map No 15](#), described as follows

Beginning at the intersection of the East line of Redding Avenue and the South line of Folsom Boulevard, thence along the South line of Folsom Boulevard, South 65° 33' 46" East 209.15 feet to the Southwesterly line of the Central Pacific Railway Company Right of Way, thence along said Right of Way South 34° 04' 00" East 176.57 feet, thence South 55° 56' 00" West 45.39 feet, thence along a curve to the left, with a radius of 40.00 feet subtended by a chord bearing North 53° 30' 15" West 26.62 feet, thence North 72° 56' 30" West 248.20 feet, thence along a curve to the right, with a radius of 22.00 feet, subtended by a chord bearing North 34° 06' 41" West 28.77 feet, to the East line of Redding Avenue, thence North 08° 43' 08" East 146.90 feet to the point of beginning.

APN: 015-0010-033

EXHIBIT 2

HOME Funding and Other Federal Requirements Rental Project

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

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

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

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

b. “Exhibits” to these HOME Funding and Other Federal Requirements contain a substantial portion of the Federal Requirements, and are incorporated into this Agreement in the form of a cloud content management and file sharing service (e.g., Box).

Borrower acknowledges that they have reviewed and accept these Exhibits by initialing here: ____.

The Exhibits included the following:

- i. Exhibit 1 – HOME Regulations: 24 Code of Federal Regulations (CFR) Part 92.
- ii. Exhibit 2 – Requirements for nonprofit subgrantees; 2 CFR §200.70; Appendix VIII to 2 CFR Part 200
- iii. Exhibit 3 –Restrictions on Lobbying; 24 CFR Part 87; see also 2 CFR §200.450
- iv. Exhibit 4- Federal Labor Standards Provisions: 29 CFR Part 5

2. **Recitals.** The Agency Funding includes proceeds of the federal HOME Investment Partnerships Act (“HOME”) and its implementing regulations (commencing at 24 CFR Part 92) (“HOME Funds”). The Agency has approved the Agency Funding on condition that the property described in the Loan Documents (“Property”) is rehabilitated or developed as residential rental property (“Project”) with certain units regulated in accordance with laws, rules and regulations regarding the use of HOME funds for the benefit of low-income persons (“HOME Restricted Units”) by recordation of these HOME Funding and Other Federal Requirements as covenants running with the land. HOME Restricted Units are made affordable by such regulation to persons and households that qualify as low-income or very low-income as indicated in the table in Section 3 of the Regulatory Agreement.

3. **Use of HOME Funds.** Owner shall assure that the HOME Funds are used only for qualified uses. HOME Funds may only be used to provide incentives to develop and support affordable rental housing and homeownership affordability through the acquisition (including assistance to homebuyers), new construction, reconstruction, or rehabilitation of non-luxury housing with suitable amenities, including real property acquisition, site improvements, conversion, demolition, and other expenses, including financing costs, relocation expenses of any displaced persons, families, businesses, or organizations; to provide tenant-based rental assistance, including security deposits; to provide payment of reasonable administrative and planning costs; and to provide for the payment of operating expenses of community housing development organizations, all as further defined in 24 CFR §§ 92.205-92.209. The HOME Funds shall not be used for project reserve accounts except as expressly authorized or to provide operating subsidies.

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

4. Section 3 Requirements. Owner shall ensure compliance with the following Section 3 Requirements. The terms used in this Section shall have the meanings assigned to them in 24 CFR Part 75. Further, Owner shall ensure all Covered Contracts, as defined in 24 CFR Part 75, related to the Project contain the provisions set forth in this Section 4, subsections a through f (the "Section 3 Clause"):

a. The work to be performed under this contract is subject to the requirements of section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. 1701u (section 3). The purpose of section 3 is to ensure that employment and other economic opportunities generated by HUD assistance or HUD-assisted projects covered by section 3, shall, to the greatest extent feasible, be directed to low- and very low-income persons, particularly persons who are recipients of HUD assistance for housing.

b. The parties to this contract agree to comply with HUD's regulations in 24 CFR part 75, which implement section 3. As evidenced by their execution of this contract, the parties to this contract certify that they are under no contractual or other impediment that would prevent them from complying with the part 75 regulations.

c. The contractor agrees to send to each labor organization or representative of workers with which the contractor has a collective bargaining agreement or other understanding, if any, a notice advising the labor organization or workers' representative of the contractor's commitments under this section 3 clause, and will post copies of the notice in conspicuous places at the work site where both employees and applicants for training and employment positions can see the notice. The notice shall describe the section 3 preference, shall set forth minimum number and job titles subject to hire, availability of apprenticeship and training positions, the qualifications for each; and the name and location of the person(s) taking applications for each of the positions; and the anticipated date the work shall begin.

d. The contractor agrees to include this section 3 clause in every subcontract subject to compliance with regulations in 24 CFR part 75, and agrees to take appropriate action, as provided in an applicable provision of the subcontract or in this section 3 clause, upon a finding that the subcontractor is in violation of the regulations in 24 CFR part 75. The contractor will not subcontract with any subcontractor where the contractor has notice or knowledge that the subcontractor has been found in violation of the regulations in 24 CFR part 75.

e. The contractor will certify that any vacant employment positions, including training positions, that are filled (1) after the contractor is selected but before the contract is executed, and (2) with persons other than those to whom the regulations of 24 CFR part 75 require employment opportunities to be directed, were not filled to circumvent the contractor's obligations under 24 CFR part 75.

f. Noncompliance with HUD's regulations in 24 CFR part 75 may result in sanctions, termination of this contract for default, and debarment or suspension from future HUD assisted contracts.

g. With respect to work performed in connection with section 3 covered Indian housing assistance, section 7(b) of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450e) also applies to the work to be performed under this contract. Section 7(b) requires that to the greatest extent feasible (i) preference and opportunities for training and employment shall be given to Indians, and (ii) preference in the award of contracts and sub contracts shall be given to Indian organizations and Indian-owned Economic Enterprises. Parties to this contract that are subject to the provisions of section 3 and section 7(b) agree to comply with section 3 to the maximum extent feasible, but not in derogation of compliance with section 7(b).

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

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

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

c. The housing must meet the accessibility requirements at 24 CFR part 8, which implements Section 504 of the Rehabilitation Act of 1973 (29 United States Code (USC) Section 794) and covered multifamily dwellings, as defined at

24 CFR §100.201, must also meet the design and construction requirements at 24 CFR §100.205, which implement the Fair Housing Act (42 USC §§ 3601et. seq.).

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

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

6. Lead-Based Paint. Owner shall comply with the Lead-Based Paint Poisoning Prevention Act (42 USC §4821et. seq.), the Residential Lead-Based Paint Hazard Reduction Act of 1992 (42 U.S.C. §4851et. seq.), and implementing regulations.

7. Affordability Requirements. Owner shall assure that the of HOME Restricted Units shall be rented at or below the following rates:

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

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

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

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

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

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

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

8. Occupancy Requirements. Owner shall assure that all HOME Restricted Rental Units shall be initially occupied by households earning less than sixty-five percent (65%) of the Median Income, as verified by the Agency. Notwithstanding

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

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

10. Tenant Protections; Lease Provisions. Owner shall comply with the following provisions for protection of tenants in HOME-Restricted Units.

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

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

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

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

iv. Agreement of the tenant that the Owner may institute a lawsuit without notice to the tenant;

v. Agreement by the tenant that the Owner may evict the tenant or household members without instituting a civil court proceeding in which the tenant has the opportunity to present a defense, or before a court decision on the rights of the parties;

vi. Agreement by the tenant to waive any right to a trial by jury;

vii. Agreement by the tenant to waive the tenant's right to appeal, or to otherwise challenge in court, a court decision in connection with the lease; and

viii. Agreement by the tenant to pay attorney's fees or other legal costs, even if the tenant wins in a court proceeding by the Owner against the tenant. The tenant, however, may be obligated to pay costs if the tenant loses.

ix. Agreement by the tenant (other than a tenant in transitional housing) to accept supportive services that are offered.

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

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

i. Limit the housing to very low-income and low-income families;

ii. Are reasonably related to program eligibility and the applicants' ability to perform the obligations of the lease (i.e., to pay the rent, not to damage the housing; not to interfere with the rights and quiet enjoyment of other tenants);

iii. Limit eligibility or give a preference to a particular segment of the population if required in the Loan Documents (and only if the limitation or preference is described in the Agency's consolidated plan).

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

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

a. The limitation or preference is limited to the population of families (including individuals) with disabilities that significantly interfere with their ability to obtain and maintain housing;

b. Such families will not be able to obtain or maintain themselves in housing without appropriate supportive services; and

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

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

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

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

11. Unit Quality & Determination of Cost Allocation. Owner shall assure that HOME Restricted Units assisted with HOME Funds must be comparable in size and amenities to other units in the Project. If the assisted and non-assisted units

are comparable in terms of size, features and number of bedrooms, the actual cost of the HOME Restricted units can be determined by pro-rating the total HOME eligible development costs of the Project so that the proportion of the total development costs charged to the HOME program does not exceed the proportion of the HOME Restricted units in the Project. If the assisted and non-assisted units are not comparable, the actual costs may be determined based on a method of cost allocation.

12. Compliance with Loan Documents. Owner shall comply with any and all applicable provisions of the Loan Agreement for so long as they continue to be in effect.

13. Repayment on Default or Early Termination. If the Agency determines the Project does not comply with HOME requirements for affordability as specified in 24 CFR §§ 92.252 or 92.254; or if the Project is terminated before completion, either voluntarily or otherwise; or if Owner does not comply with these funding restrictions; or if the Project is determined to be an ineligible activity under HOME, Owner must repay to Agency any HOME Funds invested in the Project upon demand.

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

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

16. Governmental Entities, Non-Profits, CHDOS. Special HOME regulations apply to an Owner that is governmental or non-profit entities or a community housing development organization. Such Owner is responsible for knowledge of and shall fully comply with such regulations.

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

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

18. No Termination On Recapture. Notwithstanding any other provisions of the Regulatory Agreement, the provisions of these HOME Funding and Other Federal Requirements shall continue for the duration of the applicable preceding term.

19. Davis-Bacon Act. If applicable, Owner must comply with the provisions of the Davis-Bacon Act (40 U.S.C. §§276a - 276a-5) and all rules, regulations and orders promulgated under said act, unless a determination of exemption from requirements of the Davis-Bacon Act is made and unless the exemption is expressly stated elsewhere in this Contract. Among other provisions, said act establishes minimum wages and fringe benefits; prohibits deductions or rebates from payments; provides for the withholding of funds to assure compliance with wage provisions; and provides for the termination of the Contract and debarment of the Owner for failure so to comply.

20. Build America, Buy America. Owner must comply with the requirements of the Build America, Buy America (BABA) Act, 41 USC 8301 note, and all applicable rules and notices, as may be amended, if applicable to the Owner's project. Pursuant to HUD's Notice, "Public Interest Phased Implementation Waiver for FY 2022 and 2023 of Build America, Buy America Provisions as Applied to Recipients of HUD Federal Financial Assistance" (88 FR 17001), any funds obligated by HUD on or after the applicable listed effective dates, are subject to BABA requirements, unless excepted by a waiver.

EXHIBIT 3

Compliance Violations and Actions

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

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

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

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

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

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

Exhibit 5b: PLHA Regulatory Agreement

NO FEE DOCUMENT:

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

Recording Requested by, and
when recorded, return to:
SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY
801 12th Street, 4th Floor
Sacramento, CA 95814
Attn: Portfolio Management

**REGULATORY AGREEMENT FOR RESIDENTIAL RENTAL PROPERTY
AND DECLARATION OF RESTRICTIVE COVENANTS AFFECTING REAL PROPERTY
RIVER CITY APARTMENTS (PLHA)**

PROJECT NAME:	River City Apartments
PROJECT ADDRESS:	1601 69th St, Sacramento, CA 95822;
APN:	015-0010-033-0000

FOR GOOD AND VALUABLE CONSIDERATION, THE RECEIPT OF WHICH IS ACKNOWLEDGED, AGENCY AND OWNER HAVE ENTERED THIS REGULATORY AGREEMENT AND DECLARATION OF RESTRICTIVE COVENANTS AFFECTING REAL PROPERTY (REGULATORY AGREEMENT) AS OF THE EFFECTIVE DATE.

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

TERM	DEFINITION		
“Effective Date”	This Regulatory Agreement shall be effective as of the following date:	**enter date**	
“Agency”	Sacramento Housing and Redevelopment Agency a joint powers agency.		
“Agency Address”	Agency’s business address is 801 12th Street, Sacramento, California 95814		
“Owner”	River City CIC, LP		
“Owner Address”	Owner’s business address is as follows:	6339 Paseo Del Lago, Carlsbad, CA 92011	
“Jurisdiction”	City of Sacramento		
“Property”	That certain real property which is subject to this Regulatory Agreement as further described in the legal description, attached as Exhibit 1 – Legal Description of the Property and incorporated in this Regulatory Agreement by this reference		
“Funding Agreement”	The Funding Agreement between Agency and Owner as follows:	Titled:	Construction and Permanent Loan Agreement
		Dated:	**enter date**
“Agency Funding”	Agency Funding made by Agency from PLHA Funds for development and purchase of the Property		
“Agency Funding Amount”	The amount of Agency Funding, as follows:	\$850,000.00	
“Plans and Specifications”	That certain Plans and Specifications related to this Project and approved in writing by Agency on **enter date**.		

“Proportionate Agency Assistance”	The percentage of the Project cost, including without limitation, land, predevelopment and development costs, that is attributable to Agency Funding. For rehabilitation projects, the percentage that Agency Funding bears to the total of the fair market value of the Property before rehabilitation and the total costs of rehabilitation.	2.4%
“Transfer”	A Transfer occurs whenever any of the following occur: 4. The transfer of partnership interests to or from any partner; 5. The removal, addition, or substitution of one or more of the general or limited partners of Owner; or 6. Any change in title to the Property or the Project.	
“Funding Requirements”	The legal restrictions on the use of the funds that Agency has used to make Agency Funding, as applicable to and restricting the Property. The Funding Requirements are set out in Exhibit 2 – Funding Requirements .	
“Approved Use”	The only permitted use of the Property, which is as a residential property available for rent by eligible residents pursuant to the PLHA Funding Requirements and containing not less than the following number of units:	4
“Governmental Requirement”	All laws, orders, decrees, ordinances, rules and regulations of any United States federal, California state, local, or other governmental entity with statutory or regulatory authority over the Property or the Project.	
“Title Policy”	A policy issued by First American Title Insurance Company that protects against losses that occur if the property is not free and clear of encumbrances, liens, and defects.	

3. RESTRICTED UNITS; APPROVAL OF LEASES.

a. In order to ensure that the proper number and types of units have been rented in accordance with this Regulatory Agreement, Owner is prohibited from leasing any unit within the Project until either the parties have recorded against the Property a list of the Restricted Units or Agency has approved the individual lease or lease form for the Restricted Units. A “Restricted Unit” is a unit subject to the Agency’s rent and occupancy restrictions as a result of the financial assistance provided by the Agency for the Project. “Rent” means all amounts owed or paid by an Eligible Household reasonably related to an Eligible Household’s occupancy of a Restricted Unit, including without limitation a utility allowance, if any, and any amounts paid to Owner for parking, fees, taxes, pets, or any other expenses required by Agency or the Funding Requirements. In no event shall the Rent exceed 30% of the Affordability Level defined below in Section 3(c).

b. Owner shall ensure that at all times, each of the Restricted Units are leased only to households who meet both of the following requirements:

(1) the household is deemed eligible for assistance in accordance with this Regulatory Agreement, the Funding Requirements, and all applicable Governmental Requirements; and

(2) the household’s annual adjusted income does not exceed the acceptable “Affordability Level,” which is the maximum annual adjusted income most recently established by the United States Department of Housing and Urban Development (HUD) for the Project’s Metropolitan Statistical Area and the household size. (if both requirements are met, an “**Eligible Household**”).

An Eligible Household who meets the Project’s eligibility criteria on the date of the Eligible Household’s initial occupancy shall remain eligible to continue to lease the Restricted Unit where the Eligible Household resides so long as the Eligible Household’s annual adjusted income does not exceed the Affordability Level as adjusted for the current number of household members. In the event the Project is assisted with more than one source of Agency Funding, Owner shall determine household eligibility based on the Affordability Level stated for the source of assistance provided for each Restricted Unit, respectively.

c. When determining family size for the purposes of determining whether a prospective tenant qualifies as an Eligible Household, Owner must include all persons applying to reside in the applicable Restricted Unit, except a qualified live-in aid, as determined in accordance with 24 CFR Part 8.

The maximum initial rent for the Restricted Unit shall be the following; provided, however, that upon the request of Owner, Owner and Agency may agree to a schedule of rents for the Restricted Units that complies with the following affordability requirements as of the date when the Project is first made available for occupancy. In any event the maximum rent for the Restricted Units shall not be adjusted not more often than once in a 12 month period.

4. **RESTRICTIVE UNITS.** Notwithstanding any conflicting provision in the Funding Requirements, the Initial Rent per Unit per Month listed in this Regulatory Agreement shall be paramount and controlling.

Agency Funding Source:	Affordability Level:	Number of Restricted Units:	Type of Restricted Units:	Maximum Initial Rent per Restricted Unit per Month:
PLHA	60% Area Median Income (AMI)	-1-	One Bedroom	\$1,543
PLHA	60% Area Median Income (AMI)	-2-	Two Bedroom	\$1,737
PLHA	60% Area Median Income (AMI)	-1-	Three Bedroom	\$1,929

a. In the event of a conflict between the Funding Requirements and this Regulatory Agreement regarding the Initial Rent per Unit per Month, the lowest amount shall control.

5. **INCOME TARGETING REQUIREMENTS.** Owner shall ensure that during any given fiscal year, at least 40% of Restricted Units that become available are leased to Eligible Households. If Owner has actively marketed the available Restricted Units to Eligible Households and has been unable to achieve the 40% target for admissions, Owner must promptly notify Agency and provide complete records of Owner’s marketing efforts, demonstrate that best efforts were made to fill available Restricted Units with Eligible Households, and certify that Owner is diligently continuing to attempt to meet the 40% target.

It shall be an Event of Default under this Regulatory Agreement if Agency finds, in its sole and absolute discretion, that Owner has not made or is currently not making a diligent effort to meet the 40% target.

6. **MANAGEMENT COMPANY; MANAGEMENT AGREEMENT.**

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

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

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

Approved Management Company
CONAM Management Company

7. **SPECIAL PROVISIONS.** Owner shall also comply with the following special provisions.

Provision	Term
N/A	N/A

8. **REPRESENTATIONS.** Agency has provided Agency Funding to Owner to develop the Property, subject to the terms of the Funding Agreement. *For purposes of this Section 8, “Property” shall mean Property or Restricted Unit as the context may indicate.* This Regulatory Agreement is a substantial part of the consideration to Agency for making Agency Funding. The funds used by Agency under the Funding Agreement are funds from public funding sources administered by Agency and their use is subject to certain requirements some of which are embodied in this Regulatory Agreement. Further, Agency has made Agency Funding in accordance with the laws, rules and regulations to which Agency is subject. Therefore, Agency has made Agency Funding conditioned upon Owner’s agreement, for itself and its successors and assigns, to comply with all provisions of this Regulatory Agreement, including without limitation, the Funding Agreement. Owner represents that it has had full opportunity to make itself independently familiar with such limitations and restrictions, and Owner accepts them and agrees to comply fully with them. As a material inducement to Agency to enter into the Funding Agreement and to **give Agency Funding** to Owner, Owner unconditionally, and each signatory who signs on its behalf, to the extent of their best knowledge, represents and warrants to Agency, as of the Close of Escrow, as follows:

a. Owner represents that it has had full opportunity to make itself independently familiar with the limitations and restrictions contained herein, and Owner accepts them and agrees to comply fully with them.

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

c. Owner is duly formed and validly exists in the form stated above, is qualified to do business in California, and has full power to consummate the transactions contemplated.

d. The consummation of the transactions covered by this Regulatory Agreement and the payment and performance of all of the obligations in the Funding Agreement and all documents evidencing, securing, or otherwise related to the Funding Agreement, will not result in any breach of, or constitute a default under, any mortgage, deed of trust, lease, contract, loan or credit agreement, corporate charter, bylaws, partnership agreement, trust agreement, or other instrument to which Borrower or any of its general partners is a party or by which it or they or the Property may be bound or affected.

e. Owner is the sole legal and beneficial owner of the Property, which is free of all claims, liens, and encumbrances other than those shown in the Title Policy.

f. Owner has not received financing for either the acquisition of the Property, the construction of the Project or the permanent financing of the Project except as has been specifically disclosed to and approved by Agency in writing.

g. All Personalty is vested solely in Owner, free of all claims, liens, and encumbrances, and the security interest of Agency in the Personalty is a first lien.

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

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

a. Owner shall use and permit others to use the Property only for the Approved Use. . Additionally, Owner shall not use or permit others to use the Property, in whole or in part, for any **“Disapproved Use,”** which includes any use not listed as an

Approved Use, including but not limited to a liquor store, bar, adult film store, hazardous materials storage or warehousing, tattoo or piercing establishment, pawn shop, check cashing or paycheck advance business, or cannabis sales, including medical cannabis.

b. Owner shall ensure full compliance with the Funding Requirements at all times.

c. Without Lender's prior written consent, Tax Credit Limited Partner may transfer its interests to any affiliate, so long as such change does not affect the identity, powers or duties of Borrower's general partners or the ability of the limited partners to change the general partner or its powers. The Tax Credit Limited Partner must provide notice of such transfer within three (3) business days.

The Tax Credit Limited Partner may remove Borrower's general partner for cause as permitted by its rights under its limited partnership agreement. If the Tax Credit Limited Partner removes the Borrower's general partner for cause, the Tax Credit Limited Partner must provide a true and accurate copy of the duly authorized action removing the general partner to Lender immediately, not to exceed more than three (3) business days, after the removal. Immediately upon the Tax Credit Limited Partner's removal of the Borrower's general partner, the interim general partner of the Borrower shall be The Richman Group Capital Corporation (TRGCC). Such interim appointment shall not to exceed a term of six (6) months commencing on the date of the Tax Credit Limited Partner's removal of the Borrower's general partner for cause.

d. Owner shall not cause and shall not permit expansion, construction, modification reconstruction, or demolition of all or any part of any improvements on the Property, except as provided by the Funding Agreement or as authorized in a written agreement between Agency and Owner that has been executed by Agency's Executive Director or their designee.

e. During the construction of the Project, Owner shall ensure that any funding received from Agency is used solely for payment of the costs of construction of the Project in accordance with the Plans and Specifications, or for other purposes specified in a written agreement between Agency and Owner that has been executed by Agency's Executive Director or their designee.

f. During the Term of this Regulatory Agreement, to prevent defects, Owner shall inspect, review, supervise, and assure the high quality and suitability of any construction, demolition, rehabilitation, alteration, or maintenance performed on the Property. Additionally, Owner shall ensure that any of the above acts are performed in a timely manner.

g. If, at any time, residents of the Project are displaced, Owner shall comply fully with all relocation laws. Owner's failure to comply with applicable relocation laws is an Event of Default.

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

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

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

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

l. At or before the close of escrow, Owner shall provide Agency with a detailed resident services plan including but not limited to the following information: (1) identification of all entities responsible for providing resident services to Project tenants and each entity's role in the provision of those services; (2) a description of the services to be provided; (3) a resident services budget; and (4) Agency approved resident services at the Project according to the schedule of fifteen (15) hours per week and including the following services (the "Resident Services Plan"). Agency shall have the right to reject or approve the Resident Services Plan submitted by Owner. Prior to initial occupancy, Owner must have a Resident Services Plan in place that has been approved in writing by the Agency:

- 1) An onsite Coordinator who provides services to residents for a minimum of: four (4) hours per week; and
- 2) After school Programming: Eight (8) hours per week (two hours per day and four days per week, minimum)
- 3) Additional Programming: Balance of minimum three (3) hours per week shall include, but are not limited to:
 - v. Workforce development support and activities
 - vi. Education classes such as nutrition, exercise, health resources, health insurance application assistance, Annual onsite health fair and ESL classes.
 - vii. Socialization activities such as bingo, gardening, and community building events.
 - viii. Other services such as transportation assistance, counseling assistance, and employee readiness and job search assistance

m. Beginning at initial occupancy of the Project, Owner shall ensure the resident services are provided to Project residents at all times in accordance with the Resident Services Plan. Beginning at initial occupancy of the Project, and at all times during the Term of this Regulatory Agreement, Owner shall deliver to Agency a once-quarterly report that includes information deemed necessary by the Agency to evaluate the resident services being provided at the Project, including but not limited to: the schedule of services and activities offered, the efforts made by Owner or resident services providers to advertise the activities and services, the number of Tenants served by each service or activity per week, the demographics of the Tenants served by each service or activity per week.

n. Owner shall ensure that the resident services offered at the Property are reasonably tailored to the needs of the Project's resident community. Beginning at 75% occupancy of the Project's residential units, Owner shall ensure that, at least once annually, the needs of the Project's resident community are evaluated and, if necessary, the Resident Services Plan is amended to best suit the Project residents' needs. The Resident Services Plan is not amended until the Agency provides written consent to the amendment.

o. At least once every calendar year, Owner shall deliver to Agency a "**Needs Assessment Report**," which describes the following information in sufficient detail for the Agency to determine whether the needs assessment performed was adequate and whether the Resident Services Plan is adequately tailored to the Project's needs:

- 1) the methodology used by Owner to determine the Project community's needs;
- 2) a summary of the data collected about the Project community's needs;
- 3) a summary of the data collected about the utilization of the existing resident services provided at the Project; and
- 4) an explanation of Owner's decision to maintain the current Resident Services Plan or to amend the Resident Services Plan.

p. If Agency determines the Owner's efforts to assess the Project residents' needs or to tailor the Resident Services Plan to the Project's residents' needs are inadequate, Agency shall provide notice to Owner, and Owner shall remedy the deficiencies identified by Agency within 45 days of deemed delivery of such notice. Failure to remedy such deficiencies in a timely manner shall be an Event of Default.

q. Owner shall not permit any entity to provide resident services at the Project without the Agency's prior approval of such entity, such approval to be given, withheld, or revoked at any time upon Agency's determination, in Agency's sole and absolute discretion, that the resident services provider is not performing satisfactorily. Upon deemed delivery of notice from the Agency to Owner of the Agency's determination that any resident services provider is performing or has performed unsatisfactorily to the Agency, Owner must ensure that such provider is removed and replaced with a new Agency-approved service provider within 60 days. Failure to timely remove and replace such service provider shall be an Event of Default under this Regulatory Agreement.

r. Subject to Agency's written approval, Owner shall obtain and maintain for the life of this Regulatory Agreement an Agency approved, top quality property management agreement with a duly accredited real estate property management company for the management of the Property, and shall assure compliance of the property manager with the property management agreement. Agency shall have the right to review and approve or reject any proposed changes to scope of said agreement and to changes in the real estate property management company prior to making such changes. Any such changes made without Agency approval shall be an Event of Default under this Regulatory Agreement. Agency approval of a property management company or a property management agreement is fully revocable with 60 days' notice from Agency. Upon the effective date of the revocation of Agency approval of a property management company or a property management agreement, the maintenance by Owner of the disapproved property management company or property management agreement, whichever applies, shall constitute an Event of Default under this Regulatory Agreement.

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

t. Owner shall not make any Tenant's payment of rental insurance premiums a condition of occupancy. If Owner require renters' insurance, the policy premium must be deducted from the Tenant's Rent. Owner shall not add the insurance premium to the Tenant's Rent in either the initial year at any time thereafter.

u. Owner shall ensure all of the units, indoor common areas and buildings are smoke free.

10. NATURE OF COVENANTS. This Regulatory Agreement shall constitute and be maintained as a first-priority lien against the Property. All liens, mortgages, and financial security interests are, and shall remain, unconditionally subordinate to the priority of this Regulatory Agreement during the Term, and shall survive foreclosure and bankruptcy of Owner, or any successors in interest thereto or assigns, as the case may be. Owner, or any successors in interest thereto, as the case may be, shall provide written notice to Agency in the event of any filing of foreclosure or bankruptcy. The provisions contained in this Regulatory Agreement are covenants which subject and burden the Property, as covenants running with the land. It is intended and agreed that the agreements and covenants provided in this Regulatory Agreement shall be covenants running with the land and equitable servitudes on the land and that they shall, in any event, and without regard to technical classifications or designation, be binding, to the fullest extent permitted by law and equity, for the benefit and in favor of, and enforceable by, Agency, Agency's successors and assigns, any other governmental entity acting within its authority, and any successor in interest to Agency's interest under this Regulatory Agreement against Owner, its successors and assigns and every successor in interest to all or any part of the Property.

11. TERM. The "Term" of this Regulatory Agreement shall commence on the Effective Date and continue until the terms of all of the covenants, including without limitation, the terms stated in the Funding Requirements, have expired or otherwise been terminated. Unless a longer term is stated in the Funding Requirements, the term of this Regulatory Agreement shall be Fifty-five (55) years from the Effective Date.

12. EXPIRATION OF AFFORDABILITY PERIOD. Owner agrees the rent of "in-place" Tenants at the conclusion of the Term will continue to be governed by the applicable affordability restrictions for as long as those Tenants continue to reside in the Project.

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

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

15. AUDIT AND INSPECTION. The Property and all related equipment, buildings, plans, offices, books, contracts, records, documents and other related papers shall at all times be maintained in reasonable condition for audit and shall be subject to examination by Agency or its agent at any time without prior notice. The books and accounts of the operations of the Property shall be kept in accordance with generally accepted accounting principles. Owner shall provide Agency access to the Property and its tenants during reasonable hours for the purpose of reviewing Owner's compliance with this Regulatory Agreement.

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

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

18. DEFAULT. Upon a breach of any of the provisions of this Regulatory Agreement by Owner, Agency may give written notice of such breach to Owner by registered or certified mail. If such violation is not corrected to the satisfaction of Agency within thirty (30) days after the date such notice is mailed or within such further time as Agency may determine in its sole and absolute discretion is necessary to correct the breach, and without further notice to Owner, Agency may declare a default under this Regulatory Agreement, effective on the date of such declaration of default, and upon such default Agency may: (a) during the term of the Funding Agreement take any action then available under the Funding Agreement for a default under the Funding Agreement; (b) apply to any court for specific performance of this Regulatory Agreement, (c) apply to any court for an injunction against any violation of this Regulatory Agreement; (d) apply to any court for the appointment of a receiver to take over and operate the Property in accordance with the terms of this Regulatory Agreement, (e) apply to any court for money damages; or (f) apply to any court or other tribunal for such other relief as may be appropriate. The parties agree the injury to Agency arising from a default under any of the terms in this Regulatory Agreement would be irreparable, and the amount of damage would be difficult to ascertain.

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

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

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

22. COMPLIANCE AMENDMENTS. If revisions to the provisions of this Regulatory Agreement are necessitated to comply with the laws or regulations governing Agency Funding, Owner agrees to execute modifications to this Regulatory Agreement that are needed to comply with such laws or regulations.

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

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

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

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

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

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

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

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

OWNER :

RIVER CITY CIC, LP

a California limited partnership

By: Pacific Southwest Community Development Corporation, a California nonprofit public benefit corporation,
Managing General Partner

By: _____
Robert W. Laing
Executive Director/President

By: CIC River City, LLC,
a California limited liability company,
Administrative General Partner

By: Chelsea Investment Corporation,
a California corporation,
its Manager

By: _____
Cheri Hoffman
President

AGENCY:

Sacramento Housing and Redevelopment Agency

By: _____
Kris Warren, Interim Executive Director

Approved as to form: _____
Agency Counsel

[NOTARIZED ACKNOWLEDGEMENTS]

EXHIBIT 1

LEGAL DESCRIPTION

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

All that portion of the Northwest one-quarter of Section 15, Township 8 North, Range 5 East, M D B & M, as shown on the Record of Survey "Portion of NW 1/4 Section 15, T 8 N, R 5 E, M D B & M ", filed in the Office of the Recorder of Sacramento County, California, on April 13, 1962, in [Book 19 of Surveys, Map No 15](#), described as follows

Beginning at the intersection of the East line of Redding Avenue and the South line of Folsom Boulevard, thence along the South line of Folsom Boulevard, South 65° 33' 46" East 209.15 feet to the Southwesterly line of the Central Pacific Railway Company Right of Way, thence along said Right of Way South 34° 04' 00" East 176.57 feet, thence South 55° 56' 00" West 45.39 feet, thence along a curve to the left, with a radius of 40.00 feet subtended by a chord bearing North 53° 30' 15" West 26.62 feet, thence North 72° 56' 30" West 248.20 feet, thence along a curve to the right, with a radius of 22.00 feet, subtended by a chord bearing North 34° 06' 41" West 28.77 feet, to the East line of Redding Avenue, thence North 08° 43' 08" East 146.90 feet to the point of beginning.

APN: 015-0010-033

EXHIBIT 2

Funding Requirements

PERMANENT LOCAL HOUSING ALLOCATION (PLHA) FUNDING REQUIREMENTS

These “PLHA Funding Requirements” are attached to a Regulatory Agreement, and are incorporated in that Regulatory Agreement. In turn, the Regulatory Agreement is incorporated in the Loan that is described in the Regulatory Agreement. The capitalized terms used in these PLHA Funding Requirements shall have the meanings below in the body of the these PLHA Funding Requirements. Terms being defined are indicated by quotation marks. Capitalized terms in these PLHA Funding Requirements that are not defined below are defined in the Regulatory Agreement.

1. **RECITALS.** The Loan is funded by the Agency with proceeds of the Permanent Local Housing Allocation Program, established by California SB 2 (Chapter 364, Statutes of 2017) and operating under the requirements of California Health and Safety Code, Part 2 of Division 31, Chapter 2.5 (commencing with Section 50470). The Agency has approved the Loan on condition that the property securing the Loan (“Property”) is rehabilitated or developed as residential rental property (“Project”) with certain units regulated in accordance with PLHA requirements (“PLHA-Assisted Units”) by recordation of these PLHA Funding Restrictions as covenants running with the land.

2. **ELIGIBLE ACTIVITIES.** Owner shall ensure that PLHA funding is used solely for one or more Eligible Activities. “Eligible Activities” are limited to the following:

a. Development of new multifamily rental housing that is affordable to households at below 60 percent of Area Median Income (AMI) or substantial rehabilitation of multifamily rental housing that will be affordable to households at or below 60 percent of AMI, but which is not currently restricted as affordable housing. In order to be eligible as “substantial rehabilitation”, a project must complete a minimum of \$40,000 per unit in hard construction costs; or

b. Assistance to persons who are experiencing or at risk of homelessness, including, but not limited to, through rapid rehousing, rental assistance, supportive services, and case management services that allow people to obtain and retain housing, operating and capital costs for navigation Centers, or new construction, rehabilitation, or preservation of permanent or transitional rental housing.

3. **COMPLIANCE WITH LAWS.** Owner shall comply with all laws, rules, regulations, and funding requirements that govern the use of PLHA funds, including but not limited to those listed in this Section 3(a) through 3(f). If Agency, as a result of actions of Owner, is obligated to repay the California Department of Housing and Community Development or the PLHA Program any amount under the PLHA Loan, Owner shall make such repayment on account of Agency and failure to do so shall be an Event of Default under the Funding Agreement.

a. Article XXXIV, Section 1 of the California Constitution, as clarified by the Public Housing Election Implementation Law (California Health and Safety Code (HSC) Section 37000 – 370002).

b. The Pet Friendly Housing Act of 2017 (HSC Section 50466). Further, Owner shall submit to Agency a signed and dated certification that all residents of the PLHA-funded Project will be authorized to own or otherwise maintain one or more common household pets as required by HSC Section 50466 for the entire term of the Regulatory Agreement. Pursuant to the statute, “common household pet” means a domesticated animal, such as a dog or cat, commonly kept in the home for pleasure rather than for commercial purposes.

c. Prevailing Wage Law, as set forth in California Labor Code Section 1720 et seq., requiring the payment of prevailing wages unless the Project meets one of the exceptions of California Labor Code Section 1720(c), as determined by the California Department of Industrial Relations.

d. Relocation Law, pursuant to Government Code Section 7260 et. seq., Title 25 of the California Code of Regulations Section 6000 et. seq., and if federal law is applicable, Code of Federal Regulations (CFR) at 49 CFR Part 24 of the UMRs and Real Property Acquisition for Federal and Federally Assisted Programs.

e. The accessibility requirements set forth in California Building Code Chapter 11A and 11B and the Americans with Disabilities Act, Title II. In addition, Owner shall ensure the Project complies with either the Uniform Federal Accessibility Standards (UFAS) standards, 24 CFR Part 8, or HUD's modified version of the 2010 Americans with Disabilities Act (ADA) Standards for Accessible Design (Alternative 2010 ADAS), HUD-2014-0042-0001, Federal Register, 79 FR 29671 (5/27/14) (commonly referred to as "the Alternative Standards" or "HUD Deeming Memo"), whichever applies to the Project. Accessible units shall, to the maximum extent feasible and subject to reasonable health and safety requirements, be distributed throughout the project and be available in a sufficient range of sizes and amenities consistent with 24 CFR Section 8.26.

f. The Americans with Disabilities Act, the Fair Housing Amendments Act, the California Fair Employment and Housing Act, the Unruh Act, Government Code Section 11135, Rehabilitation Act Section 504, and regulations promulgated pursuant to those statutes, including 24 CFR Part 100, 24 CFR Part 8, and 28 CFR Part 35.

4. **NON-DISCRIMINATION POLICY.** Owner shall adopt a written non-discrimination policy requiring that no person shall, on the grounds of race, color, religion, sex, gender, gender identity, gender expression, sexual orientation, marital status, national origin, ancestry, familial status, source of income, disability, age, medical condition, genetic information, citizenship, primary language, immigration status (except where explicitly prohibited by federal law), arbitrary characteristics, and all other classes of individuals protected from discrimination under state or federal fair housing laws, individuals perceived to be a member of any of the preceding classes, or any individual or person associated with any of the preceding classes be excluded from participation in, be denied the benefits of, or be subjected to discrimination under, any program or activity funded in whole or in part with PLHA funds.

5. **AFFORDABILITY REQUIREMENTS.** Owner shall ensure that all of the Restricted Units assisted with PLHA funds are rented at or below sixty percent (60%) of the Sacramento Metropolitan Statistical Area median income ("Median Income"), as determined annually by the federal Department of Housing and Urban Development, as adjusted for family size appropriate to the size and number of bedrooms in the respective Restricted Unit.

6. **OCCUPANCY REQUIREMENTS.** Owner shall ensure that all Restricted Units are occupied by households earning less than sixty percent (60%) of Median Income.

7. **UNIT QUALITY.** Owner shall ensure that Restricted Units assisted with PLHA funds are comparable in size and amenities to other units in the Project, especially, if applicable, units in the Project that are not subject to restrictions regarding maximum rent or maximum household income.

8. **TERM.** These covenants shall burden and regulate the Restricted Units for a term of fifty-five (55) years.

EXHIBIT 3**Compliance Violations and Actions****COMPLIANCE VIOLATIONS AND ACTIONS**
(All payments due and payable within 30-days of assessment)

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

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

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

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

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

Exhibit 5c: MIHF-HTF Regulatory Agreement

NO FEE DOCUMENT:

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

Recording Requested by, and
when recorded, return to:
SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY
801 12th Street, 4th Floor
Sacramento, CA 95814
Attn: Portfolio Management

**REGULATORY AGREEMENT FOR RESIDENTIAL RENTAL PROPERTY
AND DECLARATION OF RESTRICTIVE COVENANTS AFFECTING REAL PROPERTY
RIVER CITY APARTMENTS (MIHF & HTF)**

PROJECT NAME:	River City Apartments
PROJECT ADDRESS:	1601 69th St, Sacramento, CA 95822
APN:	015-0010-033-0000

FOR GOOD AND VALUABLE CONSIDERATION, THE RECEIPT OF WHICH IS ACKNOWLEDGED, AGENCY AND OWNER HAVE ENTERED THIS REGULATORY AGREEMENT AND DECLARATION OF RESTRICTIVE COVENANTS AFFECTING REAL PROPERTY (REGULATORY AGREEMENT) AS OF THE EFFECTIVE DATE.

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

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

TERM	DEFINITION		
“Effective Date”	This Regulatory Agreement shall be effective as of the following date:	***enter date***	
“Agency”	Sacramento Housing and Redevelopment Agency a joint powers agency.		
“Agency Address”	Agency’s business address is 801 12th Street, Sacramento, California 95814		
“Owner”	River City CIC, LP		
“Owner Address”	Owner’s business address is as follows:	6339 Paseo Del Lago,	Carlsbad, CA 92011
“Jurisdiction”	County of Sacramento		
“Property”	That certain real property which is subject to this Regulatory Agreement as further described in the legal description, attached as Exhibit 1 – Legal Description of the Property and incorporated in this Regulatory Agreement by this reference		
“Funding Agreement”	The Funding Agreement between Agency and Owner as follows:	Titled:	Construction and Permanent Loan Agreement
		Dated:	***enter date***
“Agency Funding”	Agency Funding made by Agency from MIHF and HTF funds for the development and purchase of the Property		
“Agency Funding Amount”	The amount of Agency Funding, as follows:		\$1,300,000.00 MIHF \$800,000.00 HTF
“Plans and Specifications”	That certain Plans and Specifications related to this Project and approved in writing by Agency on *enter date*.		

“Proportionate Agency Assistance”	The percentage of the Project cost, including without limitation, land, predevelopment and development costs, that is attributable to Agency Funding. For rehabilitation projects, the percentage that Agency Funding bears to the total of the fair market value of the Property before rehabilitation and the total costs of rehabilitation.	6.0%
“Transfer”	A Transfer occurs whenever any of the following occur: 7. The transfer of partnership interests to or from any partner; 8. The removal, addition, or substitution of one or more of the general or limited partners of Owner; or 9. Any change in title to the Property or the Project.	
“Funding Requirements”	The legal restrictions on the use of the funds that Agency has used to make Agency Funding, as applicable to and restricting the Property. The Funding Requirements are set out in Exhibit 2 – Funding Requirements .	
“Approved Use”	The only permitted use of the Property, which is as a residential property available for rent by eligible residents pursuant to the MIHF and HTF Funding Requirements and containing not less than the following number of units:	10
“Governmental Requirement”	All laws, orders, decrees, ordinances, rules and regulations of any United States federal, California state, local, or other governmental entity with statutory or regulatory authority over the Property or the Project.	
“Title Policy”	A policy issued by First American Title Insurance Company that protects against losses that occur if the property is not free and clear of encumbrances, liens, and defects.	

3. RESTRICTED UNITS; APPROVAL OF LEASES.

a. In order to ensure that the proper number and types of units have been rented in accordance with this Regulatory Agreement, Owner is prohibited from leasing any unit within the Project until either the parties have recorded against the Property a list of the Restricted Units or Agency has approved the individual lease or lease form for the Restricted Units. A “Restricted Unit” is a unit subject to the Agency’s rent and occupancy restrictions as a result of the financial assistance provided by the Agency for the Project. “Rent” means all amounts owed or paid by an Eligible Household reasonably related to an Eligible Household’s occupancy of a Restricted Unit, including without limitation a utility allowance, if any, and any amounts paid to Owner for parking, fees, taxes, pets, or any other expenses required by Agency or the Funding Requirements. In no event shall the Rent exceed 30% of the Affordability Level defined below in Section 3(c).

b. Owner shall ensure that at all times, each of the Restricted Units are leased only to households who meet both of the following requirements:

(1) the household is deemed eligible for assistance in accordance with this Regulatory Agreement, the Funding Requirements, and all applicable Governmental Requirements; and

(2) the household’s annual adjusted income does not exceed the acceptable “Affordability Level,” which is the maximum annual adjusted income most recently established by the United States Department of Housing and Urban Development (HUD) for the Project’s Metropolitan Statistical Area and the household size. (if both requirements are met, an “**Eligible Household**”).

An Eligible Household who meets the Project’s eligibility criteria on the date of the Eligible Household’s initial occupancy shall remain eligible to continue to lease the Restricted Unit where the Eligible Household resides so long as the Eligible Household’s annual adjusted income does not exceed the Affordability Level as adjusted for the current number of household members. In the event the Project is assisted with more than one source of Agency Funding, Owner shall determine household eligibility based on the Affordability Level stated for the source of assistance provided for each Restricted Unit, respectively.

c. When determining family size for the purposes of determining whether a prospective tenant qualifies as an Eligible Household, Owner must include all persons applying to reside in the applicable Restricted Unit, except a qualified live-in aid, as determined in accordance with 24 CFR Part 8.

The maximum initial rent for the Restricted Unit shall be the following; provided, however, that upon the request of Owner, Owner and Agency may agree to a schedule of rents for the Restricted Units that complies with the following affordability requirements as of the date when the Project is first made available for occupancy. In any event the maximum rent for the Restricted Units shall not be adjusted not more often than once in a 12 month period.

4. **RESTRICTIVE UNITS.** Notwithstanding any conflicting provision in the Funding Requirements, the Initial Rent per Unit per Month listed in this Regulatory Agreement shall be paramount and controlling.

Agency Funding Source:	Affordability Level:	Number of Restricted Units:	Type of Restricted Units:	Maximum Initial Rent per Restricted Unit per Month:
MIHF	50% Area Median Income (AMI)	-2-	One Bedroom	\$1,286
MIHF	50% Area Median Income (AMI)	-3-	Two Bedroom	\$1,447
MIHF	50% Area Median Income (AMI)	-1-	Three Bedroom	\$1,607
HTF	50% Area Median Income (AMI)	-1-	One Bedroom	\$1,286
HTF	50% Area Median Income (AMI)	-2-	Two Bedroom	\$1,447
HTF	50% Area Median Income (AMI)	-1-	Three Bedroom	\$1,607

a. In the event of a conflict between the Funding Requirements and this Regulatory Agreement regarding the Initial Rent per Unit per Month, the lowest amount shall control.

5. **INCOME TARGETING REQUIREMENTS.** Owner shall ensure that during any given fiscal year, at least 40% of Restricted Units that become available are leased to Eligible Households. If Owner has actively marketed the available Restricted Units to Eligible Households and has been unable to achieve the 40% target for admissions, Owner must promptly notify Agency and provide complete records of Owner’s marketing efforts, demonstrate that best efforts were made to fill available Restricted Units with Eligible Households, and certify that Owner is diligently continuing to attempt to meet the 40% target.

It shall be an Event of Default under this Regulatory Agreement if Agency finds, in its sole and absolute discretion, that Owner has not made or is currently not making a diligent effort to meet the 40% target.

6. **MANAGEMENT COMPANY; MANAGEMENT AGREEMENT.**

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

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

c. Owner shall not enter into any management agreement or arrangement with any party with respect to the management of the Project without Agency’s prior written consent, such consent not to be unreasonably withheld or delayed. Owner shall

not materially modify, amend or terminate any approved management agreement (other than as required to comply with the terms of the Funding Agreement and/or applicable law) without Agency's prior written consent, which consent will not be unreasonably withheld or delayed; provided, however, that Owner shall proceed promptly upon notice by Agency of such removal. Agency consent shall not be required to extend the term of an existing management agreement.

Approved Management Company
CONAM Management Company

7. SPECIAL PROVISIONS. Owner shall also comply with the following special provisions.

Provision	Term
N/A	N/A

8. REPRESENTATIONS. Agency has provided Agency Funding to Owner to develop the Property, subject to the terms of the Funding Agreement. For purposes of this Section 8, "Property" shall mean Property or Restricted Unit as the context may indicate. This Regulatory Agreement is a substantial part of the consideration to Agency for making Agency Funding. The funds used by Agency under the Funding Agreement are funds from public funding sources administered by Agency and their use is subject to certain requirements some of which are embodied in this Regulatory Agreement. Further, Agency has made Agency Funding in accordance with the laws, rules and regulations to which Agency is subject. Therefore, Agency has made Agency Funding conditioned upon Owner's agreement, for itself and its successors and assigns, to comply with all provisions of this Regulatory Agreement, including without limitation, the Funding Agreement. Owner represents that it has had full opportunity to make itself independently familiar with such limitations and restrictions, and Owner accepts them and agrees to comply fully with them. As a material inducement to Agency to enter into the Funding Agreement and to give Agency Funding to Owner, Owner unconditionally, and each signatory who signs on its behalf, to the extent of their best knowledge, represents and warrants to Agency, as of the Close of Escrow, as follows:

a. Owner represents that it has had full opportunity to make itself independently familiar with the limitations and restrictions contained herein, and Owner accepts them and agrees to comply fully with them.

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

c. Owner is duly formed and validly exists in the form stated above, is qualified to do business in California, and has full power to consummate the transactions contemplated.

d. The consummation of the transactions covered by this Regulatory Agreement and the payment and performance of all of the obligations in the Funding Agreement and all documents evidencing, securing, or otherwise related to the Funding Agreement, will not result in any breach of, or constitute a default under, any mortgage, deed of trust, lease, contract, loan or credit agreement, corporate charter, bylaws, partnership agreement, trust agreement, or other instrument to which Borrower or any of its general partners is a party or by which it or they or the Property may be bound or affected.

e. Owner is the sole legal and beneficial owner of the Property, which is free of all claims, liens, and encumbrances other than those shown in the Title Policy.

f. Owner has not received financing for either the acquisition of the Property, the construction of the Project or the permanent financing of the Project except as has been specifically disclosed to and approved by Agency in writing.

g. All Personalty is vested solely in Owner, free of all claims, liens, and encumbrances, and the security interest of Agency in the Personalty is a first lien.

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

9. COVENANTS. Owner makes the following covenants. Unless Owner has received the prior written consent or Agency approval otherwise, Owner shall fully comply with each and every covenant. Except as otherwise stated in this Regulatory

Agreement, the following covenants shall have a term that is the same as the longest term specified in the Funding Requirements.

a. Owner shall use and permit others to use the Property only for the Approved Use. . Additionally, Owner shall not use or permit others to use the Property, in whole or in part, for any “**Disapproved Use**,” which includes any use not listed as an Approved Use, including but not limited to a liquor store, bar, adult film store, hazardous materials storage or warehousing, tattoo or piercing establishment, pawn shop, check cashing or paycheck advance business, or cannabis sales, including medical cannabis.

b. Owner shall ensure full compliance with the Funding Requirements at all times.

c. Without Lender’s prior written consent, Tax Credit Limited Partner may transfer its interests to any affiliate, so long as such change does not affect the identity, powers or duties of Borrower’s general partners or the ability of the limited partners to change the general partner or its powers. The Tax Credit Limited Partner must provide notice of such transfer within three (3) business days.

The Tax Credit Limited Partner may remove Borrower's general partner for cause as permitted by its rights under its limited partnership agreement. If the Tax Credit Limited Partner removes the Borrower’s general partner for cause, the Tax Credit Limited Partner must provide a true and accurate copy of the duly authorized action removing the general partner to Lender immediately, not to exceed more than three (3) business days, after the removal. Immediately upon the Tax Credit Limited Partner’s removal of the Borrower’s general partner, the interim general partner of the Borrower shall be The Richman Group Capital Corporation (TRGCC). Such interim appointment shall not to exceed a term of six (6) months commencing on the date of the Tax Credit Limited Partner’s removal of the Borrower's general partner for cause.

d. Owner shall not cause and shall not permit expansion, construction, modification reconstruction, or demolition of all or any part of any improvements on the Property, except as provided by the Funding Agreement or as authorized in a written agreement between Agency and Owner that has been executed by Agency’s Executive Director or their designee.

e. During the construction of the Project, Owner shall ensure that any funding received from Agency is used solely for payment of the costs of construction of the Project in accordance with the Plans and Specifications, or for other purposes specified in a written agreement between Agency and Owner that has been executed by Agency’s Executive Director or their designee.

f. During the Term of this Regulatory Agreement, to prevent defects, Owner shall inspect, review, supervise, and assure the high quality and suitability of any construction, demolition, rehabilitation, alteration, or maintenance performed on the Property. Additionally, Owner shall ensure that any of the above acts are performed in a timely manner.

g. If, at any time, residents of the Project are displaced, Owner shall comply fully with all relocation laws. Owner’s failure to comply with applicable relocation laws is an Event of Default.

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

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

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

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

l. At or before the close of escrow, Owner shall provide Agency with a detailed resident services plan including but not limited to the following information: (1) identification of all entities responsible for providing resident services to Project tenants and each entity's role in the provision of those services; (2) a description of the services to be provided; (3) a resident services budget; and (4) Agency approved resident services at the Project according to the schedule of fifteen (15) hours per week and including the following services (the "Resident Services Plan"). Agency shall have the right to reject or approve the Resident Services Plan submitted by Owner. Prior to initial occupancy, Owner must have a Resident Services Plan in place that has been approved in writing by the Agency:

- 1) An onsite Coordinator who provides services to residents for a minimum of: Four (4) hours per week; and
- 2) Resident Services of a minimum of Three (3) hours per week shall be provided and may include, but are not limited to:
 - i) Educational classes such as nutrition, exercise, health resources, health insurance application assistance, annual onsite health fair, English as a Second Language (ESL) classes;
 - ii) Socialization activities such as bingo, gardening and community building events; and
 - iii) Other services such as transportation assistance, counseling assistance and employee readiness and job search assistance.

m. Beginning at initial occupancy of the Project, Owner shall ensure the resident services are provided to Project residents at all times in accordance with the Resident Services Plan. Beginning at initial occupancy of the Project, and at all times during the Term of this Regulatory Agreement, Owner shall deliver to Agency a once-quarterly report that includes information deemed necessary by the Agency to evaluate the resident services being provided at the Project, including but not limited to: the schedule of services and activities offered, the efforts made by Owner or resident services providers to advertise the activities and services, the number of Tenants served by each service or activity per week, the demographics of the Tenants served by each service or activity per week.

n. Owner shall ensure that the resident services offered at the Property are reasonably tailored to the needs of the Project's resident community. Beginning at 75% occupancy of the Project's residential units, Owner shall ensure that, at least once annually, the needs of the Project's resident community are evaluated and, if necessary, the Resident Services Plan is amended to best suit the Project residents' needs. The Resident Services Plan is not amended until the Agency provides written consent to the amendment.

o. At least once every calendar year, Owner shall deliver to Agency a "**Needs Assessment Report**," which describes the following information in sufficient detail for the Agency to determine whether the needs assessment performed was adequate and whether the Resident Services Plan is adequately tailored to the Project's needs:

- 1) the methodology used by Owner to determine the Project community's needs;
- 2) a summary of the data collected about the Project community's needs;
- 3) a summary of the data collected about the utilization of the existing resident services provided at the Project; and
- 4) an explanation of Owner's decision to maintain the current Resident Services Plan or to amend the Resident Services Plan.

p. If Agency determines the Owner's efforts to assess the Project residents' needs or to tailor the Resident Services Plan to the Project's residents' needs are inadequate, Agency shall provide notice to Owner, and Owner shall remedy the deficiencies identified by Agency within 45 days of deemed delivery of such notice. Failure to remedy such deficiencies in a timely manner shall be an Event of Default.

q. Owner shall not permit any entity to provide resident services at the Project without the Agency's prior approval of such entity, such approval to be given, withheld, or revoked at any time upon Agency's determination, in Agency's sole and absolute discretion, that the resident services provider is not performing satisfactorily. Upon deemed delivery of notice from the Agency to Owner of the Agency's determination that any resident services provider is performing or has performed

unsatisfactorily to the Agency, Owner must ensure that such provider is removed and replaced with a new Agency-approved service provider within 60 days. Failure to timely remove and replace such service provider shall be an Event of Default under this Regulatory Agreement.

r. Subject to Agency's written approval, Owner shall obtain and maintain for the life of this Regulatory Agreement an Agency approved, top quality property management agreement with a duly accredited real estate property management company for the management of the Property, and shall assure compliance of the property manager with the property management agreement. Agency shall have the right to review and approve or reject any proposed changes to scope of said agreement and to changes in the real estate property management company prior to making such changes. Any such changes made without Agency approval shall be an Event of Default under this Regulatory Agreement. Agency approval of a property management company or a property management agreement is fully revocable with 60 days' notice from Agency. Upon the effective date of the revocation of Agency approval of a property management company or a property management agreement, the maintenance by Owner of the disapproved property management company or property management agreement, whichever applies, shall constitute an Event of Default under this Regulatory Agreement.

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

t. Owner shall not make any Tenant's payment of rental insurance premiums a condition of occupancy. If Owner require renters' insurance, the policy premium must be deducted from the Tenant's Rent. Owner shall not add the insurance premium to the Tenant's Rent in either the initial year at any time thereafter.

u. Owner shall ensure all of the units, indoor common areas and buildings are smoke free.

10. NATURE OF COVENANTS. This Regulatory Agreement shall constitute and be maintained as a first-priority lien against the Property. All liens, mortgages, and financial security interests are, and shall remain, unconditionally subordinate to the priority of this Regulatory Agreement during the Term, and shall survive foreclosure and bankruptcy of Owner, or any successors in interest thereto or assigns, as the case may be. Owner, or any successors in interest thereto, as the case may be, shall provide written notice to Agency in the event of any filing of foreclosure or bankruptcy. The provisions contained in this Regulatory Agreement are covenants which subject and burden the Property, as covenants running with the land. It is intended and agreed that the agreements and covenants provided in this Regulatory Agreement shall be covenants running with the land and equitable servitudes on the land and that they shall, in any event, and without regard to technical classifications or designation, be binding, to the fullest extent permitted by law and equity, for the benefit and in favor of, and enforceable by, Agency, Agency's successors and assigns, any other governmental entity acting within its authority, and any successor in interest to Agency's interest under this Regulatory Agreement against Owner, its successors and assigns and every successor in interest to all or any part of the Property.

11. TERM. The "Term" of this Regulatory Agreement shall commence on the Effective Date and continue until the terms of all of the covenants, including without limitation, the terms stated in the Funding Requirements, have expired or otherwise been terminated. Unless a longer term is stated in the Funding Requirements, the term of this Regulatory Agreement shall be Thirty (30) years from the Effective Date.

12. EXPIRATION OF AFFORDABILITY PERIOD. Owner agrees the rent of "in-place" Tenants at the conclusion of the Term will continue to be governed by the applicable affordability restrictions for as long as those Tenants continue to reside in the Project.

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

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

15. **AUDIT AND INSPECTION.** The Property and all related equipment, buildings, plans, offices, books, contracts, records, documents and other related papers shall at all times be maintained in reasonable condition for audit and shall be subject to examination by Agency or its agent at any time without prior notice. The books and accounts of the operations of the Property shall be kept in accordance with generally accepted accounting principles. Owner shall provide Agency access to the Property and its tenants during reasonable hours for the purpose of reviewing Owner's compliance with this Regulatory Agreement.

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

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

18. **DEFAULT.** Upon a breach of any of the provisions of this Regulatory Agreement by Owner, Agency may give written notice of such breach to Owner by registered or certified mail. If such violation is not corrected to the satisfaction of Agency within thirty (30) days after the date such notice is mailed or within such further time as Agency may determine in its sole and absolute discretion is necessary to correct the breach, and without further notice to Owner, Agency may declare a default under this Regulatory Agreement, effective on the date of such declaration of default, and upon such default Agency may: (a) during the term of the Funding Agreement take any action then available under the Funding Agreement for a default under the Funding Agreement; (b) apply to any court for specific performance of this Regulatory Agreement, (c) apply to any court for an injunction against any violation of this Regulatory Agreement; (d) apply to any court for the appointment of a receiver to take over and operate the Property in accordance with the terms of this Regulatory Agreement, (e) apply to any court for money damages; or (f) apply to any court or other tribunal for such other relief as may be appropriate. The parties agree the injury to Agency arising from a default under any of the terms in this Regulatory Agreement would be irreparable, and the amount of damage would be difficult to ascertain.

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

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

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

22. **COMPLIANCE AMENDMENTS.** If revisions to the provisions of this Regulatory Agreement are necessitated to comply with the laws or regulations governing Agency Funding, Owner agrees to execute modifications to this Regulatory Agreement that are needed to comply with such laws or regulations.

23. **ATTORNEYS' FEES.** If the services of any attorney are required by any party to secure the performance of this Regulatory Agreement or otherwise upon the breach of default of another party, or if any judicial remedy or mediation is necessary to enforce or interpret any provision of this Regulatory Agreement or the rights and duties of any person in relation to this Regulatory Agreement, the prevailing party shall be entitled to reasonable attorneys' fees and costs in addition to any other relief to which such party may be entitled. Any award of damages following judicial remedy shall include an award of prejudgment interest from the date of the breach at the maximum amount of interest allowed by law. The prevailing party

shall mean the party receiving a judgment in its favor, unless the award or judgment is less favorable than the best settlement offered in writing in a reasonable manner by the other party, in which case the prevailing party is the other party.

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

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

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

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

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

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

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

OWNER :

RIVER CITY CIC, LP
a California limited partnership

By: Pacific Southwest Community Development Corporation, a California nonprofit public benefit corporation,
Managing General Partner

By: _____
Robert W. Laing
Executive Director/President

By: CIC River City, LLC,
a California limited liability company,
Administrative General Partner

By: Chelsea Investment Corporation,
a California corporation,
its Manager

By: _____
Cheri Hoffman
President

AGENCY:

Sacramento Housing and Redevelopment Agency

By: _____
Kris Warren, Interim Executive Director

Approved as to form: _____
Agency Counsel

[NOTARIZED ACKNOWLEDGEMENTS]

EXHIBIT 1

LEGAL DESCRIPTION

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

All that portion of the Northwest one-quarter of Section 15, Township 8 North, Range 5 East, M D B & M, as shown on the Record of Survey "Portion of NW 1/4 Section 15, T 8 N, R 5 E, M D B & M ", filed in the Office of the Recorder of Sacramento County, California, on April 13, 1962, in [Book 19 of Surveys, Map No 15](#), described as follows

Beginning at the intersection of the East line of Redding Avenue and the South line of Folsom Boulevard, thence along the South line of Folsom Boulevard, South 65° 33' 46" East 209.15 feet to the Southwesterly line of the Central Pacific Railway Company Right of Way, thence along said Right of Way South 34° 04' 00" East 176.57 feet, thence South 55° 56' 00" West 45.39 feet, thence along a curve to the left, with a radius of 40.00 feet subtended by a chord bearing North 53° 30' 15" West 26.62 feet, thence North 72° 56' 30" West 248.20 feet, thence along a curve to the right, with a radius of 22.00 feet, subtended by a chord bearing North 34° 06' 41" West 28.77 feet, to the East line of Redding Avenue, thence North 08° 43' 08" East 146.90 feet to the point of beginning.

APN: 015-0010-033

Exhibit 2: MIHF Funding Requirements

MIHF FUNDING REQUIREMENTS MIXED INCOME HOUSING FUNDS – CITY OF SACRAMENTO FINANCING FOR RESIDENTIAL RENTAL PROPERTY

These “Mixed Income Housing Funding Requirements” (or “MIHF Requirements”) are attached to a Regulatory Agreement, and are incorporated in that Regulatory Agreement. In turn, the Regulatory Agreement is incorporated in the Loan that is described in the Regulatory Agreement. The capitalized terms used in these MIHF Requirements shall have the meanings below in the body of these MIHF Requirements. Terms being defined are indicated by quotation marks. Capitalized terms in these MIHF Requirements that are not defined below are defined in the Regulatory Agreement.

9. **RECITALS.** The Loan is funded by the Agency with proceeds of the Mixed Income Housing Fund (“MIHF”) of the City of Sacramento. The Agency has approved the Loan on condition that the property securing the Loan (“Property”) is rehabilitated or developed as residential rental property (“Project”) with certain units regulated in accordance with the Regulatory Agreement (“MIHF-Assisted Units”) by recordation of these MIHF Requirements as covenants running with the land.

10. **AFFORDABILITY REQUIREMENTS.** Owner shall ensure that all of the MIHF-Assisted Units shall be rented at or below the following rates:

a. Low-Income Units shall be rented for not more than thirty percent (30%) of eighty percent (80%) of the Sacramento Metropolitan Statistical Area median income as determined annually by the federal Department of Housing and Urban Development (“Median Income”), as adjusted for family size appropriate to the size and number of bedrooms in the respective MIHF-Assisted Unit.

b. Very Low-Income Units shall be rented for not more than thirty percent (30%) of fifty percent (50%) of the Median Income as adjusted for family size appropriate to the size and number of bedrooms in the respective MIHF-Assisted Unit.

c. Extremely Low-Income Units shall be rented for not more than thirty percent (30%) of thirty percent (30%) of the Median Income as adjusted for family size appropriate to the size and number of bedrooms in the respective MIHF-Assisted Unit.

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

e. Owner shall be responsible for determining the affordable rents for the MIHF-Assisted Units. Within ten (10) days of Owner request, Agency shall provide all information necessary for Owner to compute such affordable rents and will assist Owner in determining such rents.

11. **OCCUPANCY REQUIREMENTS.** Owner shall ensure that all MIHF-Assisted Units shall be occupied by households earning less than eighty percent (80%) of Median Income.

12. **UNIT QUALITY.** Owner shall ensure that MIHF-Assisted Units must be comparable in size and amenities to other units in the Project.

13. **TERM.** These covenants shall burden and regulate the MIHF-Assisted Units for a term of thirty (30) years.

Exhibit 2: HTF Funding Requirements

HTF FUNDING REQUIREMENTS HOUSING TRUST FUND – CITY OF SACRAMENTO FINANCING FOR RESIDENTIAL RENTAL PROPERTY

These “HTF Funding Requirements” are attached to a Regulatory Agreement, and are incorporated in that Regulatory Agreement. In turn, the Regulatory Agreement is incorporated in the Loan that is described in the Regulatory Agreement. The capitalized terms used in these HTF Funding Requirements shall have the meanings below in the body of the these HTF Funding Requirements. Terms being defined are indicated by quotation marks. Capitalized terms in these HTF Funding Requirements that are not defined below are defined in the Regulatory Agreement.

14. **RECITALS.** The Loan is funded by the Agency with proceeds of the Housing Trust Fund (“HTF”) of the City of Sacramento. The Agency has approved the Loan on condition that the property securing the Loan (“Property”) is rehabilitated or developed as residential rental property (“Project”) with certain units regulated in accordance with the HTF (“HTF-Assisted Units”) by recordation of these HTF Funding Restrictions as covenants running with the land. The Project has been determined to be within a seven-mile distance from the non-residential projects generating the funds or has access to existing or planned public transit such that it is reasonable that tenants of the Project could commute from the Project to the non-residential projects generating the funds. The Project conforms to any City “Fair Share” plan currently adopted and in effect. HTF-Assisted Units are made affordable by such regulation to persons and households that qualify as low-income or very low-income as indicated in the table in Article I of the Regulatory Agreement. The development of the Project will benefit the Project Area because the Project will provide housing for persons who work within the Project Area. The Project is located within the City of Sacramento (“City”). Most Project Area workers live outside of the Project Area and come from throughout the City, including the vicinity of the Property.

15. **AFFORDABILITY REQUIREMENTS.** Owner shall assure that all of the HTF-Assisted Units assisted with HTF funds shall be rented at or below the following rates:

a. Low-Income Units shall be rented for not more than thirty percent (30%) of eighty percent (80%) of the Sacramento Metropolitan Statistical Area median income (“Median Income”), as determined annually by the federal Department of Housing and Urban Development, as adjusted for family size appropriate to the size and number of bedrooms in the respective HTF-Assisted Unit.

b. Very Low-Income Units shall be rented for not more than thirty percent (30%) of fifty percent (50%) of the Median Income as adjusted for family size appropriate to the size and number of bedrooms in the respective HTF-Assisted Unit.

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

d. Owner shall be responsible to determine the affordable rents for the HTF-Assisted Units. Within ten (10) days of Owner request, Agency shall provide all information necessary for Owner to compute such affordable rents and will assist Owner in determining such rents.

2. **OCCUPANCY REQUIREMENTS.** Owner shall assure that all HTF-Assisted Units shall be occupied by households earning less than eighty percent (80%) of Median Income.

3. **UNIT QUALITY.** Owner shall assure that Assisted Units assisted with HTF funds must be comparable in size and amenities to other units in the Project.

4. **TERM.** These covenants shall burden and regulate the HTF-Assisted Units for a term of thirty (30) years.

EXHIBIT 3

Compliance Violations and Actions

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

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

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

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

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

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

Exhibit 6: Escrow Instructions

Exhibit 7a: HOME Funding Requirements

**HOME Funding and Other Federal Requirements
Rental Project**

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

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

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

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

b. “Exhibits” to these HOME Funding and Other Federal Requirements contain a substantial portion of the Federal Requirements, and are incorporated into this Agreement in the form of a cloud content management and file sharing service (e.g., Box).

Borrower acknowledges that they have reviewed and accept these Exhibits by initialing here: ____.

The Exhibits included the following:

- i. Exhibit 1 – HOME Regulations: 24 Code of Federal Regulations (CFR) Part 92.
- ii. Exhibit 2 – Requirements for nonprofit subgrantees; 2 CFR §200.70; Appendix VIII to 2 CFR Part
- iii. Exhibit 3 –Restrictions on Lobbying; 24 CFR Part 87; see also 2 CFR §200.450
- iv. Exhibit 4- Federal Labor Standards Provisions: 29 CFR Part 5

22. **Recitals.** The Agency Funding includes proceeds of the federal HOME Investment Partnerships Act (“HOME”) and its implementing regulations (commencing at 24 CFR Part 92) (“HOME Funds”). The Agency has approved the Agency Funding on condition that the property described in the Loan Documents (“Property”) is rehabilitated or developed as residential rental property (“Project”) with certain units regulated in accordance with laws, rules and regulations regarding the use of HOME funds for the benefit of low-income persons (“HOME Restricted Units”) by recordation of these HOME Funding and Other Federal Requirements as covenants running with the land. HOME Restricted Units are made affordable by such regulation to persons and households that qualify as low-income or very low-income as indicated in the table in Section 3 of the Regulatory Agreement.

23. **Use of HOME Funds.** Owner shall assure that the HOME Funds are used only for qualified uses. HOME Funds may only be used to provide incentives to develop and support affordable rental housing and homeownership affordability through the acquisition (including assistance to homebuyers), new construction, reconstruction, or rehabilitation of non-luxury housing with suitable amenities, including real property acquisition, site improvements, conversion, demolition, and other expenses, including financing costs, relocation expenses of any displaced persons, families, businesses, or organizations; to provide tenant-based rental assistance, including security deposits; to provide payment of reasonable administrative and planning costs; and to provide for the payment of operating expenses of community housing development organizations, all as further defined in 24 CFR §§ 92.205-92.209. The HOME Funds shall not be used for project reserve accounts except as expressly authorized or to provide operating subsidies.

Owner shall not utilize the Project for explicitly religious activities, including activities that involve overt religious content such as worship, religious instruction, or proselytization, and to the extent that Owner engages in such explicitly religious activities, it shall perform such activities and offer such services outside of the program pursuant to which Owner is developing the Project pursuant to this Agreement. The Owner further represents that the Project units are available to all

persons regardless of religion, religious belief, a refusal to hold a religious belief, or a refusal to attend or participate in a religious practice; and that there are no religious or membership criteria for tenants of the Property.

24. Section 3 Requirements. Owner shall ensure compliance with the following Section 3 Requirements. The terms used in this Section shall have the meanings assigned to them in 24 CFR Part 75. Further, Owner shall ensure all Covered Contracts, as defined in 24 CFR Part 75, related to the Project contain the provisions set forth in this Section 4, subsections a through f (the "Section 3 Clause"):

a. The work to be performed under this contract is subject to the requirements of section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. 1701u (section 3). The purpose of section 3 is to ensure that employment and other economic opportunities generated by HUD assistance or HUD-assisted projects covered by section 3, shall, to the greatest extent feasible, be directed to low- and very low-income persons, particularly persons who are recipients of HUD assistance for housing.

b. The parties to this contract agree to comply with HUD's regulations in 24 CFR part 75, which implement section 3. As evidenced by their execution of this contract, the parties to this contract certify that they are under no contractual or other impediment that would prevent them from complying with the part 75 regulations.

c. The contractor agrees to send to each labor organization or representative of workers with which the contractor has a collective bargaining agreement or other understanding, if any, a notice advising the labor organization or workers' representative of the contractor's commitments under this section 3 clause, and will post copies of the notice in conspicuous places at the work site where both employees and applicants for training and employment positions can see the notice. The notice shall describe the section 3 preference, shall set forth minimum number and job titles subject to hire, availability of apprenticeship and training positions, the qualifications for each; and the name and location of the person(s) taking applications for each of the positions; and the anticipated date the work shall begin.

d. The contractor agrees to include this section 3 clause in every subcontract subject to compliance with regulations in 24 CFR part 75, and agrees to take appropriate action, as provided in an applicable provision of the subcontract or in this section 3 clause, upon a finding that the subcontractor is in violation of the regulations in 24 CFR part 75. The contractor will not subcontract with any subcontractor where the contractor has notice or knowledge that the subcontractor has been found in violation of the regulations in 24 CFR part 75.

e. The contractor will certify that any vacant employment positions, including training positions, that are filled (1) after the contractor is selected but before the contract is executed, and (2) with persons other than those to whom the regulations of 24 CFR part 75 require employment opportunities to be directed, were not filled to circumvent the contractor's obligations under 24 CFR part 75.

f. Noncompliance with HUD's regulations in 24 CFR part 75 may result in sanctions, termination of this contract for default, and debarment or suspension from future HUD assisted contracts.

g. With respect to work performed in connection with section 3 covered Indian housing assistance, section 7(b) of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450e) also applies to the work to be performed under this contract. Section 7(b) requires that to the greatest extent feasible (i) preference and opportunities for training and employment shall be given to Indians, and (ii) preference in the award of contracts and sub contracts shall be given to Indian organizations and Indian-owned Economic Enterprises. Parties to this contract that are subject to the provisions of section 3 and section 7(b) agree to comply with section 3 to the maximum extent feasible, but not in derogation of compliance with section 7(b).

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

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

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

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

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

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

26. Lead-Based Paint. Owner shall comply with the Lead-Based Paint Poisoning Prevention Act (42 USC §4821et. seq.), the Residential Lead-Based Paint Hazard Reduction Act of 1992 (42 U.S.C. §4851et. seq.), and implementing regulations.

27. Affordability Requirements. Owner shall assure that the of HOME Restricted Units shall be rented at or below the following rates:

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

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

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

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

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

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

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

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

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

30. Tenant Protections; Lease Provisions. Owner shall comply with the following provisions for protection of tenants in HOME-Restricted Units.

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

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

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

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

iv. Agreement of the tenant that the Owner may institute a lawsuit without notice to the tenant;

v. Agreement by the tenant that the Owner may evict the tenant or household members without instituting a civil court proceeding in which the tenant has the opportunity to present a defense, or before a court decision on the rights of the parties;

vi. Agreement by the tenant to waive any right to a trial by jury;

vii. Agreement by the tenant to waive the tenant's right to appeal, or to otherwise challenge in court, a court decision in connection with the lease; and

viii. Agreement by the tenant to pay attorney's fees or other legal costs, even if the tenant wins in a court proceeding by the Owner against the tenant. The tenant, however, may be obligated to pay costs if the tenant loses.

ix. Agreement by the tenant (other than a tenant in transitional housing) to accept supportive services that are offered.

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

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

i. Limit the housing to very low-income and low-income families;

ii. Are reasonably related to program eligibility and the applicants' ability to perform the obligations of the lease (i.e., to pay the rent, not to damage the housing; not to interfere with the rights and quiet enjoyment of other tenants);

iii. Limit eligibility or give a preference to a particular segment of the population if required in the Loan Documents (and only if the limitation or preference is described in the Agency's consolidated plan).

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

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

a. The limitation or preference is limited to the population of families (including individuals) with disabilities that significantly interfere with their ability to obtain and maintain housing;

b. Such families will not be able to obtain or maintain themselves in housing without appropriate supportive services; and

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

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

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

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

31. Unit Quality & Determination of Cost Allocation. Owner shall assure that HOME Restricted Units assisted with HOME Funds must be comparable in size and amenities to other units in the Project. If the assisted and non-assisted units are comparable in terms of size, features and number of bedrooms, the actual cost of the HOME Restricted units can be determined by pro-rating the total HOME eligible development costs of the Project so that the proportion of the total development costs charged to the HOME program does not exceed the proportion of the HOME Restricted units in the Project. If the assisted and non-assisted units are not comparable, the actual costs may be determined based on a method of cost allocation.
32. Compliance with Loan Documents. Owner shall comply with any and all applicable provisions of the Loan Agreement for so long as they continue to be in effect.
33. Repayment on Default or Early Termination. If the Agency determines the Project does not comply with HOME requirements for affordability as specified in 24 CFR §§ 92.252 or 92.254; or if the Project is terminated before completion, either voluntarily or otherwise; or if Owner does not comply with these funding restrictions; or if the Project is determined to be an ineligible activity under HOME, Owner must repay to Agency any HOME Funds invested in the Project upon demand.
34. Program Income. If Project income is considered to be HOME program income, it shall nevertheless be paid to or retained by Owner in accordance with the agreement between Agency and Owner.
35. Administrative Requirements. Owners that are governmental or non-profit organizations shall comply with the provisions of 24 CFR §92.505 regarding uniform administrative requirements. Owner shall cooperate fully with the Agency and provide all documents and records required by Agency in preparing for HOME related audits. Owner shall comply with all applicable requirements under HOME, including without limitation, recordkeeping and reporting.
36. Governmental Entities, Non-Profits, CHDOS. Special HOME regulations apply to an Owner that is governmental or non-profit entities or a community housing development organization. Such Owner is responsible for knowledge of and shall fully comply with such regulations.
37. Term. These covenants shall burden and regulate the HOME Restricted Units assisted with HOME Funds for the following term as applicable, unless a longer term is specified in the body of the document to which this attached:
- a. For rehabilitation or acquisition of existing housing, five (5) years if the subsidy for each of HOME-Restricted Unit is less than \$15,000;
 - b. For ten (10) years if such subsidy is \$15,000 or more but not more than \$40,000;
 - c. For fifteen (15) years if such subsidy is more than \$40,000 or if the project involves refinancing of an existing loan; and
 - d. For new construction or acquisition of newly constructed housing, twenty (20) years.
38. No Termination On Recapture. Notwithstanding any other provisions of the Regulatory Agreement, the provisions of these HOME Funding and Other Federal Requirements shall continue for the duration of the applicable preceding term.
39. Davis-Bacon Act. If applicable, Owner must comply with the provisions of the Davis-Bacon Act (40 U.S.C. §§276a - 276a-5) and all rules, regulations and orders promulgated under said act, unless a determination of exemption from requirements of the Davis-Bacon Act is made and unless the exemption is expressly stated elsewhere in this Contract. Among other provisions, said act establishes minimum wages and fringe benefits; prohibits deductions or rebates from payments; provides for the withholding of funds to assure compliance with wage provisions; and provides for the termination of the Contract and debarment of the Owner for failure so to comply.
40. Build America, Buy America. Owner must comply with the requirements of the Build America, Buy America (BABA) Act, 41 USC 8301 note, and all applicable rules and notices, as may be amended, if applicable to the Owner's project. Pursuant to HUD's Notice, "Public Interest Phased Implementation Waiver for FY 2022 and 2023 of Build America, Buy America Provisions as Applied to Recipients of HUD Federal Financial Assistance" (88 FR 17001), any funds obligated by HUD on or after the applicable listed effective dates, are subject to BABA requirements, unless excepted by a waiver.

Exhibit 7b: PLHA Funding Requirements

PERMANENT LOCAL HOUSING ALLOCATION (PLHA) FUNDING REQUIREMENTS

These “PLHA Funding Requirements” are attached to a Regulatory Agreement, and are incorporated in that Regulatory Agreement. In turn, the Regulatory Agreement is incorporated in the Loan that is described in the Regulatory Agreement. The capitalized terms used in these PLHA Funding Requirements shall have the meanings below in the body of the these PLHA Funding Requirements. Terms being defined are indicated by quotation marks. Capitalized terms in these PLHA Funding Requirements that are not defined below are defined in the Regulatory Agreement.

16. **RECITALS.** The Loan is funded by the Agency with proceeds of the Permanent Local Housing Allocation Program, established by California SB 2 (Chapter 364, Statutes of 2017) and operating under the requirements of California Health and Safety Code, Part 2 of Division 31, Chapter 2.5 (commencing with Section 50470). The Agency has approved the Loan on condition that the property securing the Loan (“Property”) is rehabilitated or developed as residential rental property (“Project”) with certain units regulated in accordance with PLHA requirements (“PLHA-Assisted Units”) by recordation of these PLHA Funding Restrictions as covenants running with the land.

17. **ELIGIBLE ACTIVITIES.** Owner shall ensure that PLHA funding is used solely for one or more Eligible Activities. “Eligible Activities” are limited to the following:

a. Development of new multifamily rental housing that is affordable to households at below 60 percent of Area Median Income (AMI) or substantial rehabilitation of multifamily rental housing that will be affordable to households at or below 60 percent of AMI, but which is not currently restricted as affordable housing. In order to be eligible as “substantial rehabilitation”, a project must complete a minimum of \$40,000 per unit in hard construction costs; or

b. Assistance to persons who are experiencing or at risk of homelessness, including, but not limited to, through rapid rehousing, rental assistance, supportive services, and case management services that allow people to obtain and retain housing, operating and capital costs for navigation Centers, or new construction, rehabilitation, or preservation of permanent or transitional rental housing.

18. **COMPLIANCE WITH LAWS.** Owner shall comply with all laws, rules, regulations, and funding requirements that govern the use of PLHA funds, including but not limited to those listed in this Section 3(a) through 3(f). If Agency, as a result of actions of Owner, is obligated to repay the California Department of Housing and Community Development or the PLHA Program any amount under the PLHA Loan, Owner shall make such repayment on account of Agency and failure to do so shall be an Event of Default under the Funding Agreement.

a. Article XXXIV, Section 1 of the California Constitution, as clarified by the Public Housing Election Implementation Law (California Health and Safety Code (HSC) Section 37000 – 370002).

b. The Pet Friendly Housing Act of 2017 (HSC Section 50466). Further, Owner shall submit to Agency a signed and dated certification that all residents of the PLHA-funded Project will be authorized to own or otherwise maintain one or more common household pets as required by HSC Section 50466 for the entire term of the Regulatory Agreement. Pursuant to the statute, “common household pet” means a domesticated animal, such as a dog or cat, commonly kept in the home for pleasure rather than for commercial purposes.

c. Prevailing Wage Law, as set forth in California Labor Code Section 1720 et seq., requiring the payment of prevailing wages unless the Project meets one of the exceptions of California Labor Code Section 1720(c), as determined by the California Department of Industrial Relations.

d. Relocation Law, pursuant to Government Code Section 7260 et. seq., Title 25 of the California Code of Regulations Section 6000 et. seq., and if federal law is applicable, Code of Federal Regulations (CFR) at 49 CFR Part 24 of the UMRs and Real Property Acquisition for Federal and Federally Assisted Programs.

e. The accessibility requirements set forth in California Building Code Chapter 11A and 11B and the Americans with Disabilities Act, Title II. In addition, Owner shall ensure the Project complies with either the Uniform Federal Accessibility Standards (UFAS) standards, 24 CFR Part 8, or HUD's modified version of the 2010 Americans with Disabilities Act (ADA) Standards for Accessible Design (Alternative 2010 ADAS), HUD-2014-0042-0001, Federal Register, 79 FR 29671 (5/27/14) (commonly referred to as "the Alternative Standards" or "HUD Deeming Memo"), whichever applies to the Project. Accessible units shall, to the maximum extent feasible and subject to reasonable health and safety requirements, be distributed throughout the project and be available in a sufficient range of sizes and amenities consistent with 24 CFR Section 8.26.

f. The Americans with Disabilities Act, the Fair Housing Amendments Act, the California Fair Employment and Housing Act, the Unruh Act, Government Code Section 11135, Rehabilitation Act Section 504, and regulations promulgated pursuant to those statutes, including 24 CFR Part 100, 24 CFR Part 8, and 28 CFR Part 35.

19. NON-DISCRIMINATION POLICY. Owner shall adopt a written non-discrimination policy requiring that no person shall, on the grounds of race, color, religion, sex, gender, gender identity, gender expression, sexual orientation, marital status, national origin, ancestry, familial status, source of income, disability, age, medical condition, genetic information, citizenship, primary language, immigration status (except where explicitly prohibited by federal law), arbitrary characteristics, and all other classes of individuals protected from discrimination under state or federal fair housing laws, individuals perceived to be a member of any of the preceding classes, or any individual or person associated with any of the preceding classes be excluded from participation in, be denied the benefits of, or be subjected to discrimination under, any program or activity funded in whole or in part with PLHA funds.

20. AFFORDABILITY REQUIREMENTS. Owner shall ensure that all of the Restricted Units assisted with PLHA funds are rented at or below sixty percent (60%) of the Sacramento Metropolitan Statistical Area median income ("Median Income"), as determined annually by the federal Department of Housing and Urban Development, as adjusted for family size appropriate to the size and number of bedrooms in the respective Restricted Unit.

21. OCCUPANCY REQUIREMENTS. Owner shall ensure that all Restricted Units are occupied by households earning less than sixty percent (60%) of Median Income.

22. UNIT QUALITY. Owner shall ensure that Restricted Units assisted with PLHA funds are comparable in size and amenities to other units in the Project, especially, if applicable, units in the Project that are not subject to restrictions regarding maximum rent or maximum household income.

23. TERM. These covenants shall burden and regulate the Restricted Units for a term of fifty-five (55) years.

MIHF FUNDING REQUIREMENTS
MIXED INCOME HOUSING FUNDS – CITY OF SACRAMENTO
FINANCING FOR RESIDENTIAL RENTAL PROPERTY

These “Mixed Income Housing Funding Requirements” (or “MIHF Requirements”) are attached to a Regulatory Agreement, and are incorporated in that Regulatory Agreement. In turn, the Regulatory Agreement is incorporated in the Loan that is described in the Regulatory Agreement. The capitalized terms used in these MIHF Requirements shall have the meanings below in the body of the these MIHF Requirements. Terms being defined are indicated by quotation marks. Capitalized terms in these MIHF Requirements that are not defined below are defined in the Regulatory Agreement.

1. **RECITALS.** The Loan is funded by the Agency with proceeds of the Mixed Income Housing Fund (“MIHF”) of the City of Sacramento. The Agency has approved the Loan on condition that the property securing the Loan (“Property”) is rehabilitated or developed as residential rental property (“Project”) with certain units regulated in accordance with the Regulatory Agreement (“MIHF-Assisted Units”) by recordation of these MIHF Requirements as covenants running with the land.

2. **AFFORDABILITY REQUIREMENTS.** Owner shall ensure that all of the MIHF-Assisted Units shall be rented at or below the following rates:

a. Low-Income Units shall be rented for not more than thirty percent (30%) of eighty percent (80%) of the Sacramento Metropolitan Statistical Area median income as determined annually by the federal Department of Housing and Urban Development (“Median Income”), as adjusted for family size appropriate to the size and number of bedrooms in the respective MIHF-Assisted Unit.

b. Very Low-Income Units shall be rented for not more than thirty percent (30%) of fifty percent (50%) of the Median Income as adjusted for family size appropriate to the size and number of bedrooms in the respective MIHF-Assisted Unit.

c. Extremely Low-Income Units shall be rented for not more than thirty percent (30%) of thirty percent (30%) of the Median Income as adjusted for family size appropriate to the size and number of bedrooms in the respective MIHF-Assisted Unit.

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

e. Owner shall be responsible for determining the affordable rents for the MIHF-Assisted Units. Within ten (10) days of Owner request, Agency shall provide all information necessary for Owner to compute such affordable rents and will assist Owner in determining such rents.

3. **OCCUPANCY REQUIREMENTS.** Owner shall ensure that all MIHF-Assisted Units shall be occupied by households earning less than eighty percent (80%) of Median Income.

4. **UNIT QUALITY.** Owner shall ensure that MIHF-Assisted Units must be comparable in size and amenities to other units in the Project.

5. **TERM.** These covenants shall burden and regulate the MIHF-Assisted Units for a term of thirty (30) years.

HTF FUNDING REQUIREMENTS
HOUSING TRUST FUND – CITY OF SACRAMENTO
FINANCING FOR RESIDENTIAL RENTAL PROPERTY

These “HTF Funding Requirements” are attached to a Regulatory Agreement, and are incorporated in that Regulatory Agreement. In turn, the Regulatory Agreement is incorporated in the Loan that is described in the Regulatory Agreement. The capitalized terms used in these HTF Funding Requirements shall have the meanings below in the body of the these HTF Funding Requirements. Terms being defined are indicated by quotation marks. Capitalized terms in these HTF Funding Requirements that are not defined below are defined in the Regulatory Agreement.

1. **RECITALS.** The Loan is funded by the Agency with proceeds of the Housing Trust Fund (“HTF”) of the City of Sacramento. The Agency has approved the Loan on condition that the property securing the Loan (“Property”) is rehabilitated or developed as residential rental property (“Project”) with certain units regulated in accordance with the HTF (“HTF-Assisted Units”) by recordation of these HTF Funding Restrictions as covenants running with the land. The Project has been determined to be within a seven-mile distance from the non-residential projects generating the funds or has access to existing or planned public transit such that it is reasonable that tenants of the Project could commute from the Project to the non-residential projects generating the funds. The Project conforms to any City “Fair Share” plan currently adopted and in effect. HTF-Assisted Units are made affordable by such regulation to persons and households that qualify as low-income or very low-income as indicated in the table in Article I of the Regulatory Agreement. The development of the Project will benefit the Project Area because the Project will provide housing for persons who work within the Project Area. The Project is located within the City of Sacramento (“City”). Most Project Area workers live outside of the Project Area and come from throughout the City, including the vicinity of the Property.

2. **AFFORDABILITY REQUIREMENTS.** Owner shall assure that all of the HTF-Assisted Units assisted with HTF funds shall be rented at or below the following rates:

a. Low-Income Units shall be rented for not more than thirty percent (30%) of eighty percent (80%) of the Sacramento Metropolitan Statistical Area median income (“Median Income”), as determined annually by the federal Department of Housing and Urban Development, as adjusted for family size appropriate to the size and number of bedrooms in the respective HTF-Assisted Unit.

b. Very Low-Income Units shall be rented for not more than thirty percent (30%) of fifty percent (50%) of the Median Income as adjusted for family size appropriate to the size and number of bedrooms in the respective HTF-Assisted Unit.

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

d. Owner shall be responsible to determine the affordable rents for the HTF-Assisted Units. Within ten (10) days of Owner request, Agency shall provide all information necessary for Owner to compute such affordable rents and will assist Owner in determining such rents.

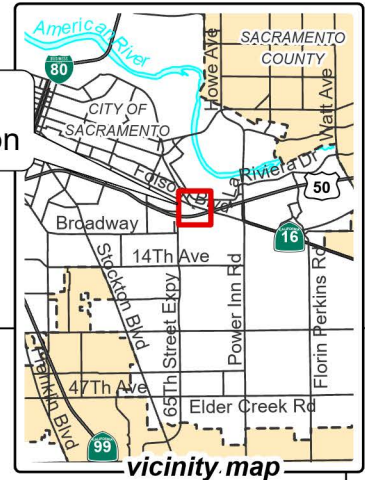
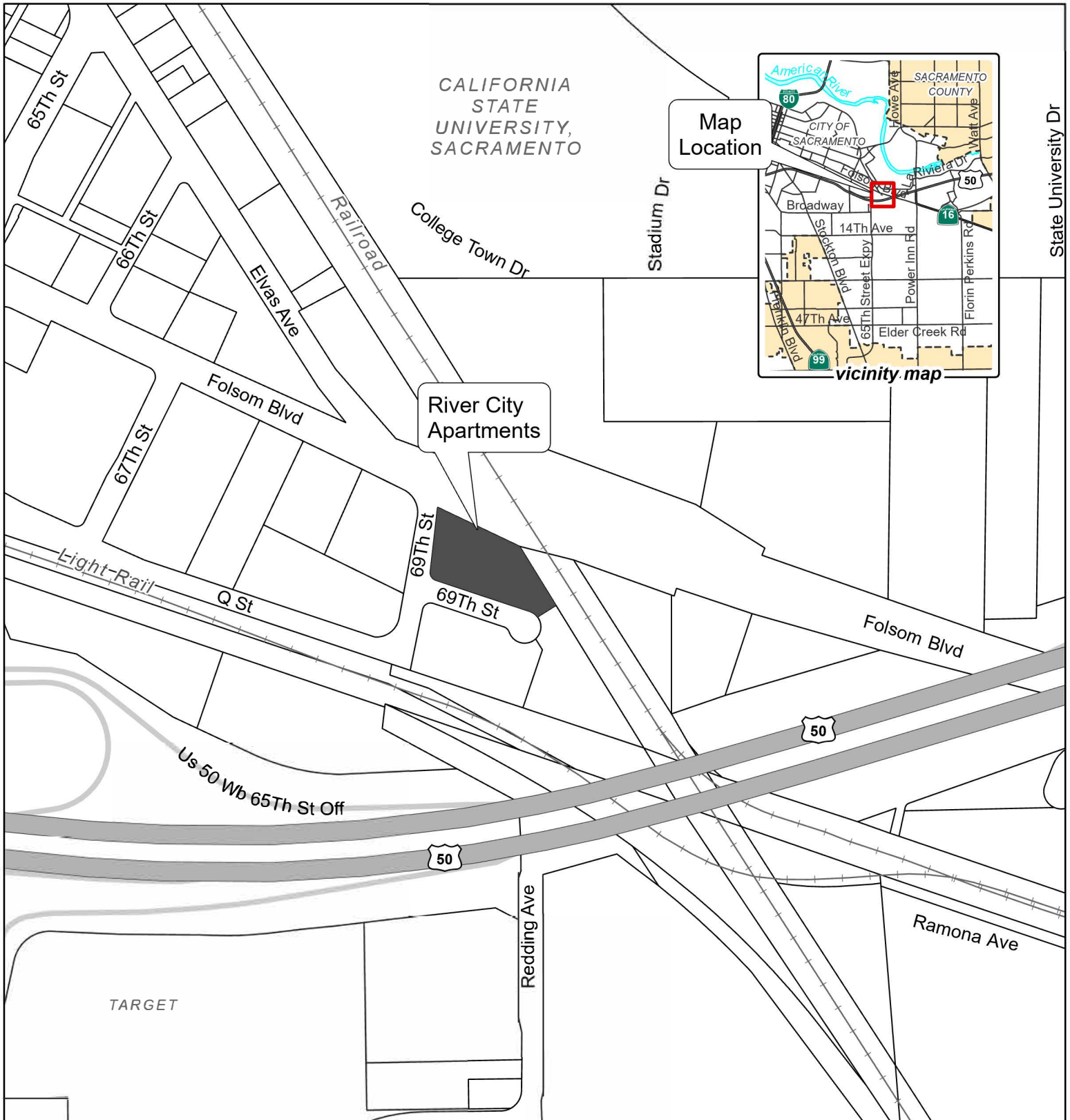
2. **OCCUPANCY REQUIREMENTS.** Owner shall assure that all HTF-Assisted Units shall be occupied by households earning less than eighty percent (80%) of Median Income.


3. **UNIT QUALITY.** Owner shall assure that Assisted Units assisted with HTF funds must be comparable in size and amenities to other units in the Project.

4. **TERM.** These covenants shall burden and regulate the HTF-Assisted Units for a term of thirty (30) years.



River City Apartments



 River City Apartments
(1601 69th Street)



SHRA GIS
February 20, 2024

Scotty's Station Apartments – Project Rendering



Scotty's Station Apartments – Site Plan



Scoty's Station Apartments
Residential Project Summary

Addresses	1601 69th Street Sacramento, CA 95819									
Number of Units	66									
Project Type	New Construction									
Acreage	0.97									
Unit Mix and Rents	<u>30% AMI</u>	<u>40% AMI</u>	<u>50% AMI</u>	<u>60% AMI</u>	<u>Exempt Management Unit</u>	<u>Total</u>				
1BR/ 1BA	2	5	5	7	0	19				
2BR/ 1BA	3	5	9	10	1	28				
3BR/ 2BA	2	4	6	7	0	19				
Total Units	7	14	20	24	1	66				
Square Footage			<u>Unit Size (sq.ft.)</u>	<u>Total (sq. ft.)</u>						
1BR/ 1BA			548	10,412						
2BR/ 1BA			703	19,684						
3BR/ 2BA			922	17,518						
Manager Unit			703	703						
Common Areas			2,450	2,450						
Total Gross				50,767						
Resident Facilities	Amenities on site will include a community room, picnic area, playground, gated entry, onsite management, laundry rooms, computer room, surveillance cameras, two elevators, bicycle storage, and podium and carport parking spaces									
Permanent Sources	<u>Total</u>	<u>Per Unit</u>	<u>Per Square Foot</u>							
Permanent Loan	\$ 6,170,000	\$ 93,485	\$ 121.54							
Federal Tax Credit Equity	\$ 20,116,773	\$ 304,800	\$ 396.26							
SHRA Loan	\$ 4,100,000	\$ 62,121	\$ 80.76							
Comm Resource Development Loan	\$ 1,500,000	\$ 22,727	\$ 29.55							
Deferred Developer Fee	\$ 1,715,310	\$ 25,990	\$ 33.79							
TCAC Performacne Deposit Refund	\$ 96,958	\$ 1,469	\$ 1.91							
TOTAL SOURCES	\$ 33,699,041	\$ 510,592	\$ 663.80							
Permanent Uses	<u>Total</u>	<u>Per Unit</u>	<u>Per Square Foot</u>							
Acquisition	\$ 3,774,496	\$ 57,189	\$ 74.35							
Construction Costs	\$ 21,268,888	\$ 322,256	\$ 418.95							
Architecture & Engineering	\$ 756,600	\$ 11,464	\$ 14.90							
Permits/Fees	\$ 1,339,268	\$ 20,292	\$ 26.38							
Hard Cost Contingency	\$ 1,008,959	\$ 15,287	\$ 19.87							
TOTAL HARD COSTS	\$ 28,148,211	\$ 426,488	\$ 554.46							
Soft Cost Contingency	\$ 121,895	\$ 1,847	\$ 2.40							
Financing Cost	\$ 1,657,673	\$ 25,116	\$ 32.65							
Operating Reserves	\$ 236,398	\$ 3,582	\$ 4.66							
Legal Fees	\$ 334,999	\$ 5,076	\$ 6.60							
Developer Fee	\$ 2,500,000	\$ 37,879	\$ 49.24							
Third Party Fees, Marketing, Other	\$ 699,865	\$ 10,604	\$ 13.79							
TOTAL SOFT COSTS	\$ 5,550,830	\$ 84,103	\$ 109.34							
TOTAL USES	\$ 33,699,041	\$ 510,592	\$ 663.80							
Leverage	<u>SHRA \$ per Unit</u>	<u>Per Unit Cost</u>	<u>Leverage</u>							
	\$ 62,121	\$ 510,592	SHRA \$1.00 :	\$8.22						
Management / Expenses	<table style="width: 100%; border: none;"> <tr> <td style="width: 50%;">Proposed Developer</td> <td style="width: 50%;">Chelsea Investment Corporation</td> </tr> <tr> <td>Property Management Company</td> <td>Conam Management Corporation</td> </tr> </table>						Proposed Developer	Chelsea Investment Corporation	Property Management Company	Conam Management Corporation
Proposed Developer	Chelsea Investment Corporation									
Property Management Company	Conam Management Corporation									
Operating Expenses	\$ 316,381	\$ 4,794	per unit							
Property Management Fee	\$ 47,520	\$ 720	per unit							
Resident Services	\$ 24,226	\$ 367	per unit							
Taxes and Insurance	\$ 46,950	\$ 711	per unit							
Replacement Reserves	\$ 33,000	\$ 500	per unit							

River City Apartments Unit Type	Area Median Income % (AMI)	Number	Square Feet	Total Sq Feet	Gross Rent'	Utility Allowance	Net Rent	Net Rent per Sq Foot	Total Monthly Net Rent	Current Annual Rent
1BR/1BA	30%	2	578	1,156	\$ 772.00	\$ 63.00	\$ 709	\$ 1.23	\$ 1,418	\$ 17,016
1BR/1BA	40%	5	578	2,890	\$ 1,029.00	\$ 63.00	\$ 966	\$ 1.67	\$ 4,830	\$ 57,960
1BR/1BA	50%	5	578	2,890	\$ 1,288.00	\$ 63.00	\$ 1,225	\$ 2.12	\$ 6,125	\$ 73,500
1BR/1BA	60%	7	578	4,046	\$ 1,543.00	\$ 63.00	\$ 1,480	\$ 2.56	\$ 10,360	\$ 124,320
2BR/1BA	30%	3	733	2,199	\$ 868.00	\$ 71.00	\$ 797	\$ 1.09	\$ 2,391	\$ 28,692
2BR/1BA	40%	5	733	3,665	\$ 1,158.00	\$ 71.00	\$ 1,087	\$ 1.48	\$ 5,435	\$ 65,220
2BR/1BA	50%	9	733	6,597	\$ 1,447.00	\$ 71.00	\$ 1,376	\$ 1.88	\$ 12,384	\$ 148,608
2BR/1BA	60%	10	733	7,330	\$ 1,737.00	\$ 71.00	\$ 1,666	\$ 2.27	\$ 16,660	\$ 199,920
3BR/2BA	30%	2	922	1,844	\$ 965.00	\$ 81.00	\$ 884	\$ 0.96	\$ 1,768	\$ 21,216
3BR/2BA	40%	4	922	3,688	\$ 1,286.00	\$ 81.00	\$ 1,205	\$ 1.31	\$ 4,820	\$ 57,840
3BR/2BA	50%	6	922	5,532	\$ 1,607.00	\$ 81.00	\$ 1,526	\$ 1.66	\$ 9,156	\$ 109,872
3BR/2BA	60%	7	922	6,454	\$ 1,929.00	\$ 81.00	\$ 1,848	\$ 2.00	\$ 12,936	\$ 155,232
2BR - Manager unit		1	733	733			\$ -	\$ -	\$ -	\$ -
Totals		66		49,024					\$ 88,283	\$ 1,059,396

	Annual Increase	Per Unit	2027 Year 1	2028 Year 2	2029 Year 3	2030 Year 4	2031 Year 5	2032 Year 6	2033 Year 7	2036 Year 10	2041 Year 15	2046 Year 20	2056 Year 30
Income													
Gross Potential Rent	2.50%		1,059,396	1,085,881	1,113,028	1,140,854	1,169,375	1,198,609	1,228,575	1,323,040	1,496,899	1,693,604	2,167,956
Other Income	2.50%		15,840	16,236	16,642	17,058	17,484	17,922	18,370	19,782	22,382	25,323	32,415
Rental Subsidy	2.50%		0	0	0	0	0	0	0	0	0	0	0
Less Vacancy	5.00%		-53,762	-55,106	-56,483	-57,896	-59,343	-60,827	-62,347	-67,141	-75,964	-85,946	-110,019
Effective Gross Income			\$1,021,474	\$1,047,011	\$1,073,186	\$1,100,016	\$1,127,516	\$1,155,704	\$1,184,597	\$1,275,681	\$1,443,316	\$1,632,980	\$2,090,352
Expenses													
Operating Expenses	3.50%	4,794	316,381	327,454	338,915	350,777	363,054	375,761	388,913	431,195	512,124	608,243	857,987
Property Management	3.50%	720	47,520	49,183	50,905	52,686	54,530	56,439	58,414	64,765	76,920	91,357	128,868
Resident Services	3.50%	367	24,226	25,074	25,951	26,860	27,800	28,773	29,780	33,018	39,214	46,575	65,698
Taxes and Insurance	2.00%	711	46,950	47,889	48,847	49,824	50,820	51,837	52,873	56,110	61,950	68,397	83,376
Security	3.50%	0	0	0	0	0	0	0	0	0	0	0	0
Replacement Reserves	0.00%	500	33,000	33,000	33,000	33,000	33,000	33,000	33,000	33,000	33,000	33,000	33,000
Total Expenses		7,092	\$468,077	\$482,600	\$497,618	\$513,147	\$529,205	\$545,810	\$562,981	\$618,087	\$723,209	\$847,572	\$1,168,929
Net Operating Income			\$554,514	\$564,411	\$575,568	\$586,869	\$598,312	\$609,895	\$621,616	\$657,594	\$720,108	\$785,408	\$921,423
Debt Service													
Senior Loan	amount	rate	amort										
SHRA Monitoring Fee	\$4,100,000	0.125%	40	472,633	472,633	472,633	472,633	472,633	472,633	472,633	472,633	472,633	472,633
Debt Service Subtotal				\$479,358	\$479,358	\$479,358	\$479,358	\$479,358	\$479,358	\$479,358	\$479,358	\$479,358	\$479,358
DCR				1.16	1.18	1.20	1.22	1.25	1.27	1.30	1.37	1.50	1.64
Cash Available after Debt Service				\$75,156	\$85,052	\$96,210	\$107,511	\$118,953	\$130,536	\$142,258	\$178,236	\$240,750	\$306,050
Priority Distributions													
Limited Partner Management Fee	\$7,000	3.00%		7,000	7,210	7,426	7,649	7,879	8,115	8,358	9,133	10,588	12,275
Managing General Partner Management F	\$5,000	3.00%		5,000	5,150	5,305	5,464	5,628	5,796	5,970	6,524	7,563	8,768
Administrative General Partner Fee	\$0	3.00%		0	0	0	0	0	0	0	0	0	0
Priority Distributions Subtotal				12,000	12,360	12,731	13,113	13,506	13,911	14,329	15,657	18,151	21,042
Net Cash after Priority Distributions				\$63,156	\$72,692	\$83,479	\$94,398	\$105,447	\$116,625	\$127,930	\$162,579	\$222,598	\$285,008
Deferred Developer Fee													
Principal Balance	\$1,715,310	1.00%		1,715,310	1,669,307	1,613,308	1,545,961	1,467,023	1,376,246	1,273,383	889,806	0	0
Interest for Period				17,153	16,693	16,133	15,460	14,670	13,762	12,734	8,898	0	0
Accumulated Interest				17,153	16,693	16,133	15,460	14,670	13,762	12,734	8,898	0	0
Payment				63,156	72,692	83,479	94,398	105,447	116,625	127,930	162,579	0	0
Balance				\$1,669,307	\$1,613,308	\$1,545,961	\$1,467,023	\$1,376,246	\$1,273,383	\$1,158,187	\$736,125	\$0	\$0
GP contribution												\$0	\$0
Net Cash after Deferred Developer Fee				\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$222,598	\$285,008	\$413,786
SHRA Loan													
Principal Balance	\$4,100,000	3.00%		4,100,000	4,100,000	4,100,000	4,100,000	4,100,000	4,100,000	4,100,000	4,100,000	4,100,000	4,100,000
Interest for Period				123,000	123,000	123,000	123,000	123,000	123,000	123,000	123,000	123,000	123,000
Accumulated Interest				123,000	246,000	369,000	492,000	615,000	738,000	861,000	1,230,000	1,845,000	1,940,929
Payment				0	0	0	0	0	0	0	0	139,644	187,670
Rate of Payment Increase												3.0%	3.0%

Scotty's Station Apartments

Scotty's Station Apartments Formerly River City Apartments Limits 2026

Limits at 50% and 60% of Area Median Income (AMI)

HOME Investment Partnership Funds (HOME

Permanent Living Housing Assistance (PLHA)

Mixed Income Housing Funds (MIHF)

Housing Trust Funds (HTF)

Gross Income Limits

<u>Family Size</u>	<u>30% AMI</u>	<u>40% AMI</u>	<u>50% AMI</u>	<u>60% AMI</u>
1	\$27,050	\$36,040	\$45,050	\$54,060
2	\$30,900	\$41,160	\$51,450	\$61,740
3	\$34,750	\$46,320	\$57,900	\$69,480

Maximum Gross Rent Limits

<u>Unit Size</u>	<u>30% AMI</u>	<u>40% AMI</u>	<u>50% AMI</u>	<u>60% AMI</u>
1 Bedroom	\$772	\$1,029	\$1,206	\$1,543
2 Bedroom	\$868	\$1,158	\$1,447	\$1,737
3 Bedroom	\$965	\$1,286	\$1,607	\$1,929