

CITY OF GALT

For Meeting of: February 5, 2008

AGENDA ITEM NO. _____

Date: February 5, 2008

To: Honorable Mayor and Council Members
Redevelopment Agency Chairperson and Board

From: Curt Campion, Community Development Director

Subject: Galt Place Mixed Use and Affordable Senior Housing Project

Recommendation

1. That the City Council adopt Resolution 2008-___, a resolution approving the CEQA Notice of Exemption, and authorizing the City Manager to execute a loan agreement with the Redevelopment Agency for the Galt Place Senior Project loan request, and approving the project, site plan and elevations for said project; and
2. That the Redevelopment Agency adopt Resolution 2008-__(R) authorizing the appropriation of funds for a loan not to exceed \$2,500,000 in Redevelopment Low/Mod Housing Set-aside Funds to CFY Development, Inc. to assist with the acquisition and construction of said project, and authorizes the Executive Director to execute a loan agreement with the City of Galt for the Galt Place Senior Project, and to enter into and sign the Owner Participation Agreement (Loan Agreement and Regulatory Agreement), and such other documents that are required to provide the Agency loan to CFY Development, Inc.

Background

Staff met with representatives of CFY Development, Inc in September of 2006. CFY expressed interested in constructing a housing project in the City of Galt and sought staff feedback on the type of housing project, the location, and the City's interest in providing financial assistance to an affordable project.

The developers initially wished to build in the northeast area of the city but were directed by staff to search the downtown area for a suitable site. Staff was interested in providing new development in the downtown

Prepared by: Chris Erias, Associate Planner

City Manager Approval:

REVIEWED BY:

Finance _____ City Attorney _____ Personnel _____ Other _____

TYPE OF ITEM:

- _____ Consent
- Departmental
- _____ Public Hearing
- Redevelopment Agency
- _____ Other

COUNCIL ACTION: Approved Denied Revised

Reso. # _____ Ord. No. _____

Moved By:

Seconded By:

Vote:

PREVIOUS ACTION/REFERRAL:

Council Order No. _____

Meeting of _____

Elizabeth Aguire, City Clerk

by: _____

area and an affordable senior housing project seemed the most desirable, especially since there is no senior housing in the immediate downtown area, and given that senior housing is the developer's specialty. CFY has constructed many affordable senior projects throughout the region. The developer also has a strong background in working in historic areas.

Staff was not certain if financial assistance was feasible because there was no specific request for funds and there was no specific project which to commit to. Staff indicated the city had interest but that any City financing would depend on the amount needed and the quality of the project. Staff recommended that the developer submit a proposal which included a location, conceptual site plan, elevations and a specific request for funding.

In response to staffs' request, CFY Development, Inc. delivered a proposal in May of 2007. The proposal included a financing plan and conceptual elevations and site plan. Staff was supportive of the proposal and initiated its review for accuracy and content.

Staff recommended a presentation of the proposal to City Council to gauge the Council's interest in providing financial support to the project. The developers provided a detailed presentation to the City Council at its meeting on September 4, 2007. The Council was unanimous in its support of the project and directed staff to continue working with the developers on the project details. As a result of this meeting, CFY Development, Inc. submitted a formal Site Plan Review Application in October 2007.

Proposal/Project Contents

Site Plan and Elevations

The CFY proposal includes the construction of an affordable senior housing mixed use project located on a .93 acre property at the southeast corner of 4th and D Street in the City of Galt's Downtown area (Attachment I).

The project consists of one three story building. The ground floor contains commercial space, tenant common areas and parking. The second and third floors are comprised of the senior apartments. The initial proposal consisted of 90 senior units but has since been reduced to a total of 81 apartments, 64 one bedroom and 17 two bedroom apartments. One apartment will be used for a live in manager unit. The remaining 80 senior apartments will be restricted to seniors meeting low income guidelines. The building will face 4th, D and E Streets. Primary pedestrian access for tenants will be from D Street although; there will be access points off of 4th Street. Commercial access will be from 4th, D Street and E Street. All parking will be accessed from the alley and E Street. The project includes:

- ✓ 10,000± square feet of commercial space.
- ✓ 4,502 of tenant service area, which includes laundry room, multi-purpose room, management offices, and mail services room.
- ✓ 70 off-street parking spaces.
- ✓ 81 residential apartments.

The building design reflects classic and historic downtown styles. It incorporates different historic periods into a cohesive building design. The varying historic eras provide the street front with the appearance of multiple smaller buildings which is typical for many older downtown areas. The building facade includes period detail to complete the overall concept. Please refer to Exhibit A of the attached City Resolution for site plan and building elevations.

Project Budget

The proposal included a detailed development budget which shows all costs associated with development, operational expenses, projected income, and financing structure.

Development costs include, but are not limited to, the purchase of the property, construction costs, architectural and engineering costs, and City fees. Operational expenses include, but are not limited to, debt service, property management, utilities, insurance, and maintenance. Financing of the project includes Tax Credit financing, deferred developer fees, conventional bank financing, and a \$2,500,000 loan from the City of Galt Redevelopment Agency.

Developer Resume and References

The CFY Development Inc. proposal also included a detailed resume and references. The resume lists many CFY projects in the Greater Sacramento region. The following is a list of the developer's most recent projects.

<u>Project Name</u>	<u>Location</u>	<u>Project Type</u>
Globe Mills	City of Sacramento	112 Affordable Senior Units
Tracy Place	City of Tracy	50 Affordable Senior Units
Waterman Square	City of Elk Grove	84 Affordable Family Units
Stockton Hotel	City of Stockton	156 Affordable Senior Units

The developer has over 20 years of experience in building affordable housing. Their portfolio consists of 2,352 affordable housing units (25 projects) located in 15 cities in California.

Proposal/Project Review

Staff Review

The City conducted a thorough review of the CFY proposal. The project review consisted of the City Manager, Assistant City Manager, the Finance Director, and the Community Development Director. After initial review of the project proposal, staff was supportive and consequently devised a course of action for further study. Additional review included:

- ✓ An outside consultant
- ✓ Legal Review
- ✓ Calling references

The City of Galt, at developer expense, hired Urban Futures to review the project proposal. Urban Futures recommended several changes to the proposal and was overall supportive of the project. The legal review consisted primarily of an evaluation of the loan documents and developer agreements (Exhibit A of the Redevelopment Agency Resolution).

Staff contacted all of the references provided by the developer. They included the Cities of Sacramento, Elk Grove, Tracy, and Stockton. Staff received mostly positive feedback from the other cities. The cities of Sacramento and Elk Grove specifically mentioned that the developers were very responsive to community

input regarding their projects. The City of Tracy was kind enough to send sample loan documents and developer agreements for our review and comparison. All cities verified the accuracy of subsidy numbers provided by CFY.

The project review also consists of staffs' evaluation of the Site Plan Review Application. It was submitted on October 5, 2007. It was routed to other City departments and Agencies for review and comment. After this initial review staff sent a letter of incompleteness on November 5, 2007. Staff continues to work with the applicant to resolve minor issues with the site plan.

Project Loan Details

The provisions of the loan are provided in detail in Section 2 of the Loan Agreement. The City loan could be best summarized as follows:

- ✓ Loan Amount: \$2,500,000
- ✓ Interest Rate: 3% commencing on the date of the agreement and continuing until the loan is repaid.
- ✓ Loan Security: Deed of Trust subordinate to primary lender
- ✓ Timing of City Loan: At the close of construction
- ✓ Repayment Schedule: Loan payment commences on April 15, 2012. Payment shall consist of 75% of the residual receipts.

Other key components of the developer agreement include affordability restrictions of the senior rental units. As part of said agreements, the developer will restrict 80 units for senior occupancy (55 years older). The units will also be income restricted. The breakdown of income category restriction is as follows:

<u>Income Category</u>	<u>Number of Units</u>
Extremely Low Income:	8
Very Low	48
Low	24
Manager's Unit (unrestricted)	<u>1</u>
Total	81

Please note that the City loan is contingent upon CFY Development, Inc. receiving a commitment letter from a tax credit equity investor in form, substance, and amount consistent with the approved development budget. If CFY fails to receive this funding commitment, the City loan, and project, will be void.

City Loan Request

Loan to the Galt Redevelopment Agency would be funded as follows:

Staff is budgeting \$2,500,000 from the Low Moderate Income Housing Fund (LMIHF). At this time, there are insufficient funds in the LMIHF to cover this request. The current LMIHF balance is \$1,225,000. Staff is recommending shifting \$1,275,000 from impact fees to the LMIHF account in order to meet the total \$2,500,000 loan request. The recommended shift will be from the following accounts:

Fund 14 Sewer	\$624,682	49%
Fund 13 Water	\$32,393	3%
Fund 11 PSIF- Police	\$23,208	2%
Fund 11 GGIF -General		
Govt	\$130,512	10%
Fund 11 Recreation	\$464,205	36%
Total Loan	\$1,275,000	100%

The total estimated impact fees from the project are \$2,498,935. The project impact fees are expected to be paid by the developer at the issuance of the occupancy permit so the loan from the City to the LMIHF account will be short term. The project will generate more in impact fees than the amount needed to loan the LMIHF. Staff is also recommending that the Redevelopment Agency reimburse the City Impact Fee accounts with future Low Moderate Income Housing Funds.

Staff believes the total 2.5 million dollar Redevelopment Agency loan to the developer for the 80 affordable units is a good value for the City, especially when compared to subsidy per unit with the other cities. For Galt, it comes to \$31,250 per unit. As a comparison, the following table shows the subsidy per unit of the developers' more recent projects.

<u>Project Name</u>	<u>Location</u>	<u>Subsidy Per Unit*</u>
Globe Mills	City of Sacramento	\$108,200
Tracy Place	City of Tracy	\$88,000
Waterman Square	City of Elk Grove	\$89,000
Stockton Hotel	City of Stockton	\$61,900

*Amounts were verified by representatives from each of the cities.

Fiscal Impact of Budget Appropriation

The LMIHF is comprised of the Redevelopment Tax Increment 20% set aside funds. By law, this funding must be used for affordable housing. The City of Galt primarily uses the LMIHF to fund the Galt Housing and Rehabilitation Program. Funds will be redirected from this program to finance the project. With the shift of funds, \$50,000 will remain for the Rehab Loan program. Staff believes this should be sufficient to fund the remaining fiscal year. Despite having a strong first half of fiscal year 2006/2007, the program slowed down in 2007. Considering that the program is slow staff believes that the decrease in available funds should not greatly affect the program.

Environmental Status

Typically, a Site Plan Review applicant is a ministerial application. Per Section 21080 (b) (1) of the California Environmental Quality Act (CEQA) Guidelines ministerial projects are not subject to CEQA. In addition, CEQA Section 15378 (b) (4) states, "The creation of government funding mechanisms or other government fiscal activities which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment." Since the project consists of a funding request of a project with no significant effects on the environment, CEQA does not apply.

However, since the City of Galt will be providing a loan to the Redevelopment Agency for Galt Place, we are seeking City Council approval of the project and attached site plan and elevations. As a result, the City will file a Notice of Exemption for said project in accordance with CEQA Section 15332 (Class 32), which categorically exempts projects that are characterized as in-fill development projects.

Galt Place is a classic in-fill project. It meets the criteria required for in-fill status.

- a) The project is consistent with the General Plan, and all zoning designations and regulations.

It specifically addresses the following goals and policies of the Housing Element.

Goal 1: Provide for adequate very low, low, moderate, and above moderate housing.

Policy 3: Allow for the development of affordable housing

Policy 5: City will offer density bonuses and other incentives in the construction of affordable housing.

Policy 6: Encourages infill development

Policy 7: Encourage developers to utilize innovative approaches to providing affordable housing in the City of Galt.

Goal 3: Meet special housing needs in Galt

Policy 15: Assist in increasing the supply of housing that meets the needs of older residents.

The project is located in the Downtown Revitalization and Historic Preservation Specific Plan Area (DRHPSP) and the property it is located on has a commercial land use designation. Mixed use and the proposed residential density are permitted in this land use designation. Per Footnote 1 of Table 2, Site Development Standards, found in Section IV, page 14 of the DRHPSP, the maximum residential density for the commercial land use designation is to be established during preliminary concept design review. The project is also consistent with the required development standards that are listed on Table 2, Site Development Standards.

This project meets goals and objectives provided in the Downtown Revitalization and Historic Preservation Specific Plan. It supports the land use goals by providing residential and commercial uses in a pedestrian friendly environment. The project is consistent with the Downtown Plan's Land Use Objectives by upgrading an underutilized parcel, (there is currently an auto repair facility on site).

- b) The project site is located in the City limits; it is less than 5 acres (.93 total acres) and is surrounded by urban use. A multi-family apartment complex and other single family homes are adjacent to the east, Spaans Bakery is located to the north, the Union Pacific Railroad is directly west, and an auto repair facility is immediately south of the project site.
- c) The project site has no value for endangered, rare, or threatened species. There is an automobile repair shop currently operating from the site. The bulk of the project site is paved. As a result, the site is currently not habitable for any endangered, rare, or threatened species.
- d) Approval of the project would not result in any significant effects relating to traffic, noise, air quality, and/or water quality.

Traffic

The addition of this project will have no significant effect on traffic. According to the General Plan Circulation & Transit Element, page H-9 and H-10, all streets and intersections in the downtown area are operating at Level of Service "A". There has been no new development in the downtown area to alter this operating level. Since all roads and intersections near the project are operating well above acceptable thresholds, the addition of this project will not have a significant effect on traffic.

Furthermore, the site is consistent with the parking requirements found in Table 18.36-2 and Section 18.36.050 (B) of the Galt Municipal Code. The parking requirement for the project is 70 spaces. This was determined by calculating 1 space per 3 senior apartments, 2 spaces for the managers unit, and 1 space per 250 square feet of commercial space. This totaled 29 spaces for residential use and 41 spaces for commercial use. The project is providing 70 off-street parking spaces.

In addition, the project will be required to provide an onsite bus stop for the local transit services. This service will be available on a call-up basis for tenants living in the building.

Galt Place embodies Smart Growth principles. Smart Growth derives its name from development practices that have the least impact on the environment. Traffic congestion is perhaps the most important environmental impact that Smart Growth is intended to improve. Galt Place represents the Smart Growth principles listed by the Environmental Protection Agency (EPA) (http://www.epa.gov/dced/about_sg.htm#principles). These include the following:

1. Mix land uses
2. Take advantage of compact building design
3. Create a range of housing opportunities and choices
4. Create walkable neighborhoods
5. Foster distinctive, attractive communities with a strong sense of place
6. Preserve open space, farmland, natural beauty, and critical environmental areas
7. Strengthen and direct development towards existing communities
8. Provide a variety of transportation choices

Galt Place mixes land use by combining commercial use with residential use. It has ground floor commercial space and two floors of residential apartments. It takes advantage of compact design by encompassing 80% of the available lot space. It maximizes the use of space by providing living quarters above parking. The project will be restricted to seniors meeting income qualifications. This provides the City, and specifically the downtown area, a wider range of housing opportunities and options. It creates a walkable neighborhood because it is built in the downtown core; there are residential services within walking distance of the project site. The creative design of the building not only fosters a distinctive and attractive community presence but it also could serve to spur further development in the downtown area. The construction of the Galt Place in this location preserves open space by taking advantage of available land in the inner city as compared to building in open areas on the outskirts of the City limits. Redeveloping the City's older downtown core strengthens the community by linking its past with the future which provides residents with a sense of community. Transportation choices include the use of the local bus services, which will have an on-site bus stop, and the projects location allows residence the ability to walk to nearby residential services.

Noise

The proposed project will not generate a significant impact on noise. The proposed senior apartments

and commercial space would generate much less noise than the existing auto repair facility. In fact, according to Table 1, Land Use Matrix, Section IV, page 7, of the DRHPSP the existing auto repair shop requires a Conditional Use Permit (CUP) to operate in the commercial land use designation in the DRHPSP. The CUP process is the mechanism for the City to further evaluate impacts from a specific

use and potential conflicts with neighboring uses. Auto repair facilities are known to be noise inducing operations. The noise generated from an auto repair facility may conflict with nearby residential properties. Removing this potential noise impact of the repair shop and replacing with one that is known to be less intensive could be viewed as an improvement for the area. Consequently, the proposed use is more compatible with adjacent residential uses and the nearby lower impact commercial uses, such as offices and small retail on C Street. The absence of a CUP for the proposed use is an indication that it will not produce significant impacts requiring further evaluation. In addition, any noise generated from the construction of the project will conform to noise restrictions found in Section 8.40 of the Galt Municipal Code.

Air Quality

The project was routed to other Agencies and City Departments for review. The Sacramento Metropolitan Air Quality Management District (SMAQMD) reviewed the project and concluded that it would not contribute any significant impact on air quality. It also stated that the SMAQMD “encourages infill, mixed use projects such as this one and looks forward to its successful implementation”.

Water Quality

The project will not have any impact on water quality. The site is not near any source of water that could be affected. In addition, serving the site with City water will not degrade the quality of the City’s water system. The City’s Public Works Department has indicated that the City can and will serve the project with water service.

- e) The site can be adequately served by all City utilities and public services. It is currently served by City utilities. The Public Works Department indicated that the project could be served with all utilities including water, and that adequate wastewater capacity and treatment facilities exist to serve the project. The development is subject to impact fees to offset any impact to public services. The project was reviewed to ensure proper access for emergency vehicles and safe design. The project is subject to capital impact fees to offset any impact the project may have on existing public services. Capital Impact Fees will be paid prior to issuance of building occupancy permit and these fees fund the development’s fair share of the additional public service needs generated by the new development.

Conclusion/Recommendation

Staff recommends approval of the attached Resolutions which approves the project, site plan and elevations and the filing of a CEQA Notice of Exemption. Staff further recommends approval for the loan request from the City of Galt to the Redevelopment Agency, which provides the \$2,500,000 loan to CFY Developers, Inc. for the acquisition and construction of Galt Place. The project helps the City meet its housing requirements, helps the City use its Low/Mod Housing Set-aside Tax Increment Funds, conforms to the Downtown Revitalization and Historic Preservation Specific Plan, Galt Redevelopment Plan, Galt General Plan, and is a catalyst project for the City’s downtown area.

Housing Requirements

This project helps the City of Galt meet the goals and requirements set forth in the City's General Plan Housing Element. Please refer to the Environmental Status of this staff report for details on the project's conformance with the Housing Element.

Furthermore, this project helps the City meet its affordable housing requirements as part of its Redevelopment Plan. As you know, the City recently updated the Redevelopment Plan. Redevelopment law requires each Redevelopment Area (RDA) to provide a minimum of 15% affordable housing in the RDA, either rehabilitated or new construction. The 80 affordable units provided by this project will go along way in meeting those requirements. This could help the City focus RDA resources on other City needs, or pursue other housing projects as the City sees fit.

Low/Mod Housing Set-aside Tax Increment Funds

Failure to use Low/Mod Housing Set-aside Tax Increment Funds to improve, preserve, or construct affordable housing in the community could result in accumulating an "excess surplus" in the Low Moderate Income Housing Fund. As a result, it is in the City's best interest to utilize these funds for the proposed project as described herein.

Downtown Revitalization

In addition to helping the city meet its housing requirements, the project also provides the City with other direct and indirect benefits.

Galt Place could be a catalyst project. The construction of the proposed project could help spur interest in the downtown region from other developers. Other cities in the state have used affordable housing projects to jump start stagnant and/or blighted areas. We believe that this unique project will generate interest in the downtown area.

This project brings new retail commercial space to the downtown area. At this time, the bulk of the commercial space in the downtown area is mostly comprised of older buildings in need of rehabilitation. The lack of new commercial space with modern amenities has been a hindrance to commercial growth. Not only will this project provide much needed new commercial space it could also provide the city with the funds needed to create programs that would assist in the upgrading the existing commercial buildings.

The project will also put 81 living units directly into the downtown region. While seniors on limited income may not have much disposable income, they still need commercial uses to service their needs. This could help provide additional growth in the immediate area.

Finally, the housing element identified a growing aging population in the City of Galt. It shows that in the year 2000, persons over the age of 65 represented 8% of Galt's total population, and experienced a 47% increase in population between 1990-2000. It concluded that Galt will experience an even further increase of older adults with special housing needs over the next 20 years. Clearly, this project will work toward providing housing solutions to our older population.

Attachments

Resolution 2008-____(R) - executing Loan Agreement and Regulatory Agreement with CFY Development, Inc. and Budget Appropriation Request and approving the site plan and CEQA Notice of Exemption

Exhibit A – Loan Documents and Developer Agreement

Exhibit B – Loan Agreement to the Redevelopment Agency, from the City of Galt

Resolution 2008-_____ transferring funds in the form of a loan to the Redevelopment Agency for the Galt Place Senior Project loan request and approving the site plan and CEQA Notice of Exemption

Exhibit A – Site Plan and Building Elevations

Exhibit B – Loan Agreement to the Redevelopment Agency, from the City of Galt

Attachment 1 – Location Map

RESOLUTION NO. 2008- R

**A RESOLUTION OF THE BOARD OF DIRECTORS
OF THE REDEVELOPMENT AGENCY OF THE CITY OF GALT, CALIFORNIA,
APPROVING A LOAN AGREEMENT AND REGULATORY AGREEMENT BETWEEN THE
REDEVELOPMENT AGENCY OF THE CITY OF GALT AND CFY DEVELOPMENT, INC.
FOR THE ACQUISITION AND CONSTRUCTION OF AN AFFORDABLE SENIOR HOUSING
MIXED USE PROJECT IN THE CITY OF GALT REDVELOPMENT PROJECT AREA**

WHEREAS, the Redevelopment Agency (“Agency”) of the City of Galt is required to set aside 20% of its Tax Increment Funds to increase, improve and preserve housing affordable to very-low, low and/or moderate income persons in the community; and

WHEREAS, the developer, CFY Development, Inc. has approached the Agency seeking a \$2,500,000 loan to assist in the acquisition and construction of Galt Place (the "project") an affordable mixed use senior housing project; and

WHEREAS, the loan agreement between the City of Galt and the Galt Redevelopment Agency is not considered a project under Section 15378 (b) (4) of the California Environmental Quality Act; and

WHEREAS, the Redevelopment Agency of the City Galt has requested a \$1,275,000 loan from the City of Galt to the Low Moderate Income Housing Fund to assist in providing a \$2,500,000 loan to CFY Development, Inc. for the acquisition and construction of Galt Place, an affordable senior housing mixed use project and agrees to repay the City the principle amount plus reasonable interest under terms and conditions as set forth in the attached agreement (Exhibit B); and

WHEREAS, the Agency has received and reviewed all documents, including loan documents and developer agreements (Exhibit A) between the Redevelopment Agency of the City of Galt and CFY Development, Inc. relating to the \$2,500,000 loan for the development of an affordable mixed use senior housing building; and

WHEREAS, the Loan Agreement and Regulatory Agreement (Exhibit A) are consistent with the City of Galt Redevelopment Plan and City General Plan. The Loan Agreement and Regulatory Agreement will specifically further the attainment of the following Redevelopment Plan goals: (1) the construction of affordable senior apartments would be an asset to the City of Galt by providing new construction in the City’s Redevelopment Area and downtown; and (2) providing 80 restricted rental units for seniors in the Extremely Low, Low and/or Very Low income category which will support the City’s housing goals and meet Redevelopment Area goals.

NOW, THEREFORE, BE IT RESOLVED AND ORDERED by the Board of Directors of the Redevelopment Agency of the City of Galt, California, that

1. Approval of the loan agreement between the Galt Redevelopment Area and City of Galt is not a project under the California Environmental Quality Act, pursuant to Section 15378 (b) (4), as the funding mechanism is a loan, and the Galt Place mixed use affordable senior housing project will not result in potentially significant physical impacts on the environment, as supported in the preceding staff report evaluation of the project under Section 15332 of the California Environmental Quality Act.
2. That the Executive Director is hereby authorized to execute necessary loan documents and such other documentation in order to secure a loan from the City of Galt in the amount of \$1,275,000, (Exhibit B)

3. The Agency hereby agrees to repay the City of Galt \$1,275,000 including reasonable interest and under terms and conditions set forth by the City of Galt.
4. The Agency hereby authorizes a loan to CFY Development, Inc. in an amount not to exceed \$2,500,000 from Redevelopment Agency Low/Mod Housing Set-aside Funds to assist CFY Development, Inc. in the acquisition and construction of the affordable senior portion of the Galt Place project only, subject to the terms and conditions set forth in Section 2, below and Loan Agreement (Exhibit A).
5. The Executive Director is hereby authorized and directed, in consultation with Agency Counsel, to prepare and enter into a loan agreement, affordable housing covenant, and all other agreements and documents as are necessary to provide the Agency loan to CFY Development, Inc. subject to the following terms and conditions:
 - a. The Agency loan shall not exceed \$2,500,000, to be funded from the Agency's Low/Mod Housing Set-aside Funds;
 - b. The Agency loan shall be repaid, with simple interest at the rate of 3% per annum. Annual payments shall be made from residual receipts from the project, with the entire remaining outstanding balance due in 55 years. The Agency loan shall be evidenced by a note, and secured by a deed of trust to be recorded against the project as a condition to funding of the loan;
 - c. Funding of the Agency loan shall be conditioned on the execution and delivery by CFY Development, Inc. of a 55-year affordable housing covenant, to be recorded against the project;
 - d. The Agency loan funds shall be used by CFY Development, Inc solely to pay a portion of the costs for the senior affordable residential construction of the project; and
 - e. The loan agreement, affordable housing covenant and other related documents shall contain such other terms and conditions as are deemed appropriate by the Executive Director, in consultation with Agency Counsel.
6. A copy of the Loan Documents and Development Agreement is available and on file in the City Clerk's Office and incorporated herein by reference and made a part of this Resolution.
7. The Agency Secretary shall certify the passage and adoption of this resolution and enter it into the book of original resolutions.

PASSED AND ADOPTED by the Board of Directors of the Redevelopment Agency of the City of Galt this 5th day of February, 2008, upon a motion by Board Member _____, second by Board Member _____ by the following vote, to wit:

AYES:	Board Members:
NOES:	Board Members:
ABSTAIN:	Board Members:
ABSENT:	Board Members:

CHAIR, Redevelopment Agency

ATTEST:

SECRETARY, Redevelopment Agency

**OWNER PARTICIPATION AND LOAN AGREEMENT
(Downtown Galt Place Associates)**

This Owner Participation and Loan Agreement (the "Agreement") is entered into as of _____, 2008 (effective date), by and between the Galt Redevelopment Agency (the "Agency") and Downtown Galt Place Associates, a California Limited Partnership (the "Borrower") with reference to the following facts:

RECITALS

A. Pursuant to authority granted under California law, the Agency has the responsibility to implement the Redevelopment Project Area Plan adopted by Ordinance No. _____ of the City Council of the City of Galt on _____, pursuant to California Community Redevelopment Law (the "Redevelopment Plan") for the Redevelopment Project Area (the "Project Area");

B. The Borrower owns or will own that certain real property located inside the Project Area and more particularly described in the attached Exhibit A (the "Property"). The Borrower intends to construct eighty (80) units of senior housing that will be affordable to low and very low income senior households and one (1) manager's unit (the "Project").

C. The Agency desires to provide financial assistance to Borrower for development of the Project in the amount of Two Million Five Hundred Thousand (\$2,500,000 (the "Loan"). The Loan consists of funds from the Agency's Redevelopment Low and Moderate Income Housing Fund.

D. Through this Agreement and accompanying documents the Agency is imposing occupancy and affordability restrictions on the Development in order to meet replacement housing requirements applicable to the Redevelopment Area pursuant to Health and Safety Code Section 33413(a) and low and moderate income housing production requirements pursuant to Health and Safety Code Section 33413(b)(2)(B).

E. The California Environmental Quality Act (Public Resources Code Sections 21000 et seq.) ("CEQA"), imposes no conditions on the Agency's consideration and approval of this agreement, because the project is exempt from CEQA requirements pursuant to Public Resources Code Section 15332.

NOW, THEREFORE, the Agency and the Borrower (collectively the "Parties") agree as follows:

**ARTICLE 1
DEFINITIONS AND EXHIBITS**

Section 1.1 Definitions. The following capitalized terms have the meanings set forth in this Section 1.1 wherever used in this Agreement, unless otherwise provided:

- (a) "Agency" shall mean the Galt Redevelopment Agency.
- (b) "Agreement" shall mean this Owner Participation and Loan Agreement.

(c) "Approved Development Budget" shall mean the proforma development budget, including sources and uses of funds, as approved by the Agency, and attached hereto and incorporated herein as Exhibit B, but which may be amended with the approval of the Agency as set forth in this Agreement.

(d) "Approved Financing" shall mean all of the following funds acquired by the Borrower and approved by the Agency for the purpose of financing the Development, in addition to the Loan:

(i) Tax credit acquisition equity contribution in the approximate amount of Fourteen Million Seven Hundred Fifty Three Thousand Dollars (\$14,753,000).

(e) "Borrower" shall mean Downtown Galt Place Associates, a California limited partnership, and its permitted successors and assigns hereunder. Community Revitalization and Development Corporation, a California nonprofit corporation is the managing general partner of the Borrower. Cyrus Youssefi, individually and Egis Group, Inc., a California S Corporation are the other general partners of the Borrower.

(f) "City" shall mean the City of Galt, a municipal corporation.

(g) "Construction Component of Loan" shall mean that portion of the Loan to be disbursed for construction purposes in accordance with the Approved Development Budget.

(h) "Deed of Trust" shall mean the deed of trust that will encumber the Development to secure repayment of the Loan. The form of the Deed of Trust shall be provided by the Agency. -

(i) "Default" shall have the meaning set forth in Section 7.1 below.

(j) "Development" shall mean the Property and the Improvements.

(k) "Guarantor" shall mean Cyrus Youssefi, an individual.

(l) "Guaranty" shall mean the performance guaranty from the Guarantor to the Agency in a form provided by the Agency.

(m) "Hazardous Materials" shall have the meaning set forth in Section 4.6 below.

(n) "Hazardous Materials Claim" shall have the meaning set forth in Section 4.6 below.

(o) "Hazardous Materials Law" shall have the meaning set forth in Section 4.6 below.

(p) "Improvements" shall mean the Eighty -One (81) units to be constructed under this Agreement, including appurtenant landscaping and improvements.

(q) "Loan" shall mean the loan from the Agency to Borrower in the total principal amount of Two Million Five Hundred Thousand (\$2.500,000).

- (r) "Loan Documents" shall mean this Agreement, the Note, the Regulatory Agreement, and the Deed of Trust.
- (s) "Note" shall mean the promissory note that will evidence Borrower's obligation to repay the Loan. The form of the Note shall be provided by the Agency.
- (t) "Parties" shall mean the Agency and Borrower.
- (u) "Permanent Component of Loan" shall mean that portion of the Loan to be disbursed for permanent financing purposes in accordance with the Approved Development Budget.
- (v) "Property" shall mean the real property located in the City of Galt, County of Sacramento, California, more particularly described in the attached Exhibit A.
- (w) "Regulatory Agreement" shall mean the Regulatory Agreement and Declaration of Restrictive Covenants between the Agency and the Borrower associated with the Loan.
- (x) "Term" shall mean the term of the Loan and of the Regulatory Agreement, which is fifty-five (55) years from the date of the certificate of occupancy for the Development.
- (y) "Transfer" shall have the meaning set forth in Section 5.1 below.
- (z) "Unit" means one of the Eighty One (81) units of housing to be constructed on the Property.

Section 1.2 Exhibits. The following exhibits are attached to this Agreement and incorporated into this Agreement by this reference:

- Exhibit A: Legal Description of the Property
- Exhibit B: Approved Development Budget

ARTICLE 2 LOAN PROVISIONS

Section 2.1 Loan. The Agency shall loan to the Borrower the Loan in the principal amount of Two Million Five Hundred Thousand (\$2,500,000) for the purposes set forth in Section 2.3 of this Agreement. The obligation to repay the Loan shall be evidenced by the Note in the form provided by the Agency.

Section 2.2 Interest.

(a) Subject to the provisions of Section 2.2(b) below, the outstanding principal balance of the Loan shall accrue interest at the annual rate of three percent (3%), per annum, commencing on the date of this Agreement and continuing until the Loan is fully repaid.

(b) In the event of a Default, interest on the Loan shall begin to accrue, as of the date of Default and continuing until such time as the Loan funds are repaid in full or

the Default is cured, at the default rate of the lesser of ten percent (10%), compounded annually, or the highest rate permitted by law.

Section 2.3 Use of Loan Funds.

(a) The Borrower shall use the Loan funds to pay for construction costs of the Development consistent with the Approved Development Budget.

(b) The Borrower shall not use the Loan funds for any other purpose without the prior written consent of the Agency.

Section 2.4 Security. Borrower shall secure its obligation to repay the Loan, as evidenced by the Note, by executing the Deed of Trust, and recording it as a lien against the Property junior and subordinate to the deeds of trust securing the construction and permanent financing consistent with the Approved Development Budget. Agency's executive director is authorized to approve and execute such subordination agreement as may be reasonably required by the construction and permanent lenders as specified in the Approved Development Budget. The subordination agreement(s) must be in a form acceptable to Agency Counsel and which is structured to minimize the risk that the Deed of Trust and/or Regulatory Agreement would be extinguished as a result of a foreclosure by a senior lender or other holder of the senior lien. The subordination agreement must provide the Agency with adequate rights to cure any defaults by Borrower, including (i) providing the Agency or its successor with copies of any notices of default at the same time and in the same manner as provided to Borrower; and (ii) providing the Agency with a cure period of at least sixty (60) days to cure any default.

Section 2.5 Construction Component of Loan Disbursement. The Construction Component of Loan shall be disbursed in accordance with the following provisions of this section. The Agency shall not be obligated to make any disbursements of the Construction Component of Loan or take any other action under the Loan Documents unless the following conditions precedent are satisfied prior to each such disbursement of the Construction Component of Loan:

(a) There exists no Default nor any act, failure, omission or condition that would constitute an event of Default under the Loan Documents.

(b) Borrower owns a fee simple interest title to the Property.

(c) Borrower has executed and delivered to the Agency the Loan Documents and the Deed of Trust and the Regulatory Agreement have been executed and recorded against the Property in the Office of the Recorder of the County of Sacramento.

(d) Borrower has delivered to the Agency a copy of Borrower's organizational documents and an authorizing resolution authorizing Borrower's execution of the Loan Documents and the transactions contemplated by the Loan Documents.

(e) Borrower has furnished the Agency with evidence of the insurance coverage meeting the requirements of Section 4.13 below.

(f) A title insurer reasonably acceptable to the Agency is unconditionally and irrevocably committed to issuing an ALTA Lender's Policy of insurance insuring the priority of the Deed of Trust in the amount of the Loan, subject only to such exceptions

and exclusions as may be reasonably acceptable to the Agency, and containing such endorsements as the Agency may reasonably require.

(g) Borrower has closed or will close all Approved Financing described in Section 1.1(d) above.

(h) Borrower has obtained a commitment letter from a tax credit equity investor in form, substance, and amount consistent with the Approved Development Budget, and acceptable to and approved by the Agency.

(i) The Agency has received copies of the Guaranty executed by Guarantor;

(j) The un-disbursed proceeds of the Construction Component of Loan, together with other funds or firm commitments for funds that the Borrower has obtained in connection with the Development, are not less than the amount that the Agency determines is necessary to pay for the construction of the Development and to satisfy all of the covenants contained in this Agreement and the Regulatory Agreement.

(k) The Agency has received a written draw request from the Borrower, including certification that the condition set forth in Section 2.5(a) continues to be satisfied, and setting forth the proposed uses of funds consistent with the Approved Development Budget, and the amount of funds needed. When a disbursement is requested to pay any contractor in connection with improvements on the Property, the written request must be accompanied by (i) certification by Borrower's architect reasonably acceptable to Agency that the work for which disbursement is requested has been completed (although Agency reserves the right to inspect the Property and make an independent evaluation), and (ii) lien releases and/or mechanics lien title insurance endorsements reasonably acceptable to Agency. Borrower shall apply all disbursements for the purpose(s) requested.

Section 2.6 Permanent Component of Loan Disbursement. The Permanent Component of Loan shall be disbursed in accordance with the following provisions of this section. The Agency shall not be obligated to make any disbursements of the Permanent Component of Loan or take any other action under the Loan Documents unless the following conditions precedent are satisfied prior to each such disbursement of the Permanent Component of Loan:

(a) There exists no Default nor any act, failure, omission or condition that would constitute an event of Default under the Loan Documents .

(b) Borrower has met and continues to meet the conditions precedent as set forth in Section 2.5.

(c) The Agency has received an accounting for the final development budget for the construction of the Development from the Borrower showing all uses and sources.

(d) The Agency has received a completion report from the Borrower setting forth the income, household size, and ethnicity of tenants of the Units (except for the manager's unit) and the unit size, rent amount and utility allowance for all Units (except for the manager's unit).

(e) The Agency has received from Borrower a form of lease and marketing plan for the Units.

(f) The Agency has received from Borrower evidence of marketing for the Units such as copies of flyers, list of media ads, list of agencies and organizations receiving information on availability of units.

(g) The Agency has received from the Borrower current evidence of the insurance coverage meeting the requirements of Section 4.13 below.

(h) Borrower and Borrower's general partners are in good standing under the laws of the State of California.

(i) The Agency has received from Borrower contact information for the property manager of the Development and the name and phone number of the on-site property manager

(j) Borrower has provided evidence satisfactory to Agency that Borrower has completed construction of the Development (i) in a good and workmanlike manner , (ii) on a lien-free basis, and (iii) in compliance with all legal requirements, including, without limitation, all applicable laws, building codes, zoning requirements, subdivision requirements, fire and safety laws, the requirements of the Americans with Disabilities Act and, if applicable, the design and rehabilitation requirements established pursuant to the Fair Housing Act, as amended.

(k) The un-disbursed proceeds of the Permanent Component of Loan, together with other funds or firm commitments for funds that the Borrower has obtained in connection with the Development, are not less than the amount that the Agency determines is necessary to pay for the permanent financing of the Development and to satisfy all of the covenants contained in this Agreement and the Regulatory Agreement.

(l) The Agency has received a written draw request from the Borrower, including certification that the condition set forth in Section 2.6(a) continues to be satisfied, and setting forth the proposed uses of funds consistent with the Approved Development Budget, and the amount of funds needed.

Section 2.7 Repayment Schedule. The Loan shall be repaid as follows:

(a) The Loan shall have a Term that commences on the date of this Agreement and expires fifty-five (55) years after the date of the certificate of occupancy for the Development.

(b) Commencing on April 15, 2012 , and on April 15th of each year thereafter for the Term of the Loan, Borrower shall make repayments of the Loan equal to seventy five percent (75%) of Residual Receipts (the "Agency's Share of Residual Receipts") as defined below. The Agency's Share of the Residual Receipts shall be credited first against accrued interest and then against outstanding principal and shall be accompanied by the Borrower's report of Residual Receipts (including an independent auditor's report regarding the auditor's review of Annual Operating Expenses). The Borrower shall provide the Agency with any documentation reasonably requested by the Agency to substantiate the Borrower's determination of Residual Receipts. The remaining twenty five percent (25%) of any Residual Receipts shall be available for distribution by the Borrower in accordance with its Partnership Agreement. Notwithstanding the foregoing, if, during the

ten (10) years beginning with April 15, 2011, there are Residual Receipts, then the Residual Receipts shall be used first to pay to Borrower any portion of the developer fee (which fee shall in no event exceed Two Million Dollars (\$2,000,000) plus accrued interest as shown in the Approved Development Budget) that has not been previously paid to the Borrower; seventy five percent (75%) of any remaining balance of the Residual Receipts shall be paid to the Agency and the twenty five percent (25%) of any remaining Residual Receipts shall be available for distribution by the Borrower in accordance with its Partnership Agreement.

(c) All principal and accrued interest on the Loan shall be due in full on the earlier to occur of (i) the date of any Transfer not authorized by the Agency, (ii) the date of any Default, or (iii) fifty-five (55) years after the date of the certificate of occupancy for the Development.

(d) The Borrower shall have the right to prepay the Loan at any time without premium or penalty. However, this Agreement and the Regulatory Agreement shall remain in effect for the entire Term, regardless of any prepayment.

(e) The following definitions shall apply for purposes of this Section 2.7:

(i) "Annual Operating Expenses" with respect to a particular calendar year shall mean the following costs reasonably and actually incurred for operation and maintenance of the Development to the extent that they are consistent with an annual independent audit performed by a certified public accountant using generally accepted accounting principles: property taxes and assessments imposed on the Development; debt service currently due on a non-optional basis (excluding debt service due from residual receipts or surplus cash of the Development) on loans associated with development of the Development and approved by the Agency, including but not limited to the Bond Financing; property management fees and reimbursements, not to exceed fees and reimbursements which are standard in the industry and pursuant to a management contract approved by the Agency; premiums for property damage and liability insurance; utility services not paid for directly by tenants, including water, sewer, and trash collection; maintenance and repair; any annual license or certificate of occupancy fees required for operation of the Development; security services; advertising and marketing; cash deposited into reserves for capital replacements of the Development in an amount not to exceed Two Hundred Fifty Dollars (\$250) per Unit; cash of approximately One Hundred Forty-Five Thousand Dollars (\$145,000) deposited into operating reserves at the time of completion and rent up and in accordance with the requirements of the California Tax Credit Allocation Committee; asset management fees paid to the tax credit investor; extraordinary operating costs specifically approved by the Agency; payments of deductibles in connection with casualty insurance claims not normally paid from reserves, the amount of uninsured losses actually replaced, repaired or restored, and not normally paid from reserves, and other ordinary and reasonable operating expenses approved by the Agency and not listed above. Annual Operating Expenses shall not include the following: depreciation, amortization, depletion or other non-cash expenses or any amount expended from a reserve account.

(ii) "Gross Revenue," with respect to a particular calendar year, shall mean all revenue, income, receipts, and other consideration actually received from operation and leasing of the Development. "Gross Revenue" shall include, but not be limited to: all rents, fees and charges paid by tenants, Section 8 payments or other rental subsidy payments received for the dwelling units, deposits forfeited by tenants, all cancellation fees, price index adjustments and any other rental adjustments to leases or rental agreements resulting in actual income; proceeds from vending and laundry room machines; the proceeds of business interruption or similar insurance; the proceeds of

casualty insurance to the extent not utilized to repair or rebuild the Development (or applied toward the cost of recovering such proceeds); and condemnation awards for a taking of part or all of the Development for a temporary period. "Gross Revenue" shall also include the fair market value of any goods or services provided in consideration for the leasing or other use of any portion of the Development. "Gross Revenue" shall not include tenants' security deposits, loan proceeds, capital contributions or similar advances.

(iii) "Residual Receipts" in a particular calendar year shall mean the amount by which Gross Receipts (as defined above) exceeds Annual Operating Expenses (as defined above).

Section 2.8 Reports and Accounting of Residual Receipts.

(a) Audited Financial Statement. In connection with the annual payments as defined in Section 2.7(b), within sixty (60) days of the end of the Borrower's fiscal year, the Borrower shall furnish to the Agency an audited statement duly certified by an independent firm of certified public accountants approved by the Agency, setting forth in reasonable detail the computation and amount of Residual Receipts during the preceding calendar year.

(b) Books and Records. The Borrower shall keep and maintain on the Property, or at its principal place of business, or elsewhere with the Agency's written consent, full, complete and appropriate books, records and accounts relating to the Development, including all such books, records and accounts necessary or prudent to evidence and substantiate in full detail Borrower's calculation of Residual Receipts. Books, records and accounts relating to Borrower's compliance with the terms, provisions, covenants and conditions of this Agreement shall be kept and maintained in accordance with generally accepted accounting principles consistently applied, and shall be consistent with requirements of this Agreement which provide for the calculation of Residual Receipts on a cash basis. All such books, records, and accounts shall be open to and available for inspection by the Agency, its auditors or other Agency authorized representatives at reasonable intervals during normal business hours. Copies of all tax returns and other reports that Borrower may be required to furnish any governmental agency shall at all reasonable times be open for inspection by the Agency at the place that the books, records and accounts of the Borrower are kept. The Borrower shall preserve records on which any statement of Residual Receipts is based for a period of not less than five (5) years after such statement is rendered, and for any period during which there is an audit undertaken pursuant to subsection (c) below then pending.

(c) Audits. The receipt by the Agency of any statement pursuant to subsection (a) above or any payment by Borrower or acceptance by the Agency of any loan repayment for any period shall not bind the Agency as to the correctness of such statement or such payment. Within three (3) years after the receipt of any such statement, the Agency or any designated agent or employee of the Agency at any time shall be entitled to audit the Residual Receipts and all books, records, and accounts pertaining thereto. Such audit shall be conducted during normal business hours at the principal place of business of Borrower and other places where records are kept. Immediately after the completion of an audit, the Agency shall deliver a copy of the results of such audit to Borrower. If it shall be determined as a result of such audit that there has been a deficiency in a loan repayment to the Agency, then such deficiency shall become immediately due and payable with interest at the default rate set forth in this Agreement, determined as of and accruing from the date that said payment should have been made. In addition, if Borrower's auditor's statement for any Development Fiscal Year shall be found to have understated Residual

Receipts by more than five percent (5%) and at least Five Thousand Dollars (\$5,000), and the Agency is entitled to any additional Loan repayment as a result of said understatement, then Borrower shall pay, in addition to the interest charges referenced hereinabove, all of the Agency's reasonable costs and expenses connected with any audit or review of Borrower's accounts and records.

(d) Maximization of Residual Receipts. Borrower agrees at all times during the term of the Loan to continue its operations of the Development and to use its skills and diligence to produce the maximum Residual Receipts, subject to the rent and occupancy requirements of the Regulatory Agreement.

Section 2.9 Non-Recourse. Except as provided below, neither the Borrower nor any partner of the Borrower shall have any direct or indirect personal liability for payment of the principal of, or interest on, the Loan or the performance of the covenants of the Borrower under the Deed of Trust. The sole recourse of the Agency with respect to the principal of, or interest on, the Note and defaults by Borrower in the performance of its covenants under the Deed of Trust shall be to the Property described in the Deed of Trust; provided, however, that nothing contained in the foregoing limitation of liability shall (a) limit or impair the enforcement against all such security for the Note of all the rights and remedies of the Agency thereunder, or (b) be deemed in any way to impair the right of the Agency to assert the unpaid principal amount of the Note as demand for money within the meaning and intendment of Section 431.70 of the California Code of Civil Procedure or any successor provision thereto. The foregoing limitation of liability is intended to apply only to the obligation for the repayment of the principal of, and payment of interest on the Note and the performance of the Borrower's obligations under the Deed of Trust, except as hereafter set forth; nothing contained herein is intended to relieve the Borrower of its obligation to indemnify the Agency under Sections 3.8, 3.10, 4.6 and 8.4 of this Agreement or liability for (i) fraud or willful misrepresentation; (ii) the failure to pay taxes, assessments or other charges which may create liens on the Property that are payable or applicable prior to any foreclosure under the Deed of Trust (to the full extent of such taxes, assessments or other charges); (iii) the fair market value of any personal property or fixtures removed or disposed of by Borrower other than in accordance with the Deed of Trust; and (iv) the misappropriation of any proceeds under any insurance policies or awards resulting from condemnation or the exercise of the power of eminent domain or by reason of damage, loss or destruction to any portion of the Property.

ARTICLE 3 CONSTRUCTION OF THE DEVELOPMENT

Section 3.1 Permits and Approvals. All permits and approvals necessary for the construction of the Improvements on the Property must be received no later than February 1, 2009 or by such date mandated by the California Tax Credit Allocation Committee, whichever date is later, or the Agency, at its option, and with thirty (30) days' prior written notice to the Borrower and opportunity to cure, may declare Borrower in default hereunder.

Section 3.2 [Intentionally Deleted]

(a)

Section 3.3 [Intentionally Deleted]

Section 3.4 [Intentionally Deleted]

Section 3.5 Completion Guaranty: Prior to commencement of construction of the Development, the Borrower shall deliver to the Agency copies of the Guaranty executed by the Guarantor.

Section 3.6 Commencement of Construction. Borrower shall cause the commencement of construction of the Development no later than April 1, 2009.

Section 3.7 Completion of Construction. Borrower shall diligently prosecute construction of the Development to completion, and shall cause the completion of the construction of the Development no later than March 31, 2011.

Section 3.8 Construction Pursuant to Laws.

(a) Borrower shall cause all work performed in connection with the Development to be performed in compliance with (i) all applicable laws, ordinances, rules and regulations of federal, state, county or municipal governments or agencies now in force or that may be enacted hereafter, including (without limitation and where applicable) the prevailing wage and other requirements of Sections 1770 et seq., of the California Labor Code and implementing rules and regulations, and (ii) all directions, rules and regulations of any fire marshal, health officer, building inspector, or other officer of every governmental agency now having or hereafter acquiring jurisdiction. The work shall proceed only after procurement of each permit, license, or other authorization that may be required by any governmental agency having jurisdiction, and Borrower shall be responsible to the Agency for the procurement and maintenance thereof, as may be required of Borrower and all entities engaged in work on the Development. The Borrower acknowledges and agrees that the Agency has made no representations to Borrower that the prevailing wage and other requirements of Labor Code Sections 1720 et seq., are not applicable to the construction of the Development and that the Borrower and not the City or Agency shall be responsible for determining whether or not the prevailing wage and other requirements of Labor Code Sections 1720 et seq., are applicable to the construction of the Development.

(b) The Borrower shall defend (with counsel reasonably acceptable to the Agency) the Agency against any claim for damages, compensation, fines, penalties or other amounts arising out of the failure or alleged failure of any person or entity (including the Borrower, its contractor and subcontractors) to pay prevailing wages as determined pursuant to Labor Code Sections 1720 et seq., and implementing regulations of the Department of Industrial Relations or comply with the other applicable provisions of Labor Code Sections 1720 et seq., and implementing regulations of the Department of Industrial Relations in connection with the construction, pursuant to this Agreement, of the Development or any other work undertaken or in connection with the Property and shall indemnify and hold the Agency harmless against any damages, compensation, fines, penalties or other amounts resulting from the successful prosecution of such claim. This Section 3.8(c) shall survive the repayment of the Loan, the reconveyance of the Deed of Trust and the expiration of the Term and the Agreement Term.

Section 3.9 Income Certifications and Marketing Plan.

(a) Borrower must determine the income eligibility of each tenant household pursuant to Agency approved tenant certification procedures within sixty (60)

days before the household's expected occupancy of one of the Development's units. Borrower shall certify each tenant household's income on an annual basis.

(b) The maximum household income of a household occupying the Development, and the total charges for rent, utilities, and related services to each household occupying the Development, shall be maintained as provided in the Regulatory Agreement.

(c) No later than sixty (60) days following Borrower's commencement of construction of the Development, Borrower shall submit to the Agency for approval its plan for marketing the Development to income-eligible households as required pursuant to the Regulatory Agreement, including information on affirmative marketing efforts and compliance with fair housing laws.

(d) Upon receipt of the Marketing Plan, the Agency shall promptly review the Marketing Plan and shall approve or disapprove it within thirty (30) days after submission. If the Marketing Plan is not approved, Borrower shall submit a revised Marketing Plan within thirty (30) days. If the Agency does not approve the revised Marketing Plan because Borrower fails to make specific revisions requested by the Agency, Borrower shall be in default hereunder.

Section 3.10 Relocation. If and to the extent that acquisition and construction of the Development results in the permanent or temporary displacement of residential tenants, homeowners, or businesses, then Borrower shall comply with all applicable local, state, and federal statutes and regulations, (including without limitation California Government Code Section 7260 et seq., and accompanying regulations) with respect to relocation planning, advisory assistance, and payment of monetary benefits. Borrower shall be solely responsible for payment of any relocation benefits to any displaced persons and any other obligations associated with complying with such relocation laws. The Borrower shall defend (with counsel reasonably acceptable to the Agency and City), the Agency and City against any claim for damages, compensation, fines, penalties, relocation payments or other amounts arising out of the failure or alleged failure of any person or entity (including the Borrower, City or Agency) to satisfy relocation obligations related to the acquisition and construction of the Development.

Section 3.11 Equal Opportunity. During the construction of the Development there shall be no discrimination on the basis of race, color, creed, religion, age, sex, sexual orientation, marital status, national origin, ancestry, or disability in the hiring, firing, promoting, or demoting of any person engaged in the construction work.

Section 3.12 Progress Reports. Until such time as Borrower has received a certificate of occupancy from the City, Borrower shall provide the Agency with quarterly progress reports regarding the status of the construction of the Development, including a certification that the actual construction costs to date conform to the Approved Development Budget, as it may be amended from time to time pursuant to Section 3.16 below.

Section 3.13 Construction Responsibilities.

(a) It shall be the responsibility of Borrower to coordinate and schedule the work to be performed so that commencement and completion of construction will take place in accordance with this Agreement.

(b) Borrower shall be solely responsible for all aspects of Borrower's conduct in connection with the Development, including (but not limited to) the quality and suitability of the plans and specifications, the supervision of construction work, and the qualifications, financial condition, and performance of all architects, engineers, contractors, subcontractors, suppliers, consultants, and property managers. Any review or inspection undertaken by the Agency with reference to the Development is solely for the purpose of determining whether Borrower is properly discharging its obligations to the Agency, and should not be relied upon by Borrower or by any third parties as a warranty or representation by the Agency as to the quality of the design or construction of the Development.

Section 3.14 Mechanics Liens, Stop Notices, and Notices of Completion.

(a) If any claim of lien is filed against the Property or a stop notice affecting the Loan is served on the Agency or any other lender or other third party in connection with the Development, then Borrower shall, within twenty (20) days after such filing or service, either pay and fully discharge the lien or stop notice, effect the release of such lien or stop notice by delivering to the Agency a surety bond in sufficient form and amount, or provide the Agency with other assurance satisfactory to the Agency that the claim of lien or stop notice will be paid or discharged.

(b) If Borrower fails to discharge any lien, encumbrance, charge, or claim in the manner required in this Section, then in addition to any other right or remedy, the Agency may (but shall be under no obligation to) discharge such lien, encumbrance, charge, or claim at Borrower's expense. Alternately, the Agency may require Borrower to immediately deposit with the Agency the amount necessary to satisfy such lien or claim and any costs, pending resolution thereof. The Agency may use such deposit to satisfy any claim or lien that is adversely determined against Borrower.

(c) Borrower shall file a valid notice of cessation or notice of completion upon cessation of construction on the Development for a continuous period of thirty (30) days or more, and take all other reasonable steps to forestall the assertion of claims of lien against the Property. Borrower authorizes the Agency, but without any obligation, to record any notices of completion or cessation of labor, or any other notice that the Agency deems necessary or desirable to protect its interest in the Development and Property.

Section 3.15 Inspections. Borrower shall permit and facilitate, and shall require its contractors to permit and facilitate, observation and inspection at the Development by the Agency and by public authorities during reasonable business hours for the purposes of determining compliance with this Agreement.

Section 3.16 Approved Development Budget; Revisions to Budget. As of the date of this Agreement, the Agency has approved the Approved Development Budget set forth in Exhibit B. Borrower shall submit any required amendments to the Approved Development Budget to the Agency for approval within fifteen (15) days of the date Borrower receives information indicating that actual costs of the Development vary or will vary from the costs shown on the Approved Development Budget. Written consent of the Agency Board shall be required to amend the Approved Development Budget. The Agency Board shall utilize best efforts to agendize this request for its next Board meeting to approve or disapprove requested amendments to the Development Budget within 30 (30) working days of receipt of a request for approval.

ARTICLE 4
LOAN REQUIREMENTS

Section 4.1 Applicability. The Borrower shall comply with this Article Four throughout the Term.

Section 4.2 Financial Accountings and Post-Completion Audits. No later than sixty (60) days following completion of construction of the Development, Borrower shall provide to Agency an initial estimated unaudited financial accounting of all sources and uses of funds for the Development. No later than one hundred fifty (150) days following completion of construction of the Development, Borrower shall submit an audited financial report showing the sources and uses of all funds utilized for the Development.

Section 4.3 Information. Borrower shall provide any information reasonably requested by the Agency in connection with the Development.

Section 4.4 Records.

(a) Borrower shall maintain complete, accurate, and current records pertaining to the Development for a period of five (5) years after the creation of such records, and shall permit any duly authorized representative of the Agency to inspect and copy records. Such records shall include all invoices, receipts, and other documents related to expenditures from the Loan funds. Records must be kept accurate and current.

(b) The Agency shall notify Borrower of any records it deems insufficient. Borrower shall have twenty-one (21) calendar days after the receipt of such a notice to correct any deficiency in the records specified by the Agency in such notice, or if a period longer than twenty-one (21) days is reasonably necessary to correct the deficiency, then Borrower shall begin to correct the deficiency within twenty-one (21) days and correct the deficiency as soon as reasonably possible.

Section 4.5 Audits. Borrower shall make available for examination at reasonable intervals and during normal business hours to Agency all books, accounts, reports, files, and other papers or property with respect to all matters covered by this Agreement, and shall permit Agency to audit, examine, and make excerpts or transcripts from such records. The Agency may make audits of any conditions relating to this Agreement.

Section 4.6 Hazardous Materials.

(a) Borrower shall keep and maintain the Property in compliance with, and shall not cause or permit the Property to be in violation of any federal, state or local laws, ordinances or regulations relating to industrial hygiene or to the environmental conditions on, under or about the Property including, but not limited to, soil and ground water conditions. Borrower shall not use, generate, manufacture, store or dispose of on, under, or about the Property or transport to or from the Property any flammable explosives, radioactive materials, hazardous wastes, toxic substances or related materials, including without limitation, any substances defined as or included in the definition of "hazardous substances," "hazardous wastes," "hazardous materials," or "toxic substances" under any applicable federal or state laws or regulations (collectively referred to hereinafter as "Hazardous Materials") except such of the foregoing as may be customarily used in

construction of projects like the Development or kept and used in and about residential property of this type.

(b) Borrower shall immediately advise the Agency in writing if at any time it receives written notice of (i) any and all enforcement, cleanup, removal or other governmental or regulatory actions instituted, completed or threatened against Borrower or the Property pursuant to any applicable federal, state or local laws, ordinances, or regulations relating to any Hazardous Materials, ("Hazardous Materials Law"); (ii) all claims made or threatened by any third party against Borrower or the Property relating to damage, contribution, cost recovery compensation, loss or injury resulting from any Hazardous Materials (the matters set forth in clauses (i) and (ii) above are hereinafter referred to as "Hazardous Materials Claims"); and (iii) Borrower's discovery of any occurrence or condition on any real property adjoining or in the vicinity of the Property that could cause the Property or any part thereof to be classified as "border-zone property" under the provision of California Health and Safety Code, Sections 25220 et seq., or any regulation adopted in accordance therewith, or to be otherwise subject to any restrictions on the ownership, occupancy, transferability or use of the Property under any Hazardous Materials Law.

(c) The Agency shall have the right to join and participate in, as a party if it so elects, any legal proceedings or actions initiated in connection with any Hazardous Materials Claims and to have its reasonable attorneys' fees in connection therewith paid by Borrower. Borrower shall indemnify and hold harmless the City and the Agency and their council-members, board-members, officers, employees, agents, successors and assigns from and against any loss, damage, cost, expense or liability directly or indirectly arising out of or attributable to the use, generation, storage, release, threatened release, discharge, disposal, or presence of Hazardous Materials on, under, or about the Property including without limitation: (i) all foreseeable consequential damages; (ii) the costs of any required or necessary repair, cleanup or detoxification of the Property and the preparation and implementation of any closure, remedial or other required plans; and (iii) all reasonable costs and expenses incurred by the Agency in connection with clauses (i) and (ii), including but not limited to reasonable attorneys' fees. This obligation to indemnify shall survive termination of this Agreement.

(d) Without the Agency's prior written consent, which shall not be unreasonably withheld, Borrower shall not take any remedial action in response to the presence of any Hazardous Materials on, under or about the Property, nor enter into any settlement agreement, consent decree, or other compromise in respect to any Hazardous Material Claims, which remedial action, settlement, consent decree or compromise might, in the Agency's reasonable judgment, impair the value of the Agency's security hereunder; provided, however, that the Agency's prior consent shall not be necessary in the event that the presence of Hazardous Materials on, under, or about the Property either poses an immediate threat to the health, safety or welfare of any individual or is of such a nature that an immediate remedial response is necessary and it is not reasonably possible to obtain the Agency's consent before taking such action, provided that in such event Borrower shall notify the Agency as soon as practicable of any action so taken. The Agency agrees not to withhold its consent, where such consent is required hereunder, if either (i) a particular remedial action is ordered by a court of competent jurisdiction, (ii) Borrower will or may be subjected to civil or criminal sanctions or penalties if it fails to take a required action; (iii) Borrower establishes to the reasonable satisfaction of the Agency that there is no reasonable alternative to such remedial action which would result in less impairment of the Agency's security hereunder; or (iv) the action has been agreed to by the Agency.

(e) Borrower hereby acknowledges and agrees that (i) this Section is intended as the Agency's written request for information (and Borrower's response) concerning the environmental condition of the Property as required by California Code of Civil Procedure Section 726.5, and (ii) each representation and warranty in this Agreement (together with any indemnity obligation applicable to a breach of any such representation and warranty) with respect to the environmental condition of the Property is intended by the Parties to be an "environmental provision" for purposes of California Code of Civil Procedure Section 736.

(f) In the event that any portion of the Property is determined to be "environmentally impaired" (as that term is defined in California Code of Civil Procedure Section 726.5(e)(3)) or to be an "affected parcel" (as that term is defined in California Code of Civil Procedure Section 726.5(e)(1)), then, without otherwise limiting or in any way affecting the Agency's or the trustee's rights and remedies under the Deed of Trust, the Agency may elect to exercise its rights under California Code of Civil Procedure Section 726.5(a) to (1) waive its lien on such environmentally impaired or affected portion of the Property and (2) exercise (a) the rights and remedies of an unsecured creditor, including reduction of its claim against the borrower to judgment, and (b) judgment, and (c) any other rights and remedies permitted by law. For purposes of determining the Agency's right to proceed as an unsecured creditor under California Code of Civil Procedure Section 726.5(a), the Borrower shall be deemed to have willfully permitted or acquiesced in a release or threatened release of hazardous materials, within the meaning of California Code of Civil Procedure Section 726.5(d)(1), if the release or threatened release of hazardous materials was knowingly or negligently caused or contributed to by any lessee, occupant, or user of any portion of the Property and the Borrower knew or should have known of the activity by such lessee, occupant, or user which caused or contributed to the release or threatened release. All costs and expenses, including (but not limited to) attorneys' fees, incurred by the Agency in connection with any action commenced under this paragraph, including any action required by California Code of Civil Procedure Section 726.5(b) to determine the degree to which the Property is environmentally impaired, plus interest thereon at the lesser of ten percent (10%) or the maximum rate permitted by law, until paid, shall be added to the indebtedness secured by the Deed of Trust and shall be due and payable to the Agency upon its demand made at any time following the conclusion of such action.

Section 4.7 Maintenance and Damage.

(a) During the course of both construction and operation of the Development, Borrower shall maintain the Development and the Property in good repair and in a neat, clean and orderly condition. If there arises a condition in contravention of this requirement, and if Borrower has not cured such condition within thirty (30) days after receiving a Agency and/or City notice of such a condition, then in addition to any other rights or remedies available to the Agency and/or the City, the Agency and/or the City shall have the right to perform all acts necessary to cure such condition, and to establish or enforce a lien or other encumbrance against the Property.

(b) Subject to the requirements of senior lenders, and if economically feasible in the Agency's reasonable judgment, if any improvement now or in the future on the Property is damaged or destroyed, then Borrower shall, at its cost and expense, diligently undertake to repair or restore such improvement consistent with the plans and specifications approved by the Agency with such changes as have been approved by the Agency. Such work or repair shall be commenced no later than the later of one hundred twenty (120) days after the damage or loss occurs or thirty (30) days following receipt of

the insurance proceeds, and shall be complete within one (1) year thereafter (or such longer period for the commencement and completion as may be extended by the Agency in its reasonable discretion). Any insurance proceeds collected for such damage or destruction shall be applied to the cost of such repairs or restoration and, if such insurance proceeds shall be insufficient for such purpose, then Borrower shall make up the deficiency.

Section 4.8 Fees and Taxes. Borrower shall be solely responsible for payment of all fees, assessments, taxes, charges, and levies imposed by any public authority or utility company with respect to the Property or the Development to the extent owned by Borrower, and shall pay such charges prior to delinquency. However, Borrower shall not be required to pay and discharge any such charge so long as (a) the legality thereof is being contested diligently and in good faith and by appropriate proceedings, and (b) if requested by the Agency, Borrower deposits with the Agency any funds or other forms of assurance that the Agency in good faith from time to time determines appropriate to protect the Agency from the consequences of the contest being unsuccessful.

Section 4.9 Notice of Litigation. Borrower shall promptly notify the Agency in writing of any litigation materially affecting Borrower or the Property and of any claims or disputes that involve a material risk of such litigation.

Section 4.10 Operation of Development as Affordable Housing. Upon the execution of this Agreement or the recordation of the Regulatory Agreement, whichever is later, the Borrower shall continuously operate and maintain the Development as senior housing rented to occupants and at rent levels in conformity with the Regulatory Agreement.

Section 4.11 Nondiscrimination. The Borrower covenants by and for itself and its successors and assigns that there shall be no discrimination against or segregation of a person or of a group of persons on account of race, color, religion, creed, disability, sex, sexual orientation, marital status, ancestry or national origin in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Property, nor shall the Borrower or any person claiming under or through the Borrower establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees in the Property. The foregoing covenant shall run with the land.

Section 4.12 Mandatory Language in all Subsequent Deeds, Leases and Contracts. All deeds, leases, or contracts entered into by the Borrower as to any portion of the Property shall contain the following language:

(a) In Deeds:

"Grantee herein covenants by and for itself, its successors and assigns that there shall be no discrimination against or segregation of a person or of a group of persons on account of race, color, religion, creed, disability, sex, sexual orientation, marital status, ancestry or national origin in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the property herein conveyed nor shall the grantee or any person claiming under or through the grantee establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants,

sublessees or vendees in the property herein conveyed. The foregoing covenant shall run with the land."

(b) In Leases:

"The lessee herein covenants by and for the lessee and lessee's heirs, personal representatives and assigns and all persons claiming under the lessee or through the lessee that his lease is made subject to the condition that there shall be no discrimination against or segregation of any person or of a group of persons on account of race, color, religion, creed, disability, sex, sexual orientation, marital status, ancestry or national origin in the leasing, subleasing, transferring, use, occupancy, tenure or enjoyment of the land herein leased nor shall the lessee or any person claiming under or through the lessee establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, sublessees, subtenants, or vendees in the land herein leased."

(c) In Contracts:

"There shall be no discrimination against or segregation of any person or group of persons on account of race, color, religion, creed, disability, sex, sexual orientation, marital status, ancestry or national origin in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the property nor shall the transferee or any person claiming under or through the transferee establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees of the land."

Section 4.13 Insurance Requirements. The Borrower shall maintain the following insurance coverage throughout the Term of the Loan:

(a) Worker's Compensation insurance to the extent required by law, including Employer's Liability coverage, with limits not less than One Million Dollars (\$1,000,000) each accident.

(b) Comprehensive General Liability insurance with limits not less than Two Million Dollars (\$2,000,000) each occurrence combined single limit for Bodily Injury and Property Damage, including coverages for Contractual Liability, Personal Injury, Broadform Property Damage, Products and Completed Operations.

(c) Comprehensive Automobile Liability insurance with limits not less than One Million Dollars (\$1,000,000) each occurrence combined single limit for Bodily Injury and Property Damage, including coverages for owned, non-owned and hired vehicles, as applicable; provided, however, that if the Borrower does not own or lease vehicles for purposes of this Agreement, then no automobile insurance shall be required.

(d) Property insurance covering the Development, in form appropriate for the nature of such property, covering all risks of loss, excluding earthquake, for one hundred percent (100%) of the replacement value, with deductible, if any, acceptable to the Agency, naming the Agency as a Loss Payee, as its interests may appear. If the Property is in a flood zone, Borrower shall also obtain flood insurance.

(e) Blanket Fidelity Bond covering all officers and employees, for loss of Loan proceeds caused by dishonesty, in an amount not less than Three Hundred Thousand Dollars (\$300,000) naming the Agency as a Loss Payee, as its interests may appear.

The Borrower shall cause any general contractor or agent working on the Development under direct contract with the Borrower to maintain insurance of the types and in at least the minimum amounts described in subsections (a), (b), and (c) above, and shall require that such insurance shall meet all of the general requirements of subsections (f), (g), and (h) below, including, without limitation, the requirement of subsection (g). Subcontractors working on the Development under indirect contract with the Borrower shall be required to maintain the insurance described in subsections (a), (b), and (c) above. Liability and Comprehensive Automobile Liability insurance to be maintained by such contractors and agents pursuant to this subsection shall name as additional insureds the Agency, its officers, agents, employees and members of the Agency Board.

(f) The required insurance shall be provided under an occurrence form, and Borrower shall maintain such coverage continuously so long as the Note is outstanding, except the blanket fidelity bond need not be maintained following issuance of the certificate of occupancy for the Development. Should any of the required insurance be provided under a form of coverage that includes an annual aggregate limit or provides that claims investigation or legal defense costs be included in such annual aggregate limit, such annual aggregate limit shall be three times the occurrence limits specified above.

(g) Comprehensive General Liability, Comprehensive Automobile Liability and Property insurance policies shall be endorsed to name as an additional insured the Agency, and its officers, agents, employees and members of the Agency Board.

(h) All policies and bonds shall be endorsed to provide thirty (30) days prior written notice of cancellation, reduction in coverage, or intent not to renew to the address established for notices to the Agency.

ARTICLE 5 ASSIGNMENT AND TRANSFERS

Section 5.1 Definitions. As used in this Article Five, the term "Transfer" means:

(a) Any total or partial sale, lease, assignment, or other conveyance, or any trust or power, or any transfer in any other mode or form, of or with respect to this Agreement or of any part of or interest in the Development, or any agreement to do any of the foregoing; or

(b) Any total or partial sale, assignment, or other conveyance, or any trust or power, or any transfer in any other mode or form, of, or with respect to, the entire interest of any of the general partners of the Borrower, or any agreement to do any of the foregoing.

Section 5.2 Purpose of Restrictions on Transfer. This Agreement is entered into solely for the purpose of the Borrower's construction and operation of the Development in accordance with the terms of this Agreement and the Regulatory Agreement. The qualifications and identity of the Borrower are of particular concern to the Agency, in view of:

(a) The importance of the development of the Property to the general welfare of the community;

(b) The public aids that have been made available by law and by the government for the purpose of making such development possible;

(c) The reliance by the Agency upon the unique qualifications and ability of the Borrower to serve as the catalyst for development of the Property and upon the continuing interest which the Borrower will have in the Property to assure the quality of the use, operation, and maintenance deemed critical by the Agency in the development of the Property;

(d) The fact that a change in ownership or control of the owner of the Property, or of a substantial part thereof, or any other act or transaction involving or resulting in a significant change in ownership or with respect to the identity of the parties in control of the Borrower or the degree thereof, is for practical purposes a transfer or disposition of the Property; and

(e) The importance to the Agency of the standards of use, operation, and maintenance of the Property.

It is because of the qualifications and identity of the Borrower that the Agency is entering into this Agreement and that Transfers are permitted only as provided in this Agreement.

Section 5.3 Prohibited Transfers. The limitations on Transfers set forth in this Article Five shall apply throughout the Term. Except as expressly permitted in this Agreement, the Borrower represents that it has not made or created, and agrees that it will not make or create or suffer to be made or created, any Transfer, either voluntarily or by operation of law, without the prior written approval of the Agency.

Any Transfer made in contravention of this Section 5.3 shall at the Agency's discretion be void and shall be deemed to be a default under this Agreement, whether or not the Borrower knew of or participated in such Transfer.

Section 5.4 Permitted Transfers Without Prior Agency Approval. The only Transfer permitted at any time without the prior approval of the Agency is the rental of a Unit by the Borrower in the ordinary course of business and in compliance with the Regulatory Agreement.

Section 5.5 Permitted Transfers With Prior Approval.

(a) The Borrower may transfer the general partnership interest to an affiliate of WNC & Associates, Inc., a California Corporation, or other equity investor firm, which affiliate shall be approved in advance by the Agency (and such approval shall not be unreasonably withheld), in the event the general partner is removed by the limited partner of Borrower for cause following default under the Borrower's Partnership Agreement.

(b) Except as permitted under Section 5.4 and 5.5(a), any Transfer shall be permitted only after (a) the Agency, in its sole discretion, has delivered to Borrower its prior written approval of such Transfer, and (b) the transferee has assumed the Borrower's obligations under this Agreement by signing this Agreement or such other reasonable documentation as the Agency may require.

Section 5.6 Release of Borrower. Upon all of the terms of this Article Five being satisfied for a permitted Transfer to be effective, the Borrower or the successor transferor party, as applicable, shall be released from all liability under this Agreement so transferred arising subsequent to the effectiveness of such Transfer.

ARTICLE 6
REPRESENTATIONS AND WARRANTIES OF BORROWER

Section 6.1 Representations and Warranties. Borrower hereby represents and warrants to the Agency as follows:

(a) Organization. Borrower is duly organized, validly existing California limited partnership and is in good standing under the laws of the State of California and has the power and authority to own its property and carry on its business as now being conducted.

(b) Authority of Borrower. Borrower has full power and authority to execute and deliver this Agreement and to make and accept the borrowings contemplated hereunder, to execute and deliver the Loan Documents and all other documents or instruments executed and delivered, or to be executed and delivered, pursuant to this Agreement, and to perform and observe the terms and provisions of all of the above.

(c) Authority of Persons Executing Documents. This Agreement and the Loan Documents and all other documents or instruments executed and delivered, or to be executed and delivered by the Borrower, pursuant to this Agreement have been executed and delivered by persons who are duly authorized to execute and deliver the same for and on behalf of Borrower, and all actions required under Borrower's organizational documents and applicable governing law for the authorization, execution, delivery and performance of this Agreement and the Loan Documents and all other documents or instruments executed and delivered, or to be executed and delivered, pursuant to this Agreement, have been duly taken (to the extent such actions are required as of the date of execution and delivery of the above-named documents). The managing general partner of the Borrower is Community Revitalization and Development Corporation, a California nonprofit corporation. Cyrus Youssefi, individually and Egis Group, Inc., a California S Corporation, are the other general partners of the Borrower.

(d) Valid Binding Agreements. This Agreement and the Loan Documents and all other documents or instruments which have been executed and delivered by the Borrower pursuant to or in connection with this Agreement constitute or, if not yet executed or delivered, will when so executed and delivered constitute, legal, valid and binding obligations of Borrower enforceable by and against it in accordance with their respective terms, subject to bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting the rights of creditors generally and general principles of equity.

(e) No Breach of Law or Agreement. Neither the execution nor delivery of this Agreement and the Loan Documents by the Borrower or of any other documents or instruments executed and delivered, or to be executed or delivered by the Borrower, pursuant to this Agreement, nor the performance by the Borrower of any provision, condition, covenant or other term hereof or thereof, will conflict with or result in a breach of any statute, rule or regulation, or any judgment, decree or order of any court, board, commission or agency whatsoever binding on Borrower, or any provision of the organizational documents of Borrower, or will conflict with or constitute a breach of or a

default under any agreement to which Borrower is a party, or will result in the creation or imposition of any lien upon any assets or property of Borrower, other than liens established pursuant hereto.

(f) Compliance With Laws; Consents and Approvals. The construction of the Development will comply with all applicable laws, ordinances, rules and regulations of federal, state and local governments and agencies and with all applicable directions, rules and regulations of the fire marshal, health officer, building inspector and other officers of any such government or agency.

(g) Pending Proceedings. Borrower is not in default under any law or regulation or under any order of any court, board, commission or agency whatsoever, and there are no claims, actions, suits or proceedings pending or, to the knowledge of Borrower, threatened against or affecting Borrower, Borrower's general partners, or the Development, at law or in equity, before or by any court, board, commission or agency whatsoever which might, if determined adversely to Borrower, materially and adversely affect Borrower's ability to repay the Loan or impair the security to be given to the Agency pursuant hereto.

(h) Title to Land. At the time of recordation of the Deed of Trust, Borrower will have good and marketable fee title to the Development and there will exist thereon or with respect thereto no mortgage, lien, pledge or other encumbrance of any character whatsoever other than those liens approved by the Agency and described in Section 1.1(d) of this Agreement, liens for current real property taxes and assessments not yet due and payable, and liens in favor of the Agency or approved in writing by the Agency.

(i) Financial Statements. The financial statements of Borrower and other financial data and information furnished by Borrower to the Agency fairly present the information contained therein. As of the date of this Agreement, there has not been any adverse, material change in the financial condition of Borrower from that shown by such financial statements and other data and information.

(j) Sufficient Funds. Borrower holds sufficient funds and/or binding commitments for sufficient funds to complete the acquisition of the Development and the construction of Development in accordance with the plans and specifications approved by the Agency.

ARTICLE 7
DEFAULT AND REMEDIES

Section 7.1 Events of Default. Each of the following shall constitute a "Default" by Borrower under this Agreement:

(a) Failure to Construct. Failure of Borrower to commence and complete construction of the Development within the times set forth in Article 3 above;

(b) Failure to Make Payment. Failure to repay the principal and any interest on the Loan that is due and payable to the Agency pursuant to the Loan Documents.

(c) Breach of Covenants. Failure by Borrower to duly perform, comply with, or observe any of the conditions, terms, or covenants of any of the Loan Documents,

and such failure having continued uncured for thirty (30) days after receipt of written notice thereof from the City to the Borrower and to any limited partner of Borrower who has requested written notice from the City of such failure ("Permitted Limited Partner") or, if the breach cannot be cured within thirty (30) days, the Borrower shall not be in breach so long as Borrower is diligently undertaking to cure such breach and such breach is cured within ninety (90) days; provided, however, that if a different period or notice requirement is specified under any other section of this Article 4, the specific provisions shall control. The Permitted Limited Partner shall have thirty (30) additional days to cure a breach beyond the cure periods for the Borrower described in this subsection. If a Permitted Limited Partner cannot cure a Default because Borrower's general partner is in bankruptcy and/or because the cure requires removal of a general partner of the Borrower and the Permitted Limited Partner is proceeding diligently to remove such general partner of the Borrower in order to effect a cure of the Default, the cure period shall be extended for such reasonable time as is necessary for the Permitted Limited Partner to effect a cure of the Default, but in no event longer than one hundred eighty (180) days after the date of receipt by the Permitted Limited Partner of written notice of Default.

(d) Default Under Other Loans. Failure to make any payment or perform any of Borrower's covenants, agreements, or obligations under the documents evidencing and securing the Approved Financing following expiration of all applicable notice and cure periods.

(e) Insolvency. A court having jurisdiction shall have made or entered any decree or order (i) adjudging Borrower or Borrower's general partner to be bankrupt or insolvent, (ii) approving as properly filed a petition seeking reorganization of Borrower or Borrower's general partner or seeking any arrangement for Borrower or Borrower's general partner under the bankruptcy law or any other applicable debtor's relief law or statute of the United States or any state or other jurisdiction, (iii) appointing a receiver, trustee, liquidator, or assignee of Borrower or Borrower's general partner in bankruptcy or insolvency or for any of their properties, or (iv) directing the winding up or liquidation of Borrower or Borrower's general partner, if any such decree or order described in clauses (i) to (iv), inclusive, shall have continued unstayed or undischarged for a period of ninety (90) days; or Borrower or Borrower's general partner shall have admitted in writing its inability to pay its debts as they fall due or shall have voluntarily submitted to or filed a petition seeking any decree or order of the nature described in clauses (i) to (iv), inclusive. The occurrence of any of the events of Default in this paragraph shall act to accelerate automatically, without the need for any action by the Agency, the indebtedness evidenced by the Note.

(f) Assignment; Attachment. Borrower or Borrower's general partner shall have assigned its assets for the benefit of its creditors or suffered a sequestration or attachment of or execution on any substantial part of its property, unless the property so assigned, sequestered, attached or executed upon shall have been returned or released within ninety (90) days after such event or, if sooner, prior to sale pursuant to such sequestration, attachment, or execution. The occurrence of any of the events of default in this paragraph shall act to accelerate automatically, without the need for any action by the Agency, the indebtedness evidenced by the Note.

(g) Suspension; Termination. Borrower or Borrower's general partner shall have voluntarily suspended its business or, Borrower or Borrower's general partner has dissolved or terminated.

(h) Liens on Property and the Project. There shall be filed any claim of lien (other than liens approved in writing by the Agency) against the Development or any part thereof, or any interest or right made appurtenant thereto, or the service of any notice to withhold proceeds of the Loan and the continued maintenance of said claim of lien or notice to withhold for a period of twenty (20) days without discharge or satisfaction thereof or provision therefor (including, without limitation, the posting of bonds) satisfactory to the Agency.

(i) Condemnation. The condemnation, seizure, or appropriation of all or the substantial part of the Property and the Development, except that condemnation by the City or Agency shall cause the Loan to accelerate but shall not be a Default.

(j) Unauthorized Transfer. Any Transfer other than as permitted by Sections 5.4 and 5.5; provided, however, that a Permitted Limited Partner shall have the right to cure an unauthorized Transfer of the general partnership interest in Borrower by removing the unauthorized general partner and replacing it with a general partner approved by the City which approval shall not be withheld unreasonably.

(k) Representation or Warranty Incorrect. Any Borrower representation or warranty contained in this Agreement, or in any application, financial statement, certificate, or report submitted to the Agency in connection with any of the Loan Documents, proving to have been incorrect in any material and adverse respect when made.

Section 7.2 Remedies. The occurrence of any Default hereunder following the expiration of all applicable notice and cure periods will, either at the option of the Agency or automatically where so specified, relieve the Agency of any obligation to make or continue the Loan and shall give the Agency the right to proceed with any and all remedies set forth in this Agreement and the Loan Documents, including but not limited to the following:

(a) Acceleration of Note. The Agency shall have the right to cause all indebtedness of the Borrower to the Agency under this Agreement and the Note, together with any accrued interest thereon, to become immediately due and payable. The Borrower waives all right to presentment, demand, protest or notice of protest or dishonor. The Agency may proceed to enforce payment of the indebtedness and to exercise any or all rights afforded to the Agency as a creditor and secured party under the law including the Uniform Commercial Code, including foreclosure under the Deed of Trust. The Borrower shall be liable to pay the Agency on demand all reasonable expenses, costs and fees (including, without limitation, reasonable attorney's fees and expenses) paid or incurred by the Agency in connection with the collection of the Loan and the preservation, maintenance, protection, sale, or other disposition of the security given for the Loan.

(b) Specific Performance. The Agency shall have the right to mandamus or other suit, action or proceeding at law or in equity to require Borrower to perform its obligations and covenants under the Loan Documents or to enjoin acts on things which may be unlawful or in violation of the provisions of the Loan Documents.

(c) Right to Cure at Borrower's Expense. The Agency shall have the right (but not the obligation) to cure any monetary default by Borrower under a loan other than the Loan. The Borrower agrees to reimburse the Agency for any funds advanced by the Agency to cure a monetary default by Borrower upon demand therefor, together with interest thereon at the lesser of the maximum rate permitted by law or ten percent (10%) per annum from the date of expenditure until the date of reimbursement.

Section 7.3 Right of Contest. Borrower shall have the right to contest in good faith any claim, demand, levy, or assessment the assertion of which would constitute a Default hereunder. Any such contest shall be prosecuted diligently and in a manner unprejudicial to the Agency or the rights of the Agency hereunder.

Section 7.4 Remedies Cumulative. Subject to the non-recourse provisions contained in the Note and this Agreement, no right, power, or remedy given to the Agency by the terms of this Agreement or the Loan Documents is intended to be exclusive of any other right, power, or remedy; and each and every such right, power, or remedy shall be cumulative and in addition to every other right, power, or remedy given to the Agency by the terms of any such instrument, or by any statute or otherwise against Borrower and any other person. Neither the failure nor any delay on the part of the Agency to exercise any such rights and remedies shall operate as a waiver thereof, nor shall any single or partial exercise by the Agency of any such right or remedy preclude any other or further exercise of such right or remedy, or any other right or remedy.

ARTICLE 8 GENERAL PROVISIONS

Section 8.1 Relationship of Parties. Nothing contained in this Agreement shall be interpreted or understood by any of the Parties, or by any third persons, as creating the relationship of employer and employee, principal and agent, limited or general partnership, or joint venture between the Agency and Borrower or its agents, employees or contractors, and Borrower shall at all times be deemed an independent contractor and shall be wholly responsible for the manner in which it or its agents, or both, perform the services required of it by the terms of this Agreement. Borrower has and retains the right to exercise full control of employment, direction, compensation, and discharge of all persons assisting in the performance of services under the Agreement. In regards to the purchase of the Property, construction of the Improvements, and operation of the Development, Borrower shall be solely responsible for all matters relating to payment of its employees, including compliance with Social Security, withholding, and all other laws and regulations governing such matters, and shall include requirements in each contract that contractors shall be solely responsible for similar matters relating to their employees. Borrower shall be solely responsible for its own acts and those of its agents and employees.

Section 8.2 No Claims. Nothing contained in this Agreement shall create or justify any claim against the Agency by any person that Borrower may have employed or with whom Borrower may have contracted relative to the purchase of materials, supplies or equipment, or the furnishing or the performance of any work or services with respect to the purchase of the Property, the construction of the Improvements, or the operation of the Development, and Borrower shall include similar requirements in any contracts entered into for the purchase of the Property, the construction of the Improvements, or the operation of the Development.

Section 8.3 Amendments. No alteration or variation of the terms of this Agreement shall be valid unless made in writing by the Parties.

Section 8.4 Indemnification. The Borrower shall indemnify, defend and hold the Agency, its boardmembers, officers, employees, agents, successors and assigns harmless against all claims made against it and expenses (including reasonable attorneys' fees) which arise out of or in connection with the purchase of the Property, or the development, construction, marketing and operation of the Development, except to the extent such claim

arises from the grossly negligent or willful misconduct of the Agency. The provisions of this Section 8.4 shall survive the repayment of the Loan, the expiration of the Term and the Agreement Term, and the reconveyance of the Deed of Trust.

Section 8.5 Non-Liability of Agency Officials, Employees and Agents. No member, official, employee or agent of the Agency shall be personally liable to Borrower in the event of any default or breach by the Agency or for any amount which may become due to Borrower or its successor or on any obligation under the terms of this Agreement.

Section 8.6 No Third Party Beneficiaries. There shall be no third party beneficiaries to this Agreement, except that the investor limited partner of the Borrower shall be a third party beneficiary with respect to notice and cure rights granted the limited partner in this Agreement.

Section 8.7 Discretion Retained By City. The Agency's execution of this Agreement in no way limits the discretion of the City in the permit and approval process in connection with development of the Development.

Section 8.8 Notices, Demands and Communications. Formal notices, demands, and communications between the Parties shall be sufficiently given if and shall not be deemed given unless dispatched by registered or certified mail, postage prepaid, return receipt requested, or delivered by express delivery service, return receipt requested, or delivered personally, to the principal office of the Parties as follows:

Agency:	Galt Redevelopment Agency 380 Civic Drive Galt, CA 95632 Attention: Executive Director
Borrower:	Downtown Galt Place Associates, a California Limited Partnership 1006 4 th Street, Suite 701 Sacramento, CA 95814

With a Copy to:

Such written notices, demands and communications may be sent in the same manner to such other addresses as the affected Party may from time to time designate by mail as provided in this Section. Receipt shall be deemed to have occurred on the date shown on a written receipt as the date of delivery or refusal of delivery (or attempted delivery if undeliverable). Copies of notice, sent to Borrower shall also be sent to any limited partner of Borrower who requests such notice in writing and provides its address.

Section 8.9 Applicable Law. This Agreement shall be governed by California law.

Section 8.10 Parties Bound. Except as otherwise limited herein, the provisions of this Agreement shall be binding upon and inure to the benefit of the Parties and their heirs, executors, administrators, legal representatives, successors, and assigns. This Agreement is intended to run with the land and shall bind Borrower and its successors and assigns in the Property and the Development for the entire Term, and the benefit hereof shall inure to the benefit of the Agency and its successors and assigns.

Section 8.11 Attorneys' Fees. If any lawsuit is commenced to enforce any of the terms of this Agreement, the prevailing Party will have the right to recover its reasonable attorneys' fees and costs of suit from the other Party.

Section 8.12 Severability. If any term of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the provisions shall continue in full force and effect unless the rights and obligations of the Parties have been materially altered or abridged by such invalidation, voiding or unenforceability.

Section 8.13 Force Majeure. In addition to specific provisions of this Agreement, performance by either Party shall not be deemed to be in default where delays or defaults are due to war; insurrection; strikes; lock-outs; riots; floods; earthquakes; fires; quarantine restrictions; freight embargoes; lack of transportation; or court order; or any other similar causes (other than lack of funds of Borrower or Borrower's inability to finance the construction of the Development) beyond the control or without the fault of the Party claiming an extension of time to perform. An extension of time for any cause will be deemed granted if notice by the Party claiming such extension is sent to the other within ten (10) days from the commencement of the cause and such extension of time is not rejected in writing by the other Party within ten (10) days of receipt of the notice. In no event shall the Agency be required to agree to cumulative delays in excess of one hundred eighty (180) days.

Section 8.14 Agency Approval. Whenever this Agreement calls for Agency approval, consent, or waiver, the written approval, consent, or waiver of the Agency Executive Director shall constitute the approval, consent, or waiver of the Agency, without further authorization required from the Agency Board, unless Agency Board is specified in this Agreement. The Agency hereby authorizes the Agency Executive Director to deliver such approvals or consents as are required by this Agreement, or to waive requirements under this Agreement, on behalf of the Agency. Any consents or approvals required under this Agreement shall not be unreasonably withheld or made, except where it is specifically provided that a sole discretion standard applies. The Agency Executive Director is also hereby authorized to approve, on behalf of the Agency, requests by Borrower for reasonable extensions of time deadlines set forth in this Agreement. The Agency shall not unreasonably delay in reviewing and approving or disapproving any proposal by Borrower made in connection with this Agreement.

Section 8.15 Waivers. Any waiver by the Agency of any obligation or condition in this Agreement must be in writing. No waiver will be implied from any delay or failure by the Agency to take action on any breach or default of Borrower or to pursue any remedy allowed under this Agreement or applicable law. Any extension of time granted to Borrower to perform any obligation under this Agreement shall not operate as a waiver or release from any of its obligations under this Agreement. Consent by the Agency to any act or omission by Borrower shall not be construed to be a consent to any other or subsequent act or omission or to waive the requirement for the Agency's written consent to future waivers.

Section 8.16 Title of Parts and Sections. Any titles of the sections or subsections of this Agreement are inserted for convenience of reference only and shall be disregarded in interpreting any part of the Agreement's provisions.

Section 8.17 Entire Understanding of the Parties. This Agreement constitutes the entire understanding and agreement of the Parties with respect to the Loan.

Section 8.18 Multiple Originals; Counterpart. This Agreement may be executed in multiple original counterparts, each of which is deemed to be an original, and all such counterparts shall constitute one and the same instrument.

WHEREAS, this Agreement has been entered into by the undersigned as of the date first above written.

DOWNTOWN GALT PLACE ASSOCIATES,
a California Limited Partnership

By: _____
Cyrus Youssefi
General Partner

DOWNTOWN GALT PLACE ASSOCIATES,
a California Limited Partnership

By: Egis Group, Inc.,
a California S Corporation
General Partner

By: _____
John Cicerone
President

DOWNTOWN GALT PLACE ASSOCIATES,
a California Limited Partnership

By: Community Revitalization and
Development Corporation
a California nonprofit corporation,
Managing General Partner

By: _____
David Rutledge
CFO/Secretary

AGENCY:

GALT REDEVELOPMENT AGENCY, a public body
corporate and politic

By:-----

Name:-----

Title:-----

ATTEST

By:-----
Agency Secretary

EXHIBIT A

Legal Description of the Property

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

Parcel One:

Lots 1 and 2 in Block 24 of the Town of Galt, in the City of Galt according to the official plat thereof, filed in the office of the recorder of Sacramento County on December 27, 1870 in Book 1 of Maps, Map No. 22.

APN: 150-0251-001-0000 and 150-0251-002-0000

Parcel Two:

Lot 3 in Block 24 of the Town of Galt, in the City of Galt, according to the official plat thereof, filed in the office of the Recorder of Sacramento County on December 27, 1870, in Book 1 of Maps, Map No. 22.

APN: 150-0251-015-0000

Parcel Three:

Lots 4 and 5 in Block 24 as per Map of the Town of Galt, in the City of Galt, recorded in the office of the County Recorder of Sacramento County, December 27, 1870 in Book 1 of Maps, Map No. 22.

APN: 150-0251-017-0000 and 150-0251-018-0000

Parcel Four:

Parcel A: All that portion of Lot 6, in Block 24, as shown on the official "Map of the Town of Galt", in the City of Galt, filed in the office of the County Recorder of Sacramento County on December 27, 1870, in Book 1 of Maps, Map No. 22, described as follows:

Beginning at the most Southerly corner of Lot 6, thence Northwesterly 40 feet along the Southwesterly line of said Lot 6 to the most Westerly corner of said Lot 6; thence Northeasterly 95 feet along the Northwesterly line of said Lot 6; thence Southeasterly 40 feet along a line parallel to the Southwesterly line of said Lot 6, to a point on the Southeasterly line of said Lot 6; thence Southwesterly 95 feet along the Southeasterly line of said Lot 6 to the point of beginning.

Parcel B: All that portion of Lots 7 and 8, in Block 24, as shown on the official "Map of the Town of Galt", in the City of Galt, filed in the office of the County Recorder of Sacramento County on December 27, 1870, in Book 1 of Maps, Map No. 22, described as follows:

Beginning at the most Southerly corner of said Lot 8, thence Northwesterly 80 feet along the Southwesterly line of said Lots 8 and 7 to the most Westerly corner of said Lot 7; thence Northeasterly 95 feet along the Northwesterly line of said Lot 7; thence Southeasterly 80 feet along a line parallel to the Southwesterly line of said Lot 7 and 8 to a point on the Southeasterly line of Lot 8; thence Southwesterly 95 feet along the Southeasterly line of said Lot 8 to the point of beginning.

APN: 150-0251-016-0000

EXHIBIT B
Approved Development Budget

PART VIII. BASIS, CREDIT AMOUNTS, OPERATING EXPENSES & INCOME

A. Development Budget

	PERMANENT SOURCES								
	TOTAL PROJECT COST	RESIDENTIAL COST	COMMERCIAL COST 11.90%	Tax Credit Equity	1. Perm	City Loan BMIR 3%	3. Deferred Developer Fees	70% PVC for New Construction/Rehabilitation	30% PVC for Acquisition
LAND COST/ACQUISITION									
Land Cost or Value	2,000,000	1,762,000	238,000			2,000,000		XXXXXXX	XXXXXXX
Demolition	0	0	0	0				XXXXXXX	XXXXXXX
Legal	0	0	0	0				XXXXXXX	XXXXXXX
Total Land Cost or Value	\$2,000,000	\$1,762,000	\$238,000	\$0	\$0	\$2,000,000	\$0	XXXXXXX	XXXXXXX
Existing Improvements Value	0	0	0	0				XXXXXXX	XXXXXXX
Off-Site Improvements	0	0	0	0				XXXXXXX	XXXXXXX
Total Acquisition Cost	\$0	\$0	\$0	\$0	\$0	\$0	\$0	XXXXXXX	XXXXXXX
REHABILITATION									
Site Work	0	0	0	0				XXXXXXX	XXXXXXX
Structures	0	0	0	0				XXXXXXX	XXXXXXX
General Requirements	0	0	0	0				XXXXXXX	XXXXXXX
Contractor Overhead	0	0	0	0				XXXXXXX	XXXXXXX
Contractor Profit	0	0	0	0				XXXXXXX	XXXXXXX
Prevailing Wages	0	0	0	0				XXXXXXX	XXXXXXX
General Liability Insurance	0	0	0	0				XXXXXXX	XXXXXXX
Total Rehab. Costs	\$0	\$0	\$0	\$0	\$0	\$0	\$0	XXXXXXX	\$0
Total Relocation Expenses	\$0	\$0	\$0	\$0	\$0	\$0	\$0	XXXXXXX	\$0
NEW CONSTRUCTION									
Site Work	1,200,000	1,057,200	142,800	1,057,200	142,800			1,057,200	
Structures	9,000,000	7,929,000	1,071,000	5,066,296	3,933,704			8,300,000	
General Requirements	612,000	539,172	72,828	539,172	72,828			539,172	
Contractor Overhead	204,000	179,724	24,276	179,724	24,276			179,724	
Contractor Profit	612,000	539,172	72,828	539,172	72,828			539,172	
Prevailing Wages	0	0	0	0	0			0	
General Liability Insurance	0	0	0	0	0			0	
Total New Construction Costs	\$11,628,000	\$10,244,268	\$1,383,732	\$7,381,564	\$4,246,436	\$0	\$0	\$10,615,268	\$0

TOTAL PROJECT COST	RESIDENTIAL COST	COMMERCIAL COST	Tax Credit Equity	1. Perm	City Loan	3. Deferred Developer Fees	70% PVC for New Construction/Rehabilitation	30% PVC for Acquisition
ARCHITECTURAL FEES								
Design	176,200	23,800	176,200		23,800		176,200	
Supervision	0	0	0		0		0	
Total Architectural Costs	\$176,200	\$23,800	\$176,200	\$0	\$23,800	\$0	\$176,200	\$0
Total Survey & Engineering	\$66,075	\$8,925	\$66,075		\$8,925		\$66,075	
CONST. INTEREST & FEES								
Const. Loan Interest	308,350	41,650	308,350		41,650		308,350	
Origination Fee	44,050	5,950	44,050		5,950		44,050	
Credit Enhance. & App. Fee	22,025	2,975	22,025		2,975		22,025	
Taxes	35,240	4,760	35,240		4,760		35,240	
Insurance	66,075	8,925	66,075		8,925		66,075	
Title And Recording	30,835	4,165	30,835		4,165		30,835	
Total Const. Interest & Fees	\$506,575	\$68,425	\$506,575		\$68,425	\$0	\$506,575	0
PERMANENT FINANCING								
Loan Origination Fee	0	0	0		0		XXXXXXX	XXXXXXX
Credit Enhance. & App. Fee	0	0	0		0		XXXXXXX	XXXXXXX
Title and Recording	0	0	0		0		XXXXXXX	XXXXXXX
Other	0	0	0		0		XXXXXXX	XXXXXXX
Total Perm. Financing Costs	\$0	0	0	\$0	0	\$0	XXXXXXX	XXXXXXX
LEGAL FEES								
Lender Legal Pd. by Applicant	17,620	2,380	17,620		2,380		17,620	
Other (Specify) Borrower Atty	70,480	9,520	67,920		12,080		15,000	
Total Attorney Costs	\$88,100	\$11,900	\$85,540	\$0	\$14,460	\$0	\$32,620	\$0
RESERVES								
Rent Reserves	440,500	59,500	440,500	27,507	31,993		XXXXXXX	XXXXXXX
Capitalized Rent Reserves	0	0	0		0		XXXXXXX	XXXXXXX
* 3-Month Operating Reserves	126,117	17,035	124,095		19,057			
Total Reserve Costs	\$566,617	\$76,535	\$564,595	\$27,507	\$51,050	\$0	XXXXXXX	XXXXXXX
Total Appraisal Costs	\$8,810	\$1,190	\$8,810		\$1,190		\$8,810	

Note: Syndication Costs may not be included as a project cost. *Operating Reserve is required - Regulation Section 10327(c)(8)(C).

EXHIBIT B

OWNER PARTICIPATION AND LOAN AGREEMENT

by and between

GALT REDEVELOPMENT AGENCY

and

DOWNTOWN GALT PLACE ASSOCIATES, A CALIFORNIA LIMITED PARTNERSHIP

(Galt Place Seniors)

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RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

Galt Redevelopment Agency
380 Civic Drive
Galt, CA 95632

Attention: Executive Director

REGULATORY AGREEMENT AND
DECLARATION OF RESTRICTIVE COVENANTS

This Regulatory Agreement and Declaration of Restrictive Covenants (the "Agreement") is made and entered into as of , 2008, by and between the Galt Redevelopment Agency, a public body, corporate and politic (the "Agency") and Downtown Galt Place Associates, a California Limited Partnership ("Owner").

RECITALS

A. These Recitals refer to and utilize certain capitalized terms that are defined in Article 1 of this Agreement. The parties intend to refer to those definitions in connection with their use in these Recitals.

B. The Owner and the Agency entered in an Owner Participation and Loan Agreement dated of even date herewith (the "Loan Agreement"), whereby the Agency provided a loan to the Owner in the amount of Two Million Five Hundred Thousand Dollars (\$2,500,000) (the "Loan") to construct and finance the development of that certain real property located in Galt, California more particularly described in Exhibit A attached to this Agreement and incorporated by this reference (the "Property"). The improvements on the Property (the "Improvements") include eighty (80) housing units affordable to low- and very low-income households and one (1) manager's unit. The Property and the Improvements will be referred to collectively as the Development

C. The Loan is evidenced by a Promissory Note dated of even date herewith (the "Promissory Note"), and a deed of trust dated of even date herewith, and recorded against the Property (the "Deed of Trust").

D. The Agency has agreed to loan funds to Developer on the condition that the Development be maintained and operated in accordance with Health and Safety Sections 33334.2 et seq. The Agency intends to utilize the Improvements to obtain replacement housing credits pursuant to Health and Safety Code Section 33413(a) and affordable housing production credits pursuant to Health and Safety Code Section 33413(b)(2)(B), and in accordance with additional restrictions concerning affordability, operation and maintenance of the Development as specified in this Agreement.

E. In consideration of receipt of the Agency Loan and repayment terms substantially below market rate loans, the Developer further agrees to observe all the terms and conditions set forth below.

F. In order to ensure that the Development will be used and operated in accordance with these conditions and restrictions, the Agency and Developer wish to enter into this Agreement.

THEREFORE, the Agency and Owner hereby agree as follows.

ARTICLE 1.
DEFINITIONS

1.1 Definitions. When used in this Agreement, the following terms shall have the respective meanings assigned to them in this Article 1.

(a) "Actual Household Size" shall mean the actual number of persons in the applicable household.

(b) "Affordable Rent" shall mean the percentages of area Median Income contained in Health And Safety Code Section 50053 (b)(1)—(3) and accompanying regulations of the California Department of Housing and Community Development with allowance for utilities and maintenance costs, as such allowance may be established from time to time, except for any households whose tenancy is governed by the Section 8 Housing Choice Voucher Program, [42 U.S.C. § 1437f(o)], which determines rent levels using "fair market rent", not "median income". [42 U.S.C. § 1437f(c)(1); 24 C.F.R. § 982.4(b).]

(c) "Agency" shall mean the Galt Redevelopment Agency, a public body, corporate and politic.

(d) "Agreement" shall mean this Regulatory Agreement and Declaration of Restrictive Covenants.

(e) "Assumed Household Size" shall have the meaning set forth in Section 2.2(d) below.

(f) "City" shall mean the City of Galt, a municipal corporation.

(g) "Development" shall mean the Property and the eighty-one (81) units on the Property, as well as all landscaping, roads and parking spaces existing thereon, as the same may from time to time exist.

(h) "Extremely Low Income Households", shall mean as defined in Health And Safety Code Section 50106.

(i) "Lower Income Households" shall mean as defined in Health and Safety Code Section 50079.5.

(j) "Median Income" shall mean the median gross yearly income adjusted for Actual Household Size or Assumed Household Size as specified herein, in the County of Sacramento, California, as determined by the U.S. Department of Housing and Urban Development and as published from time to time by the U.S. Department of Housing and Urban Development and the California Tax Credit Allocation Committee. In the event that such income determinations are no longer published or are not updated for a period of at least eighteen (18) months, the Agency shall provide the Developer with other income

determinations which are reasonably similar with respect to methods of calculation to those previously published by HUD.

(k) "Owner" shall mean Downtown Galt Place Associates, a California Limited Partnership, and its successors and assigns to the Development.

(l) "Persons and Families of Low Or Moderate Income" shall mean persons and families whose income does not exceed 120% of the area Median Income, adjusted for family size, as referenced in Health & Safety Code Section 50093.

(m) "Property" shall mean the real property described in Exhibit A attached hereto and incorporated herein.

(n) "Rent" shall mean the total of monthly payments by the tenants of a Unit for the following: use and occupancy of the Unit and land and associated facilities, including parking; any separately charged fees or service charges assessed by Owner which are required of all tenants, other than security deposits; the cost of an adequate level of service for utilities paid by the tenant, including garbage collection, sewer, water, electricity, gas and other heating, cooking and refrigeration fuel, but not telephone service; any other interest, taxes, fees or charges for use of the land or associated facilities and assessed by a public or private entity other than Owner, and paid by the tenant.

(o) "Sixty Percent Household" shall mean a household with an Adjusted Income that does not exceed sixty percent (60%) Median Income.

(p) "Sixty Percent Rent" shall mean the maximum allowable rent for a Sixty Percent Unit pursuant to Section 2.2(b) below.

(q) "Sixty Percent Unit" shall mean the Units which, pursuant to Section 2.1(b) are required to be rented to Sixty Percent Households.

(r) "Term" shall mean the term of this Agreement, commencing on the date of this Agreement and expiring on the fifty-fifth (55th) anniversary of the date of issuance by the City of a certificate of occupancy for the Development.

(s) "Units" shall mean the eighty- one (81) rental units located on the Property.

(t) "Very Low Income Household" shall mean a household with an Adjusted Income that does not exceed the qualifying limits for very low income households, adjusted for Actual Household Size, as established and amended from time to time pursuant to Health & Safety Code Section 50105.

(u) "Very Low Income Rent" shall mean the maximum allowable rent for a Very Low Income Unit pursuant to Section 2.2 (a) below.

(v) "Very Low Income Unit" shall mean the Units which, pursuant to Section 2.1(a) below, are required to be occupied by Very Low Income Households.

ARTICLE 2.
AFFORDABILITY COVENANTS

2.1 Occupancy Requirements.

(a) Extremely Low Income Units. Eight (8) of the Units shall be rented and occupied by or, if vacant, available for rental and occupancy by Extremely Low Income Households.

(b) Forty Percent Units. Eight (8) of the Units shall be rented and occupied or, if vacant, available for rental and occupancy by households which qualify to rent at no more than 40% of area Median Income.

(b) Very Low Income Units. Forty (40) of the Units shall be rented and occupied by or, if vacant, available for rental and occupancy by Very Low Income Households.

(c) Sixty Percent Units. Twenty-Four (24) of the Units shall be rented and occupied by or, if vacant, available for rental and occupancy by Sixty Percent Households

(d) Bedroom Size. The Units (excluding the manager's unit) shall be available in the following bedroom sizes:

	<u>1 bdrm</u>	<u>2 bdrm</u>	<u>Total</u>
Extremely Low Income Units	6	2	8
Forty Percent Units	6	2	8
Very Low Income Units	32	8	40
Sixty Percent Units	20	4	24
Manager's Unit	1	0	1
TOTAL	65	16	81

(e) Senior Occupancy at 55 years or older as defined by the regulations of the California Tax Credit Allocation.

2.2 Allowable Rent.

(a) Very Low Income Rent. Subject to the provisions of Section 2.3 below, the Rent (including utility allowance) charged to Tenants of the Very Low Income Units shall not exceed one-twelfth (1/12th) of thirty percent (30%) of fifty percent (50%) of Median Income, adjusted for Assumed Household Size.

(b) Sixty Percent Rent. Subject to Section 2.3 below, the Rent charged to Tenants of the Lower Income Units shall not exceed one-twelfth (1/12th) of thirty percent (30%) of sixty percent (60%) of Median Income, adjusted for Assumed Household Size.

(c) Agency Approval of Rents. Initial rents for all Units (excluding the Manager's Unit) shall be approved by the Agency prior to occupancy. All rent increases shall also be subject to Agency approval.

(d) Assumed Household Size. In calculating the allowable Rent for the Lower Income Units, the imputed household sizes shall be as contained in the regulations of the program which applies to each Lower Income Household depending upon whether that household is participating in the Tax Credit Program, administered by the California Tax Credit Allocation Committee or the Section 8 Housing Choice Voucher Program administered by the local Public Housing Agency.

2.3 Increased Income of Occupying Households.

(a) Very Low Income Household to Sixty Percent Household. If, upon recertification of the income of a Tenant of a Very Low Income Unit, the Borrower determines that a former Very Low Income Household's Adjusted Income has increased and exceeds the qualifying income for a Very Low Income Household set forth in Section 1.1(t), but does not exceed the maximum qualifying income for a Sixty Percent Household, then, upon expiration of the Tenant's lease:

- (1) Such Tenant's Unit shall be considered a Sixty Percent Unit;
- (2) Such Tenant's Rent may be increased to a Sixty Percent Rent, upon sixty (60) days' written notice to the Tenant; and
- (3) The Borrower shall rent the next available Unit to a Very Low Income Household at Rent not exceeding the maximum Rent specified in Section 2.2(a) to comply with the requirements of Section 2.1(b) and Section 2.2(a) above.

(b) Non-Qualifying Household. In the event, upon recertification of an occupant household's income, the Owner determines that a former Very Low Income Household or Sixty Percent Household, has an Adjusted Income exceeding sixty percent (60%) of Median Income, such household shall be permitted to continue to occupy the Unit, and upon expiration of the household's lease and upon sixty (60) days written notice, the Rent may be increased to one-twelfth (1/12th) of thirty percent (30%) of the household's actual income. The Owner shall rent the next available Unit to an Extremely Low Income Household, a Forty Percent Household, a Very Low Income Household or a Sixty Percent Household as necessary to meet the requirements of Section 2.1(b) above.

2.4 Lease Provisions. Owner shall include in future leases for all Units, provisions which authorize Owner to immediately terminate the tenancy of any household one or more of whose members misrepresented any fact material to the household's qualification as an Extremely Low Income Household or Lower Income Household, which shall be considered a "good cause" for eviction. Each lease or rental agreement shall also provide that the household is subject to annual certification in accordance with Section 3.1 below, and that, if the household's income increases above the applicable limits for a Very Low Income Household or Sixty Percent Household or Extremely Low Income Household or 40 Percent Household, as applicable, such household's Rent may be subject to increase.

2.5 Condominium Conversion. The Owner shall not convert Development units to condominium or cooperative ownership or sell condominium or cooperative conversion rights to the Property during the Term of this Agreement.

ARTICLE 3.
INCOME CERTIFICATION AND REPORTING

3.1 Income Certification. The Owner will obtain, complete and maintain on file, immediately prior to initial occupancy and annually thereafter, income certifications from each household renting any of the Units. The Owner shall make a good faith effort to verify that the income provided by an applicant or occupying household in an income certification is accurate by taking one or more of the following steps as a part of the verification process: (1) obtain a pay stub for the most recent pay period; (2) obtain an income tax return for the most recent tax year; (3) conduct a credit agency or similar search; (4) obtain an income verification form from the applicant's current employer; (5) obtain an income verification form from the Social Security Administration and/or the California Department of Social Services if the applicant receives assistance from either of such agencies; or (6) if the applicant is unemployed and has no such tax return, obtain another form of independent verification. Copies of tenant income certifications shall be available to the Agency upon request.

3.2 Annual Report to Agency. On April 15th of each year the Owner shall submit an annual report to the Agency, in a form approved by the Agency. The annual report shall include for each Unit covered by this Agreement, the Rent and the income and household size of the household occupying the Unit. The report shall also state the date the tenancy commenced for each rental Unit and such other information as the Agency may be required by law to obtain.

3.3 Additional Information. Owner shall provide any additional information reasonably requested by the Agency.

3.4 Records. Owner shall maintain complete, accurate and current records pertaining to the Units for five (5) years after creating such records, and shall permit any duly authorized representative of the Agency to inspect records, including records pertaining to income and household size of tenant households.

ARTICLE 4.
OPERATION OF THE DEVELOPMENT

4.1 Residential Use. The Development shall be operated only for residential use. No part of the Development shall be operated as transient housing.

4.2 Taxes and Assessments. Owner shall pay all real and personal property taxes, assessments, if any, and charges and all franchise, income, employment, old age benefit, withholding, sales, and other taxes assessed against it, or payable by it, at such times and in such manner as to prevent any penalty from accruing, or any line or charge from attaching to the Property; provided, however, that Owner shall have the right to contest in good faith, any such taxes, assessments, or charges. In the event Owner exercises its right to contest any tax, assessment, or charge against it, Owner, on final determination of the proceeding or contest, shall immediately pay or discharge any decision or judgment rendered against it, together with all costs, charges and interest.

4.3 Nondiscrimination. All of the Units shall be available for occupancy on a continuous basis to members of the general public who are income eligible. Owner shall not give preference to any particular class or group of persons in renting or selling the

Units, except to the extent that the Units are required to be leased to Extremely Low Income Households or Lower Income Households.

(a) The Owner, for itself and its successors and assigns, agrees that the Owner will not discriminate against any employee or applicant for employment because of sex, marital status, race, color, religion, creed, national origin, or ancestry, and that the Owner will comply with all applicable local, state and federal fair employment laws and regulations.

The Owner covenants and agrees for itself, its successors, its assigns and every successor in interest to the Property or any part thereof, that there shall be no discrimination against or segregation of any person or group of persons on account of race, color, creed, religion, sex, marital status, ancestry or national origin in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Property, nor shall the Owner itself, or any person claiming under or through it, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use of occupancy of tenants, lessees, subtenants, sublessee or vendees of the Property. The foregoing covenants shall run with the land and shall remain in effect in perpetuity.

All deeds, leases or contracts relative to the Property or the improvements constructed thereon shall contain or be subject to substantially the following nondiscrimination or non-segregation clauses, pursuant to California Health and Safety Code Section 33435 and 33436.

(1) In Deeds. "The grantee herein covenants by and for himself or herself his or her heirs, executors, administrators, and assigns, and all persons claiming under or through them, that there shall be no discrimination against or segregation of, any person or group of persons on account of race, color, creed, religion, sex, marital status, national origin or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the land herein conveyed, nor shall the grantee himself or herself any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees in the land herein conveyed. The foregoing covenants shall run with the land in perpetuity."

(2) In Contracts. "There shall be no discrimination against or segregation of, any person or group of persons on account of race, color, creed, religion, sex, marital status, national origin, or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the land, nor shall the transferee himself or any person claiming under or through him or her establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy of tenants, lessees subtenants, sublessees or vendees of the land."

(3) In Leases. "The lessee herein covenants by and for himself or herself, his or her heirs, executors, administrators and assigns, and all persons claiming under or through him, and this lease is made and accepted upon the subject to the following conditions: That there shall be no discrimination against or segregation of any person or group of persons, on account of race, color, creed, religion, sex, marital sex, national origin or ancestry, in the leasing, subleasing, transferring, use, occupancy, tenure or enjoyment of the land herein leased, nor shall the lessee himself or herself, or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees of the land herein leased."

ARTICLE 5.
PROPERTY MANAGEMENT AND MAINTENANCE

5.1 Management Responsibilities. The Owner is responsible for all management functions with respect to the Development, including without limitation the selection of tenants, certification and recertification of household size and income, evictions, collection of rents and deposits, maintenance, landscaping, routine and extraordinary repairs, replacement of capital items, and security. The Agency shall have no responsibility over management of the Development. The Owner shall retain a professional property management company approved by the Agency in its reasonable discretion to perform its management duties hereunder. A resident manager shall also be required.

5.2 Management Agent. The Development shall at all times be managed by an experienced management agent reasonably acceptable to the Agency, with demonstrated ability to operate residential facilities like the Development in a manner that will provide decent, safe, and sanitary housing (as approved, the "Management Agent"). The Owner shall submit for the Agency's approval the identity of any proposed Management Agent. The Owner shall also submit such additional information about the background, experience and financial condition of any proposed Management Agent as is reasonably necessary for the Agency to determine whether the proposed Management Agent meets the standard for a qualified Management Agent set forth above. If the proposed Management Agent meets the standard for a qualified Management Agent set forth above, the Agency shall approve the proposed Management Agent by notifying the Owner in writing. Unless the proposed Management Agent is disapproved by the Agency within thirty (30) days, which disapproval shall state with reasonable specificity the basis for disapproval, it shall be deemed approved.

5.3 Performance Review. The Agency reserves the right to conduct an annual (or more frequently, if deemed reasonably necessary by the Agency) review of the management practices and financial status of the Development. The purpose of each periodic review will be to enable the Agency to determine if the Development is being operated and managed in accordance with the requirements and standards of this Agreement. The Owner shall cooperate with the Agency in such reviews.

5.4 Replacement of Management Agent. If, as a result of a periodic review, the Agency determines in its reasonable judgment that the Development is not being operated and managed in accordance with any of the material requirements and standards of this Agreement, the Agency shall deliver notice to Owner of its intention to cause replacement of the Management Agent, including the reasons therefor. Within fifteen (15) days of receipt by Owner of such written notice, Agency staff and the Owner shall meet in good faith to consider methods for improving the financial and operating status of the Development. If after a reasonable period as determined by the Agency (not to exceed sixty (60) days), the Agency determines that the Owner is not operating and managing the Development in accordance with the material requirements and standards of this Agreement, the Agency may require replacement of the Management Agent.

If, after the above procedure, the Agency requires in writing the replacement of the Management Agent, Owner shall promptly dismiss the then Management Agent, and shall appoint as the Management Agent a person or entity meeting the standards for a Management Agent set forth in Section 5.2 above and approved by the Agency pursuant to Section 5.2 above.

Any contract for the operation or management of the Development entered into by Owner shall provide that the contract can be terminated as set forth above. Failure to remove the Management Agent in accordance with the provisions of this Section shall constitute default under this Agreement, and the Agency may enforce this provision through legal proceedings as specified in Section 6.3.

5.5 Approval of Management Policies. The Owner shall submit its written management policies with respect to the Development to the Agency for its review, and shall amend such policies in any way necessary to ensure that such policies comply with the provisions of this Agreement.

5.6 Property Maintenance. The Owner agrees, for the entire Term of this Agreement, to maintain all interior and exterior improvements, including landscaping, on the Property in good condition and repair (and, as to landscaping, in a healthy condition) and in accordance with all applicable laws, rules, ordinances, orders and regulations of all federal, state, county, municipal, and other governmental agencies and bodies having or claiming jurisdiction and all their respective departments, bureaus, and officials, and in accordance with the following maintenance conditions:

The Agency places prime importance on quality maintenance to protect its investment and to ensure that all Agency and Agency-assisted affordable housing projects within the Agency are not allowed to deteriorate due to below-average maintenance. Normal wear and tear of the Development will be acceptable to the Agency assuming the Owner agrees to provide all necessary improvements to assure the Development is maintained in good condition. The Owner shall make all repairs and replacements necessary to keep the improvements in good condition and repair.

In the event that the Owner breaches any of the covenants contained in this section and such default continues for a period of seven (7) days after written notice from the Agency with respect to graffiti, debris, waste material, and general maintenance or thirty (30) days after written notice from the Agency with respect to landscaping and building improvements, then the Agency, in addition to whatever other remedy it may have at law or in equity, shall have the right to enter upon the Property and perform or cause to be performed all such acts and work necessary to cure the default. Pursuant to such right of entry, the Agency shall be permitted (but is not required) to enter upon the Property and perform all acts and work necessary to protect, maintain, and preserve the improvements and landscaped areas on the Property, and to attach a lien on the Property, or to assess the Property, in the amount of the expenditures arising from such acts and work of protection, maintenance, and preservation by the Agency and/or costs of such cure, including a ten percent (10%) administrative charge, which amount shall be promptly paid by the Owner to the Agency upon demand.

ARTICLE 6. MISCELLANEOUS

6.1 Term. The provisions of this Agreement shall apply to the Property for the entire Term even if the entire Loan is paid in full prior to the end of the Term; provided, however, that the provisions of Section 5.6 and Section 4.3 of the Agreement shall run with the Property and shall remain in effect in perpetuity. This Agreement shall bind any successor, heir or assign of Owner, whether a change in interest occurs voluntarily or involuntarily, by operation of law or otherwise, except as expressly released by the Agency.

The Agency makes the Loan on the condition, and in consideration of, this provision, and would not do so otherwise.

6.2 Covenants to Run With the Land. The Agency and Owner hereby declare their express intent that the covenants and restrictions set forth in this Agreement shall run with the land, and shall bind all successors in title to the Property, provided, however, that on the expiration of the Term of this Agreement said covenants and restrictions shall expire. Each and every contract, deed or other instrument hereafter executed covering or conveying the Property or any portion thereof shall be held conclusively to have been executed, delivered and accepted subject to such covenants and restrictions, regardless of whether such covenants or restrictions are set forth in such contract, deed or other instrument, unless the Agency expressly releases such conveyed portion of the Property from the requirements of this Agreement.

6.3 Enforcement by the Agency. If Owner fails to perform any obligation under this Agreement, and fails to cure the default within thirty (30) days after the Agency has notified the Owner in writing of the default or, if the default cannot be cured within thirty (30) days, fails to commence to cure within thirty (30) days and thereafter diligently pursue such cure (and subject also to the notice and cure rights of the limited partner of Borrower set forth in Section 7.1 of the Loan Agreement), the Agency shall have the right to enforce this Agreement by any or all of the following actions, or any other remedy provided by law:

(a) Calling the Agency Loan. The Agency may declare a default under the Agency Note, accelerate the indebtedness evidenced by the Note, and with respect to the Agency Loan, proceed with foreclosure under the Deed of Trust.

(b) Action to Compel Performance or for Damages. The Agency may bring an action at law or in equity to compel the Borrower's performance of its obligations under this Agreement, and/or for damages.

(c) Remedies Provided Under Loan Agreement. The Agency may exercise any other remedy provided under the Loan Agreement.

6.4 Attorneys Fees and Costs. In any action brought to enforce this Agreement, the prevailing party shall be entitled to all costs and expenses of suit, including reasonable attorneys' fees. This section shall be interpreted in accordance with California Civil Code Section 1717 and judicial decisions interpreting that statute.

6.5 Recording and Filing. The Agency and Owner shall cause this Agreement, and all amendments and supplements to it, to be recorded against the Property in the Official Records of Sacramento County.

6.6 Governing Law. This Agreement shall be governed by the laws of the State of California.

6.7 Amendments. This Agreement may be amended only by a written instrument executed by all the parties hereto or their successors in title, and duly recorded in the real property records of Sacramento County, California.

6.8 Notice. All notices given or certificates delivered under this Agreement shall be in writing and be deemed received on the delivery or refusal date shown on the delivery receipt, if: (i) personally delivered by a commercial service which furnishes signed receipts

of delivery or (ii) mailed by certified mail; return receipt requested, postage prepaid, addressed as follows:

Agency: Galt Redevelopment Agency
495 Industrial Drive
Galt, CA 95376

Owner: Downtown Galt Place Associates,
a California Limited Partnership
1001 4thth Street, Suite 701
Sacramento, CA 95814

With a Copy to:

Any of the parties may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or communications shall be sent.

6.9 Severability. If any provision of this Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining portions of this Agreement shall not in any way be affected or impaired thereby.

IN WITNESS WHEREOF, the Agency and Owner have executed this Agreement by duly authorized representatives, all on the date first written above.

DOWNTOWN GALT PLACE ASSOCIATES,
a California Limited Partnership

By:
Cyrus Youssefi
General Partner

DOWNTOWN GALT PLACE ASSOCIATES,
a California Limited Partnership

By: Egis Group, Inc.,
a California S Corporation
General Partner

By: _____
John Cicerone
President

DOWNTOWN GALT PLACE ASSOCIATES,
a California Limited Partnership

By: Community Revitalization and
Development Corporation
a California nonprofit corporation,
Managing General Partner

By: _____
David Rutledge
CFO/Secretary

AGENCY:

GALT REDEVELOPMENT AGENCY, a public body
corporate and politic

By:_____

Name:_____

Title:_____

ATTEST

By:_____

Agency Secretary

EXHIBIT A

Legal Description of the Property

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

Parcel One:

Lots 1 and 2 in Block 24 of the Town of Galt, in the City of Galt according to the official plat thereof, filed in the office of the recorder of Sacramento County on December 27, 1870 in Book 1 of Maps, Map No. 22.

APN: 150-0251-001-0000 and 150-0251-002-0000

Parcel Two:

Lot 3 in Block 24 of the Town of Galt, in the City of Galt, according to the official plat thereof, filed in the office of the Recorder of Sacramento County on December 27, 1870, in Book 1 of Maps, Map No. 22.

APN: 150-0251-015-0000

Parcel Three:

Lots 4 and 5 in Block 24 as per Map of the Town of Galt, in the City of Galt, recorded in the office of the County Recorder of Sacramento County, December 27, 1870 in Book 1 of Maps, Map No. 22.

APN: 150-0251-017-0000 and 150-0251-018-0000

Parcel Four:

Parcel A: All that portion of Lot 6, in Block 24, as shown on the official "Map of the Town of Galt", in the City of Galt, filed in the office of the County Recorder of Sacramento County on December 27, 1870, in Book 1 of Maps, Map No. 22, described as follows:

Beginning at the most Southerly corner of Lot 6, thence Northwesterly 40 feet along the Southwesterly line of said Lot 6 to the most Westerly corner of said Lot 6; thence Northeasterly 95 feet along the Northwesterly line of said Lot 6; thence Southeasterly 40 feet along a line parallel to the Southwesterly line of said Lot 6, to a point on the Southeasterly line of said Lot 6; thence Southwesterly 95 feet along the Southeasterly line of said Lot 6 to the point of beginning.

Parcel B: All that portion of Lots 7 and 8, in Block 24, as shown on the official "Map of the Town of Galt", in the City of Galt, filed in the office of the County Recorder of Sacramento County on December 27, 1870, in Book 1 of Maps, Map No. 22, described as follows:

Beginning at the most Southerly corner of said Lot 8, thence Northwesterly 80 feet along the Southwesterly line of said Lots 8 and 7 to the most Westerly corner of said Lot 7; thence Northeasterly 95 feet along the Northwesterly line of said Lot 7; thence Southeasterly 80 feet along a line parallel to the Southwesterly line of said Lot 7 and 8 to a point on the Southeasterly line of Lot 8; thence Southwesterly 95 feet along the Southeasterly line of said Lot 8 to the point of beginning.

APN: 150-0251-016-0000

LOAN AGREEMENT

THIS LOAN AGREEMENT (“**Agreement**”) is dated as of _____, 2008 (“**effective date**”), by and between the GALT REDEVELOPMENT AGENCY, a public body corporate and politic (“**Agency**”), and the CITY OF GALT, a California municipal corporation (“**City**”). Agency and City are sometimes referred to in this Agreement individually as “**Party**” and collectively as “**Parties**.” This Agreement is entered into with reference to the following recitals of fact (each a “**Recital**”):

RECITALS

- A. Pursuant to California Community Redevelopment Law (Health and Safety Code Section 33000 *et seq.*) (“**CRL**”), the Agency is engaged in activities necessary to implement the redevelopment plan (“**Redevelopment Plan**”) for the Galt Redevelopment Project Area (“**Project Area**”).
- B. In accordance with CRL, Agency and CFY Development, Inc. (“**Developer**”) have negotiated the terms of that certain Owner Participation Agreement dated February 5, 2008 (“**OPA**”);
- C. The OPA provides for, among other things, the development of certain real property by Developer as senior housing, which will be made affordable to extremely low, low and very low income senior households (“**Project**”).
- D. The Agency has sought financial assistance from the City in the form of a loan from the City in the amount not to exceed One Million Two Hundred Seventy Five Thousand Dollars (\$1,275,000) (“**Loan Amount**”) for the acquisition and construction of Project.
- E. Pursuant to CRL Section 33601, the Agency may borrow money or accept financial or other assistance from public agencies in connection with any of its redevelopment projects.
- F. Pursuant to CRL Section 33220, the City may aid and cooperate in the planning, undertaking, construction or financing of the Agency’s redevelopment projects.
- G. In connection with the authority granted under CRL Sections 33601 and 33220, the City and the Agency desire to enter into this Agreement in order for the City provide financial assistance to the Agency in the amount of the Loan Amount pursuant to the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the mutual promises set forth in this Agreement and other good and valuable consideration, the receipt and sufficiency of which is acknowledged by Agency and City, the Parties agree as follows:

1. **EFFECTIVE DATE.** This Agreement is dated February 5, 2008 for reference purposes only. This Agreement shall not become legally effective or binding until the date on which all of the following are true (“**Effective Date**”): (a) following all legally required notices and hearings, this Agreement is approved by the Governing Board of Agency and the City Council of City; (b)

this Agreement is executed by the authorized representative of Agency and delivered to City; and
(c) this Agreement is executed by the authorized representative of City and delivered to Agency.

2. CITY LOAN TO AGENCY.

2.1 **City Loan to Agency.** The City shall anytime after the Effective Date make available to the Agency the Loan Amount, or a portion thereof as requested by the Agency.

(a) **Disbursement of Funds.** The City agrees to disburse to the Agency such portions of the Loan Amount as the Agency may from time to time request, not to exceed One Million Two Hundred Seventy Five Thousand Dollars (\$1,275,000).

(b) The City shall disburse the requested portion of the Loan Amount within fifteen (15) calendar days following a written request from the Agency. The aggregate of all sums disbursed, together with the accrued interest thereon, shall be deemed to be the "Loan."

(c) Each disbursement shall commence to accrue simple per annum interest at a rate equal to the LAIF rate, from the date of the disbursement until paid.

2.2 **Agency Repayment of Loan.** The Agency shall repay the Loan, together with all accrued and unpaid interest thereon, in its entirety no later than the tenth (10th) anniversary of the Effective Date. At any time during the duration of this Agreement, there shall be no penalty for prepayment of the entire then-outstanding principal balance and accrued interest of the Loan.

2.3 **Discharge of Agency's Obligations.** The Agency's obligations under Section 2.2 shall be forgiven, discharged and excused upon the date the aggregate amount of payments made by Agency to City equals the amount of the City Loan, together with accrued interest.

3. GENERAL TERMS.

3.1 **Notices and Demands.** All notices or other communications required or permitted between Agency and City under this Agreement shall be in writing, and may be: (i) personally delivered; (ii) sent by United States registered or certified mail, postage prepaid, return receipt requested; (iii) sent by facsimile; or (iv) sent by nationally recognized overnight courier service (e.g., Federal Express), addressed to the Parties at the addresses provided in this Section 3.1, subject to the right of either Party to designate a different address for itself by notice similarly given. Any notice so given by registered or certified United States mail shall be deemed to have been given on the second (2nd) business day after the same is deposited in the United States mail. Any notice not so given by registered or certified mail, such as notices delivered by facsimile or courier service (e.g., Federal Express), shall be deemed given upon receipt of the same by the Party to whom the notice is given.

If to the Agency:	Galt Redevelopment Agency 380 Civic Drive Galt, CA 95376 Attention: Executive Director
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If to the City:

City of Galt
380 Civic Drive
Galt, CA 95632
Attention: City Manager

3.2 **Time Is Of The Essence.** Time of the essence in the performance of the Parties' obligations under this Agreement.

3.3 **No Third Party Beneficiaries.** This Agreement is expressly declared to be for the sole benefit of the Parties hereto. No other person or entity not a signatory to this Agreement shall have any rights or causes of actions against any Party to this Agreement because of that Party's entry into this Agreement.

3.4 **Assignment.** City may not assign any of its rights or obligations under this Agreement without the prior express written consent of Agency, which may be given or withheld in Agency's sole and absolute discretion.

3.5 **Failure to Strictly Enforce Not a Waiver.** Failure by any Party to this Agreement to insist upon the strict performance of any provision of the Agreement or at any one or more times shall not be deemed to constitute a waiver of that Party's right to insist upon strict performance of that or any other provision of this Agreement on future occasions. No alleged waiver of any right afforded to any Party under this Agreement shall be effective unless in writing.

3.6 **Attorneys' Fees.** In the event that any action or proceeding is commenced by either Agency or City against the other to interpret or enforce any provision of this Agreement, the prevailing Party in such action or proceeding shall be entitled to recover from the non-prevailing Party, in addition to all other relief to which the prevailing Party may be entitled, the prevailing Party's reasonable attorneys' fees and litigation costs, as established by a court of law. Recoverable costs and fees shall include those incurred on appeal and in the enforcement of any judgment.

3.7 **Amendments and Modifications.** This Agreement may be amended only by a written document, duly subscribed by the Parties hereto.

3.8 **Counterparts.** This Agreement may be executed in counterpart originals, each of which shall be deemed to be an original, but, when taken together, shall constitute one and the same instrument.

3.9 **Not a Pledge of Tax Increment.** The Agency's obligations under this Agreement do not constitute a formal pledge of the Agency's tax increment; however, the Agency's obligations shall be paid out of all legally available funds, including bond proceeds. The Agency's obligations under this Agreement are subject and subordinate to any preexisting Agency indebtedness, including, without implied limitation, bonded indebtedness, and to any other indebtedness, including, without implied limitation, bonded indebtedness, which is incurred subsequent to the Effective Date of this Agreement.

3.10 **Severability.** If any term of this Agreement is held invalid the remainder of this

Agreement shall remain in effect.

3.11 **Entire Agreement.** This Agreement sets forth the entire understanding between the parties. Changes or amendments shall be made in writing and signed by the parties.

3.12 **Jurisdiction and Venue.** Any action or proceeding concerning this Agreement shall be filed and prosecuted in the appropriate state court in the County of Sacramento, California.

[Signatures on Following Pages]

**SIGNATURE PAGE
TO
LOAN AGREEMENT**

AGENCY:

GALT REDEVELOPMENT AGENCY
a public body, corporate and politic

By: _____
Ted Anderson
Executive Director

Date: _____

ATTEST:

By: _____
Agency Secretary
Galt Redevelopment Agency

APPROVED AS TO LEGAL FORM:
BEST BEST & KRIEGER LLP

By: _____
Agency Counsel
Galt Redevelopment Agency

**SIGNATURE PAGE
TO
LOAN AGREEMENT**

CITY:

CITY OF GALT
a California municipal corporation

By: _____
Ted Anderson
City Manager

Dated: _____

ATTEST:

By: _____
City Clerk
City of Galt

APPROVED AS TO LEGAL FORM:

By: _____
City Attorney
City of Galt

RESOLUTION NO. 2008 -

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF GALT AUTHORIZING A
LOAN TO THE REDEVELOPMENT AGENCY TO FUND
THE LOW/MOD HOUSING SET ASIDE FUND FOR THE ACQUISITION AND CONSTRUCTION
OF GALT PLACE, AN AFFORDABLE SENIOR HOUSING COMPLEX AND
APPROVING A CEQA NOTICE OF EXEMPTION,
THE PROJECT AND SITE PLAN WITH ELEVATIONS**

WHEREAS, section 15332 (Class 32) categorically exempts projects that are characterized as in-fill development projects, for Galt Place. The project meets the criteria required for in-fill status, as set forth in the staff report for the action. The project is consistent with the General Plan, and all zoning designations and regulations; the project site is located in the City limits; it is less than 5 acres and is surrounded by urban uses; the project site has no value for endangered, rare, or threatened species; approval of the project would not result in any significant effects relating to traffic, noise, air quality, and/or water quality; and the site can be adequately served by all City utilities and public services; and

WHEREAS, the City Council of the City of Galt directs staff to file the Notice of Exemption with the County Recorder within 4 days of execution of the Resolution; and

WHEREAS, the City Council of the City of Galt has reviewed and conditionally approves the attached site plan and elevations (Exhibit A) authorizing the Community Development Director to make minor revisions; and

WHEREAS, the Redevelopment Agency of the City of Galt has requested a \$1,275,000 loan from City of Galt to the Low Moderate Income Housing Fund to assist in providing a \$2,500,000 loan to CFY Development, Inc. for the acquisition and construction of Galt Place, an affordable senior housing mixed use project and agrees to repay the City the principle amount plus reasonable interest under terms and conditions as set forth in the attached agreement (Exhibit B); and

WHEREAS, The Galt Redevelopment Agency is to execute a Loan Agreement and Regulatory Agreement with CFY Development, Inc. for the Galt Place Project mandating that eighty (80) of the project's dwelling units be provided at rents affordable to extremely low, very low, and low and income seniors and that certain maintenance standards be upheld; and

NOW THEREFOR BE IT RESOLVED AND ORDERED that the City Council of the City of Galt, California hereby finds that the Galt Place mixed use senior affordable development is exempt from California Environmental Quality Act pursuant to Section 15332, Infill Projects, and approves the filing of the Notice of Exemption.

BE IT FURTHER RESOLVED AND ORDERED that the City Council of the City of Galt approves the attached loan agreement with Galt Redevelopment Agency in the amount of \$1,275,000 as recommended in the staff report, to the Low Moderate Income Housing Fund to assist with the acquisition and construction of the senior affordable portion of the Galt Place project, and authorizes the City Manager to execute all necessary documents relative to their approval.

BE IT FURTHER RESOLVED AND ORDERED that the City Council of the City of Galt hereby approves the Galt Place mixed use senior affordable development project including the site plan, as conditioned, and elevations.

The City Clerk shall certify to the passage and adoption of this Resolution and enter it into the book of original Resolutions.

PASSED AND ADOPTED by the City Council of the City of Galt, California, this 5th day of February 2008, upon motion by Councilmember _____, seconded by Councilmember _____, by the following vote, to wit:

AYES: Councilmembers:
NOES: Councilmembers:
ABSTAIN: Councilmembers:
ABSENT: Councilmembers:

MAYOR, City of Galt

ATTEST:

City Clerk, City of Galt

D O W N T O W N



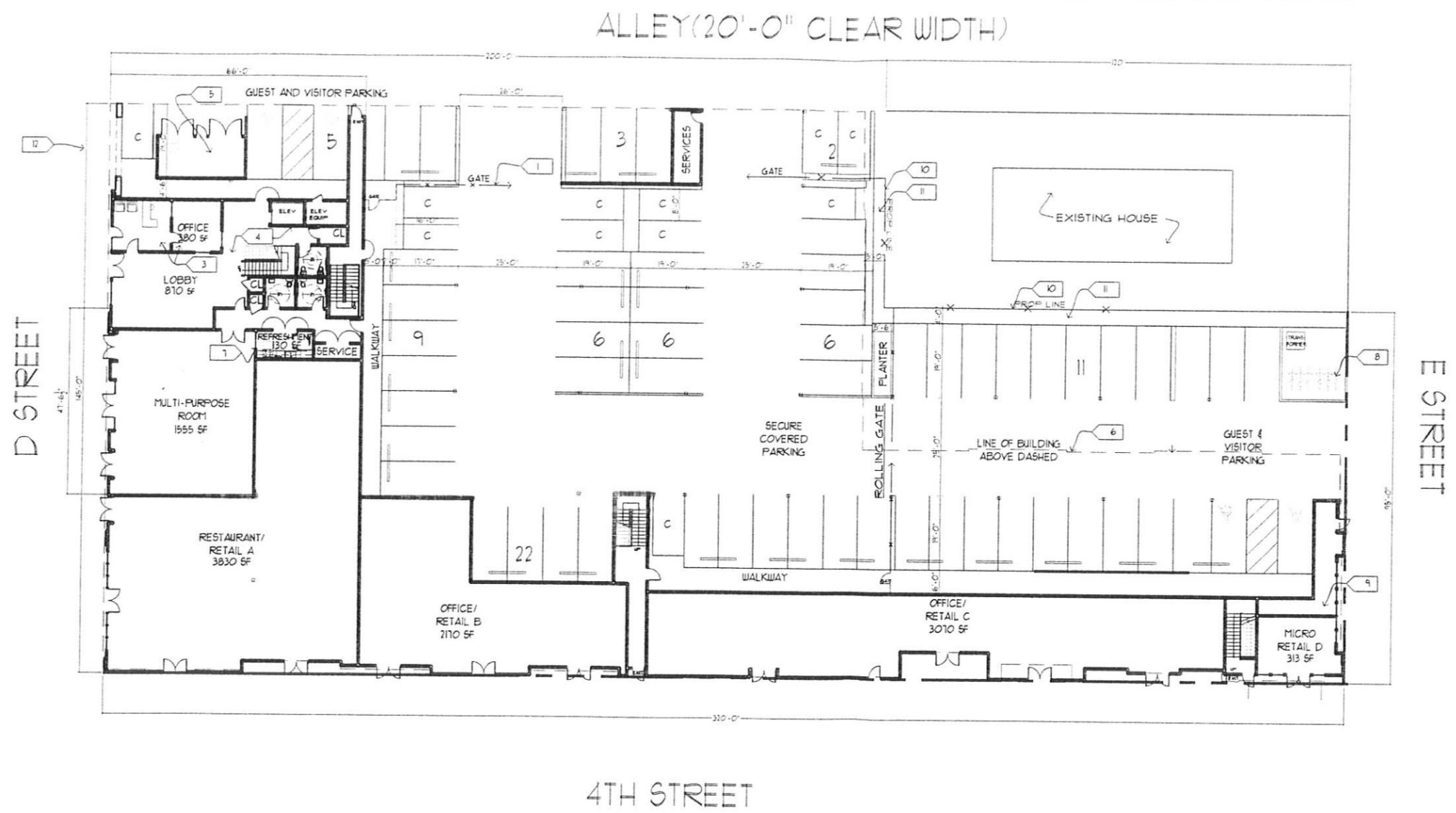
GALT PLACE



CFY
DEVELOPMENT

A RETAIL/RESTAURANT AND SENIOR HOUSING PROJECT
IN THE HEART OF DOWNTOWN GALT
4TH STREET, BETWEEN D & E, GALT CA 9563

APPLIED ARCHITECTURE
INCORPORATED
2550 X Street SACRAMENTO, CA 95818 916-455-2658



KEYNOTES

- 1 OPERABLE GATES
- 2 WROUGHT IRON PERIMETER FENCING FOR SECURE SITE
- 3 MANAGEMENT OFFICES
- 4 TENANT LOBBY AND MAIL SERVICES
- 5 TRASH AND RECYCLING AREAS
- 6 BUILDING ABOVE
- 7 PASS THROUGH WINDOW
- 8 BICYCLE PARKING
- 9 FIRE CONTROL ROOM
- 10 MASONRY FENCE
- 11 DECOMPOSED GRANITE & PLANTING
- 12 PROPOSED BUS STOP

GENERAL NOTES

1. BUS STOP, SEE CIVIL DRAWINGS
2. SITE IMPROVEMENTS - SEE CIVIL DRAWINGS, MATCH PER CITY STANDARDS

REVISIONS	BY
11-28-07	NG
01-03-08	LAM

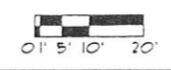


DOWNTOWN
GALT PLACE
 MIXED USE
 4TH STREET, BETWEEN D & E, GALT CA 95632

APPLIED
ARCHITECTURE
 INCORPORATED
 2530 X STREET
 SACRAMENTO, CA 95818
 916-456-2856

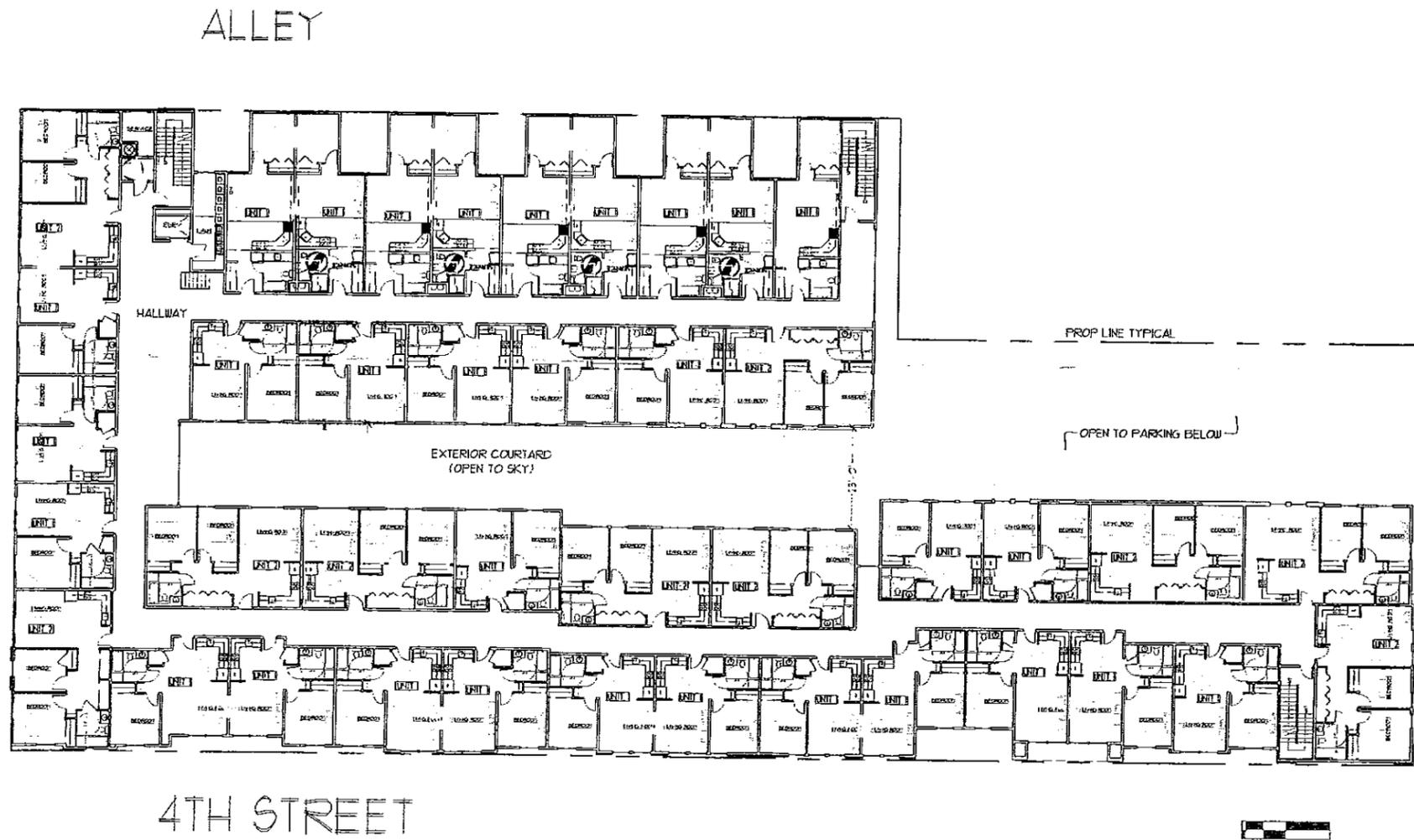
DATE 01/03/08
 SCALE AS NOTED
 DRAWN NG
 JOB G067
 SHEET

A1.1
 OF SHEETS



PROPOSED FIRST FLOOR PLAN
 SCALE: 1/16" = 1'-0"





Proposed Floor Plan for Second and Third Floors



SCALE: 1/16" = 1'-0"



REVISIONS	BY

 APPLIED ARCHITECTURE INCORPORATED	
215 & 217 SACRAMENTO, CA 95811	
DOWNTOWN GALT PLACE MIXED USE	
4TH STREET, BETWEEN D & E, GALT CA 95632	
DATE	12/20/07
SCALE	AS NOTED
DRAWN	MM
JOB	G067
SHEET	A1.2
OF	SHEETS

LOAN AGREEMENT

THIS LOAN AGREEMENT ("**Agreement**") is dated as of _____, 2008 ("effective date"), by and between the GALT REDEVELOPMENT AGENCY, a public body corporate and politic ("**Agency**"), and the CITY OF GALT, a California municipal corporation ("**City**"). Agency and City are sometimes referred to in this Agreement individually as "**Party**" and collectively as "**Parties**." This Agreement is entered into with reference to the following recitals of fact (each a "**Recital**"):

RECITALS

A. Pursuant to California Community Redevelopment Law (Health and Safety Code Section 33000 *et seq.*) ("**CRL**"), the Agency is engaged in activities necessary to implement the redevelopment plan ("**Redevelopment Plan**") for the Galt Redevelopment Project Area ("**Project Area**").

B. In accordance with CRL, Agency and CFY Development, Inc. ("**Developer**") have negotiated the terms of that certain Owner Participation Agreement dated February 5, 2008 ("**OPA**");

C. The OPA provides for, among other things, the development of certain real property by Developer as senior housing, which will be made affordable to extremely low, low and very low income senior households ("**Project**").

D. The Agency has sought financial assistance from the City in the form of a loan from the City in the amount not to exceed One Million Two Hundred Seventy Five Thousand Dollars (\$1,275,000) ("**Loan Amount**") for the acquisition and construction of Project.

E. Pursuant to CRL Section 33601, the Agency may borrow money or accept financial or other assistance from public agencies in connection with any of its redevelopment projects.

F. Pursuant to CRL Section 33220, the City may aid and cooperate in the planning, undertaking, construction or financing of the Agency's redevelopment projects.

G. In connection with the authority granted under CRL Sections 33601 and 33220, the City and the Agency desire to enter into this Agreement in order for the City provide financial assistance to the Agency in the amount of the Loan Amount pursuant to the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the mutual promises set forth in this Agreement and other good and valuable consideration, the receipt and sufficiency of which is acknowledged by Agency and City, the Parties agree as follows:

1. **EFFECTIVE DATE.** This Agreement is dated February 5, 2008 for reference purposes only. This Agreement shall not become legally effective or binding until the date on which all of the following are true ("**Effective Date**"): (a) following all legally required notices and hearings, this Agreement is approved by the Governing Board of Agency and the City Council of City; (b)

this Agreement is executed by the authorized representative of Agency and delivered to City; and
(c) this Agreement is executed by the authorized representative of City and delivered to Agency.

2. CITY LOAN TO AGENCY.

2.1 **City Loan to Agency.** The City shall anytime after the Effective Date make available to the Agency the Loan Amount, or a portion thereof as requested by the Agency.

(a) **Disbursement of Funds.** The City agrees to disburse to the Agency such portions of the Loan Amount as the Agency may from time to time request, not to exceed One Million Two Hundred Seventy Five Thousand Dollars (\$1,275,000).

(b) The City shall disburse the requested portion of the Loan Amount within fifteen (15) calendar days following a written request from the Agency. The aggregate of all sums disbursed, together with the accrued interest thereon, shall be deemed to be the "Loan."

(c) Each disbursement shall commence to accrue simple per annum interest at a rate equal to the LAIF rate, from the date of the disbursement until paid.

2.2 **Agency Repayment of Loan.** The Agency shall repay the Loan, together with all accrued and unpaid interest thereon, in its entirety no later than the tenth (10th) anniversary of the Effective Date. At any time during the duration of this Agreement, there shall be no penalty for prepayment of the entire then-outstanding principal balance and accrued interest of the Loan.

2.3 **Discharge of Agency's Obligations.** The Agency's obligations under Section 2.2 shall be forgiven, discharged and excused upon the date the aggregate amount of payments made by Agency to City equals the amount of the City Loan, together with accrued interest.

3. GENERAL TERMS.

3.1 **Notices and Demands.** All notices or other communications required or permitted between Agency and City under this Agreement shall be in writing, and may be: (i) personally delivered; (ii) sent by United States registered or certified mail, postage prepaid, return receipt requested; (iii) sent by facsimile; or (iv) sent by nationally recognized overnight courier service (e.g., Federal Express), addressed to the Parties at the addresses provided in this Section 3.1, subject to the right of either Party to designate a different address for itself by notice similarly given. Any notice so given by registered or certified United States mail shall be deemed to have been given on the second (2nd) business day after the same is deposited in the United States mail. Any notice not so given by registered or certified mail, such as notices delivered by facsimile or courier service (e.g., Federal Express), shall be deemed given upon receipt of the same by the Party to whom the notice is given.

If to the Agency:

Galt Redevelopment Agency
380 Civic Drive
Galt, CA 95376
Attention: Executive Director

If to the City:

City of Galt
380 Civic Drive
Galt, CA 95632
Attention: City Manager

3.2 Time Is Of The Essence. Time of the essence in the performance of the Parties' obligations under this Agreement.

3.3 No Third Party Beneficiaries. This Agreement is expressly declared to be for the sole benefit of the Parties hereto. No other person or entity not a signatory to this Agreement shall have any rights or causes of actions against any Party to this Agreement because of that Party's entry into this Agreement.

3.4 Assignment. City may not assign any of its rights or obligations under this Agreement without the prior express written consent of Agency, which may be given or withheld in Agency's sole and absolute discretion.

3.5 Failure to Strictly Enforce Not a Waiver. Failure by any Party to this Agreement to insist upon the strict performance of any provision of the Agreement or at any one or more times shall not be deemed to constitute a waiver of that Party's right to insist upon strict performance of that or any other provision of this Agreement on future occasions. No alleged waiver of any right afforded to any Party under this Agreement shall be effective unless in writing.

3.6 Attorneys' Fees. In the event that any action or proceeding is commenced by either Agency or City against the other to interpret or enforce any provision of this Agreement, the prevailing Party in such action or proceeding shall be entitled to recover from the non-prevailing Party, in addition to all other relief to which the prevailing Party may be entitled, the prevailing Party's reasonable attorneys' fees and litigation costs, as established by a court of law. Recoverable costs and fees shall include those incurred on appeal and in the enforcement of any judgment.

3.7 Amendments and Modifications, This Agreement may be amended only by a written document, duly subscribed by the Parties hereto.

3.8 Counterparts. This Agreement may be executed in counterpart originals, each of which shall be deemed to be an original, but, when taken together, shall constitute one and the same instrument.

3.9 Not a Pledge of Tax Increment. The Agency's obligations under this Agreement do not constitute a formal pledge of the Agency's tax increment; however, the Agency's obligations shall be paid out of all legally available funds, including bond proceeds. The Agency's obligations under this Agreement are subject and subordinate to any preexisting Agency indebtedness, including, without implied limitation, bonded indebtedness, and to any other indebtedness, including, without implied limitation, bonded indebtedness, which is incurred subsequent to the Effective Date of this Agreement.

3.10 Severability. If any term of this Agreement is held invalid the remainder of this

Agreement shall remain in effect.

3.11 **Entire Agreement.** This Agreement sets forth the entire understanding between the parties. Changes or amendments shall be made in writing and signed by the parties.

3.12 **Jurisdiction and Venue.** Any action or proceeding concerning this Agreement shall be filed and prosecuted in the appropriate state court in the County of Sacramento, California.

[Signatures on Following Pages]

**SIGNATURE PAGE
TO
LOAN AGREEMENT**

AGENCY:

GALT REDEVELOPMENT AGENCY
a public body, corporate and politic

By: _____
Ted Anderson
Executive Director

Date: _____

ATTEST:

By: _____
Agency Secretary
Galt Redevelopment Agency

APPROVED AS TO LEGAL FORM:
BEST BEST & KRIEGER LLP

By: _____
Agency Counsel
Galt Redevelopment Agency

**SIGNATURE PAGE
TO
LOAN AGREEMENT**

CITY:

CITY OF GALT
a California municipal corporation

By: _____
Ted Anderson
City Manager

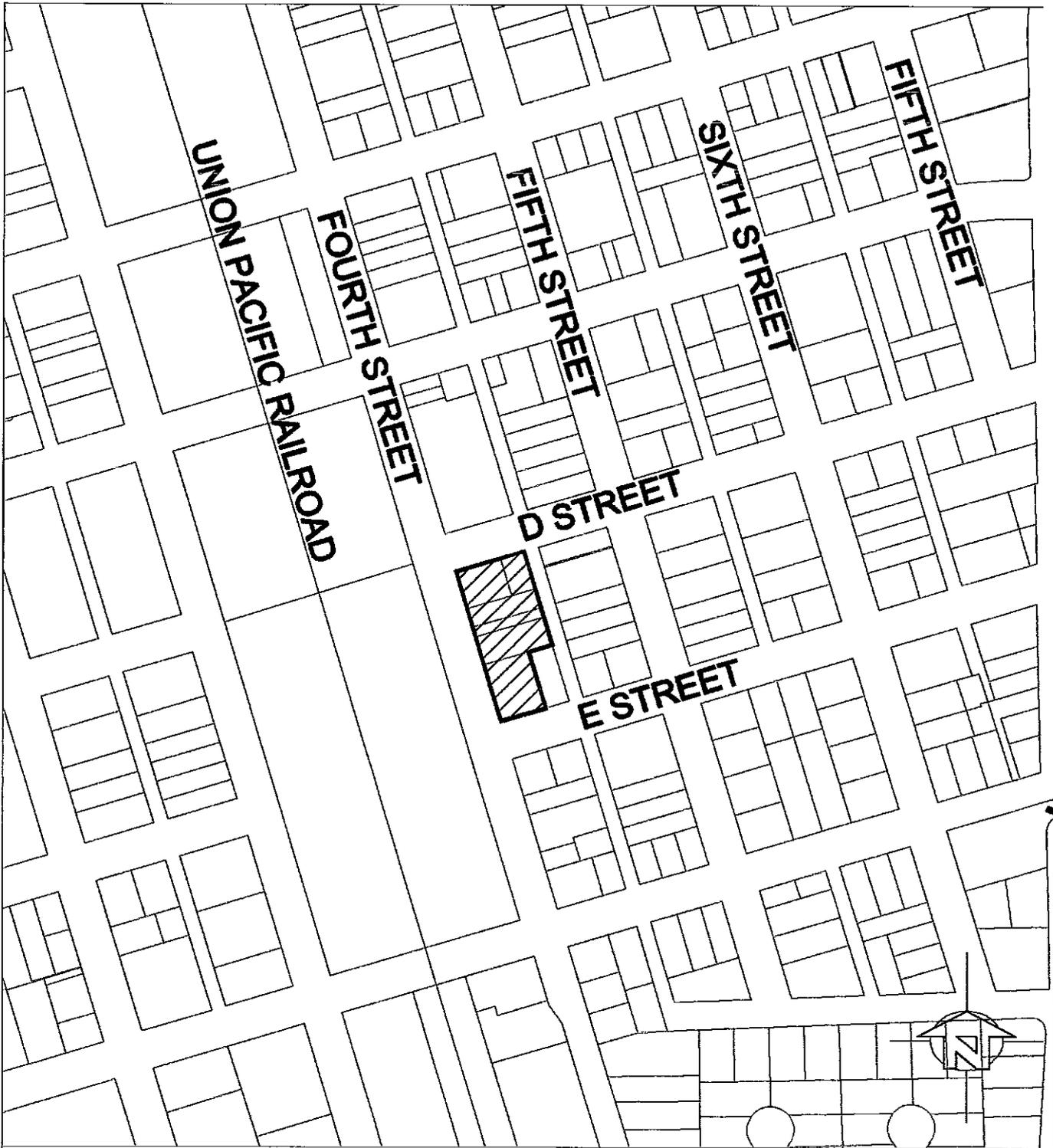
Dated: _____

ATTEST:

By: _____
City Clerk
City of Galt

APPROVED AS TO LEGAL FORM:

By: _____
City Attorney
City of Galt



**GALT PLACE
SENIOR APARTMENTS
PROJECT LOCATION**