

RECORDING REQUESTED BY:

City of Merced, A California charter
municipal corporation

WHEN RECORDED MAIL TO:

City of Merced
City Clerk
678 West 18th Street
Merced, California 95340

**Exempt Recording Per Gov't Code
Section 6103**

(Above for Recorder's Use Only)

DEED RESTRICTION COVENANT AND LOAN AGREEMENT

**In Respect of the
COMMUNITY HOUSING DEVELOPMENT ORGANIZATION
HOME INVESTMENT PARTNERSHIP PROGRAM**

THIS DEED RESTRICTION COVENANT AND LOAN AGREEMENT ("Loan Agreement"), dated _____, 2018, entered into by and between the City of Merced, a California Charter Municipal Corporation, ("City") and Merced Gateway Investors II LP, a California Limited Partnership (the "Partnership"):

A. Pursuant to that certain City Loan Commitment Agreement dated July 17, 2017 (the "CLCA") between the City and the Merced Gateway Investors LP, the City has agreed to provide a loan in the amount of Five Hundred Fourteen Thousand Four Hundred Ten Dollars (\$514,410) (the "CHDO HOME Loan") to Partnership for the construction of a multi-family affordable residential rental project (the "Project") on that certain real property owned by Partnership and located on K Street, between 12th & 13th Streets in the City of Merced, California, and more particularly described in Exhibit A attached hereto and made a part hereof (the "Property"). The Project consists of Fifty (50) units, of which thirty-nine (39) units shall be restricted for occupancy by households with incomes at or below sixty percent (60%) of the Area Median Income ("AMI"), ten (10) units shall be restricted for occupancy for homeless veteran families of which for will be HOME assisted units, and one (1) manager's unit shall be restricted for occupancy by households with income at or below one hundred twenty percent (120%) of the AMI, all for a period of fifty-five (55) years from issuance of a final certificate of occupancy for the Project.

B. The CHDO HOME Loan shall be funded from a grant in the amount of Five Hundred Fourteen Thousand and Four Hundred Dollars (\$514,410) from the U.S. Department of Housing and Urban Development ("HUD") made to the City pursuant to the Community Housing Development Organization HOME Investment Partnership Program funds ("CHDO HOME Program") and subject to the Funding Approval and HOME Investment Partnerships Agreement (M17-MC060227) (14.239 – HOME Entitlement Grant) under Title II of the Cranston-Gonzalez National Affordable Housing Act, as amended; and, with Federal award date September 22, 2017.

C. The CHDO HOME Loan is being made pursuant to the HOME Program, established and governed by Title II of Public Law No. 101-625, 104 Stat. 4079 (Nov. 28, 1990), (42 USC 12701), known as the Cranston-Gonzalez National Affordable Housing Act of 1990 as amended by the Housing and Community Development Act of 1992, Public Law No. 102-550, and is subject to the requirements of 24 CFR part 92, the State HOME Investment Partnerships Program Act (25 CCR Sections 8200 et. seq.) and the State Uniform Multifamily Regulations (25 CCR Sections 8300 et. seq.), as applicable.

ARTICLE I. LOAN OF HOME FUNDS

SECTION 1.01 CHDO HOME Loan. Subject to the satisfaction of the conditions set forth herein, the City loans to Partnership the amount of Five Hundred Fourteen Thousand Four Hundred Ten Dollars (\$514,410) in CHDO HOME Program funds for the primary purpose of assisting with the acquisition and construction of fifty (50) multi-family units of which four will be HOME assisted units and for related expenses identified in the budget attached hereto as Exhibit "B".

As a condition of the receipt of said CHDO HOME Loan, Partnership agrees to carry out the projects as generally described in the City Loan Agreement Commitment attached as Exhibit "C", and the Scope of Development attached as Exhibit "D".

In accordance with 24 CFR Section 92.504(c)(vi), Partnership may periodically submit claims for disbursement of the CHDO HOME Loan when the funds are needed for reimbursement of eligible costs identified in the budget. The amount of each such request shall be limited to the amount reimbursed. The request shall be accompanied by documentation of expenditures in such form as may be required by the City, including but not limited to submission of copies of documents such as paid invoices, payroll, time sheets, and other supporting source documents.

Partnership shall be liable for repayment of any CHDO HOME Program grant proceeds disbursed to Partnership that are subsequently determined to constitute disallowed costs. Disallowed costs may be identified through audits, monitoring, or other sources. City shall make the final determination of disallowed costs subject to provisions of applicable CHDO HOME Program regulations.

The CHDO HOME Loan is to be evidenced by a Note executed by Partnership in favor of City and delivered to City concurrently herewith (the "CHDO HOME Note"). Repayment of the CHDO HOME Note is to be secured by the Deed of Trust and Security Agreement of even date hereof (the "Trust Deed"), covering the Property and the Project. Partnership shall execute the Trust Deed in favor of Placer Title A as Trustor in trust for the benefit of City and deliver it to escrow for recordation.

That certain Regulatory Agreement and Declaration of Restriction Covenants of even date hereof (the "Regulatory Agreement") imposing covenants, conditions and restrictions running with the land is a material consideration for the making of the CHDO HOME Loan. Partnership shall execute the Regulatory Agreement and deliver it to escrow for recordation. This Loan Agreement, the CLCA, the CHDO HOME Note, Trust Deed, Regulatory Agreement and documents related thereto, are referred to herein as the "Loan Documents."

SECTION 1.02 Conditions of Funding. The obligation of the City to disburse CHDO HOME Loan proceeds pursuant to this Loan Agreement is subject to the following conditions:

1. Partnership shall provide the City with a corporate resolution or similar document approving and authorizing execution of this Loan Agreement and all documents contemplated hereby and with such other documents required by the City regarding Partnership's corporate status and ability to enter into this transaction.

2. Partnership shall provide the City with Certificates of Insurance in form and with insurers admitted in California acceptable to the City, evidencing compliance with the insurance requirements of this Loan Agreement on or prior to close of escrow on the property and upon demand by City at any time subsequent. If requested by the City, Partnership shall also provide copies of the required insurance policies.

3. As a material inducement to City to enter into this Loan Agreement and to make the CHDO HOME Loan to Partnership, Partnership unconditionally, and each signatory who signs on its behalf, to the extent of their actual knowledge, represents and warrants to City, as of the date hereof, as follows:

(a) Partnership is duly formed and validly exists in the form stated in Article I, is qualified to do business in California, and has full power to consummate the transactions contemplated.

(b) Partnership has full authority to execute this Loan Agreement, the CHDO HOME Note, the Trust Deed, the Regulatory Agreement and all of the other Loan Documents, to undertake and consummate the contemplated transactions, and to pay, perform, and observe all of the conditions, covenants, agreements, and obligations.

(c) This Loan Agreement, the CHDO HOME Note, the Trust Deed, the Regulatory Agreement and each of the other Loan Documents constitutes a legal and binding obligation of, and is valid and enforceable against, each party other than City, in accordance with the terms of each.

(d) There are no actions, suits, or proceedings pending or, to the best knowledge of Partnership, threatened against or affecting Partnership, the Property, or any part of it, or involving the validity or enforceability of the Trust Deed, the priority of the lien, or the validity or enforceability of any of the other Loan Documents, at law or in equity, or before or by any local, state or federal governmental agency. Partnership is not in default with respect to any order, writ, injunction, decree, or demand of any court or other local, state or federal governmental agency.

(e) The consummation of the transactions covered by this Loan Agreement and the payment and performance of all of the obligations in the Loan Documents will not result in any breach of, or constitute a default under, any mortgage, deed of trust, lease, contract, loan or credit agreement, corporate charter, bylaws, partnership agreement, trust agreement, or other instrument to which the Partnership or any of its general partners is a party or by which it or they or the Property may be bound or affected.

(f) There is no event of default or potential default on the part of Partnership under the Loan Documents or any other document relating to the financing of the Project.

(g) Partnership has not received financing for either the acquisition of the Property, the construction of the Project or the permanent financing of the Project except as has been specifically disclosed to and approved by City in writing.

(h) All proceeds of the CHDO HOME Loan will be disbursed as provided in this Loan Agreement and used only for reimbursement of the costs of construction of the Project in accordance with the Plans and Specifications (as defined in the CLCA) and for other purposes specified in the CLCA and this Loan Agreement.

(i) The Plans and Specifications are satisfactory to Partnership and its general contractor and have been approved by the City and all other construction lenders. There are no structural defects in the Project as shown in the Plans and Specifications that are known to or reasonably should have been known to Partnership or its agents and employees, and to the best of Partnership's knowledge, no violation of any law, ordinance, order, rule, regulation, plan, ruling,

determination or requirement of a local, state or federal governmental agency exists.

(j) All applications, financial statements, reports, documents, instruments, information, and forms of evidence delivered to City concerning the CHDO HOME Loan or required by this Loan Agreement or any of the other Loan Documents are accurate, correct and sufficiently complete to give City true and accurate knowledge of their subject matter, and do not contain any untrue statement of a material fact or omit any material fact necessary to make them not misleading.

SECTION 1.03 Terms and Repayment of Loan. The parties agree that additional assistance in the Project is being provided by the City in the form of a Community Housing Development Organization HOME Investment Partnership Program loan ("CHDO HOME Loan"). The City shall provide a loan for the construction of fifty (50), 60% Area Median Income units. These units shall be located through-out the Project. Said CHDO HOME Loan shall equal Five Hundred Fourteen Thousand Four Hundred and Ten Dollars (\$514,410) and shall only be used for the design and construction of said units. The annual percentage rate shall be at the rate of zero percent (0%) from the date of initial advance by the City until completion of construction of the Development, as evidenced by the issuance of the certificate of occupancy for the Development (the "Conversion Date"), and thereafter, shall bear simple interest at the rate of three percent (3%) per annum until repaid. Each monthly draw request of funds shall be made by the Partnership to the City. Said request shall include copies of paid invoices to substantiate each line item requested. The City shall provide funds for all expenses incurred each month, up to a cumulative total of Five Hundred Fourteen Thousand Four Hundred Dollars (\$514,410).

The CHDO HOME Loan's term shall be forty (40) years following the Conversion Date, with payments deferred until the Net Cash Flow (as defined in the CLCA) of the Project shall provide for payments to begin. The annual principal and interest, if any, payments shall be made by the 1st of the sixth month following the conclusion of each fiscal year of the Project.

Partnership shall have the right to prepay the CHDO HOME Loan at any time and from time to time, without penalty or premium, provided that any prepayment of principal must be accompanied by interest, if any, accrued but unpaid to the date of prepayment. Prepayments shall be applied first to accrued but unpaid interest, if any, and then to principal. Any such prepayment shall have no effect upon Partnership's obligations under the Regulatory Agreement which shall survive for the full term of the Regulatory Agreement.

Unless City agrees otherwise in writing, the entire unpaid principal balance and all interest and other sums accrued under the CHDO HOME Note shall be due and payable upon the transfer of the Property absent the prior written consent of City of all or any part of or interest in the Property except as otherwise permitted pursuant to this Loan Agreement or the CLCA.

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

ARTICLE II. OPERATION OF THE PROJECT

SECTION 2.01. Acceptance of Obligations. In consideration of the Loan to be provided hereunder, Partnership agrees to and accepts the restrictions, obligations, and conditions contained in this Loan Agreement, including without limitation, the occupancy and rent requirements set forth in Section 2.04 below.

SECTION 2.02. Development and Operation of Project. Partnership shall maintain the Property for rental housing in accordance with this Loan Agreement, and all other applicable legal requirements. Partnership shall at all times maintain in full force and effect all applicable licenses required by the City of Merced, the County of Merced, and/or the State of California to operate and manage the property.

SECTION 2.03 CHDO HOME Requirements. Partnership shall comply with all applicable laws and regulations governing the use of the CHDO HOME Program funds including, but not limited to, the terms and conditions of the Standard Agreement, all applicable regulations contained in 24 CFR Part 92, and applicable requirements and conditions referenced on Exhibit E – "Special Requirements of the HOME Investment Partnership Program" attached hereto and incorporated herein by reference.

In the event HUD formally amends, waives or repeals any HUD administrative regulation previously applicable to Partnership's performance under this Loan Agreement, the City expressly reserves the right upon giving notice to HUD and Partnership, to require performance of Partnership as though the regulation was not amended, waived, or repealed subject only to the written and binding direction or instruction from HUD.

SECTION 2.04. Occupancy and Rent Requirements.

A. Occupancy Requirement. During the term of this Loan Agreement, Partnership agrees to rent the property only to tenants whose income meet the requirements contained in 24 CFR Section 92.252. This provision shall operate as a deed restriction during the term of this Loan Agreement.

B. Rent Requirement. Initial rent shall be established in accordance with 24 CFR 92.252 and any increases shall not exceed the permitted rent under 24 CFR 92.252.

C. Records Relating to Occupancy and Rental Requirements. Partnership shall maintain all documents used in determining the qualifications of occupants, complete records of rent and other charges billed to and received from all occupants, and such other documents and reports as are necessary to enable the City, as recipient of CHDO HOME Program funds, to meet the recording requirements of 24 CFR Part 92, sub part K 92.508. The records and documents described in the preceding sentence shall be maintained for the periods and in the manner set forth in Section 2.06 below. The City shall have the right to review and audit such documents and records for compliance with requirements of this Section.

D. Noncompliance with Rent Restrictions; Return of Funds. If the maximum rent authorized to be charged by 24 CFR 92.252 is exceeded for the period specified by 24 CFR 92.252, the grant funds loaned hereunder to Partnership shall be returned to City pursuant to 24 CFR 92.504(c)(3)(ii).

SECTION 2.05. Corporate Status. At all times during the term of this Loan Agreement, Partnership shall maintain its existence and shall comply with all provisions of the California Law (Corporations Code Section 5000 *et. seq.*)

SECTION 2.06. Records and Audits.

A. Maintenance of Records. Partnership shall maintain records including, but not limited to, books, financial records, supporting documents, statistical records, and all other pertinent records sufficient to accurately reflect all expenditures under this Loan Agreement, and all other matters covered by this Loan Agreement pursuant to 24 CFR 92.

Partnership shall preserve and make available its records relating to receipt and use of CHDO HOME Loan proceeds until the expiration of seven (7) years from the date of final disbursement of CHDO HOME grant proceeds to the City, or for such longer period, if any, as required by law.

B. Annual Audit. Each year in which CHDO HOME Loan proceeds are received or expended, Partnership shall cause to be prepared an independent fiscal audit conducted in accordance with generally accepted auditing principles, which audit shall identify the CHDO HOME Loan proceeds received and expended.

Upon completion, Partnership shall provide the City with a copy of each annual independent fiscal audit.

C. Examination of Records and Facilities. Any time during normal business hours, and as often as may be deemed necessary, the Partnership agrees that HUD or the City or any duly authorized employee or representative, shall have access to and the right to examine Partnership's offices or facilities engaged in performance of this Loan Agreement, and all the Partnership's records with respect to all matters covered by this Loan Agreement.

SECTION 2.07. Insurance. Partnership shall maintain, throughout the term of this Loan Agreement, insurance from companies admitted in California, and approved by the City, in amounts as follows:

A. Workers' Compensation Insurance, including Employers' Liability coverage, with limits not less than required by California law.

B. Comprehensive General Liability Insurance with limits of not less than \$1,000,000 for each occurrence combined single limit bodily injury and property damage, including coverage for contractual liability.

C. Property Insurance covering the Property in a form appropriate for the nature of this Property covering all risks of loss, excluding earthquake, for one hundred percent (100%) of the replacement value, with a deductible, if any, acceptable to the City, naming City as loss payee as its interest may appear.

D. The General Liability Insurance provided hereunder shall name the City as an additional insured and all insurance shall provide the City with thirty (30) days written notice of any cancellation.

ARTICLE III. DEFAULT, ENFORCEMENT, AND REMEDIES

SECTION 3.01. Default. Failure by either party to timely perform any material term or provision of this Loan Agreement (including, without limitation, failure by Partnership to comply with the occupancy and rent requirements of Section 2.04 above), shall be considered a Default by that party under this Loan Agreement. The nondefaulting party shall serve written notice of a Default, other than the failure to make a payment on the Energy Efficiency Note, upon the defaulting party. If such Default is not cured by the defaulting party within thirty (30) calendar days after service of the notice of default, the defaulting party shall be liable to the other party for any damages caused by such Default; provided, however, that if the cure cannot be effectuated within such thirty (30) day period, the defaulting party shall have a reasonable additional time period to effectuate such cure so long as it commences such cure within the initial 30 day period, but in no event shall such cure period exceed ninety (90) calendar days after service of the notice of default; and provided, however, the nondefaulting party may, at its sole and complete discretion, waive any damage from the defaulting party by written notice to the defaulting party.

Section 3.02. Default by Partnership. In the event Partnership is in default, City may proceed with any and all remedies available under rules of law or equity including, without limitation, specific performance. Additionally, in the event of such default, the Partnership shall repay to City all loan funds under this Loan Agreement received by Partnership with interest at the rate of seven percent (7%) per annum.

Section 3.03 Non-Waiver of Default. Failure or delay in giving notice of any Default shall not constitute a waiver of any Default, nor shall it change the time of such Default. Any failure or delay by either party in asserting its rights or remedies as to any Default shall not operate as a waiver of any Default or of any such rights or remedies or deprive either such party of its right to institute and maintain any actions or proceedings which it may deem necessary to protect, assert, or enforce any such rights or remedies.

Section 3.04 Suspension and Termination. In the event a Default is declared that is not immediately cured, City shall have the right, but not the obligation, to suspend this Loan Agreement and to terminate this Loan Agreement for any uncured Default or a material breach of any provision or requirement hereof pursuant to 24 CFR 85.43.

ARTICLE IV. GENERAL PROVISIONS

SECTION 4.01 Notices. Any notice, tender, or delivery to be given hereunder by either party to the other may be effected in writing either by personal delivery or sent by first class mail through the United States Postal Service, addressed as set forth below. Either party may change its address by written notice in accordance with this section.

TO CITY: City of Merced
Attention: Housing Division & City Clerk
678 West 18th Street
Merced, CA 95340

TO PARTNERSHIP: Merced Gateway Investors II LP
Attention: Christina Alley
3351 "M" Street, Suite 100
Merced, CA 95348

WITH A COPY TO: City Attorney's Office
City of Merced
678 West 18th Street
Merced, CA 95340

SECTION 4.02 Assignment. Partnership acknowledges and agrees that the Loan is being provided in consideration of its special expertise, skill, and ability of Partnership to operate and maintain the Property in a manner that will achieve the City's objective to provide quality affordable housing for lower income households. Consequently, Partnership shall not permit any voluntary transfer, assignment, or encumbrance of this Loan Agreement without first obtaining the City's written consent, which shall not be unreasonably withheld. Any transfer, assignment, encumbrance, or lease without the

City's consent shall be voidable and, at the City's sole discretion, shall constitute a material breach of this Loan Agreement.

SECTION 4.03 Non-Discrimination. In addition to observing any other CHDO HOME requirements relating to non-discrimination, such as 24 CFR 92.350, Partnership shall assure, in connection with the performance of this Loan Agreement, that no person shall be subject to discrimination because of race, religion, ethnic background, sex, sexual preference, or disability.

SECTION 4.04 No Third Party Beneficiaries. Nothing contained in this Loan Agreement shall be construed as creating a relationship of employer and employee or principal and agent between the City and Partnership or Partnership's agents or employees. Nothing contained in this Loan Agreement shall create or justify any claim against City by any third person with whom Partnership may have employed or contracted.

SECTION 4.05 Indemnification. As a separate and independent covenant and irrespective of any insurance coverage, Partnership shall take all responsibility for its performance, and shall bear all losses and damage directly resulting to it, and for performance of any of its contractors, subcontractors or agents.

Partnership agrees to defend with counsel selected by the City, protect, indemnify, and hold harmless the City, its officers, employees, representative, and agents, on account of any act, error, or omission of Partnership in the performance of this Loan Agreement.

Partnership agrees to indemnify, protect, to assume the defense of with counsel selected by the City, and to hold harmless the City, its officers, employees, and agents from every claim, loss, damage, injury, expense, including attorney's fees, judgment, and direct or vicarious liability of every kind, nature, and description arising in whole or in part from the performance of this Loan Agreement.

SECTION 4.06 Covenant Running With Land. The provisions of this Loan Agreement shall constitute covenants which shall run with the land and be binding upon Partnership and Partnership's successors and assigns, and all parties having or acquiring any right, title, interest in whatever form, including, but not limited to, leasehold interests, in and to any part of the Property, except that, subject to the Regulatory Agreement and if specifically referenced herein, the same shall terminate and become void forty (40) years from the date of execution of this Loan Agreement. Any attempt to transfer title or any interest therein in violation of these covenants, except as herein provided, shall be void.

SECTION 4.07 Term. The term of this Loan Agreement shall commence upon the date of this Loan Agreement and shall continue for forty (40) years from the Conversion Date unless earlier terminated by the parties hereto. Upon termination or expiration of hereof, Partnership shall transfer any CHDO HOME funds on hand and any accounts receivables attributable to the use of CHDO HOME funds to the City.

SECTION 4.08 Entire Agreement. This Loan Agreement constitutes the entire Agreement between the City and Partnership with respect to the subject matter hereof.

SECTION 4.09 Amendments. The City and Partnership reserve the right to amend this Loan Agreement by mutual consent. It is understood and agreed that no alteration or variation of the terms of this Loan Agreement shall be valid unless made in writing and signed by the parties, and that no oral understandings or agreements not incorporated herein, and no alterations or variations of the terms of this Loan Agreement shall be binding on either of the parties, unless made in writing and signed by both of the parties.

SECTION 4.10 Severability. The invalidity of any clause, part, or provision of this Loan Agreement shall not effect the validity of the remaining portions thereof.

SECTION 4.11 Exhibits. The following referenced exhibits are attached to this Loan Agreement and are incorporated in this Loan Agreement as though fully set forth herein.

- Exhibit A: Legal Description of Property
- Exhibit B: Project Budget
- Exhibit C: City Loan Commitment Agreement
- Exhibit D: Scope of Development
- Exhibit E: Special Requirements of CHDO HOME Investment Partnership Program

SECTION 4.12 Venue. This Loan Agreement and all matters relating to it shall be governed by the laws of the State of California and any action brought relating to this Loan Agreement shall be held exclusively in a state court in the County of Merced.

SECTION 4.13. Other Program Requirements. Partnership is required by this Loan Agreement to carry out each activity in compliance with all federal laws and regulations described in Subpart H of 24 CFR 92, except that Partnership does not assume the City's responsibility for environmental review in Section 92.352 or the intergovernmental review process in Section 92.357. Neither City nor Partnership may have an officer or employee occupy the Property in violation of 24 CFR 356(f) as required by 24 CFR 504(c)(v)(E). The Property shall, after construction and for the term of this Loan Agreement, meet the property standards set forth in 24 CFR 92.251.

SECTION 4.13 Affirmative Marketing. Partnership must comply with the City's affirmative marketing procedures and requirements adopted in accordance with 24 CFR Section 92.351.

IN WITNESS WHEREOF the parties hereto have executed this Loan Agreement as of the date first above written.

CITY OF MERCED
A California Charter
Municipal Corporation

BY: _____
City Manager

ATTEST:
STEVE CARRIGAN, CITY CLERK

BY: _____
Assistant/Deputy City Clerk

APPROVED AS TO FORM:

BY:  5-16-2018
City Attorney Date

ACCOUNT DATA:

BY: _____
Verified by Finance Officer

MERCED GATEWAY INVESTORS
II LP,
A California Limited Partnership

By: Merced Gateway Investors II LP,
a California Limited Partnership

Its: Agency for Service of Process

By: _____
Christina Alley

TELEPHONE: _____

FAX: _____

E-MAIL: _____

ACKNOWLEDGEMENT

State of California

County of Merced

On _____, 2018, before me, _____, a
Notary Public, personally appeared _____

_____,
who proved to me on the basis of satisfactory evidence to be the person(s) whose
name(s) is/are subscribed to the within instrument and acknowledged to me that
he/she/they executed the same in his/her/their authorized capacity(ies), and that by
his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of
which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the
foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____
Notary Public

(seal)

ACKNOWLEDGEMENT

State of California

County of Merced

On _____, 2018, before me, _____, a
Notary Public, personally appeared _____

_____,
who proved to me on the basis of satisfactory evidence to be the person(s) whose
name(s) is/are subscribed to the within instrument and acknowledged to me that
he/she/they executed the same in his/her/their authorized capacity(ies), and that by
his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of
which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the
foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____
Notary Public

(seal)

EXHIBIT A

The land referred to is situated in the unincorporated area of the County of Merced, State of California, and is described as follows:

Lots 1 to 8 inc., and Lots 25 to 32 inc., in Block 281 according to "Supplemental Map to Town of Merced", recorded March 4, 1889 in Book 1 of Maps, Page 12, Merced County Records.

APN: 031-323-002-000

Exhibit B

PERMANENT SOURCES						
TOTAL PROJECT COST	RESIDENTIAL COST	COMMERCIAL COST	Tax Credit Equity	Perm Loan	City HOME/CHDO	CVCAH Loan
LAND COST/ACQUISITION						
Land Cost or Value	1	1			1	
Demolition	0	0				
Legal	0	0				
Total Land Cost or Value	1	1	0	0	1	0
NEW CONSTRUCTION						
Existing Improvements Value	0	0				
Off-Site Improvements	600,000	600,000			500,000	
Total Acquisition Cost	600,000	600,000	0	0	500,000	0
ARCHITECTURAL FEES						
Architectural	110,000	110,000			110,000	
Survey & Engineering	85,000	85,000				
Total Arch. & Engr. Costs	195,000	195,000	0	0	110,000	0
CONST. INTEREST & FEES						
Const. Loan Interest	213,525	213,525				
Origination Fee	73,000	73,000				
Lender Fees/Rate Lock Fees	3,500	3,500				
Taxes	5,000	5,000				
Insurance	129,334	129,334				
Title & Recording	45,000	45,000				
CSCDA / Trustee Fees	78,225	78,225				
CDLAC / CDIAC Fees	3,650	3,650				
Total Const. Interest & Fees	551,234	551,234	0	0	252,721	0
PERMANENT FINANCING						
Loan Origination Fee	22,017	22,017				
Perm Title & Recording	0	0				
Bond Counsel	60,000	60,000				
Total Perm. Financing Costs	82,017	82,017	0	0	0	0

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

TOTAL PROJECT COSTS	11,098,494	11,098,494	0	4,457,261	4,403,451	1,931,520	66,131	500,000	10,290,156
Note: Syndication Costs may not be included as a project cost. * Operating Reserve is required - Regulation Section 10327(c)(8)(C).									
				4,009,148	4,403,451	1,014,410	66,131	734,765	10,290,156

Exhibit C

CITY LOAN COMMITMENT AGREEMENT

THIS CITY LOAN COMMITMENT AGREEMENT ("Commitment") is made and entered as of this 17TH day of July, 2017, by and between the City of Merced, a California Charter Municipal Corporation ("City") and Merced Gateway Investors II, a California Limited Partnership ("Borrower").

RECITALS

A. The City is a partner with the US Department of Housing and Urban Development in developing quality affordable housing development.

B. The Borrower proposes to develop fifty (50) units of quality affordable housing called the Gateway Terrace II Apartments which will be located at 13th and K Street in the City of Merced (hereinafter referred to as the "Project").

NOW, THEREFORE, the parties hereto, in consideration of the mutual covenants hereinafter recited, hereby agree as follows:

1. The City of Merced approves a contingent funding commitment for the Project for a loan from the following sources and in the following amounts:

- a. Fiscal Year 2016/17 Community Development Block Grant funds (B16-MC-06.0044, CFDA# - 14.218, Entitlement Grant): \$370,590; and
- b. Fiscal Year 2015/16 Community Housing Development Organization/HOME Investment Partnerships Program (B15-MC-06-0044, CFDA# - 14.239 HOME): \$150,000; and
- c. Fiscal Year 2016/17 Community Housing Development Organization/HOME Investment Partnerships Program (B16-MC-06-0044, CFDA# - 14.239 HOME): \$150,000; and
- d. Fiscal Year 2017/18 Community Housing Development Organization/HOME Investment Partnerships Program (B17-MC-06-0044, CFDA# - 14.239 HOME): \$214,410 and
- e. Fiscal Year 2017/18 Home Investment Partnerships Program (B17-MC-06-0044, CFDA# - 14.239 HOME); \$500,000.

2. The total loan amount to the Borrower is One Million Dollars Three Hundred Eight-Five Thousand Dollars (\$1,385,000). Each loan shall bear a three percent (3%) interest rate and shall be repaid by the Borrower as a fifty-five year deferred loan.

3. This Commitment shall require the subsequent preparation of a deed of trust and a regulatory agreement. Notwithstanding any language in this Agreement to the contrary, the Deed of Trust and Regulatory Agreement shall be required to be approved by the City, executed by the Borrower and recorded against the property on which the Project will be constructed prior to the City disbursing to the Borrower any of the funds referenced in the Agreement.

4. The Project shall be developed as described in Attachment 12, attached hereto. Attachment 12 consists of the preliminary Construction and Design Description for the proposed Project which describes Construction Design, Site Amenities, Unit Amenities, Affordability Period etc. for the Project. It is anticipated that there may be minor changes to the Project, but the Project shall be substantially the same as described in Attachment 12.

5. The Project shall comply with all applicable Federal, State and Local statutes, codes, regulation, ordinances and zoning requirements. The Project shall be well maintained with no broken glass, doors, exposed storage, sheets on windows, etc. All areas with landscaping shall be kept clean and be maintained at all times. No loitering shall be permissible except in common areas designated at a gathering area within the Project.

6. The person or persons executing this Agreement on behalf of the parties hereto warrants and represents that he/she/they has/have the authority to execute this Agreement on behalf of their entity and has/have the authority to bind their party to the performance of its obligations hereunder.

7. The funding for the Project is contingent on the City's actual receipt of funding from the US Department of Housing and Urban Development. The Project funding shall be solely provided from the funding sources outlined in Section 1 of this Commitment. In the event that the City's funding allocation from the US Department of Housing and Urban Development is less than the amount outlined and anticipated in Section 1 of this Commitment, the City will not fund the difference for the Project or provide any additional funding from its general fund or any other funding source. This Commitment is not intended to describe all of the requirements, term, conditions and documents necessary for the loan or construction of the project.

8. The loans identified in Section 1 of this Commitment for fiscal year 2015/2016, 2016/2017 and 2017/2018 shall be approved and individually executed by the City and shall be contingent on the funding being included within the City Housing Division's budget for the corresponding fiscal year. The loan amounts shall also be required to be identified in each of the corresponding US Department of Housing and Urban Development's Annual Action Plans prior to the execution of the loan agreements.

9. This Commitment expires on July 17, 2018, or at the start of construction, whichever occurs first.

10. This Agreement supersedes and replaces any and all prior Loan Commitment Agreements regarding the Gateway Terrace II project, including, but not limited to the prior Loan Commitment Agreement between the City of Merced and Central Valley Coalition for Affordable Housing dated August 15, 2016.

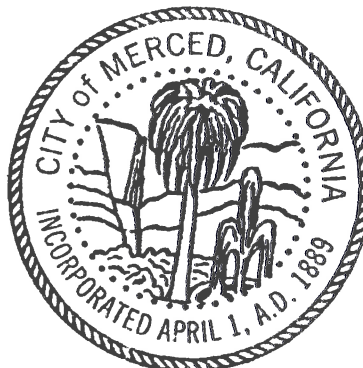
IN WITNESS WHEREOF the parties hereto have executed this Agreement as of the date first above written.

CITY OF MERCED
A California Charter Municipal
Corporation

BY: [Signature]
City Manager

ATTEST:
STEVE CARRIGAN, CITY CLERK

BY: [Signature]
Assistant/Deputy City Clerk



APPROVED AS TO FORM:

BY: Kelley Fincher 7/12/17
City Attorney Date

300396 PO#: 127486
ACCOUNT DATA:

BY: Stephanie Dutz
Verified by Finance Officer

Funds Available. rec 7/19/17

018-1301-552-29-00
\$ 370,590.00

033-1349-552-29-00
\$ 1,014,410.00

✓-17839
PL 7/19/17

CENTRAL VALLEY COALITION
FOR AFFORDABLE HOUSING,
A Non-Profit Corporation

BY: Christina Alley
(Signature)

Christina Alley
(Typed Name)

Its: Chief Executive Officer
(Title)

Taxpayer I.D. No. 77-0242399

ADDRESS: 3351 "M" Street, Ste. 200
Merced, CA 95348

TELEPHONE: (209) 388-0782

FAX: (209) 385-3770

E-MAIL: Chris@centralvalleycoalition.com

MERCED GATEWAY INVESTORS II,
A California Limited Partnership

BY: Christina Alley
(Signature)

Christina Alley
(Typed Name)

Its: Chief Executive Officer
(Title)

Taxpayer I.D. No. _____

ADDRESS: 3351 "M" Street, Ste. 200
Merced, CA 95348

TELEPHONE: (209) 388-0782

FAX: (209) 385-3170

E-MAIL: Christa@CentralValleycoalition.com

Exhibit D

Construction and Design Description Gateway Terrace II Apartments

Overview

Gateway Terrace II Apartments consists of 50 units of new construction multi-family housing on an approximately 1.65 acre site. It is located on K Street between 12th and 13th Streets in the City of Merced, County of Merced, APN #031-323-002. The Housing Authority of the County of Merced previously owned and operated rental public housing units on this site, which were demolished in 2009. The site has been graded and is ready for new construction. Our target population is existing and future income qualified families in Merced and the surrounding areas. 100% of the units will be rent restricted for qualified residents with incomes ranging from 50% to 60% of the area median income for a 55-year affordability period. We are also anticipating eleven (11) HUD-Veterans Affairs Supportive Housing (HUD-VASH) vouchers and thirty-eight (38) HUD Project Based Vouchers (PBVs) committed to the project.

Gateway Terrace II Apartments will consist of 49 affordable units and 1 manager unit for a total of 50 garden style apartments with 5 units at 50% of AMI and 44 units at 60% of AMI. The project will consist of 12 one bedroom units, 20 two bedroom units and 18 three bedroom units.

Unit Type	# of units	Sq. Ft. (approx.)
1BD/1BA – 50%	1	607
1BD/1BA – 60%	11	607
2BD/1BA – 50%	2	803
2BD/1BA – 60%	17	803
3BD/2BA – 50%	2	1,137
3BD/2BA – 60%	16	1,137
2BD/1BA – MGR	1	
TOTALS	50	

Construction Design:

All of the units will incorporate universal design elements, which include: no step entries, minimum 34" doorways and passage ways, accessible bathrooms with reinforcements for grab bars, hallway widths of at least 42" and levered door handles and faucets. In addition, all first floor units will also be fully accessible and adaptable for those individuals requiring adjustments in their units for certain circumstances. Within each unit, residents will benefit from standard features such as Energy Star® rated refrigerators and dishwashers, exhaust fans, sink disposals, ranges with ovens and generous counter, cabinet and storage space throughout the unit.

The buildings are proposed to be designed as two-story structures constructed of wood frames supported by concrete slabs and perimeter foundations. Exterior finishes are proposed to be a

variety of materials using durable and environmentally friendly building materials in a variety of colors throughout the development. All aspects of building construction will comply with quality construction standards to ensure longevity and safety of these high quality structures

- Two-story (no elevator) garden style apartments
- Stucco and sided exteriors applied over type V wood constructed buildings
- Tile roofing
- Six (6) residential buildings and one community building with laundry on site
- Fully landscaped
- Complies with Section 504

Offsite Improvements

Gateway Terrace II Apartments will include curb, gutter, sidewalk and street improvements as well as improving the water and sewer main lines to serve the development.

Site Amenities:

The community building will be centrally located on the site. It will provide both casual seating and group seating along with a kitchen facility. The main activity space will be equipped with a TV, Stereo and DVD player. The building will also provide a laundry area with washers and dryers. The community center will be decorated and furnished for the residents. The outdoor recreation area will provide seating, tables, and a BBQ area.

- Restroom facilities
- Activity room
- Barbecue areas
- Laundry facility
- Computer lab
- Big screen TV with DVD Player
- Full service kitchen
- Manager office space

Unit Amenities:

- Carpeted living areas
- Tile or vinyl flooring in Entries, Kitchens and Baths
- Window coverings
- Individual Thermostatic Temperature controlled heating & Air conditioning
- Refrigerator
- Built-in dishwasher
- Built-in range with hood
- Sink with garbage disposal
- Plenty of cabinet space
- Patios and decks with extra storage area

Unique Site Features

We are not aware of any unique site features that may increase project costs or require environmental mitigation.

Development Plan and Neighborhood Impacts

The Gateway Terrace II Apartment project is an allowed use within the City of Merced's General Plan guidelines and zoning requirements and conforms to the adjacent land uses and creates no negative impact on the surrounding neighborhood.

Gateway Terrace II Apartments will replace a former public housing site which will allow the same families to have the opportunity to move back to the neighborhood. The site is located within walking distance to many community services and amenities. The Housing Authority's learning center is located within a mile and provides many learning and career opportunities.

Adjacent Land Uses

To the north side of the site is Highway 99. To the east of the site there are single family homes and multifamily homes. To the southwest of the site is Tenaya Middle School and McNamara Park which is open to the general public for use. To the south of the site there are multifamily homes.

Proximity to Services

Below is a list of services and the distance from the site that the residents of Gateway Terrace II Apartments will have access to use:

- Route M4 Bus Stop - 0.3 miles
- McNamara Park – 0.1 miles
- Bob Hart Park – 0.3 miles
- Smart & Final – 0.2 miles
- Tenaya Intermediate School – 0.4 miles
- Merced Drug (pharmacy) – 0.5 miles
- John O'Banion Learning Center 0.7 miles
- Gettysburg Medical Clinic – 0.4 miles
- Mercy Medical Center – 0.6 miles
- Merced Police Department – 0.1 miles
- Merced County Office of Education 0.2 miles

Action

Date

1. DEVELOPER SUBMISSION OF THE BASIC CONCEPT DRAWINGS. The Developer shall prepare and submit to the City for approval, the Basic Concept Drawings and related documents for development of the site.	Within five (5) days after execution of this Agreement by the City.
2. APPROVAL OF BASIC CONCEPT DRAWING. The City Housing Division shall approve or disapprove the Basic Concept Drawings or any revisions thereto.	Within ten (10) days after receipt by the Housing Division.
3. APPLICATION FOR DESIGN REVIEW. Developer shall submit application to the City of Merced for Final Review of the development of the entire site.	Within ten (10) days of approval of Basic Concept Drawings by the City.
4. DEVELOPER SUBMISSION; GATEWAY TERRACE FINAL CONSTRUCTION DRAWINGS AND APPLICATION FOR BUILDING PERMIT. The Developer shall prepare and submit to the City Final Construction Drawings and Specifications and Final Landscaping Plan for the Gateway Terrace, and shall submit application for building permit.	Within one hundred twenty (120) days after the approval of Basic Concept Drawings by the City Housing Division.
5. APPROVAL; FINAL CONSTRUCTION DRAWINGS. The City Housing Division shall approve or disapprove the Final Construction Drawings and Specifications and Final Landscaping Plan for the Gateway Terrace.	Within ten (10) days after receipt by the City Housing Division.
6. DEVELOPER SUBMISSION; AGREEMENTS WITH SUBDEVELOPERS, CO-DEVELOPERS AND OPERATORS. Developer shall deliver to Housing Division (1) the Gateway Terrace Management Agreement with the Complex Operator, (2) the Limited Partnership Corporation papers of the entity owning the Complex.	Within ninety (90) days of the City Housing Division Approval of this Agreement.

7. COMMENCEMENT OF DEVELOPMENT: Developer shall commence construction of improvements on the site as evidenced by commencement of grading activities.	Within thirty (30) days after the closing of the Construction Loan.
8. COMPLETION OF DEVELOPERS IMPROVEMENTS, GATEWAY TERRACE: The Developer shall complete construction of Improvements on the Site as evidenced by the Certificate of Completion.	Within four hundred fifty (450) days of commencement of construction.

Exhibit E
Special Requirements of HOME Investment Partnership Program

The State of California Department of Housing and Community Development, HOME Contract Management Manual, dated April 2006, as amended from time to time, contains relevant requirements for recipients of HOME Program funds, and is hereby incorporated into the Regulatory Agreement.