City of FRESNO

REPORT TO THE CITY COUNCIL

AGENDA ITEM NO.:	9:30am C
COUNCIL MEETING:	October 23, 2007
APPROVED BY	
DEPARTMENT DIRECTOR	
CITY MANAGER	

October 23, 2007

FROM: NICK P. YOVINO, Director
Planning and Development Department

BY: MICHAEL SIGALA, Manager
Housing and Community Development Division

SUBJECT: APPROVE HOME PROGRAM AGREEMENT IN THE AMOUNT OF $2.1 MILLION TO SADI, LLC FOR CONSTRUCTION OF TANAGER SPRINGS APARTMENTS PHASE I, AND APPROVE HOME PROGRAM AGREEMENT IN THE AMOUNT OF $2.6 MILLION TO SADI, LLC FOR CONSTRUCTION OF TANAGER SPRINGS APARTMENTS PHASE II; A MULTI-FAMILY AFFORDABLE HOUSING DEVELOPMENT LOCATED ON THE SOUTHEAST CORNER OF CALIFORNIA AND MAPLE AVENUES

KEY RESULT AREA

One Fresno

RECOMMENDATION

Staff recommends City Council approve:

1) Home Investment Partnerships (HOME) Program Agreement in the amount of $2.1 million to SADI, LLC for the construction of Tanager Springs Apartments, Phase I; a 74-unit affordable rental housing development; and
2) Home Investment Partnerships (HOME) Program Agreement in the amount of $2.6 million to SADI, LLC for the construction of Tanager Springs Apartments, Phase II; an 80-unit affordable rental housing development.

EXECUTIVE SUMMARY

On October 3, 2006, Council conditionally approved $2.1 million in HOME Program funds to SADI, LLC for its Tanager Springs Apartments, Phase I and on March 20, 2007 conditionally approved $2.6 million in HOME Program funds to SADI, LLC for its Tanager Springs Apartments, Phase II. Since that time, the project sponsor, SADI, was successful in obtaining $35.6 million dollars in competitive federal Low Income Housing Tax Credits for this $49.8 million dollar development. SADI is now ready to enter into HOME Agreements for development of the project. The project site is a 10-acre parcel located at the southeast corner of Maple and California Avenues in southeast Fresno. Phase I (74 units) and Phase II (80 units) will be large-family rental housing available to very-low and low-income families. The HOME Program loans will carry a minimum 55-year affordability period with the principal and interest payable from residual receipts from the project's net operating income.

Presented to City Council
Date 10/23/07
Disposition rec/approved

KEY OBJECTIVE BALANCE

The approval of HOME Program funds for the Tanager Springs Apartments presents an opportunity to make a positive impact to the Customer Satisfaction, Employee Satisfaction, and Financial Management Key Objectives. Conditional approval impacts the Customer Service aspect by demonstrating the City's commitment to strengthening local and private partnerships to ensure adequate and affordable housing for households at or below 60% of area median income. The approval also attributes to Employee Satisfaction by supporting efforts that help to achieve the Housing Element goals of producing affordable housing. In addition, it demonstrates creative and resourceful Financial Management by encouraging the practice of leveraging private and public funds to develop affordable housing.

BACKGROUND

SADI, LLC is a limited liability company and joint venture of two well-established affordable housing developers, Squire Properties and Advanced Development and Investment, Inc. (ADI). This development team has extensive experience in developing affordable housing and has successfully completed over 50 rental housing projects throughout California.

On October 3, 2006, Council conditionally approved $2.1 million in HOME Program funds to SADI, LLC for its Tanager Springs Apartments, Phase I and on March 20, 2007, conditionally approved $2.6 million in HOME Program funds to SADI, LLC for its Tanager Springs Apartments, Phase II. The original conditional approval of HOME Program funds to both phases of the project was contingent upon an award of federal Low Income Housing Tax Credits (LIHTC) from the State of California Tax Credit Allocation Committee. Since that time, the project sponsor, SADI, was successful in obtaining $35.6 million dollars in competitive federal LIHTC for this $49.8 million dollar development. SADI is now ready to enter into HOME Agreements for development of the project.

HOME Program loans for both phases will carry a minimum 55-year affordability period with the principal and interest payable from residual receipts from the project's net operating income and will be secured by a deed of trust recorded against the property.

The project site is a 10-acre parcel located at the southeast corner of Maple and California Avenues in southeast Fresno. Phase I (74 units) and Phase II (80 units) will be large-family rental housing. All units in the Tanager Springs Apartments Project will be designated as very-low and low-income available to families at or below 60% of area median income as defined annually by the U.S. Department of Housing and Urban Development for the Fresno metropolitan area.

Both phases will consist of an array of apartment buildings situated in a garden setting with open space and amenities, such as a swimming pool, sports courts, play areas, and a community room. Phase I will consist of fifty-six (56) three-bedroom units and eighteen (18) four-bedroom units. Phase II will consist of eight (8) two-bedroom units, fifty-six (56) three-bedroom units, and sixteen (16) four-bedroom units. Rents will range from $342 to $895 depending on bedroom sizes and household incomes.

A Phase I, National Environmental Policy Act (NEPA) and California Environmental Quality Act (CEQA) environmental assessments for the Tanager Springs Apartments Project are completed and concluded that the project will not have an adverse effect on the environment.

The provision of large family units for low- and very low-income households is a priority of the City's Housing Element of the 2025 General Plan and the 2006-2010 Consolidated Plan to HUD.

FISCAL IMPACT

HOME Program funds for the proposed Tanager Springs Apartments Phases I & II are available in the Planning and Development Department's Fiscal Year 2007-08 Budget.

APPENDICES

Exhibit A – Project Financing Information, Phase I
Exhibit B – Project Financing Information, Phase II
Exhibit C – Site Map
Exhibit D – Site Plan
Exhibit E – Building Elevations

NY/MS/CN/LL 10/23/07

TANAGER SPRINGS PHASE I
PRELIMINARY DEVELOPMENT BUDGET

USES:

	Total
Land	$ 1,909,034
Soft Costs	$ 2,216,000
Hard Costs	$ 18,000,000
Financing	$ 3,124,966
Other: Contingency	$ 1,000,000
SUBTOTAL	$ 26,250,000

SOURCES:

Construction Financing:	Total
Hanmi Bank	$ 21,090,245
Syndication Proceeds	$ 1,859,755
HOME Program Funds	$ 2,100,000
Deferred Developer's fees	$ 1,200,000
SUBTOTAL	$ 26,250,000

EXHIBIT A

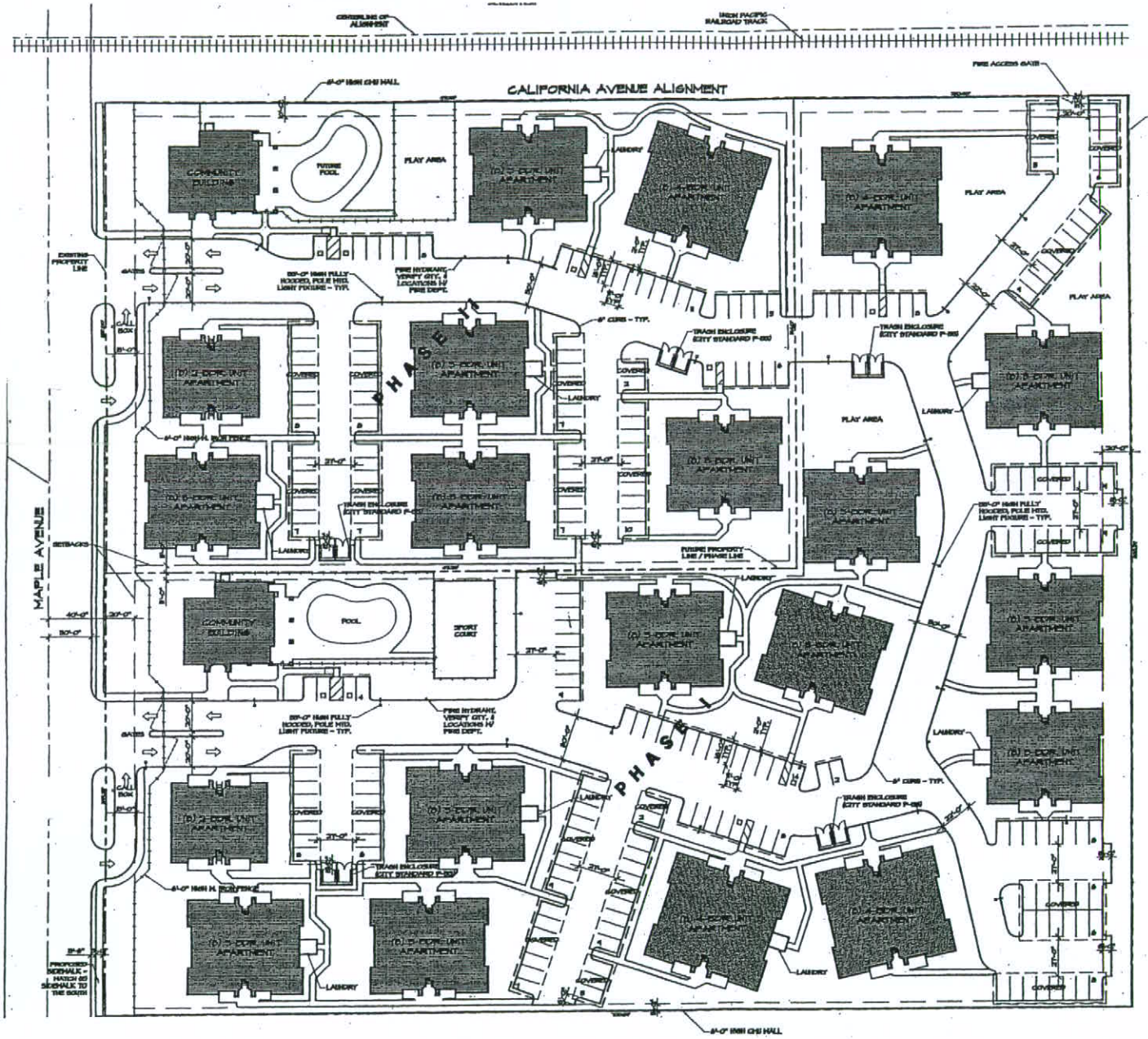
SOURCES & USES WORKSHEET - CONSTRUCTION THROUGH PERMANENT PHASE
TANAGER SPRINGS II
FRESNO, CA.

	CONSTRUCTION PHASE			CONSTRUCTION COMPLETION			PERMANENT PHASE
	COSTS	DEFERRED	TOTAL	COSTS	DEFERRED	TOTAL	TOTAL
SOURCES OF FUNDS							
Construction Loan	$16,518,162		$16,518,162	$4,366,321		$4,366,321	$0
Syndication Equity	1,997,563		1,997,563	14,149,404		14,149,404	16,646,358
Permanent First Mtg.	0		0	0		0	3,300,000
Deferred Developer Profit & Overhead	0	500,000	500,000	0	500,000	500,000	200,000
Deferred G.C. Profit & Overhead	0	2,100,000	2,100,000	0	2,100,000	2,100,000	900,000
City of Fresno	2,600,000		2,600,000	2,600,000		2,600,000	2,600,000
Tax Credit Performance Deposit Refund							69,367
TOTAL SOURCES	**$21,115,725**	**$2,600,000**	**$23,715,725**	**$21,115,725**	**$2,600,000**	**$23,715,725**	**$23,715,725**
USES OF FUNDS							
CONSTRUCTION HARD COST:							
Site Work / Off-Site	975,000		975,000	975,000		975,000	975,000
Structures	14,731,770		14,731,770	14,731,770		14,731,770	14,731,770
General Contractor Profit & Overhead		2,100,000	2,100,000	0	2,100,000	2,100,000	2,100,000
General Liability Insurance	225,000		225,000	225,000		225,000	225,000
Construction Contingency	950,000		950,000	950,000		950,000	950,000
TOTAL CONSTRUCTION HARD COST	$16,881,770		$18,981,770	$16,881,770		$18,981,770	$18,981,770
FINANCING COSTS:							
Construction Lender Fee	82,591		82,591	82,591		82,591	82,591
Permanent Lender Fee	34,500		34,500	34,500		34,500	34,500
Construction Inspection	20,000		20,000	20,000		20,000	20,000
Constr.Lender Attorney	12,500		12,500	12,500		12,500	12,500
Closing Costs - Permanent	6,000		6,000	6,000		6,000	6,000
Tax Credit Fees	172,714		172,714	172,714		172,714	172,714
OTHER INDIRECT COSTS:							
Constr. Acctg./Legal/Audit/Compliance	30,000		30,000	30,000		30,000	30,000
Advertising/Marketing/Reserves	20,000		20,000	20,000		20,000	20,000
Appraisal	7,000		7,000	7,000		7,000	7,000
Borrower Attorney / Legal / Consultants	50,000		50,000	50,000		50,000	50,000
Architect & Engineering	260,000		260,000	260,000		260,000	260,000
Insurance	165,000		165,000	165,000		165,000	165,000
Developer Profit & Overhead	0		0	0		0	300,000
Deferred Developer Profit & Overhead		500,000	500,000		500,000	500,000	200,000
Environmental Report & Monitoring	6,500		6,500	6,500		6,500	6,500
Permits	950,000		950,000	950,000		950,000	950,000
Prepaid Ground Rent	979,650		979,650	979,650		979,650	979,650
Real Estate Taxes - Construction	25,000		25,000	25,000		25,000	25,000
Title/Recording	30,000		30,000	30,000		30,000	30,000
Market Study	5,500		5,500	5,500		5,500	5,500
Furnishings	70,000		70,000	70,000		70,000	70,000
Soft Cost Contingency	75,000		75,000	75,000		75,000	75,000
RESERVES & INTEREST:							
Construction Loan Interest	1,100,000		1,100,000	1,100,000		1,100,000	1,100,000
Rent & Operating Reserves	132,000		132,000	132,000		132,000	132,000
TOTAL USES	**$21,115,725**	**$2,600,000**	**$23,715,725**	**$21,115,725**	**$2,600,000**	**$23,715,725**	**$23,715,725**

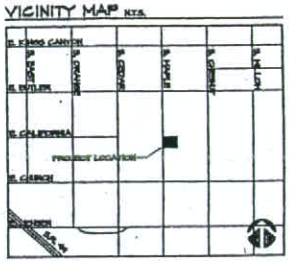
TANAGER SPRINGS APARTMENTS PROJECT, PHASE II SITE MAP

APN:480-080-14
434,728 Square Feet
2121 South Maple
Fresno, CA 93725

EXHIBIT C



VICINITY MAP N.T.S.



GENERAL NOTES

1. PROPERTY IS CURRENTLY VACANT, ALL IMPROVEMENTS ARE PROPOSED.

PROJECT DATA

ZONING:	R3, MED. HIGH DENSITY RESIDENTIAL - [illegible]
BUILDING HEIGHT:	26'-0" @ HIGHEST POINT 35'-0" ALLOWABLE
APN:	480-060-14

PHASE I

SITE AREA:	[illegible] S.F. OR 8.32 AC.
NUMBER OF UNITS:	104 125 ALLOWABLE
RATIO:	8.0 UNITS PER AC.
BUILDING AREA:	
3-BDR. UNITS:	6777 S.F. x 1 = 6,777 S.F.
2-BDR. UNITS:	9,446 S.F. x 9 = 85,014 S.F.
4-BDR. UNITS:	8,914 S.F. x 5 = 89,563 S.F.
LAUNDRY:	120 S.F. x 5 = 720 S.F.
COMMON:	3,250 S.F.
TOTAL:	174,349 S.F.
FLOOR AREA RATIO:	48.4%
	50% ALLOWABLE
COVERED PARKING:	104
TOTAL PARKING:	211
	216 REQUIRED

PHASE II

SITE AREA:	[illegible] S.F. OR 5.41 AC.
NUMBER OF UNITS:	56
	65 ALLOWABLE
RATIO:	10.1 UNITS PER AC.
BUILDING AREA:	
3-BDR. UNITS:	6,777 S.F. x 1 = 6,777 S.F.
2-BDR. UNITS:	9,446 S.F. x 4 = 37,784 S.F.
4-BDR. UNITS:	8,914 S.F. x 1 = 8,914 S.F.
LAUNDRY:	120 S.F. x 3 = 360 S.F.
COMMON:	3,250 S.F.
TOTAL:	94,348 S.F.
FLOOR AREA RATIO:	41.3%
	50% ALLOWABLE
COVERED PARKING:	53
TOTAL PARKING:	56
	84 REQUIRED

SITE PLAN

SCALE: 1"=30'-0"

[illegible] WEST ALLUVIAL AVENUE
SUITE 107
FRESNO, CA 93711
TEL. 559 . 437 . 5000
FAX. 559 . 437 . 5006

PROPOSED TANAGER SPRINGS APARTMENTS

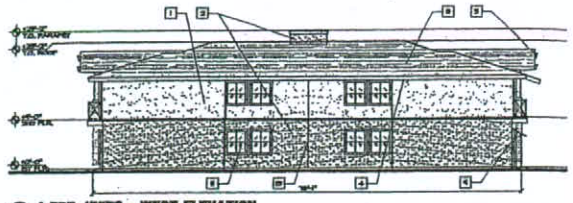
FRESNO, CALIFORNIA

EXHIBIT D

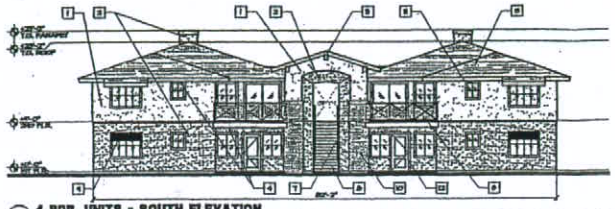
DRAWN BY
DATE [illegible]
REVISIONS

SHEET NO. A1

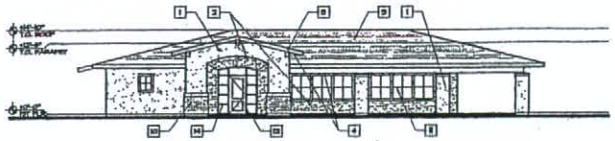
OF ____ SHEETS



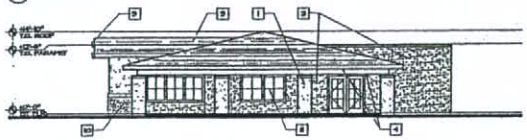
5 4 BDR. UNITS - WEST ELEVATION



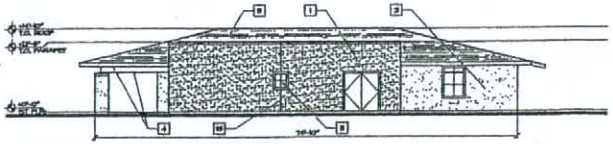
6 4 BDR. UNITS - SOUTH ELEVATION



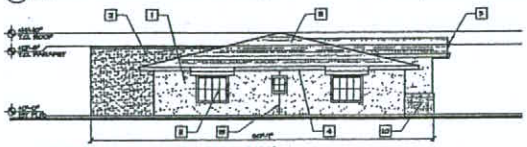
7 COMMONS BLDG. - SOUTH ELEVATION



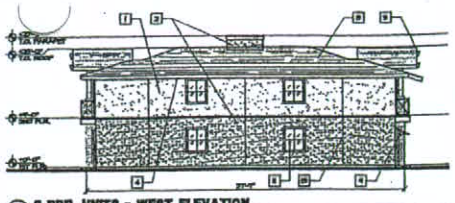
8 COMMONS BLDG. - EAST ELEVATION



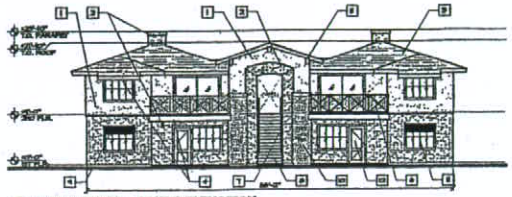
9 COMMONS BLDG. - NORTH ELEVATION



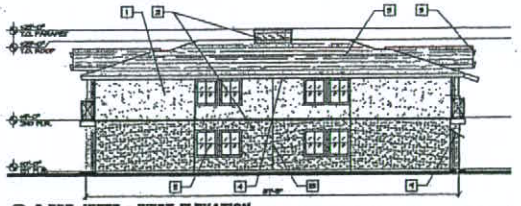
10 COMMONS BLDG. - WEST ELEVATION



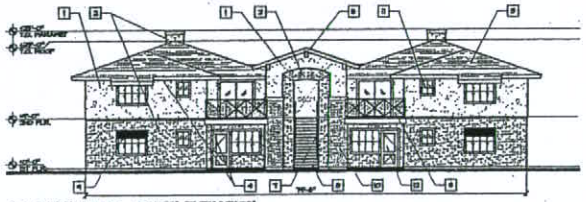
1 2 BDR. UNITS - WEST ELEVATION



2 2 BDR. UNITS - SOUTH ELEVATION



3 3 BDR. UNITS - WEST ELEVATION



4 3 BDR. UNITS - SOUTH ELEVATION

KEYNOTES

1. INTERIOR-COLORED EXTERIOR CEMENT PLASTER - COLOR 1, MED. DARK TEXTURE
2. INTERIOR-COLORED EXTERIOR CEMENT PLASTER - COLOR 2, MED. DARK TEXTURE
3. CLASS A - COMPOSITION SHINGLE ROOFING
4. PAINTED WOOD TRIM
5. PAINTED WOOD BRACKETS
6. POWDER-COATED ALUMINUM ARCHITECTURAL 1/2" S.S. WIRE MESH RAILS
7. POWDER-COATED ALUMINUM HANDRAILS
8. PRE-FABRICATED PAINTED STEEL STAIRS W/ PRE-CAST CONC. TREADS CLOSED RISERS
9. POWDER-COATED ALUMINUM SUN SHADE
10. COLORED SICHL LIMESTONE W/ MED BRUSH HAVERSTRAW
11. VINYL WINDOWS
12. PERIMETER ENTRY DOOR
13. CORBEL JOIST
14. POWDER-COATED ALUMINUM STOREFRONT

ELEVATIONS

SCALE: 1/8" = 1'-0"

979 WEST SECOND AVENUE
SUITE 107
FRESNO, CA 93721
TEL. 559 . 437 . 5000
FAX 559 . 437 . 5005

PROPOSED
TANAGER SPRINGS APARTMENTS
FRESNO, CALIFORNIA

DRAWN BY
DATE
SCALE
REVISIONS

SHEET NO.
A2
OF

EXHIBIT E

67

Recorded at the Request of
and When Recorded Return to:

City of Fresno
Planning and Development Department
Housing and Community Development Division
Attention: Manager
2600 Fresno Street, Room 3076
Fresno, CA 93721-3605

FRESNO County Recorder
Robert C. Werner
DOC- 2007-0195412
Wednesday, OCT 24, 2007 13:50:38
Ttl Pd $0.00 Nbr-0002631397
JZG/R3/1-67

(SPACE ABOVE THIS LINE FOR RECORDER'S USE ONLY)

9:30am C
10/23/07

This Agreement is recorded at the request and for the benefit of the City of Fresno and is exempt from the payment of a recording fee pursuant to Government Code Section 6103.

By: _____
Andrew T. Souza
City Manager

Date: 10/23/07

CITY OF FRESNO HOME PROGRAM AGREEMENT

HOME Investment Partnerships Program Agreement
(Affecting real property and including Covenants Running with the Land)

by and between

CITY OF FRESNO,
a municipal corporation

and

TANAGER SPRINGS II.
a California Limited Partnership

regarding

"TANAGER SPRINGS APARTMENTS"
APN: 480-080-14
An Affordable Multi-Family Apartment Project Phase II
2121 South Maple, Fresno, CA 93725

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EXHIBITS
EXHIBIT A: PROPERTY DESCRIPTION
EXHIBIT B: PROJECT DESCRIPTION AND SCHEDULE
EXHIBIT C: BUDGET
EXHIBIT D: 65-YEAR CASH FLOW STATEMENT
EXHIBIT E: DECLARATION OF RESTRICTIONS
EXHIBIT F: CERTIFICATE OF COMPLETION
EXHIBIT G: PROMISSORY NOTE
EXHIBIT H: GUARANTY

HOME INVESTMENT PARTNERHIPS PROGRAM AGREEMENT

This HOME Investment Partnerships Program Agreement (hereinafter referred to as the "Agreement") is entered into this, Oct. 23rd, 2007, by and between the CITY OF FRESNO, a municipal corporation, acting through its Planning and Development Department - Housing and Community Development Division (hereinafter referred to as the "CITY"), and TANAGER SPRINGS II, a California Limited Partnership (hereinafter referred to as "TANAGER") by SADI, LLC, a California Limited Liability Company its Administrative General Partner (hereinafter referred to as "SADI".)

RECITALS

A. The CITY has received a HOME Investment Partnerships Program (hereinafter referred to as "HOME Program") grant from the U.S. Department of Housing and Urban Development (hereinafter referred to as "HUD"), under Title II of the Cranston-Gonzalez National Affordable Rental Housing Act of 1990, as amended (hereinafter referred to as the "ACT").

B. To advance the supply of Affordable rental housing within the City of Fresno, the CITY desires, among other things, to encourage private investment in the affordable rental housing market.

C. The Project will provide for the construction of Phase II an eighty-unit (80) apartment complex and related improvements including the seventy-eight (78) HOME-assisted affordable rental housing units and two (2) manager units at the Property owned in fee by SADI and more specifically identified in EXHIBIT "A". SADI will lease the Property to TANAGER for the Project by a lease having a term of not less than 70 years (hereinafter the "SADI-TANAGER Lease") reviewed and accepted by the CITY , recorded in Fresno County on [Oct. 23, 2007] as Document No. [1 2007-0194541] and incorporated herein.

D. TANAGER desires to act as the developer, and exercise effective project control as to the construction of Phase II an eighty (80) unit apartment complex of which seventy-eight (78) units will be HOME-assisted units shall be constructed and preserved as Low- and Very Low-Income rental housing, and related on-site and off-site improvements, hereinafter referred to as the "Project", as more particularly described in the Project Description attached hereto as EXHIBIT "B", incorporated herein.

E. The Project will be constructed upon HOME eligible Property located within the boundaries of the City of Fresno, as more particularly described in the attached EXHIBIT "A".

F. To further its goal to increase the supply of Affordable rental housing within the City of Fresno, the CITY desires to assist TANAGER by providing a Two Million Six Hundred Thousand Dollars ($2,600,000) residual receipts HOME Program Loan to the Project (hereinafter referred to as "Loan"), for a term of sixty-five (65) years, for payment of HOME eligible Project costs, as further identified in EXHIBIT "C" (Project Budget), to be secured by the underlying real Property, the Affordable Rental Housing covenants, and upon the terms and conditions in this Agreement. The interest will be 5.38 percent (5.38%) compounded annually, with principal and interest payable from Residual Receipts as

defined herein.

G. The CITY has conducted an environmental review of the Project pursuant to the National Environmental Policy Act ("NEPA") resulting in a finding of no significant impact pursuant to EA No. 014-05276 dated June 15, 2006 with Notice of Determination filed June 15, 2006. CITY has received related federal approval for release of HOME funds pursuant to 24 CFR Part 58. Additionally, the City has conducted an environmental review of the Project pursuant to the California Environmental Quality Act ("CEQA") resulting in mitigated negative declaration pursuant to EA No. 014-05276 dated June 15, 2006 with Notice of Determination filed August 4, 2006.

H. The CITY has determined that this Agreement is in the best interests of, and will materially contribute to, the Housing Element of the General Plan. Further, the CITY has found that the Project (i) will have a positive influence in the neighborhood and surrounding environs, (ii) is in the vital and best interests of the CITY, and the health, safety, and welfare of CITY residents, (iii) complies with applicable federal, state, and local laws and requirements, (iv) will increase, improve, and preserve the community's supply of Low-Income Housing available at Affordable Rental Housing cost to persons and families of Low-Income, as defined hereunder, (v) planning and administrative expenses incurred in pursuit hereof are necessary for the production, improvement, or preservation of Low-Income Housing, and (vi) will comply with any and all owner participation rules and criteria applicable thereto.

I. The CITY and TANAGER have determined that the HOME Funded Project constitutes routine programmatic/grantee lender activities utilizing available and allocated program/grantee funding, outside the reach of California Constitution Article XXXIV and enabling legislation.

NOW, THEREFORE, IN CONSIDERATION of the above recitals, which recitals are contractual in nature, the mutual promises herein contained, and for other good and valuable consideration hereby acknowledged, the parties agree as follows:

ARTICLE 1. DEFINITIONS

The following terms have the meaning and content set forth in this Article wherever used in this Agreement, attached exhibits or attachments that are incorporated into this Agreement by reference.

1.1 ADA means the Americans with Disabilities Act of 1990, as most recently amended.

1.2 Acquisition means vesting of the Property in fee title.

1.3 Affirmative Marketing means a good faith effort to attract eligible persons of all racial, ethnic and gender groups, in the housing market area, to rent the proposed Affordable Rental Housing Project units that are proposed for construction on the eligible Property, as hereinafter defined.

1.4 Affordability Period means the minimum period of fifty-five (55) years commencing from the date the CITY issues and records the Certificate of Completion, provided that as more fully described in the Declaration of Restrictions (attached hereto as EXHIBIT "D").

1.5 Affordable Rental Housing means the rental housing units of which seventy-eight (78) will be required to meet the affordability requirements of 24 CFR 92.252.

1.6 Budget means the pro-forma Project Budget, attached hereto as EXHIBIT "C", as may be amended upon the approval of the CITY's Housing and Community Development Division Manager, provided any increase in HOME Funds hereunder requires City Council Approval.

1.7 Certificate of Completion means that certificate issued, in the form attached as EXHIBIT "E" ("Certificate of Completion"), to TANAGER by the CITY evidencing completion of the Project and a release of construction related covenants for the purposes of the Agreement.

1.8 CFR means the Code of Federal Regulations.

1.9 Commencement of Construction means the time TANAGER or TANAGER's construction contractor begins substantial physical work on the Property, including, without limitation, delivery of materials and any work, beyond maintenance of the Property in its status quo condition, and not later than sixty (60) calendar days following the CITY's approval of commencement of construction.

1.10 Declaration of Restrictions means the Declaration of Restrictions in the form attached hereto as EXHIBIT "D", consented by SADI, which shall be recorded against the Property no later than the date of disbursement of Loan proceeds, setting out the Affordable Rental Housing covenants and requirements of this Agreement which shall run with the land.

1.11 Deed of Trust means that standard, subordinate no worse than second (2nd) position Deed of Trust including assignment of rents and security agreement given by SADI, as Trustor, to the CITY as beneficiary, issued through an escrow established by TANAGER at its sole cost and expense with a title company acceptable to CITY, recorded against the Property, insured in the full amount of the Loan and acceptable to the City Attorney, as well as any amendments to, modifications of and restatements of said Deed of Trust. The terms of any such Deed of Trust are hereby incorporated into this Agreement by this reference.

1.12 Eligible Costs means any and all HOME Program eligible Project costs as may be reimbursed by the Loan(s), consistent with the Budget, attached as EXHIBIT "C", allowable under 24 CFR Part 92, as specified in 24 CFR 92.205 and 92.206 and not disallowed by 24 CFR 92.214, provided, however, that costs incurred in connection with any activity that is determined to be ineligible under the Program by HUD or the CITY shall not constitute Eligible Costs.

1.13 Event of Default shall have the meaning assigned to such term under Section 10.1 hereunder.

1.14 Family has the same meaning given that term in 24 CFR 5.403.

1.15 Hazardous Materials means any hazardous or toxic substances, materials, wastes, pollutants or contaminants which are defined, regulated or listed as "hazardous substances," "hazardous wastes," "hazardous materials," "pollutants," "contaminants" or "toxic substances" under federal or state environmental and health safety laws and regulations, including without limitation, petroleum and petroleum byproducts, flammable explosives, urea formaldehyde insulation, radioactive materials, asbestos and lead. Hazardous Materials do not include substances that are used or consumed in the normal course of developing, operating or occupying a housing project, to the extent and degree that such substances are stored, used and disposed of in the manner and in amounts that are consistent with normal practice and legal standards.

1.16 HOME Investment Partnership Funds (also referred to in this Agreement as HOME Funds or HOME Funds) means the HOME Program monies including the Loan, in an amount not to exceed the sum of Two Million Six Hundred Thousand Dollars ($2,600,000) to be used for HOME Program eligible Project costs.

1.17 Household means one or more persons occupying a Unit in the proposed Affordable Rental Housing Project.

1.18 HUD means the United States Department of Housing and Urban Development.

1.19 Loan means the non-assumable, loan of HOME Funds, in an amount not to exceed the lesser of the sum of Two Million Six Hundred Thousand Dollars ($2,600,000) and the aggregate HOME Program per unit cap (24 C.F.R. 92.250) for the seventy-eight (78) HOME-assisted Units as determined by the CITY made available by the CITY to the Project pursuant to this Agreement, as more specifically described in the Budget and in the Promissory Note attached hereto as EXHIBITS "C" and "F" respectively.

1.20 Loan Documents are collectively this Agreement, the Note, Deed of Trust, Declaration of Restrictions, the Guaranty and all related documents/instruments as they may be amended, modified or restated from time to time along with all exhibits and attachments thereto, relative to the Loan.

1.21 Low-Income Families means families whose annual income does not exceed eighty percent (80%) of the median income for the Fresno, California area as determined by HUD, except as HUD may establish income ceilings higher or lower than 80% of the median for the area on the basis of HUD findings that such variations are necessary.

1.22 Note means the non-assumable, Project Note in a principal amount of the Loan, given by TANAGER as promissor, in favor of the CITY as promissee, evidencing the Loan and performance of the affordability and other covenants and restrictions set forth in this Agreement, secured by a standard Deed of Trust as 2nd position or better lien upon the Property, naming the CITY as beneficiary and provided to the CITY no later than the date

of Project funding hereunder, an exemplar of which Note is attached hereto as EXHIBIT "F", and incorporated herein, as well as any amendments to, modifications of and restatements of said Note consented to by CITY.

1.23 Program Income has the meaning provided in the HOME program including 24 CFR 92.503.

1.24 Project means the construction of an eighty (80) unit apartment complex and related improvements of which seventy-eight (78) HOME-assisted affordable rental housing units each and all of the seventy-eight (78) Low-Income and Very Low-Income Affordable Rental Housing Units to be constructed, marketed, and rented as Low-Income Housing, and related on-site and off-site improvements, all as described in the Project Description attached hereto and incorporated herein as EXHIBIT "B", upon the Property as more particularly described in EXHIBIT "A". Seventy-eight (78) HOME-units will be rented to Low- and Very Low-Income as identified in the Project Description, which shall meet HOME Program requirements.

1.25 Project Completion Date means the date that the CITY shall have determined that the Project has reached completion in accordance with this Agreement. The Project Completion Date for this project is identified in EXHIBIT "B".

1.26 Project Schedule means the schedule for completion of the Project included within the EXHIBIT "B" Project Description and Schedule, consistent with the above Project Completion Date.

1.27 Property means the HOME Program eligible property located at 2121 South Maple Avenue, APN: 480-080-14, Fresno, California, more specifically described in the attached EXHIBIT "A", owed in fee by SADI and leased to TANAGER for a term of not less than sixty (60) years for Project purposes, and developed for Affordable Rental Housing.

1.28 Rent means the total monthly payments a tenant pays for a Unit including the following: use and occupancy of the Unit and land and associated facilities, including parking (other than parking services acquired by tenants on an optional basis), any separately charged fees or service charges assessed by TANAGER 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, common area electricity, 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 TANAGER, and paid by the tenant.

1.29 Residual Receipts means in each operating year fifty percent (50%) of **the sum of** (i) all cash received by the Property from (A) rents, lease payments, and all sources generally considered in the apartment industry to be "other income", (B) payments from HUD under a Housing Assistance Program Section 8 Contract to the Project, if any, and excluding (a) tenant security or other deposits, and (b) interest on reserves not available for distribution, and (ii) the net proceeds of any insurance (including rental interruption insurance), other than fire and extended coverage and title insurance, to the extent not reinvested, **less the sum of** (i) all cash expenditures, and all expenses unpaid but properly accrued, which have been incurred in the operation of the Project's business,

including the management fee to the Project's property management agent, the fee payable to the nonprofit managing general partner for services to the Project and the incentive lease-up fee payable to the administrative general partner in consideration of services to the Project in the first year of operation, and excluding expenditures paid from any reserve account (whether or not such expenditure is deducted, amortized or capitalized for tax purposes), (ii) the Project related annual fee payable to the investment limited partner and incentive management fee to Owner's general partner, (iii) all payments on account of any loans (including unpaid principal and accrued interest) made for the benefit of the Project by the partners of the Owner, (iv) payments towards the deferred developer fee (including repayment of loans or capital contributions made by the general partner to the partnership specifically for the purpose of paying of paying the deferred developer fee), (v) payments toward any deferred contractor fee (including repayment of any loans or capital contribution made by the general partner to the partnership for such purpose), (v) contributions to any prudent and reasonable cash reserves for working capital, capital expenditures, repairs, replacements and anticipated expenditures, in such amounts as may be reasonably required by the lenders to the Project and the limited partners of TANAGER for the operation of the Project not to exceed the amount required by the Project's permanent lender, annually adjusted in proportion to the average increase of the following indices (a) the United States Bureau of Labor Statistics for Hourly Wage Rates of all workers in manufacturing, and (b) of all Commodity Wholesale Prices, said indices shall be re-defined to the mutual satisfaction of the parties in the event of change in form and basis of indices, all increases shall use the indices for calendar year 2005 as their base, (vi) the payment of principal and interest, and any associated fees, expenses, and costs, with respect to any loans on the Project having a mortgage with a higher priority than the loan made by the CITY, (vii) any other Project related loans made by any of the partners to the partnership, (viii) a fee payable to the administrative general partner for providing certain guarantees to the partnership and the investor limited partner in relation to the Project; and (ix) payments made to the investor limited partner which are required to reimburse the investor a portion of its capital contribution in relation to the Project when there is a shortfall in the tax credits initially promised to the investor.

1.30 Unit means a Project dwelling unit of the Rental Housing.

1.31 Very Low-Income Families means families whose annual income does not exceed fifty percent (50%) of the median income as established by HUD for the Fresno, California area as determined by HUD, except as HUD may establish income ceilings higher or lower than 50% of the median for the area on the basis of HUD findings that such variations are necessary.

ARTICLE 2. TERMS

2.1 Loan of HOME Funds. The CITY agrees to provide the Loan of HOME Funds to TANAGER under the terms and conditions provided in this Agreement. The HOME Funds shall only be used for payment of HOME eligible costs.

2.2 Loan Documents. TANAGER shall execute and deliver to the CITY the Loan Documents including the Note, and the SADI-TANAGER Lease, and SADI shall execute the Deed of Trust that shall be recorded against the Property, and the Guaranty in the form attached as Exhibit "H" to this Agreement, as provided for in this Agreement.

2.3 Term of Agreement. This Agreement is effective upon the date of execution and shall remain in force for the duration of the Affordability Period unless earlier terminated as provided herein. After the fifty-five (55) year Affordability Period, this Agreement will expire, except as to financial obligations then due and owing. It is understood and agreed upon, however, that if for any reason this Agreement should be terminated in whole or in part as provided hereunder, without default, by TANAGER prior to disbursement of HOME Program Funding hereunder, the CITY agrees to record a Notice of Cancellation regarding this Agreement, upon the written request of TANAGER.

2.4 Loan Repayment and Maturity. The Loan will be due and payable in accordance with the Note and not later than the maturity date provided in the Note.

2.5 Incorporation of Documents. TANAGER'S proposal dated March 6, 2006 TANAGER Board Minutes dated June 14, 2007, the CITY Council approved Minutes of Oct. 23, 2007, approving this Agreement, the Loan Documents, the Act and HUD regulations at 24 CFR Part 92, and all exhibits, attachments, documents and instruments referenced herein, as now in effect and as may be amended from time to time, constitute part of this Agreement and are incorporated herein by reference. All such documents have been provided to the parties herewith or have been otherwise provided to/procured by the parties and reviewed by each of them prior to execution hereof.

2.6 Covenants of TANAGER. TANAGER for itself and its agents/assigns covenants and agrees to comply with all the terms and conditions of this Agreement and the requirements of 24 CFR Part 92.

ARTICLE 3. GENERAL REPRESENTATIONS AND WARRANTIES OF SADI

3.1 Existence and Qualification. TANAGER represents and warrants as of the date hereof, that TANAGER is a duly organized California Limited Partnership in good standing. TANAGER has the requisite power, right, and legal authority to execute, deliver, and perform its obligations under this Agreement and has taken all actions necessary to authorize the execution, delivery, performance, and observance of its obligations under this Agreement. This Agreement, when executed and delivered, shall constitute the legal, valid, and binding obligations of TANAGER enforceable against TANAGER in accordance with its respective terms, except as such enforceability may be limited by (a) bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium, or other similar laws of general applicability affecting the enforcement of creditors' rights generally, and (b) the application of general principles of equity without the joinder of any other party.

3.2 No Litigation Material to Financial Condition. TANAGER represents and warrants as of the date hereof that, except as disclosed to and approved by CITY in writing, no litigation or administrative proceeding before any court or governmental body or agency is now pending, nor, to the best of TANAGER's knowledge, is any such litigation or proceeding now threatened, or anticipated against TANAGER that, if adversely determined, would have a material adverse effect on the financial condition, business, or assets of TANAGER or on the operation of the Project.

3.3 No Conflict of Interest. TANAGER represents and warrants as of the date hereof that no official, officer, agent, or employee of the CITY directly or indirectly owns or controls any interest in TANAGER, and no person, directly or indirectly owning or controlling any interest in TANAGER, is an official, officer, agent, or employee of the CITY.

3.4 No Legal Bar. TANAGER represents and warrants as of the date hereof that the execution, delivery, performance, or observance by TANAGER of this Agreement will not, to the best of TANAGER's knowledge, materially violate or contravene any provisions of: (a) any existing law or regulation, or any order of decree of any court, governmental authority, bureau, or agency; (b) governing documents and instruments of TANAGER; or (c) any mortgage, indenture, security agreement, contract, undertaking, or other agreement or instrument to which TANAGER is a party or that is binding on any of its properties or assets, the result of which would materially or substantially impair TANAGER's ability to perform and discharge its obligations or its ability to complete the Project under this Agreement.

3.5 No Violation of Law. TANAGER represents and warrants as of the date hereof that, to the best of TANAGER's knowledge, this Agreement and the operation of the Project as contemplated by TANAGER, do not violate any existing federal, state, or local laws or regulations.

3.6 No Litigation Material to Project. TANAGER represents and warrants as of the date hereof that, except as disclosed to, and approved by the CITY in writing, there is no action, proceeding, or investigation now pending, or any basis therefor known or believed to exist by TANAGER that questions the validity of this Agreement, or of any action to be taken under this Agreement, that would, if adversely determined, materially or substantially impair TANAGER's ability to perform and observe its obligations under this Agreement, or that would either directly or indirectly have an adverse effect on or impair the completion of the Project.

3.7 Assurance of Governmental Approvals and Licenses. TANAGER represents and warrants, as of the date hereof, that TANAGER has obtained and, to the best of TANAGER's knowledge, is in compliance with all federal, state, and local governmental reviews, consents, authorizations, approvals, and licenses presently required by law to be obtained by TANAGER for the Project as of the date hereof.

ARTICLE 4. HOME PROGRAM REPRESENTATION AND WARRANTIES BY TANAGER

TANAGER, for itself and its development team, represents and warrants that:

4.1 Accessibility. TANAGER warrants, covenants and agrees that it shall comply with all federal regulations concerning accessibility requirements in federally funded housing, including, but not limited to the following:

A. At least five percent (5%) of the dwelling units, or at least four (4) units, whichever is greater, must be constructed to be accessible for persons with mobility disabilities. An additional two percent (2%) of the dwelling units, or at least two (2) units, whichever is greater, must be accessible for persons with hearing or visual disabilities. These units must be specifically identified in the building plans as submitted to the City of

Fresno's Building Services Division for building permit issuance and must be constructed in accordance with the Uniform Federal Accessibility Standards (UFAS) or a standard that is equivalent or stricter. These mandates can be found in 24 CFR Part 8, which implements Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794). These units shall be rented on a priority basis to person(s) who are eligible as disabled and/or families of which a member is eligible as disabled, provided that these units may be rented to non-disabled person(s)/families in the absence of an eligible disabled person/family.

B. The design and construction requirements of the Fair Housing Act (Title VIII of the Civil Rights Act of 1968, as amended), including the following seven (7) requirements of the Fair Housing Accessibility Guidelines:

i. Provide at least one accessible building entrance on an accessible route.

ii. Construct accessible and usable public and common use areas.

iii. Construct all doors to be accessible and usable by persons in wheelchairs.

iv. Provide an accessible route into and through the covered dwelling unit.

v. Provide light switches, electrical outlets, thermostats and other environmental controls in accessible locations.

vi. Construct reinforced bathroom walls for later installation of grab bars around toilets, tubs, shower stalls and shower seats, where such facilities are provided.

vii. Provide usable kitchens and bathrooms such that an individual who uses a wheelchair can maneuver about the space.

C. Title III of the Americans with Disabilities Act of 1990 (ADA) as it relates to the required accessibility of public and common use areas of the Project.

4.2 Affirmative Marketing. TANAGER warrants, covenants and agrees that it shall comply with all affirmative marketing requirements, including without limitation, those set out at 24 CFR 92.350, 24 CFR 92.351, in order to provide information and otherwise attract eligible persons from all racial, ethnic and gender groups in the housing market. TANAGER shall be responsible for complying with the CITY's "Affirmative Marketing Policy" document, incorporated herein, as amended from time to time. TANAGER shall maintain records of actions taken to affirmatively market units, and to assess the results of these actions.

4.3 Availability of HOME Funds. TANAGER understands and agrees that the availability of HOME Funds is subject to the control of HUD, or other federal agencies, and should said Funds be encumbered, withdrawn or otherwise made unavailable to the CITY, whether earned by or promised to TANAGER, and/or should CITY in any fiscal year

hereunder fail to allocate said Funds, the CITY shall not provide said Funds unless and until they are made available for payment to the CITY by HUD and the CITY receives and allocates said Funds. No other funds owned or controlled by the CITY shall be obligated under this Agreement.

4.4 Compliance with Agreement. TANAGER warrants, covenants and agrees that, in accordance with the requirements of 24 CFR 92.252 and 24 CFR Part 85, upon any uncured default by TANAGER within the meaning of Article 10 of this Agreement, the CITY may suspend or terminate this Agreement and all other agreements with TANAGER without waiver or limitation of rights/remedies otherwise available to the CITY.

4.5 Conflict of Interest. TANAGER warrants, covenants and agrees that it shall comply with the Conflict of Interest requirements of 24 CFR 92.356 including, without limitation, that no officer, employee, agent or consultant of TANAGER (other than an employee or agent of TANAGER who occupies a unit as the project manager or maintenance worker) may occupy a Project Unit. TANAGER understands and acknowledges that no employee, agent, consultant, officer or elected official or appointed official of the CITY, who exercises or has exercised any functions or responsibilities with respect to the Project, or who is in a position to participate in a decision making process or gain inside information with regard to these activities, may obtain a financial interest or benefit from the Project, or have an interest in any contract, subcontract or agreement with respect thereto, or the proceeds thereunder, either for him or herself or for anyone with which that person has family or business ties, during his or her tenure or for one year thereafter. To the extent provided at 24 CFR 92.356(f), no owner, developer or sponsor of the Project, or officer, employee, agent or consultant thereof, may occupy a Project Unit.

4.6 Construction Standards. TANAGER shall construct the proposed housing units assisted under this Agreement in compliance with all applicable local codes, ordinances and zoning requirements in effect at the time of issuance of Certification of Completion. In the absence of a local code for construction, TANAGER agrees to comply with the applicable standards identified in 24 CFR 92.251.

4.7 Covenants and Restrictions to Run with the Land. The CITY and TANAGER expressly warrant, covenant and agree to ensure that the covenants and restrictions set forth in this Agreement are recorded and will run with the land, provided, however, that, on expiration of this Agreement and the Affordable Housing requirements therein, said covenants and restrictions shall expire, and further provided that such covenants and restrictions (other than affordability restrictions) shall be subordinated to the priority of the construction or permanent lenders if required by such lenders. TANAGER further warrants, covenants and agrees to ensure that the covenants and restrictions set forth herein shall run in favor of the CITY.

A. The CITY and TANAGER hereby declare their understanding and intent that the covenants and restrictions set forth herein directly benefit the land (a) by enhancing and increasing the enjoyment and ownership of the proposed Project by certain Low-Income and Very Low-Income Families, and (b) by making possible the obtaining of advantageous financing for construction.

B. TANAGER covenants and agrees that until the expiration of the Affordability Period it shall cause the Affordable Rental Housing to be used for Affordable Housing.

C. Without waiver or limitation, the CITY shall be entitled to injunctive or other equitable relief against any violation or attempted violation of any covenants and restrictions, and shall, in addition, be entitled to damages available under law or contract for any injuries or losses resulting from any violations thereof.

D. All present and future owners of the Rental Housing and other persons claiming by, through, or under them shall be subject to and shall comply with the covenants and restrictions. The acceptance of a deed of conveyance to the Rental Housing shall constitute an agreement that the covenants and restrictions, as may be amended or supplemented from time to time, are accepted and ratified by such future owners, tenant or occupant, and all such covenants and restrictions shall be covenants running with the land and shall bind any person having at any time any interest or estate in the Rental Housing, all as though such covenants and restrictions were recited and stipulated at length in each and every deed, conveyance, mortgage or lease thereof.

E. The failure or delay at any time of the CITY or any other person entitled to enforce any such covenants or restrictions shall in no event be deemed a waiver of the same, or of the right to enforce the same at any time or from time to time thereafter, or an estoppel against the enforcement thereof.

4.8 Displacement of Persons. TANAGER warrants, covenants and agrees that pursuant to 24 CFR 92.353, it will take all reasonable steps to minimize the displacement of any persons (families, individuals, businesses, nonprofit organizations and farms.)

4.9 Initial and Annual Income Certification. TANAGER warrants, covenants and agrees that it shall comply with the procedures for annual income determinations at 24 CFR 92.203. TANAGER shall obtain, complete and maintain on file, immediately prior to initial occupancy, and annually thereafter, income certifications from each tenant Household renting any Unit. TANAGER 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 part of the verification process: (1) obtain a pay stub for the most recent pay period; (2) obtain an income verification form from the applicant's current employer; (3) obtain an income verification form from the Social Security Administration and California Department of Social Services if the applicant receives assistance from either of such agencies; (4) obtain an income tax return for the most recent tax year, or (5) if the applicant is unemployed and has no such tax return, obtain another form of independent verification. Copies of household income certification and verification must be available for review and approval by the CITY. TANAGER further warrants, covenants and agrees that it shall cooperate with the CITY in the CITY's income certification/affordability monitoring activities.

4.10 Lead-Based Paint. TANAGER warrants, covenants and agrees that it shall comply with all applicable requirements of the Lead-Based Paint Poisoning Prevention Act of 42 U.S.C. 4821 et seq., 24 CFR Part 35 including the HUD 1012 Rule, and 24 CFR 982.401(j), including any amendments thereto, in the Affordable Rental Housing Project.

These requirements apply to all units and common areas in the Affordable Rental Housing Project. TANAGER shall incorporate or cause incorporation of this provision in all contracts and subcontracts for work performed on the Project, which involve the application of paint. TANAGER shall be responsible for all disclosure, inspection, testing, evaluation, control and abatement activities.

4.11 Minority Outreach Activities. TANAGER warrants, covenants and agrees that it shall comply with all federal laws and regulations described in Subpart H of 24 CFR Part 92, including, without limitation, any requirement that TANAGER comply with the CITY's minority outreach program.

4.12 Other Laws and Regulations. TANAGER warrants, covenants and agrees that, in addition to complying with the federal laws and regulations already cited in this Agreement, TANAGER has reviewed, and shall comply with, all other federal laws and regulations that apply to the HOME Program, including, without limitation, requirements of 24 CFR 58.6 and the Flood Disaster Protection Act of 1973, as amended (42 U.S.C. 4001-4128) and the following:

A. TANAGER does not intend to use any financing that is secured by a mortgage insured by HUD in connection with the Project as part of its acquisition and/or construction of this Project.

B. The Project is not located in a tract identified by the Federal Emergency Management Agency as having special flood requirements.

C. The Project requirements, Subpart F of 24 CFR Part 92, as applicable and in accordance with the type of Project assisted, including, but not limited to, the limit on per-unit subsidy amount at 24 CFR 92.250.

D. The property standards at 24 CFR 92.251.

E. The Project "Labor" requirements, as applicable, of 24 CFR 92.354 including Davis Bacon prevailing wage requirements (40 U.S.C. 276a - 276a-7), as supplemented by Department of Labor regulations (29 CFR Part 5).

F. The provisions of Section 102 and 107 of the Contract Work Hours and Safety Standards Act (40 U.S.C. 327-333), as supplemented by Department of Labor Regulations (29 CFR Part 5), in regards to the construction and management of the proposed Project.

G. TANAGER and its contractors, subcontractors and service providers for the Project, shall comply with all applicable local, state and federal requirements concerning equal employment opportunity, including compliance with E.O. 11246, "Equal Employment Opportunity," as amended by E.O. 11375, "Amending Executive Order 11246 Relating to Equal Employment Opportunity," and as supplemented by regulations at 41 CFR part 60, "Office of Federal Contract Compliance Programs, Equal Employment Opportunity, Department of Labor."

H. The provisions of the Copeland "Anti-Kickback" Act (18 U.S.C. 874), as supplemented by Department of Labor regulations (29 CFR part 3, "Contractors and Subcontractors on Public Building or Public Work Financed in Whole or in Part by Loans or Grants from the United States").

I. The provisions of the Clean Air Act (42 U.S.C. 7401 et seq.) and the Federal Water Pollution Control Act (33 U.S.C. 1251 et seq.), as amended.

J. The provisions of the Byrd Anti-Lobbying Amendment (31 U.S.C. 1352).

K. The provision of E.O.s 12549 and 12689, "Debarment and Suspension," as set forth at 24 CFR part 24.

L. The provisions of the Drug-Free Workplace Act of 1988 (42 U.S.C. 701), in accordance with the Act and with HUD's rules at 24 CFR part 24, subpart F.

M. Title 8 of the Civil Rights Act of 1968 PL. 90-284.

N. Executive Order 11063 on Equal Opportunity and Housing.

O. Section 3 of the Housing and Urban Development Act of 1968.

P. The Housing and Community Development Act of 1974.

4.13 Religious Organizations. TANAGER warrants, covenants and agrees that it is a secular entity and not a primarily religious organization and that it shall not engage in any prohibited activities described in 24 CFR 92.257. Subject to the foregoing, TANAGER does not intend to utilize HOME Funds to construct housing owned primarily by religious organizations or to assist primarily religious organizations in acquiring housing.

4.14 Reporting Requirements. TANAGER warrants, covenants and agrees that it shall submit performance reports to the CITY as detailed in Section 7.16. Furthermore, TANAGER agrees to provide, at the sole cost of TANAGER, annual audited Financial Statements for the Project expenses and ongoing financial transactions which occur as a result of this Agreement as detailed in Section 5.7. TANAGER agrees to account for the expenditure of HOME Funds using generally accepted accounting principals, which financial documentation shall be made available to the CITY and HUD upon their respective written request(s).

4.15 Housing Affordability. TANAGER warrants, covenants and agrees that the Project will meet the Affordable Rental Housing, income targeting and other requirements of 24 CFR 92.252 during the Affordability Period. The Units shall, at a minimum, be rented to and occupied by, or, if vacant, available for rental and occupancy by (a) person(s) whose annual household income at the time of initial occupancy is not greater than sixty percent (60%) of the most recent annual median income calculated and published by HUD for the Fresno Metropolitan Statistical Area applicable to such household's size, and at an affordable price consistent with HOME Program regulations, for the Affordability Period provided that upon foreclosure by a lender or other transfer in lieu of foreclosure, or

assignment of an FHA-insured mortgage to HUD, the Affordability Period shall be terminated if the foreclosure or other transfer in lieu of foreclosure or assignment recognizes any contractual or legal rights of public agencies, nonprofit sponsors, or others to take actions that would avoid the termination of low-income affordability. However, the requirements with respect to Affordable Rental Hosuing shall be revived according to their original terms, if during the original Affordability period, the owner of record before the foreclosure to other transfer, or any entity that includes the former owner or those with whom the former owner has or had formerly, family or business ties, obtains an ownership interest in the Project or the Property, the Affordability Period shall be revived according to its original terms. In the event TANAGER fails to comply with this Section or the Affordability Period is not revived following transfer by foreclosure or transfer in lieu of foreclosure, TANAGER shall return to CITY all HOME Funds disbursed to TANAGER by CITY.

4.16 Terminated Projects(s). TANAGER understands and agrees that, if the Project is terminated before completion, either voluntarily or otherwise, such constitutes an ineligible activity and the CITY will not be required to provide any further HOME Program assistance funding to the Project Units.

ARTICLE 5. COVENANTS AND AGREEMENTS OF SADI.

TANAGER covenants and agrees to the following, for the entire term of the Agreement.

5.1 Adequate Repair and Maintenance. TANAGER shall maintain the Project and Property in compliance with all applicable codes, laws, and ordinances.

5.2 Affordable Rental Housing. TANAGER covenants and agrees that the Project shall constitute Affordable Housing with at least seventy-eight (78) units preserved as Low-Income and Very Low-Income Rental Housing (as variously provided at 24 CFR 92.252) during the entire Affordability Period. This covenant as to Affordable Housing shall remain in effect and run with and restrict the land during the entirety of the Affordability Period. In the event that TANAGER fails to comply with the time period in which the Project must constitute Affordable Housing, CITY shall without waiver or limitation be entitled to injunctive relief, as TANAGER acknowledges that damages are not an adequate remedy at law for such breach.

5.3 Compliance With Environmental Laws. TANAGER shall cause the Project to be in compliance with, and not to cause or permit the housing project to be in violation of, any environmental law, rule, regulation, ordinance, or statute. Although the CITY will utilize its employees and agents for regular inspection and testing of the eligible Property, TANAGER agrees that, if the CITY has reasonable grounds to suspect any such violation, TANAGER shall be entitled to thirty (30) days' notice and opportunity to cure such violation. If the suspected violation is not cured, the CITY shall have the right to retain an independent consultant to inspect and test the eligible Property for such violation. If a violation is discovered, TANAGER shall pay for the reasonable cost of the independent consultant.

Additionally, TANAGER agrees:

A. That the CITY shall not be directly or indirectly involved with the inspection, testing, removal or abatement of asbestos or other hazardous or toxic chemicals, materials, substances, or wastes and that all cost, expense and liability for such work shall be and remain solely with TANAGER;

B. Not to transport to or from the proposed project site(s), or use, generate, manufacture, produce, store, release, discharge, or dispose of on, under, or about the project site(s), or surrounding real estate, or transport to or from the project site(s), or surrounding real estate, any hazardous or toxic chemicals, materials, substance, or wastes or allow any person or entity to do so except in such amounts and under such terms and conditions permitted by applicable laws, rules, regulations, ordinances, and statutes;

C. To give prompt written notice to the CITY of the following:

1. Any proceeding or inquiry by any governmental authority with respect to the presence of any hazardous or toxic chemicals, materials, substance, or waste in or on the eligible Property or the surrounding real estate or the migration thereof from or to other property;

2. All claims made or threatened by any third party against TANAGER or such properties relating to any loss or injury resulting from any hazardous or toxic chemicals, materials, substance, or waste; and

3. TANAGER's discovery of any occurrence or condition on any real property adjoining or in the vicinity of such properties that would cause such properties or underlying or surrounding real estate or part thereof to be subject to any restrictions on the ownership, occupancy, transferability, or use of the property under any environmental law, rule, regulation, ordinance or statute; and

D. To indemnify, defend, and hold the CITY harmless from any and all claims, actions, causes of action, demands, judgments, damages, injuries, administrative orders, consent agreements, orders, liabilities, penalties, costs, expenses (including attorney's fees and expenses), and disputes of any kind whatsoever arising out of or relating to TANAGER or any other party's use or release of any hazardous or toxic chemicals, materials, substance, or wastes on the eligible Property regardless of cause or origin, including any and all liability arising out of or relating to any investigation, site monitoring, containment, cleanup, removal, restoration, or other remedial work of any kind or nature.

5.4 Compliance With Laws. TANAGER shall promptly and faithfully comply with, conform to and obey all present and future federal, state and local statutes, regulations, rules, ordinances and other legal requirements applicable by reason of this Agreement or otherwise to the Project including without limitation as to prevailing wage requirements. TANAGER acknowledges that the use of HOME Funds subjects the Project to extensive federal regulation and covenants and agrees that it shall comply with, conform to and obey (and take such steps as are required of TANAGER to enable the CITY to comply with,

conform to and obey) all federal statutes, regulations, rules and policies applicable to the Program and the Project.

5.5 Existence, Qualification, and Authority. TANAGER shall provide to the CITY any evidence required or requested by the CITY to demonstrate the continuing existence, qualification, and authority of TANAGER to execute this Agreement and to perform the acts necessary to carry out the Project.

5.6 Financial Statements and Audits. TANAGER, as a subrecipient of federal financial assistance, is required to comply with the provisions of the Single Audit Act of 1984 (31 U.S.C. Sections 7501 et seq.), as amended. Annually, within one hundred and eighty (180) days following 1) the end of fiscal year(s) in which the HOME Funds are disbursed hereunder, and 2) the end of fiscal year(s) in which this contract shall terminate, and otherwise upon the CITY's, written request during the term of this Agreement, TANAGER, at its sole cost and expense shall submit to the CITY.

A. Audited annual financial statements that are current, signed, and prepared according to generally accepted accounting principles consistently applied (except as otherwise disclosed therein).

B. Audited Financial Statements covering the income and expenses, and the financial transactions for the Project during the prior fiscal year.

5.7 Inspection and Audit of Books, Records and Documents. TANAGER shall be accountable to the CITY for all HOME Funds disbursed for this project pursuant to this Agreement. Any duly authorized representative of the CITY, the State, or HUD shall, at all reasonable times, have access to and the right to inspect, copy, make excerpts or transcripts, audit, and examine all books of accounts, records, files and other papers or property, and other documents of TANAGER pertaining to the Project or all matters covered in this Agreement and for up to six (6) years after the expiration or termination of this Agreement.

A. TANAGER will maintain books and records for the Project using generally accepted accounting principles. TANAGER agrees to maintain books and records that accurately and fully show the date, amount, purpose and payee of all expenditures financed with HOME Funds and to keep all invoices, receipts and other documents related to expenditures financed with HOME Funds for not less than six (6) years after the expiration or termination of the Agreement. Books and records must be kept accurate and current. For purposes of this section, "books, records and documents" include, without limitation; plans, drawings, specifications, ledgers, journals, statements, contracts/agreements, funding information, funding applications, purchase orders, invoices, loan documents, computer printouts, correspondence, memoranda, and electronically stored versions of the foregoing. This section shall survive the termination of this Agreement.

B. The CITY may audit any conditions relating to this Agreement at the CITY's expense, unless such audit shows a significant discrepancy in information reported by TANAGER in which case TANAGER shall bear the cost of such audit. TANAGER shall

also comply with any applicable audit requirements of 24 CFR 92.506. This section shall survive the termination of this Agreement.

C. TANAGER will cooperate fully with the CITY, the State, and HUD in connection with any interim or final audit relating to the Programs and the Project that may be performed relative to the performance of this Agreement.

5.8 Inspection of Property. Any duly authorized representative of the CITY, the State, or HUD shall, at all reasonable times, have access and the right to inspect the Property until completion of the Project and expiration of the applicable Affordability Period within 72 hours written notice.

5.9 No Other Liens. TANAGER shall not create or incur, or suffer to be created or incurred, or to exist, any additional mortgage, pledge, encumbrance, lien, charge, or other security interest of any kind on the eligible Property, other than those related to construction or pre-development loans in relation to the Affordable Rental Housing Project consistent with the attached Exhibit "C" Project Budget, without the prior written consent of the CITY.

5.10 Nondiscrimination. TANAGER shall comply with and cause any and all contractors and subcontractors to comply with any and all federal, state, and local laws with regard to illegal discrimination, and TANAGER shall not illegally discriminate against any persons on account of race, religion, sex, family status, age, handicap, or place of national origin in its performance of this Agreement and the completion of the Project.

5.11 Ownership. Except as required in pursuit hereof, TANAGER shall not sell, lease, transfer, assign or otherwise dispose of all or any material part of any interest it might hold in the Property or the Project without the prior written consent of the CITY, which consent shall not be unreasonably withheld or delayed.

5.12 Payment of Liabilities. TANAGER shall pay and discharge in the ordinary course of its business all material obligations and liabilities, the nonpayment of which could have a material or adverse impact on its financial condition, business, or assets or on the operation of the Project(s), except such obligations and liabilities that have been disclosed to the CITY in writing and are being contested in good faith.

5.13 Report of Events of Default. TANAGER shall promptly give written notice to the CITY upon becoming aware of any Event of Default under this Agreement.

ARTICLE 6. DISBURSEMENT OF HOME FUNDS

Without waiver of limitation, the parties agree as follows, regarding disbursement of HOME Funds:

6.1 Use of HOME Program Funds. TANAGER warrants, covenants and agrees that it shall request HOME Program Funds only for reimbursement of HOME eligible costs as identified in the attached Budget, limited to the amount needed, including costs allowable under 24 CFR 92.206, aggregating not more than the Loan amount. The CITY's obligations shall in no event exceed the HOME Funds amount specified in this Agreement.

A. If any such Funds shall be determined to have been requested and/or used by TANAGER for something other than for HOME eligible costs, and subject to the notice and cure provisions of Section 10.2 hereunder, an equal amount from nonpublic funds shall become immediately due and payable by TANAGER to the CITY; provided, however, that TANAGER shall, subject to its full cooperation with the CITY, be entitled to participate in any opportunity to remedy, contest, or appeal such determination.

B. In the event HOME Funds are requested to reimburse Eligible Costs which subsequently lose eligibility as Eligible Costs, TANAGER shall immediately return such HOME Funds to the CITY.

C. The CITY will disburse HOME Funds, only to TANAGER through proper invoicing, for HOME eligible costs of the Project as provided in this Article 6.

6.2 Conditions Precedent to Disbursement. The CITY shall not be obligated to make or authorize any disbursements of HOME Funds or take any other action under this Agreement unless all the following conditions are satisfied:

A. There exists no Event of Default as provided in Article 10, nor any act, failure, omission or condition that with the passage of time or the giving of notice or both would constitute an Event of Default.

B. TANAGER has submitted evidence that the combined monies from the Funding Sources and the HOME Funds are not less than Twenty Three Million Two Hundred Fifteen Thousand Seven Hundred and Twenty Five Dollars and 00/100 ($23,215,725.00) attached hereto in EXHIBIT "C", the amount necessary to complete the Project;

C. The CITY has approved the requested reimbursement of HOME eligible Project/Property costs.

D. TANAGER has acquired insurance coverage and delivered to the CITY evidence of insurance as required in Article 9.

E. TANAGER is current with its compliance of all reporting requirements set forth in this Agreement.

F. TANAGER has provided the CITY with a written request for HOME Funds (in CITY-approved Form), for payment of HOME eligible Project costs, and detailing such Eligible Costs applicable to the request.

G. The Certification required by Section 6.4 of this Agreement.

H. The CITY has received, and continues to the have the right to disburse, HOME Funds.

6.3 Request for and Disbursement of HOME Program Funds. TANAGER shall request disbursement of HOME Funds using the CITY's Request for Disbursement of Funds Form, or a similar document. TANAGER shall only request a maximum of the Loan

amount in HOME Program assistance. All requests should provide in detail such Eligible Costs applicable to the request. All requests for HOME funds disbursement shall be accompanied with the Certification required by Section 6.4 of this Agreement.

6.4 TANAGER Certification. TANAGER shall submit to the CITY a written certification that, as of the date of the Request for Disbursement:

A. The representations and warranties contained in or incorporated by reference in this Agreement continue to be true, complete and accurate;

B. TANAGER has carried out all of its obligations and is in compliance with all the obligations or covenants specified in this Agreement, to the extent that such obligations or covenants are required to have been carried out or are applicable at the time of the request for the Disbursement;

C. TANAGER has not committed or suffered an act, event, occurrence, or circumstance that constitutes an Event of Default or that with the passage of time or giving of notice or both would constitute an Event of Default; and

D. The Disbursement requested will be used solely for reimbursement of HOME eligible costs and must be supported by the itemized obligations that have been properly incurred and are properly chargeable in connection with the Project.

ARTICLE 7. DEVELOPMENT AND CONSTRUCTION OF PROJECT

Without waiver of limitation, the parties agree as follows:

7.1 Pre-construction Meeting Regarding HOME Program Processes and Procedures. CITY will schedule, and TANAGER shall attend a meeting prior to construction with the CITY's Housing and Community Development Division for the purpose of outlining HOME program processes and procedures.

7.2 Commencement and Completion of Project. TANAGER shall commence and complete construction in accordance with the Project Description and Schedule as identified in EXHIBIT "B".

7.3 Contracts and Subcontracts. Consistent with Section 5.3, all demolition, hazardous waste abatement, construction work and professional services for the Project shall be performed by persons or entities licensed or otherwise legally authorized to perform the applicable work or service in the State of California and the City of Fresno. TANAGER shall provide the CITY with copies of all agreements it has entered into with any and all contractors or subcontractors for this Project. TANAGER shall require that each such contractor and subcontractor agreement contain a provision whereby the party(ies) to the agreement other than TANAGER agree to (i) notify the CITY immediately of any event of default by TANAGER thereunder; (ii) notify the CITY immediately of the filing of a mechanic's lien, (iii) notify the CITY immediately of termination or cancellation of the agreement; and (iv) provide the CITY, upon the CITY's request, an Estoppel Certificate certifying that the agreement is in full force and effect and TANAGER is not in default thereunder. TANAGER agrees to notify the CITY immediately of termination or

cancellation of any such agreement(s), notice of filing of a mechanic's lien, or breach or default by other party(ies) thereto.

7.4 Damage to Property. To the extent consistent with the requirements of any permitted encumbrance, or as otherwise approved by the CITY, and subject to Article 9 of this Agreement, if any building or improvement constructed on the Property is damaged or destroyed by an insurable cause, TANAGER shall, at its cost and expense, diligently undertake to repair or restore said buildings and improvements consistent with the original Plans and Specifications of the Project Unit. Such work or repair shall commence within ninety (90) days after the insurance proceeds are made available to TANAGER and shall be complete within two (2) years thereafter. All 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, TANAGER shall make up the deficiency.

7.5 Fees, Taxes and Other Levies. TANAGER shall be 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 Project, and shall pay such charges prior to delinquency. However, TANAGER 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 CITY, TANAGER deposits with the CITY any funds or other forms of assurances that the CITY, in good faith, may determine from time to time are appropriate to protect the CITY from the consequences of the contest being unsuccessful.

7.6 Financing. TANAGER shall promptly inform the CITY of any new financing or funding, and TANAGER shall provide the CITY copies of all agreements with any and all Funding Sources for this Project. TANAGER shall require each agreement with any and all Funding Sources to contain a provision whereby the party(ies) to the agreement other than TANAGER, agree to (i) notify the CITY immediately of any event of default by TANAGER thereunder; (ii) notify the CITY immediately of termination or cancellation of the agreement; and (iii) provide the CITY, upon CITY's request, an Estoppel Certificate certifying that the agreement is in full force and effect and TANAGER is not in default thereunder. TANAGER agrees to notify the CITY immediately of termination or cancellation of any such agreement(s) or receipt of notice of default thereunder. TANAGER shall comply with all obligations of any such agreement(s) with any and all Funding Sources until the respective expiration of such agreement(s). In the event TANAGER fails to comply with its obligations of this section, the loan shall become immediately due and payable as provided for in this Agreement. This section shall survive expiration or termination of this Agreement.

7.7 Identification Signage. Before the start of construction, TANAGER shall place a poster or sign, with a minimum four feet by four feet in size, identifying the City of Fresno, Planning and Development Department, Housing and Community Development Division as a Project participant. The sign shall also include the CITY'S Housing Logo, as well as the Equal Housing Opportunity logo, as mandated by HUD. Font size shall be a minimum of 4 inches. The poster/sign shall be appropriately placed, and shall be in place throughout the Project construction.

7.8 Inspections. TANAGER shall permit, facilitate, and require its contractors and consultants to permit and facilitate observation and inspection at the job site by the CITY and other public authorities during reasonable business hours, for determining compliance with this Agreement, including without limitation those biennial on-site inspections required of the CITY by 24 CFR 92.504(d).

7.9 Insurance and Bonds. TANAGER shall submit for CITY approval bonds, certificates, guarantees and/or applicable insurance endorsements as required by this Agreement in accordance with Article 9.

7.10 Mechanic's Liens and Stop Notices. If any claim of lien is filed against the Property or a stop notice affecting any financing, HOME Program Funds or Funding Sources for the Project is served on the CITY or any other third party in connection with the Project, TANAGER shall, within twenty (20) days of 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 CITY a surety bond in sufficient form and amount, or provide the CITY with other assurance satisfactory to the CITY that the claim of lien or stop notice will be paid or discharged.

A. If TANAGER fails to discharge, bond or otherwise satisfy the CITY with respect to any lien, encumbrance, charge or claim referred to in this Section 7.10, then, in addition to any other right or remedy, the CITY may, but shall not be obligated to, discharge such lien, encumbrance, charge, or claim at TANAGER expense. Alternatively, the CITY may require TANAGER to immediately deposit with the CITY the amount necessary to satisfy such lien or claim and any costs, pending resolution thereof. The CITY may use such deposit to satisfy any claim or lien that is adversely determined against TANAGER. TANAGER hereby agrees to indemnify and hold the CITY harmless from liability for such liens, encumbrances, charges or claims together with all related costs and expenses.

7.11 Permits and Licenses. Upon CITY's reasonable request, TANAGER shall submit, for CITY approval, all the necessary permits and licenses required for Commencement of Construction. As the CITY may reasonably request, TANAGER, at its sole cost and expense, shall provide to the CITY copies of any and all permit approvals and authorizations including plot plan, plat, zoning variances, sewer, building, and other permits required by governmental authorities other than the CITY in pursuit of the Affordable Rental Housing Project, and for its stated purposes in accordance with all applicable building, environmental, ecological, landmark, subdivision, zoning codes, laws, and regulations. TANAGER is responsible, at its sole cost and expense, to determine the location of any utilities on the Property and to negotiate with the utility companies for and to relocate the utilities, if any, as necessary to complete the Project.

7.12 Plans and Specifications. Before Commencement of Construction, TANAGER shall submit to the CITY, for its review and approval, the final Plans and Specifications for the Project. TANAGER will construct the Affordable Rental Housing in full conformance with the Plans and Specifications and modifications thereto approved by the CITY. TANAGER shall obtain the CITY's prior written approval for any modifications to the Plans and Specifications.

7.13 Project Responsibilities. TANAGER shall be solely responsible for all aspects of TANAGER's conduct in connection with the Project, including but not limited to, the applicability of and compliance with all local, state and federal laws including, without limitation, as to prevailing wage and public bidding requirements (the CITY's annual resolution setting out per diem wage rates is available from the CITY's Construction Management Division), the quality and suitability of the work completed, the supervision of all contracted work, qualifications and financial conditions of and performance of all contractors, subcontractors, consultants and suppliers. Any review or inspection undertaken by the CITY with reference to the Project is solely for the purpose of determining whether TANAGER is properly discharging its obligation to the CITY, and shall not be relied upon by TANAGER or by any third parties as a warranty or representation by the CITY as to the quality of the work completed for the Project.

7.14 Quality of Work. TANAGER shall ensure that construction of the proposed Project, employs building materials of a quality suitable for the requirements of the Project. TANAGER shall cause completion of construction of the proposed Project on the Property in full conformance with applicable local, state and federal laws, statutes, regulations, and building and housing codes.

7.15 Relocation. If and to the extent that construction of the proposed Project results in the permanent or temporary displacement of residential tenants, homeowners or businesses, TANAGER shall comply with all applicable local, state and federal statutes and regulations with respect to relocation planning, advisory assistance and payment of monetary benefits. TANAGER shall be solely responsible for payment of any relocation benefits to any displaced persons and any other obligations associated with complying with said relocation laws.

7.16 Reporting Requirements. TANAGER shall submit to the CITY the following Project reports:

A. From the date of Commencement of the Project, until issuance of the final Certificate of Completion, TANAGER shall submit a Quarterly Report, in a form approved by the CITY, which will include, at a minimum, the following information: progress of the Project and affirmative marketing efforts (as applicable). The Quarterly Reports are due on each March 31st, June 30th, September 30th, and December 31st, during said period.

B. Annually, beginning on the first day of the month following the CITY's issuance of the final Certificate of Completion, and continuing until the termination of the Agreement, TANAGER shall submit an Annual Report to the CITY, in a form approved by the CITY. The Annual Report shall include, at a minimum, the following information: the rent, the annual income and the family size of the Households. The report shall also state the date tenancy commenced for each rental Unit, certification from an officer of TANAGER that the Project is in compliance with the Affordable Rental Housing Requirements, and such other information the CITY may be required by law to obtain. TANAGER shall provide any additional information reasonably requested by the CITY.

C. Annually, beginning on the first day of the month following the CITY's issuance of the final Certificate of Completion, and continuing until the expiration of the

Agreement, TANAGER shall submit proof of insurance as required in Article 9.

7.17 Scheduling and Extension of Time; Unavoidable Delay in Performance. It shall be the responsibility of TANAGER to coordinate and schedule the work to be performed so that the Commencement of the Project and issuance of the Certificate of Completion will take place in accordance with the provisions of the Agreement. The CITY, through its Housing and Community Development Division Manager, may extend such time in writing at its sole and absolute discretion, and upon written request of TANAGER, as follows:

A. The time for performance of provisions of the Agreement by either party shall be extended for a period equal to the period of any delay directly affecting the Project or this Agreement which is caused by: war, insurrection, strike or other labor disputes, lock-outs, riots, floods, earthquakes, fires, casualties, acts of God, acts of a public enemy, epidemics, quarantine restrictions, freight embargoes, lack of transportation, suits filed by third parties concerning or arising out of this Agreement, or unseasonable weather conditions. An extension of time for any of the above specified causes will be granted only if written notice by the party claiming such extension is sent to the other party within ten (10) calendar days from the date the affected party learns of the commencement of the cause and the resulting delay and such extension of time is accepted by the other party in writing. In any event, the Project must be completed no later than one hundred eighty (180) calendar days after the scheduled completion date specified in this Agreement, notwithstanding any delay caused by that included in this section.

B. Any and all extensions hereunder shall be by mutual written agreement of the CITY's Housing and Community Development Division Manager and TANAGER and shall not cumulatively exceed one hundred eighty (180) days.

7.18 Certificate of Completion. Upon completion of the construction of the Project, TANAGER shall certify in writing to the CITY that the Affordable Rental Housing has been constructed in accordance with the plans and specifications approved by the CITY. Upon completion of the Affordable Rental Housing, TANAGER shall also submit to the CITY a cost-certifying final budget where TANAGER shall identify the actual costs of construction of the Project. This final cost-certification shall identify costs in line-item format, consistent with the Project Budget. Upon a determination by the CITY that TANAGER is in compliance with all of TANAGER's construction obligations, as specified in this Agreement, the CITY shall furnish, within 30 calendar days of a written request by TANAGER, a recordable Certificate of Completion for the Project in the form attached hereto as EXHIBIT "F". The CITY will not unreasonably withhold or delay furnishing the Certificate of Completion. If the CITY fails to provide the Certificate of Completion within the specified time, it shall provide TANAGER with a written statement indicating in what respects TANAGER has failed to complete the Project in conformance with this Agreement or has otherwise failed to comply with the terms of this Agreement, and what measures TANAGER will need to take or what standards it will need to meet in order to obtain the Certificate of Completion. Upon TANAGER taking the specified measures and meeting the specified standards, TANAGER will certify to the CITY in writing of such compliance and the CITY shall deliver the recordable Certificate of Completion to TANAGER in accordance with the provisions of this section.

ARTICLE 8. PROJECT OPERATIONS

8.1 Operation of the Project. TANAGER shall lease, operate and manage the Project in full conformity with the terms of this Agreement.

8.2 Occupancy Requirements. Seventy-Eight (78) Project Units shall be rented and occupied by, or if vacant, available for rental occupancy by (a) person(s) whose annual household income at the time of initial occupancy is not greater than sixty percent (60%) of the most recent annual median income, calculated and published by HUD for the Fresno Metropolitan Statistical Area, applicable to such household's size, and at an affordable price consistent with HOME Program regulations (as variously provided at 24 CFR 92.252) for the term of this Agreement. TANAGER shall comply with the income targeting requirements of 24 CFR 92.216. Two (2) Project Units shall be reserved as manager units.

8.3 Leasing the Project. Before leasing any Units, TANAGER shall submit its proposed form of Lease for CITY's review and approval. TANAGER covenants and agrees to utilize only Leases that have been approved in advance by CITY. The CITY shall respond to TANAGER's submission of a sample Lease within thirty (30) days. Should CITY not respond within thirty (30) days of Lease submittal, TANAGER shall be authorized to use the submitted sample Lease. Additionally, TANAGER agrees not to terminate the tenancy or to refuse to renew a Lease with a tenant of the Affordable Rental Housing assisted with HOME Funds except for serious or repeated violation of the terms and conditions of the Lease, for violation of applicable federal, state, or local law, or for other good cause. Any such termination or refusal to renew must be preceded by not less than 30 days written notice served by TANAGER or its authorized management entity upon the tenant specifying the grounds for such action. TANAGER agrees it shall annually report to CITY the number of Leases that were not renewed or terminated and the reason for such non-renewal or termination.

8.4 Lease Provisions. In addition to the requirements of 24 CFR 92.253, the Leases are subject to the following:

A. TANAGER shall include in Leases for all Units, provisions which authorize TANAGER to immediately terminate the tenancy of any Household one or more of whose members misrepresented any fact material to the Household's qualification as a Household for Low-Income or Very Low-Income Families. Each such Lease shall also provide that the Household is subject to annual certification, and that, if the Household's annual income increases above the applicable limits for Low-Income or Very Low-Income Families such Household's rent may be subject to increase to the lesser of (1) the amount payable by tenant under state or local law; or (2) thirty percent (30%) of the Household's actual adjusted monthly income, except that, consonant with the Act, tenants of HOME Funds-assisted units that have been allocated low income housing tax credits by a housing credit agency pursuant to section 42 of the internal Revenue Code of 1986 (26 U.S.C. 42) must pay rent governed by section 42.

B. In addition, the Leases for Units shall provide that if the Project is subject to state or federal rules governing low income housing tax credits, the provision of those rules regarding continued occupancy by, and increases in Rent for, Households

whose incomes exceed the eligible income limitation shall apply in place of the provisions set forth in subsection (A) above.

8.5 Final Management Plan. Before leasing the Affordable Rental Housing and at least sixty (60) calendar days prior to the Project Completion Date, TANAGER shall submit to the CITY, for review and approval, a plan for marketing and managing the proposed Affordable Rental Housing ("Final Management Plan"). The Final Management Plan shall address in detail how TANAGER or its designated management entity plans to market the availability of Units to prospective tenants and how TANAGER plans to certify the eligibility of potential tenants. The Final Management Plan shall also address how TANAGER and/or the management entity plan to manage and maintain the Affordable Rental Housing, and shall include appropriate financial information and documentation. The Final Management Plan shall contain detailed descriptions of policies and procedures with respect to tenant selections and evictions. Topics to be covered in these procedures shall include at a minimum the following:

- Interviewing procedures for prospective tenants;
- Previous rental history of tenants with references;
- Credit reports and checks;
- Criminal background checks;
- Deposit amounts, purpose, use and refund policy;
- Employment/Income verification;
- Occupancy restrictions;
- Income Limits
- Equal Housing Opportunity Statement;
- Restrictions on use of the premises; and
- Tenant/Landlord dispute resolution procedures.

The Final Management Plan shall contain copies of all standardized forms associated with the above listed topics. The Final Management Plan shall include a form Lease agreement that TANAGER proposes to enter into with Project tenants. TANAGER shall abide by the terms of this Final Management Plan, approved by the CITY, in marketing, managing and maintaining the Housing.

At least ninety (90) calendar days prior to the Project Completion Date, TANAGER shall also submit any proposed management contract to the CITY for prior review. The CITY shall have the right to review any proposed amendments, other than renewals to the management contract, and any new management contracts during the term of this Agreement. Such management contract(s) shall contain a provision expressing this right.

8.6 Property Management. With respect to the Project, TANAGER shall comply with the following:

A. Management Responsibilities. TANAGER directly and/or through its designated management entity, is specifically responsible for all management functions with respect to the Affordable Rental Housing Project including, without limitation, the selection of tenants, certification and re-certification of Household size and income,

evictions, collection of Rents and deposits, construction management, affirmative marketing, maintenance, landscaping, routine and extraordinary repairs, replacement of capital items and security. The CITY shall have no responsibility for such management of the Project.

8.7 Maintenance and Security. TANAGER shall (i) at its own expense maintain the Affordable Rental Housing in good condition, in good repair and in decent, safe, sanitary, habitable and tenantable living conditions for the benefit of the Unit occupants. TANAGER shall not commit or permit any waste on or to the Affordable Rental Housing, and shall prevent and/or rectify any physical deterioration of the housing. TANAGER shall maintain the housing in conformance with all applicable federal, state and local laws, ordinances, codes and regulations, the Final Management Plan, and this Agreement.

8.8 Nondiscrimination. All of the Units shall be available for occupancy on a continuous basis to members of the general public who are income eligible. TANAGER shall not illegally discriminate or segregate in the development, construction, use, enjoyment, occupancy or conveyance of any part of the Affordable Rental Housing Project or Property on the basis of race, color, ancestry, national origin, religion, sex, age, marital status, family status, source of income/rental assistance subsidy, physical or mental disability, Acquired Immune Deficiency Syndrome (AIDS) or AIDS-related conditions (ARC), sexual orientation, or any other arbitrary basis. TANAGER shall otherwise comply with all applicable local, state and federal laws concerning nondiscrimination in housing. Neither TANAGER nor any person claiming under or through TANAGER, shall establish or permit any such practice or practices of illegal discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants or vendees of any Unit or in connection with employment of persons for the construction of any Unit. All deeds or contracts made or entered into by TANAGER as to the Units or the housing project or portion thereof, shall contain covenants concerning nondiscrimination consistent with this section. TANAGER shall include a statement in all advertisements, notices and signs for availability of Units for rent to the effect that TANAGER is an Equal Housing Opportunity Provider.

A. Nothing in this section is intended to require TANAGER to change the character, design, use or operation of the Project; or to require TANAGER to obtain licenses or permits other than those required for the Project.

8.9 Rent Schedule and Utility Allowances. TANAGER covenants and agrees not to charge rent for Units in an amount which exceeds those rents prescribed to the Project as they associate with particular income and rent limitations levels as established annually be the California Tax Allocation Committee and contained in a recorded Regulatory Agreement with said State agency, consistent with HOME Program requirements applicable to the Affordable Rental Housing in the Fresno, California area, as established by HUD, and further covenants not to impose a monthly allowance for utility services to tenants of such Units in excess of an amount approved by HUD in accordance with 24 CFR 92.252. TANAGER agrees to furnish to the CITY a certificate setting forth the maximum monthly rentals for Units and the monthly allowances for utilities and services to be charged during any annual period until the expiration of the Affordability Period. TANAGER shall reexamine the income of each tenant Household living in the Units at least annually.

ARTICLE 9. INSURANCE AND INDEMNITY.

Without waiver of limitation, the parties agree as follows regarding Tanager's Insurance and Indemnity Obligations:

9.1 Insurance Coverage. Throughout the life of this Agreement, TANAGER shall itself and/or through its consultant(s), assignee(s), nominee(s), contractors and subcontractors pay for and maintain in full force and effect all policy(ies) of insurance required hereunder with (an) insurance company(ies) either (1) admitted by the California Insurance Commissioner to do business in the State of California and rated not less than "A-VII" in Best's Insurance Rating Guide, or (2) authorized by the CITY's Risk Manager. The following policies of insurance are required:

1. BUILDERS RISK INSURANCE in an amount to provide coverage to 100 percent (100%) of the replacement value of the Project, including terms of labor and materials in place or to be used as part of the permanent construction, including surplus miscellaneous materials and supplies incidental to the work and such scaffolding, staging, towers, forms and equipment as are not owned or rented by the TANAGER, the cost of which is not included in the cost of work.

A. The above described policy of insurance shall be endorsed to provide an unrestricted thirty (30) day written notice in favor of the CITY, of policy cancellation, change or reduction of coverage. In the event the policy is due to expire during the term of this Agreement, a new certificate evidencing renewal of such policy shall be provided not less than fifteen (15) days prior to the expiration date of the expiring policy. Upon issuance by the insurer, broker, or agent of a notice of cancellation, change or reduction in coverage, TANAGER or its contractors/subcontractors, as the case may be, shall file with the CITY a certified copy of the new or renewal policy and certificates for such policy.

B. If at any time during the life of this Agreement or any extension, TANAGER fails to maintain the required insurance in full force and effect, all work under this Agreement shall be discontinued immediately, and the CITY shall not provide further HOME funds to the Project until notice is received by the CITY that the required insurance has been restored to full force and effect and that the premiums therefore have been paid for a period satisfactory to the CITY. Any failure to maintain the required insurance, subject to Section 10.2, notice and cure, shall be sufficient cause for the CITY to terminate this Agreement.

9.2 Indemnity. TANAGER shall indemnify, hold harmless and defend the CITY and each of its officers, officials, employees, agents and volunteers from any and all loss, liability, fines, penalties, forfeitures, costs and damages (whether in contract, tort or strict liability, including but not limited to personal injury, death at any time and property damage) incurred by the CITY, TANAGER or any other person, and from any and all claims, demands and actions in law or equity (including attorney's fees and litigation expenses), arising or alleged to have arisen directly or indirectly out of performance of this Agreement. TANAGER's obligations under the preceding sentence shall apply regardless of whether the CITY or any of its officers, officials, employees, agents or volunteers are passively negligent, but shall not apply to any loss, liability, fines, penalties, forfeitures, costs or

damages caused by the active negligence or by the willful misconduct of the CITY or any of its officers, officials, employees, agents or volunteers.

A. If TANAGER should contract all or any portion of the work to be performed under this Agreement, TANAGER shall require each contractor and subcontractor to indemnify, hold harmless and defend the CITY and each of its officers, officials, employees, agents and volunteers in accordance with the terms of the preceding paragraph.

B. This section shall survive termination or expiration of this Agreement.

9.3 Property Insurance. TANAGER shall pay for and maintain, in full force and effect, throughout the remaining life of this Agreement, a policy(ies) of property insurance acceptable to the CITY, covering the Project premises, with limits reflective of the value of the Project premises upon issuance of the Certificate of Completion, or substantial completion of the Project referenced in this Agreement, including fire and Extended Comprehensive Exposure (ECE) coverage in an amount, form, substance, and quality as acceptable to the CITY's Risk Manager. The CITY shall be added by endorsement as a loss payee thereon.

9.4 Security for Project Performance and Payment of Project Subcontractors and Materialmen. TANAGER shall provide the City with the following by not later than the Commencement of Construction: a fully executed and binding Guaranty as attached in Exhibit "H" hereto and incorporated herein.

ARTICLE 10. DEFAULT AND REMEDIES.

10.1 Events of Default. The parties agree that each of the following shall constitute an "Event of Default" for purposes of this Agreement:

A. TANAGER's use of HOME Funds for costs other than Eligible Costs or for uses not permitted by the terms of this Agreement;

B. TANAGER's failure to obtain and maintain the insurance coverage and/or security for Project performance and payment of Project subcontractors and materialmen as required under this Agreement;

C. Except as otherwise provided in this Agreement, the failure of TANAGER to punctually and properly perform any other covenant or agreement contained in this Agreement including without limitation the following: (1) TANAGER's substantial deviation in the Project work specified in the Project Description as identified in this Agreement, without the CITY's prior written consent; (2) TANAGER's use of defective or unauthorized materials or defective workmanship in pursuit of the Project; (3) TANAGER's failure to commence or complete the Project, as specified in this Agreement, unless delay is permitted under Section 7.17 of this Agreement; (4) the cessation of the Project for a period of more than fifteen (15) consecutive days (other than as provided at Section 7.17 of this Agreement) prior to submitting to the CITY, pursuant to Section 7.18, certification that the Project is complete; (5) any material adverse change in the condition of TANAGER or the Project that gives the CITY reasonable cause to believe that the Project cannot be

completed by the scheduled completion date according to the terms of this Agreement; (6) TANAGER's failure to remedy any deficiencies in record keeping or failure to provide records to the CITY upon the CITY's request; (7) TANAGER's failure to substantially comply with any federal, state or local laws or applicable CITY restrictions governing the Project, including but not limited to provisions of this Agreement pertaining to equal employment opportunity, nondiscrimination and lead-based paint;

D. Any representation, warranty, or certificate given or furnished by or on behalf of TANAGER shall prove to be materially false as of the date of which the representation, warranty, or certification was given, or that TANAGER concealed or failed to disclose a material fact to the CITY, provided, however, that if any representation, warranty, or certification that proves to be materially false is due merely to TANAGER's inadvertence, TANAGER shall have a thirty (30) day opportunity after written notice thereof to cause such representation, warranty, or certification to be true and complete in every respect;

E. TANAGER shall file, or have filed against it, a petition of bankruptcy, insolvency, or similar law, state or federal, or shall file any petition or answer seeking, consenting to, or acquiescing in any reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief, and such petition shall not have been vacated within fourteen (14) days; or shall be adjudicated bankrupt or insolvent, under any present or future statute, law, regulation, under state or federal law, and such judgment or decree is not vacated or set aside within fourteen (14) days;

F. TANAGER's failure, inability or admission in writing of its inability to pay its debts as they become due or TANAGER assignment for the benefit of creditors;

G. A receiver, trustee, or liquidator shall be appointed for TANAGER or any substantial part of TANAGER's assets or properties, and not be removed within ten (10) days;

H. The failure of TANAGER to cause completion of the Project prior to the completion date identified in EXHIBIT "B";

I. TANAGER's breach of any other material condition, covenant, warranty, promise or representation contained in this Agreement not otherwise identified within this Section;

J. Any substantial or continuous breach by TANAGER of any material obligation owed by TANAGER imposed by any other agreement with respect to the financing, development, construction or operation of the Project, whether or not the CITY is a party to such agreement; and

10.2 Notice of Default and Opportunity to Cure. The CITY shall give written notice to TANAGER of any Event of Default by specifying (1) the nature of the event or deficiency giving rise to the default, (2) the action required to cure the deficiency, if any action to cure is possible, and (3) a date, which shall not be less than the lesser of any time period provided in this Agreement, any time period provided for in the notice, or thirty (30) calendar days from the date of the notice, by which such deficiency must be cured,

provided that if the specified deficiency or default cannot reasonably be cured within the specified time, with the CITY's written consent, TANAGER shall have an additional reasonable period to cure so long as it commences cure within the specified time and thereafter diligently pursues the cure in good faith. CITY acknowledges and agrees that notice and cure rights hereunder shall extend to any and all partners of Borrower that are prior identified in a writing delivered to Lender in the manner provided in this Agreement.

10.3 Remedies Upon an Event of Default. Upon the happening of an Event of Default by TANAGER and a failure to cure said Event of Default within the time specified, the CITY's obligation to disburse HOME Funds shall terminate. The CITY may also at its option and without notice institute any action, suit, or other proceeding in law, in equity or otherwise, which it shall deem necessary or proper for the protection of its interests and may without limitation proceed with any or all of the following remedies in any order or combination that the CITY may choose in its sole discretion:

A. Terminate this Agreement immediately upon written notice to TANAGER;

B. Bring an action in equitable relief (1) seeking specific performance by TANAGER of the terms and conditions of this Agreement, and/or (2) enjoining, abating or preventing any violation of said terms and conditions, and/or (3) seeking declaratory relief; and

C. Pursue any other remedy allowed by law or in equity or under this Agreement.

ARTICLE 11. GENERAL PROVISIONS.

Without waiver of limitation, the parties agree that the following general provisions shall apply in the performance hereof:

11.1 Amendments. No modification or amendment of any provision of this Agreement shall be effective unless made in writing and signed by the parties hereto.

11.2 Attorney's Fees. If either party is required to commence any proceeding or legal action to enforce or interpret any term, covenant or condition of this Agreement, the prevailing party will be entitled to recover from the other party its reasonable attorney's fees and legal expenses.

11.3 Binding on All Successors and Assigns. Unless otherwise expressly provided in this Agreement, all the terms and provisions of this Agreement shall be binding on and inure to the benefit of the parties hereto, and their respective nominees, heirs, successors, assigns, and legal representatives.

11.4 Counterparts. This Agreement may be executed in counterparts, each of which when executed and delivered will be deemed an original, and all of which together will constitute one instrument. The execution of this Agreement by any party hereto will not become effective until counterparts hereof have been executed by all parties hereto.

11.5 Disclaimer of Relationship. Nothing contained in this Agreement, nor any act of the CITY or of TANAGER, or of any other person, shall in and by itself be deemed or construed by any person to create any relationship of third party beneficiary, or of principal and agent, of limited or general partnership, or of joint venture.

11.6 Discretionary Governmental Actions. Certain planning, land use, zoning and other permits and public actions required in connection with the Project including, without limitation, the approval of this Agreement, the environmental review and analysis under NEPA, CEQA or any other statute, and other transactions contemplated by this Agreement are discretionary government actions. Nothing in this Agreement obligates the CITY or any other governmental entity to grant final approval of any matter described herein. Such actions are legislative, quasi-judicial, or otherwise discretionary in nature. The CITY cannot take action with respect to such matters before completing the environmental assessment of the Project under NEPA, CEQA and any other applicable statutes. The CITY cannot and does not commit in advance that it will give final approval to any matter. The CITY shall not be liable, in contract, law or equity, to TANAGER or any of its executors, administrators, transferees, successors-in-interest or assigns for any failure of any governmental entity to grant approval on any matter subject to discretionary approval.

11.7 Effective Date. This Agreement shall be effective upon the date first above written.

11.8 Entire Agreement. This Agreement represents the entire and integrated agreement of the parties with respect to the subject matter hereof. This Agreement supersedes all prior negotiations, representations or agreements, either written or oral.

11.9 Exhibits. Each exhibit and attachment referenced in this Agreement is, by the reference, incorporated into and made a part of this Agreement.

11.10 Expenses Incurred Upon Event of Default. TANAGER shall reimburse the CITY for all reasonable expenses and costs of collection and enforcement, including reasonable attorney's fees, incurred by the CITY as a result of one or more Events of Default by TANAGER under this Agreement.

11.11 Governing Law and Venue. Except to the extent preempted by applicable federal law, the laws of the State of California shall govern all aspects of this Agreement, including execution, interpretation, performance, and enforcement. Venue for filing any action to enforce or interpret this Agreement will be Fresno, California.

11.12 Headings. The headings of the articles, sections, and paragraphs used in this Agreement are for convenience only and shall not be read or construed to affect the meaning or construction of any provision.

11.13 Interpretation. This Agreement in its final form is the result of the combined efforts of the parties. Any ambiguity will not be construed in favor or against any party, but rather by construing the terms in accordance with their generally accepted meaning.

11.14 No Assignment or Succession. Except as may be otherwise expressly provided by this Agreement, neither this Agreement, nor any interest of TANAGER in,

under, or to this Agreement, or the Project, may be assigned or transferred by TANAGER without the prior written consent of the CITY, which consent shall not be unreasonably withheld or delayed. Any assignment without consent is null and void.

11.15 No Third-Party Beneficiary. No contractor, subcontractor, mechanic, materialman, laborer, vendor, or other person hired or retained by TANAGER shall be, nor shall any of them be deemed to be, third-party beneficiaries of this Agreement, but each such person shall be deemed to have agreed (a) that they shall look to TANAGER as their sole source of recovery if not paid, and (b) except as otherwise agreed to by the CITY and any such person in writing, they may not enter any claim or bring any such action against the CITY under any circumstances. Except as provided by law, or as otherwise agreed to in writing between the CITY and such person, each such person shall be deemed to have waived in writing all right to seek redress from the CITY under any circumstances whatsoever.

11.16 No Waiver. Neither failure nor delay on the part of the CITY in exercising any right under this Agreement shall operate as a waiver of such right, nor shall any single or partial exercise of any such right preclude any further exercise thereof or the exercise of any other right. No waiver of any provision of this Agreement or consent to any departure by TANAGER therefrom shall be effective unless the same shall be in writing, signed on behalf of the CITY by a duly authorized officer thereof, and the same shall be effective only in the specific instance for which it is given. No notice to or demand on TANAGER in any case shall entitle TANAGER to any other or further notices or demands in similar or other circumstances, or constitute a waiver of any of the CITY's right to take other or further action in any circumstances without notice or demand.

11.17 Nonreliance. TANAGER hereby acknowledges having obtained such independent legal or other advice as it has deemed necessary and declares that in no manner has it relied on the CITY, it agents, employees or attorneys in entering into this Agreement.

11.18 Notice. Any notice to be given to either party under the terms of this Agreement shall be given by certified United States mail, postage prepaid, return receipt requested, at the addresses specified below, or at such other addresses as may be specified in writing by the parties.

If to the CITY: City of Fresno
Planning and Development Department
Housing and Community Development Division
Attn: Division Manager
2600 Fresno Street, Room 3076
Fresno, CA 93721-3605

If to TANAGER: Tanager Springs II
c/o SADI, LLC
Attn: Salim Karimi
5939 Monterey Road
Los Angeles, CA 90042

With copy to: PNC Multifamily Capital
121 S.W. Morrison Street, Suite 1300
Portland, OR 97204
Attn: Fund Manager

11.19 Precedence of Documents. In the event of any conflict between the body of this Agreement and any exhibit or attachment hereto or document incorporated herein including the SADI-TANAGER Lease, the terms and conditions of the body of this Agreement will control.

11.20 Recording of Documents. TANAGER agrees to cooperate with the CITY and execute any documents required, promptly upon the CITY's request, the Deed of Trust, and any other documents/instruments that the CITY requires to be recorded, in the Official Records of Fresno County, California, consistent with this Agreement.

11.21 Remedies Cumulative. All powers and remedies given by this Agreement shall be cumulative and in addition to those otherwise provided by law.

11.22 Severability. The invalidity, illegality, or un-enforceability of any one or more of the provisions of this Agreement shall not affect the validity, legality, or enforceability of the remaining provisions hereof or thereof.

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IN WITNESS WHEREOF, the parties have executed this Agreement in Fresno, California, the day and year first above written.

CITY OF FRESNO, a Municipal Corporation

By: _____
Andrew T. Souza by John Ruiz
Jon Ruiz City Manager
(Attach notary certificate of acknowledgment)

Date: 10/23/07

ATTEST:
REBECCA E. KLISCH
City Clerk

By: Cindy Bruer
Deputy

Date: 10/23/07

APPROVED AS TO FORM:
JAMES SANCHEZ
City Attorney

By: _____
Robert R. Coyle
Senior Deputy City Attorney

Date: 10-18-07

TANAGER SPRINGS II
a California Limited Liability Partnership

By: SADI, LLC
a California Limited Liability Company
General Partner

By: _____
Salim Karimi, President – ADI – Member of G.P.
(Attach notary certificate of acknowledgment)

Date: 10/23/07

Attachments:
EXHIBIT A: PROPERTY DESCRIPTION
EXHIBIT B: PROJECT DESCRIPTION AND SCHEDULE
EXHIBIT C: BUDGET
EXHIBIT D: 65-YEAR CASH FLOW STATEMENT
EXHIBIT E: DECLARATION OF RESTRICTIONS
EXHIBIT F: CERTIFICATE OF COMPLETION
EXHIBIT G: PROMISSORY NOTE
EXHIBIT H: GUARANTY

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

STATE OF CALIFORNIA
COUNTY OF Fresno } SS

On 10-23-2007 before me, Theresa Saldivar, Notary Public,

personally appeared Jon Ruiz —,

NAME(S) OF SIGNER(S)

personally known to me

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

NRO1 THERESA SALDIVAR
COMM. #1649668
Notary Public - California
Fresno County
My Comm. Expires Apr. 3, 2010 NRO1

WITNESS my hand and official seal.

Theresa Saldivar
SIGNATURE OF NOTARY

OPTIONAL

Though the data below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent reattachment of this form.

CAPACITY CLAIMED BY SIGNER

INDIVIDUAL
CORPORATE OFFICER

TITLE(S)

PARTNER(S)
LIMITED or GENERAL
ATTORNEY-IN-FACT
TRUSTEE(S)
GUARDIAN/CONSERVATOR
OTHER:

SIGNER IS REPRESENTING:
NAME OF PERSON(S(OR ENTITY(IES)

DESCRIPTION OF ATTACHED DOCUMENT

TITLE OR TYPE OF DOCUMENT

NUMBER OF PAGES

DATE OF DOCUMENT

SIGNER(S) OTHER THAN NAMED ABOVE

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California

County of Los Angeles

On October 22, 2007 (Date) before me, Dmitriy Moskalenko, Notary Public (Name and Title of Officer (e.g., "Jane Doe, Notary Public")),

personally appeared Salim Karimi (Name(s) of Signer(s)),

☒ personally known to me

☐ (or proved to me on the basis of satisfactory evidence)

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

WITNESS my hand and official seal.

DMITRIY MOSKALENKO
Commission # 1744196
Notary Public - California
Los Angeles County
My Comm. Expires May 8, 2011

Place Notary Seal Above

Signature D. Moskalenko
Signature of Notary Public

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Description of Attached Document

Title or Type of Document: _____

Document Date: _____ Number of Pages: _____

Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer(s)

Signer's Name: _____
☐ Individual
☐ Corporate Officer — Title(s): _____
☐ Partner — ☐ Limited ☐ General
☐ Attorney in Fact
☐ Trustee
☐ Guardian or Conservator
☐ Other: _____
Signer Is Representing: _____

RIGHT THUMBPRINT OF SIGNER
Top of thumb here

Signer's Name: _____
☐ Individual
☐ Corporate Officer — Title(s): _____
☐ Partner — ☐ Limited ☐ General
☐ Attorney in Fact
☐ Trustee
☐ Guardian or Conservator
☐ Other: _____
Signer Is Representing: _____

RIGHT THUMBPRINT OF SIGNER
Top of thumb here

© 2006 National Notary Association • 9350 De Soto Ave., P.O. Box 2402 • Chatsworth, CA 91313-2402 Item No. 5907 v609 Reorder: Call Toll-Free 1-800-876-6827

EXHIBIT A: PROPERTY DESCRIPTION

The Property is located at 2121 South Maple, Fresno, CA 93725

Legal Description

Real property in the City of Fresno, County of Fresno, State of California, described as follows:

PARCEL B OF PARCEL MAP NO. 2007-08, IN THE CITY OF FRESNO, COUNTY OF FRESNO, STATE OF CALIFORNIA, ACCORDING TO THE MAP THEREOF RECORDED IN BOOK 67 PAGE 98 & 99 OF PARCEL MAPS, FRESNO COUNTY RECORDS.

APN: ptn. of 480-080-14

EXHIBIT B: PROJECT DESCRIPTION AND SCHEDULE

I. PROJECT DESCRIPTION

The Project will include related on- and off-site improvements, and construction of an eighty (80) unit apartment complex of which seventy-eight (78) will be HOME Program Assisted units and preserved as Low- and Very Low-Income Housing in accordance with the following chart:

HOME FUNDED UNITS				
% of Median	Two Bedroom Units	Three Bedroom Units	Four Bedroom Units	Totals
30% or less	2	3	3	8
40% or less	6	2	-0-	8
50% or less	-0-	39	-0-	39
60% or less	-0-	10	13	23
Totals	8	54	16	78

Seventy-eight (78) units will be reserved as Low-Income Housing for a period of fifty-five (55) years, as required by the Federal Low Income Housing Tax Credit Program regulations. Two of the units will be designed as Manager units.

HOME Funds will be made available by the CITY for payment of HOME eligible costs not to exceed the lesser of Two Million Six Hundred Thousand Dollars ($2,600,000) the aggregate HOME Program per unit cap (24 C.F.R. 92.250) for the seventy-eight (78) HOME-assisted Units as determined by the CITY, as needed, for HOME eligible project development costs.

II. PROJECT SCHEDULE

Obtain Building Permits	October 2007
Start Construction	January 2008
Complete Construction	October 2009
Complete Lease Up	December 2009

EXHIBIT C: BUDGET
TANAGER SPRINGS APARTMENTS

SOURCES & USES WORKSHEET - CONSTRUCTION THROUGH PERMANENT PHASE
TANAGER SPRINGS II
FRESNO, CA.

	CONSTRUCTION PHASE			CONSTRUCTION COMPLETION			PERMANENT PHASE
	COSTS	DEFERRED	TOTAL	COSTS	DEFERRED	TOTAL	TOTAL
SOURCES OF FUNDS							
Construction Loan	$16,018,162		$16,018,162	$3,866,321		$3,866,321	$0
Syndication Equity	1,997,563		1,997,563	14,149,404		14,149,404	16,646,358
Permanent First Mtg.	0		0	0		0	3,300,000
Deferred Developer Profit & Overhead	0	500,000	500,000	0	500,000	500,000	500,000
Deferred G.C. Profit & Overhead	0	2,100,000	2,100,000	0	2,100,000	2,100,000	100,000
City of Fresno	2,600,000		2,600,000	2,600,000		2,600,000	2,600,000
Tax Credit Performance Deposit Refund							69,367
TOTAL SOURCES	**$20,615,725**	**$2,600,000**	**$23,215,725**	**$20,615,725**	**$2,600,000**	**$23,215,725**	**$23,215,725**
USES OF FUNDS							
CONSTRUCTION HARD COST:							
Site Work / Off-Site	975,000		975,000	975,000		975,000	975,000
Structures	14,226,930		14,226,930	14,226,930		14,226,930	14,226,930
General Contractor Profit & Overhead		2,100,000	2,100,000	0	2,100,000	2,100,000	2,100,000
General Liability Insurance	220,000		220,000	220,000		220,000	220,000
Construction Contingency	950,000		950,000	950,000		950,000	950,000
TOTAL CONSTRUCTION HARD COST	$16,371,930		$18,471,930	$16,371,930		$18,471,930	$18,471,930
FINANCING COSTS:							
Construction Lender Fee	80,091		80,091	80,091		80,091	80,091
Permanent Lender Fee	34,500		34,500	34,500		34,500	34,500
Construction Inspection	20,000		20,000	20,000		20,000	20,000
Constr.Lender Attorney	12,500		12,500	12,500		12,500	12,500
Closing Costs - Permanent	6,000		6,000	6,000		6,000	6,000
Tax Credit Fees	172,714		172,714	172,714		172,714	172,714
OTHER INDIRECT COSTS:							
Constr. Acctg./Legal/Audit/Compliance	30,000		30,000	30,000		30,000	30,000
Advertising/Marketing/Reserves	20,000		20,000	20,000		20,000	20,000
Appraisal	7,000		7,000	7,000		7,000	7,000
Borrower Attorney / Legal / Consultants	50,000		50,000	50,000		50,000	50,000
Architect & Engineering	260,000		260,000	260,000		260,000	260,000
Insurance	165,000		165,000	165,000		165,000	165,000
Developer Profit & Overhead	0		0	0		0	0
Deferred Developer Profit & Overhead		500,000	500,000		500,000	500,000	500,000
Environmental Report & Monitoring	6,500		6,500	6,500		6,500	6,500
Permits	950,000		950,000	950,000		950,000	950,000
Prepaid Ground Rent	996,990		996,990	996,990		996,990	996,990
Real Estate Taxes - Construction	25,000		25,000	25,000		25,000	25,000
Title/Recording	30,000		30,000	30,000		30,000	30,000
Market Study	5,500		5,500	5,500		5,500	5,500
Furnishings	70,000		70,000	70,000		70,000	70,000
Soft Cost Contingency	75,000		75,000	75,000		75,000	75,000
RESERVES & INTEREST:							
Construction Loan Interest	1,100,000		1,100,000	1,100,000		1,100,000	1,100,000
Rent & Operating Reserves	127,000		127,000	127,000		127,000	127,000
TOTAL USES	**$20,615,725**	**$2,600,000**	**$23,215,725**	**$20,615,725**	**$2,600,000**	**$23,215,725**	**$23,215,725**

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Prepared by Herah

EXHIBIT D: 65-YEAR CASH FLOW STATEMENT

Development Name: **TANAGER SPRINGS - PHASE 2 (9% tax Credits)**

Total Number of Units: **80**

RENTAL INCOME		Monthly Gross Rents	Less Utility Allowance	Monthly Net Rents	No. of Units	Annual Increase	Year-1	Year-2	Year-3	Year-4	Year-5	Year-6	Year-7	Year-8	Year-9	Year-10	Year-11
2BR	30%	348	58	290	2	2.50%	6,960	7,134	7,312	7,495	7,683	7,875	8,071	8,273	8,480	8,692	8,909
2BR	40%	464	58	406	6	2.50%	29,232	29,963	30,712	31,480	32,267	33,073	33,900	34,748	35,616	36,507	37,419
3BR	30%	401	68	333	3	2.50%	11,988	12,288	12,595	12,910	13,233	13,563	13,902	14,250	14,606	14,971	15,346
3BR	40%	535	68	467	2	2.50%	11,208	11,488	11,775	12,070	12,372	12,681	12,998	13,323	13,656	13,997	14,347
3BR	50%	669	68	601	39	2.50%	281,268	288,300	295,507	302,895	310,467	318,229	326,185	334,339	342,698	351,265	360,047
3BR	60%	803	68	735	10	2.50%	88,200	90,405	92,665	94,982	97,356	99,790	102,285	104,842	107,463	110,150	112,903
3BR	MGR. UNIT	803	68	735	2	2.50%	17,640	18,081	18,533	18,996	19,471	19,958	20,457	20,968	21,493	22,030	22,581
4BR	30%	447	78	369	3	2.50%	13,284	13,616	13,957	14,305	14,663	15,030	15,405	15,791	16,185	16,590	17,005
4BR	60%	895	78	817	13	2.50%	127,452	130,638	133,904	137,252	140,683	144,200	147,805	151,500	155,288	159,170	163,149
TOTAL ANNUAL RENTAL INCOME					**80**		**587,232**	**601,913**	**616,961**	**632,385**	**648,194**	**664,399**	**681,009**	**698,034**	**715,485**	**733,372**	**751,707**
OTHER INCOME				Income	Units	Increase	Year-1	Year-2	Year-3	Year-4	Year-5	Year-6	Year-7	Year-8	Year-9	Year-10	Year-11
Other Income 1 (Laundry)				12	80	2.50%	11,520	11,808	12,103	12,406	12,716	13,034	13,360	13,694	14,036	14,387	14,747
Other Income 2 (Vending, Int.,Cr.Ck.)				3	80	2.50%	2,880	2,952	3,026	3,101	3,179	3,258	3,340	3,423	3,509	3,597	3,687
Other Income 3							0	0	0	0	0	0	0	0	0	0	0
TOTAL ANNUAL OTHER INCOME							**14,400**	**14,760**	**15,129**	**15,507**	**15,895**	**16,292**	**16,700**	**17,117**	**17,545**	**17,984**	**18,433**
TOTAL INCOME							601,632	616,673	632,090	647,892	664,089	680,691	697,709	715,151	733,030	751,356	770,140
Less Vacancy Allowance						5.00%	-30,082	-30,834	-31,604	-32,395	-33,204	-34,035	-34,885	-35,758	-36,652	-37,568	-38,507
EFFECTIVE GROSS INCOME (EGI)							**571,550**	**585,839**	**600,485**	**615,497**	**630,885**	**646,657**	**662,823**	**679,394**	**696,379**	**713,788**	**731,633**
OPERATING EXPENSES				Per Unit			Year-1	Year-2	Year-3	Year-4	Year-5	Year-6	Year-7	Year-8	Year-9	Year-10	Year-11
TOTAL OPERATING EXPENSES				**$3,450**			**276,000**	**285,660**	**295,658**	**306,006**	**316,716**	**327,801**	**339,274**	**351,149**	**363,439**	**376,160**	**389,325**
NET OPERATING INCOME							**295,550**	**300,179**	**304,827**	**309,491**	**314,168**	**318,855**	**323,549**	**328,245**	**332,939**	**337,628**	**342,308**
Replacement Reserve Deposit				$250	80		20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Cash Flow Available for Debt Service							**275,550**	**280,179**	**284,827**	**289,491**	**294,168**	**298,855**	**303,549**	**308,245**	**312,939**	**317,628**	**322,308**
DEBT SERVICE				Amount													
Perm. Loan (30/18 @ 6.5%)		6.50%	360	3,300,000			250,299	250,299	250,299	250,299	250,299	250,299	250,299	250,299	250,299	250,299	250,299
NET CASH FLOW							**25,251**	**29,880**	**34,528**	**39,192**	**43,869**	**48,556**	**53,250**	**57,946**	**62,640**	**67,330**	**72,009**
DSR							***1.10***	***1.12***	***1.14***	***1.16***	***1.18***	***1.19***	***1.21***	***1.23***	***1.25***	***1.27***	***1.29***

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11:40 AM 10/24/2007
Tanager Phase II

Prepared By Harsh

Development Name:

Total Number of Units:

RENTAL INCOME		Year-12	Year-13	Year-14	Year-15	Year-16	Year-17	Year-18	Year-19	Year-20	Year-21	Year-22	Year-23	Year-24	Year-25	Year-26	Year-27
2BR	30%	9,132	9,360	9,594	9,834	10,080	10,332	10,590	10,855	11,127	11,405	11,690	11,982	12,282	12,589	12,903	13,226
2BR	40%	38,355	39,314	40,297	41,304	42,337	43,395	44,480	45,592	46,732	47,900	49,098	50,325	51,583	52,873	54,194	55,549
3BR	30%	15,729	16,123	16,526	16,939	17,362	17,796	18,241	18,697	19,165	19,644	20,135	20,638	21,154	21,683	22,225	22,781
3BR	40%	14,706	15,074	15,450	15,837	16,233	16,638	17,054	17,481	17,918	18,366	18,825	19,295	19,778	20,272	20,779	21,298
3BR	50%	369,048	378,274	387,731	397,424	407,360	417,544	427,983	438,682	449,649	460,890	472,413	484,223	496,329	508,737	521,455	534,492
3BR	60%	115,726	118,619	121,585	124,624	127,740	130,933	134,207	137,562	141,001	144,526	148,139	151,843	155,639	159,530	163,518	167,606
3BR	MGR. UNIT	23,145	23,724	24,317	24,925	25,548	26,187	26,841	27,512	28,200	28,905	29,628	30,369	31,128	31,906	32,704	33,521
4BR	30%	17,430	17,866	18,312	18,770	19,239	19,720	20,213	20,719	21,236	21,767	22,312	22,869	23,441	24,027	24,628	25,243
4BR	60%	167,228	171,409	175,694	180,086	184,588	189,203	193,933	198,782	203,751	208,845	214,066	219,418	224,903	230,526	236,289	242,196
TOTAL ANNUAL RENTAL INCOME		**770,499**	**789,762**	**809,506**	**829,743**	**850,487**	**871,749**	**893,543**	**915,882**	**938,779**	**962,248**	**986,304**	**1,010,962**	**1,036,236**	**1,062,142**	**1,088,695**	**1,115,913**
OTHER INCOME		Year-12	Year-13	Year-14	Year-15	Year-16	Year-17	Year-18	Year-19	Year-20	Year-21	Year-22	Year-23	Year-24	Year-25	Year-26	Year-27
Other Income 1 (Laundry)		15,115	15,493	15,880	16,277	16,684	17,102	17,529	17,967	18,416	18,877	19,349	19,833	20,328	20,837	21,357	21,891
Other Income 2 (Vending, Int.,Cr.Ck.)		3,779	3,873	3,970	4,069	4,171	4,275	4,382	4,492	4,604	4,719	4,837	4,958	5,082	5,209	5,339	5,473
Other Income 3		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL ANNUAL OTHER INCOME		**18,894**	**19,366**	**19,851**	**20,347**	**20,855**	**21,377**	**21,911**	**22,459**	**23,021**	**23,596**	**24,186**	**24,791**	**25,410**	**26,046**	**26,697**	**27,364**
TOTAL INCOME		789,393	809,128	829,356	850,090	871,343	893,126	915,454	938,341	961,799	985,844	1,010,490	1,035,752	1,061,646	1,088,187	1,115,392	1,143,277
Less Vacancy Allowance		-39,470	-40,456	-41,468	-42,505	-43,567	-44,656	-45,773	-46,917	-48,090	-49,292	-50,525	-51,788	-53,082	-54,409	-55,770	-57,164
EFFECTIVE GROSS INCOME (EGI)		**749,924**	**768,672**	**787,889**	**807,586**	**827,775**	**848,470**	**869,682**	**891,424**	**913,709**	**936,552**	**959,966**	**983,965**	**1,008,564**	**1,033,778**	**1,059,622**	**1,086,113**
OPERATING EXPENSES		Year-12	Year-13	Year-14	Year-15	Year-16	Year-17	Year-18	Year-19	Year-20	Year-21	Year-22	Year-23	Year-24	Year-25	Year-26	Year-27
TOTAL OPERATING EXPENSES		**402,952**	**417,055**	**431,652**	**446,760**	**462,396**	**478,580**	**495,330**	**512,667**	**530,610**	**549,182**	**568,403**	**588,297**	**608,888**	**630,199**	**652,256**	**675,085**
NET OPERATING INCOME		**346,972**	**351,617**	**356,237**	**360,826**	**365,379**	**369,890**	**374,351**	**378,757**	**383,099**	**387,370**	**391,563**	**395,668**	**399,676**	**403,579**	**407,367**	**411,028**
Replacement Reserve Deposit		20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Cash Flow Available for Debt Servi		**326,972**	**331,617**	**336,237**	**340,826**	**345,379**	**349,890**	**354,351**	**358,757**	**363,099**	**367,370**	**371,563**	**375,668**	**379,676**	**383,579**	**387,367**	**391,028**
DEBT SERVICE																	
Perm. Loan (30/18 @ 6.5%)		250,299	250,299	250,299	250,299	250,299	250,299	250,299	250,299	250,299	250,299	250,299	250,299	250,299	250,299	250,299	250,299
NET CASH FLOW		**76,673**	**81,318**	**85,938**	**90,527**	**95,080**	**99,591**	**104,052**	**108,458**	**112,800**	**117,071**	**121,264**	**125,369**	**129,377**	**133,280**	**137,068**	**140,730**
DSR		***1.31***	***1.32***	***1.34***	***1.36***	***1.38***	***1.40***	***1.42***	***1.43***	***1.45***	***1.47***	***1.48***	***1.50***	***1.52***	***1.53***	***1.55***	***1.56***

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Development Name:

Total Number of Units:

RENTAL INCOME		Year-28	Year-29	Year-30	Year-31	Year-32	Year-33	Year-34	Year-35	Year-36	Year-37	Year-38	Year-39	Year-40	Year-41
2BR	30%	13,557	13,896	14,243	14,599	14,964	15,338	15,722	16,115	16,518	16,930	17,354	17,788	18,232	18,688
2BR	40%	56,938	58,362	59,821	61,316	62,849	64,420	66,031	67,681	69,374	71,108	72,886	74,708	76,575	78,490
3BR	30%	23,350	23,934	24,532	25,146	25,774	26,419	27,079	27,756	28,450	29,161	29,890	30,638	31,403	32,189
3BR	40%	21,831	22,377	22,936	23,510	24,097	24,700	25,317	25,950	26,599	27,264	27,945	28,644	29,360	30,094
3BR	50%	547,854	561,550	575,589	589,979	604,728	619,846	635,342	651,226	667,507	684,194	701,299	718,832	736,802	755,223
3BR	60%	171,796	176,091	180,493	185,005	189,631	194,371	199,231	204,211	209,317	214,550	219,913	225,411	231,046	236,823
3BR	MGR. UNIT	34,359	35,218	36,099	37,001	37,926	38,874	39,846	40,842	41,863	42,910	43,983	45,082	46,209	47,365
4BR	30%	25,875	26,521	27,184	27,864	28,561	29,275	30,007	30,757	31,526	32,314	33,122	33,950	34,798	35,668
4BR	60%	248,251	254,457	260,819	267,339	274,023	280,873	287,895	295,092	302,470	310,031	317,782	325,727	333,870	342,217
TOTAL ANNUAL RENTAL INCOME		**1,143,811**	**1,172,406**	**1,201,716**	**1,231,759**	**1,262,553**	**1,294,117**	**1,326,470**	**1,359,631**	**1,393,622**	**1,428,463**	**1,464,174**	**1,500,778**	**1,538,298**	**1,576,755**
OTHER INCOME		Year-28	Year-29	Year-30	Year-31	Year-32	Year-33	Year-34	Year-35	Year-36	Year-37	Year-38	Year-39	Year-40	Year-41
Other Income 1 (Laundry)		22,439	23,000	23,575	24,164	24,768	25,387	26,022	26,673	27,339	28,023	28,723	29,441	30,177	30,932
Other Income 2 (Vending, Int.,Cr.Ck.)		5,610	5,750	5,894	6,041	6,192	6,347	6,505	6,668	6,835	7,006	7,181	7,360	7,544	7,733
Other Income 3		0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL ANNUAL OTHER INCOME		**28,048**	**28,750**	**29,468**	**30,205**	**30,960**	**31,734**	**32,527**	**33,341**	**34,174**	**35,029**	**35,904**	**36,802**	**37,722**	**38,665**
TOTAL INCOME		1,171,859	1,201,155	1,231,184	1,261,964	1,293,513	1,325,851	1,358,997	1,392,972	1,427,796	1,463,491	1,500,078	1,537,580	1,576,020	1,615,420
Less Vacancy Allowance		-58,593	-60,058	-61,559	-63,098	-64,676	-66,293	-67,950	-69,649	-71,390	-73,175	-75,004	-76,879	-78,801	-80,771
EFFECTIVE GROSS INCOME (EGI)		**1,113,266**	**1,141,098**	**1,169,625**	**1,198,866**	**1,228,837**	**1,259,558**	**1,291,047**	**1,323,323**	**1,356,406**	**1,390,317**	**1,425,074**	**1,460,701**	**1,497,219**	**1,534,649**
OPERATING EXPENSES		Year-28	Year-29	Year-30	Year-31	Year-32	Year-33	Year-34	Year-35	Year-36	Year-37	Year-38	Year-39	Year-40	Year-41
TOTAL OPERATING EXPENSES		**698,713**	**723,167**	**748,478**	**774,675**	**801,789**	**829,851**	**858,896**	**888,957**	**920,071**	**952,273**	**985,603**	**1,020,099**	**1,055,803**	**1,092,756**
NET OPERATING INCOME		**414,553**	**417,930**	**421,147**	**424,191**	**427,049**	**429,707**	**432,151**	**434,366**	**436,335**	**438,043**	**439,471**	**440,602**	**441,416**	**441,894**
Replacement Reserve Deposit		20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Cash Flow Available for Debt Servi		**394,553**	**397,930**	**401,147**	**404,191**	**407,049**	**409,707**	**412,151**	**414,366**	**416,335**	**418,043**	**419,471**	**420,602**	**421,416**	**421,894**
DEBT SERVICE															
Perm. Loan (30/18 @ 6.5%)		250,299	250,299	250,299											
NET CASH FLOW		**144,254**	**147,631**	**150,848**	**404,191**	**407,049**	**409,707**	**412,151**	**414,366**	**416,335**	**418,043**	**419,471**	**420,602**	**421,416**	**421,894**
DSR		***1.58***	***1.59***	***1.60***											

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Development Name:

Total Number of Units:

RENTAL INCOME		Year-42	Year-43	Year-44	Year-45	Year-46	Year-47	Year-48	Year-49	Year-50	Year-51	Year-52	Year-53	Year-54	Year-55
2BR	30%	19,155	19,634	20,125	20,628	21,144	21,672	22,214	22,770	23,339	23,922	24,520	25,133	25,762	26,406
2BR	40%	80,452	82,463	84,525	86,638	88,804	91,024	93,300	95,632	98,023	100,474	102,985	105,560	108,199	110,904
3BR	30%	32,993	33,818	34,664	35,530	36,418	37,329	38,262	39,219	40,199	41,204	42,234	43,290	44,372	45,482
3BR	40%	30,847	31,618	32,408	33,218	34,049	34,900	35,773	36,667	37,584	38,523	39,486	40,473	41,485	42,522
3BR	50%	774,103	793,456	813,292	833,624	854,465	875,827	897,722	920,165	943,169	966,749	990,917	1,015,690	1,041,083	1,067,110
3BR	60%	242,743	248,812	255,032	261,408	267,943	274,642	281,508	288,545	295,759	303,153	310,732	318,500	326,463	334,624
3BR	MGR. UNIT	48,549	49,762	51,006	52,282	53,589	54,928	56,302	57,709	59,152	60,631	62,146	63,700	65,293	66,925
4BR	30%	36,560	37,474	38,411	39,371	40,356	41,364	42,399	43,458	44,545	45,659	46,800	47,970	49,169	50,398
4BR	60%	350,772	359,541	368,530	377,743	387,187	396,867	406,788	416,958	427,382	438,066	449,018	460,243	471,750	483,543
TOTAL ANNUAL RENTAL INCOME		**1,616,174**	**1,656,579**	**1,697,993**	**1,740,443**	**1,783,954**	**1,828,553**	**1,874,267**	**1,921,123**	**1,969,151**	**2,018,380**	**2,068,840**	**2,120,561**	**2,173,575**	**2,227,914**
OTHER INCOME		Year-42	Year-43	Year-44	Year-45	Year-46	Year-47	Year-48	Year-49	Year-50	Year-51	Year-52	Year-53	Year-54	Year-55
Other Income 1 (Laundry)		31,705	32,498	33,310	34,143	34,997	35,872	36,768	37,688	38,630	39,595	40,585	41,600	42,640	43,706
Other Income 2 (Vending, Int.,Cr.Ck.)		7,926	8,124	8,328	8,536	8,749	8,968	9,192	9,422	9,657	9,899	10,146	10,400	10,660	10,927
Other Income 3		0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL ANNUAL OTHER INCOME		**39,632**	**40,622**	**41,638**	**42,679**	**43,746**	**44,839**	**45,960**	**47,109**	**48,287**	**49,494**	**50,732**	**52,000**	**53,300**	**54,633**
TOTAL INCOME		1,655,806	1,697,201	1,739,631	1,783,122	1,827,700	1,873,392	1,920,227	1,968,233	2,017,439	2,067,875	2,119,571	2,172,561	2,226,875	2,282,547
Less Vacancy Allowance		-82,790	-84,860	-86,982	-89,156	-91,385	-93,670	-96,011	-98,412	-100,872	-103,394	-105,979	-108,628	-111,344	-114,127
EFFECTIVE GROSS INCOME (EGI)		**1,573,016**	**1,612,341**	**1,652,649**	**1,693,966**	**1,736,315**	**1,779,723**	**1,824,216**	**1,869,821**	**1,916,567**	**1,964,481**	**2,013,593**	**2,063,933**	**2,115,531**	**2,168,419**
OPERATING EXPENSES		Year-42	Year-43	Year-44	Year-45	Year-46	Year-47	Year-48	Year-49	Year-50	Year-51	Year-52	Year-53	Year-54	Year-55
TOTAL OPERATING EXPENSES		**1,131,002**	**1,170,587**	**1,211,558**	**1,253,962**	**1,297,851**	**1,343,276**	**1,390,290**	**1,438,951**	**1,489,314**	**1,541,440**	**1,595,390**	**1,651,229**	**1,709,022**	**1,768,838**
NET OPERATING INCOME		**442,013**	**441,754**	**441,092**	**440,003**	**438,464**	**436,447**	**433,925**	**430,871**	**427,253**	**423,041**	**418,203**	**412,704**	**406,509**	**399,582**
Replacement Reserve Deposit		20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Cash Flow Available for Debt Servi		**422,013**	**421,754**	**421,092**	**420,003**	**418,464**	**416,447**	**413,925**	**410,871**	**407,253**	**403,041**	**398,203**	**392,704**	**386,509**	**379,582**
DEBT SERVICE															
Perm. Loan (30/18 @ 6.5%)															
NET CASH FLOW		**422,013**	**421,754**	**421,092**	**420,003**	**418,464**	**416,447**	**413,925**	**410,871**	**407,253**	**403,041**	**398,203**	**392,704**	**386,509**	**379,582**
DSR															

Development Name:

Total Number of Units:

RENTAL INCOME		Year-56	Year-57	Year-58	Year-59	Year-60	Year-61	Year-62	Year-63	Year-64	Year-65
2BR	30%	27,066	27,743	28,436	29,147	29,876	30,623	31,388	32,173	32,977	33,802
2BR	40%	113,677	116,519	119,431	122,417	125,478	128,615	131,830	135,126	138,504	141,967
3BR	30%	46,619	47,784	48,979	50,203	51,458	52,745	54,063	55,415	56,800	58,220
3BR	40%	43,585	44,675	45,792	46,937	48,110	49,313	50,546	51,809	53,105	54,432
3BR	50%	1,093,787	1,121,132	1,149,160	1,177,889	1,207,337	1,237,520	1,268,458	1,300,170	1,332,674	1,365,991
3BR	60%	342,990	351,565	360,354	369,362	378,597	388,061	397,763	407,707	417,900	428,347
3BR	MGR. UNIT	68,598	70,313	72,071	73,872	75,719	77,612	79,553	81,541	83,580	85,669
4BR	30%	51,658	52,950	54,274	55,631	57,021	58,447	59,908	61,406	62,941	64,514
4BR	60%	495,632	508,023	520,723	533,741	547,085	560,762	574,781	589,151	603,879	618,976
TOTAL ANNUAL RENTAL INCOME		**2,283,612**	**2,340,702**	**2,399,220**	**2,459,200**	**2,520,680**	**2,583,697**	**2,648,290**	**2,714,497**	**2,782,359**	**2,851,918**
OTHER INCOME		Year-56	Year-57	Year-58	Year-59	Year-60	Year-61	Year-62	Year-63	Year-64	Year-65
Other Income 1 (Laundry)		44,799	45,919	47,067	48,243	49,449	50,686	51,953	53,252	54,583	55,947
Other Income 2 (Vending, Int.,Cr.Ck.)		11,200	11,480	11,767	12,061	12,362	12,671	12,988	13,313	13,646	13,987
Other Income 3		0	0	0	0	0	0	0	0	0	0
TOTAL ANNUAL OTHER INCOME		**55,998**	**57,398**	**58,833**	**60,304**	**61,812**	**63,357**	**64,941**	**66,564**	**68,229**	**69,934**
TOTAL INCOME		2,339,610	2,398,101	2,458,053	2,519,504	2,582,492	2,647,054	2,713,231	2,781,061	2,850,588	2,921,853
Less Vacancy Allowance		-116,981	-119,905	-122,903	-125,975	-129,125	-132,353	-135,662	-139,053	-142,529	-146,093
EFFECTIVE GROSS INCOME (EGI)		**2,222,630**	**2,278,196**	**2,335,150**	**2,393,529**	**2,453,367**	**2,514,702**	**2,577,569**	**2,642,008**	**2,708,059**	**2,775,760**
OPERATING EXPENSES		Year-56	Year-57	Year-58	Year-59	Year-60	Year-61	Year-62	Year-63	Year-64	Year-65
TOTAL OPERATING EXPENSES		**1,830,747**	**1,894,823**	**1,961,142**	**2,029,782**	**2,100,824**	**2,174,353**	**2,250,455**	**2,329,221**	**2,410,744**	**2,495,120**
NET OPERATING INCOME		**391,883**	**383,372**	**374,009**	**363,747**	**352,543**	**340,349**	**327,114**	**312,787**	**297,314**	**280,640**
Replacement Reserve Deposit		20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Cash Flow Available for Debt Servi		**371,883**	**363,372**	**354,009**	**343,747**	**332,543**	**320,349**	**307,114**	**292,787**	**277,314**	**260,640**
DEBT SERVICE											
Perm. Loan (30/18 @ 6.5%)											
NET CASH FLOW		**371,883**	**363,372**	**354,009**	**343,747**	**332,543**	**320,349**	**307,114**	**292,787**	**277,314**	**260,640**
DSR											

EXHIBIT E: DECLARATION OF RESTRICTIONS

RECORDING REQUESTED BY AND for the benefit of the City of Fresno and is exempt from the payment of a recording fee in accordance with Government Code Sections 6103 and 27383.

AND WHEN RECORDED MAIL TO:

CITY OF FRESNO
Planning and Development Department
Housing and Community Development Division
Attn: Division Manager
2600 Fresno Street, Rm. 3076
Fresno, CA 93721-3605

Title Order No._____ Escrow No. 321027-GH

(SPACE ABOVE THIS LINE FOR RECORDER'S USE)

DECLARATION OF RESTRICTIONS

THIS DECLARATION OF RESTRICTIONS, ("Declaration"), is executed as of this Oct. 23, 2007 by TANAGER SPRINGS II a California limited partnership ("Declarant") in favor of the City of Fresno, acting by and through its Planning and Development Department, Housing and Community Development Division, ("CITY"), and consented to by SADI, LLC, the owner of the underlying fee interest in the Property.

WHEREAS, Declarant is the long term lessee, pursuant to Lease recorded in Fresno County on [Oct. 23, 2007] as Document No. [2007-0194541], of the real estate in the county of Fresno, state of California, consisting of APN: 480-080-14, which is more particularly described in Exhibit "A", attached hereto and made a part hereof (the "Property"); and

WHEREAS, Pursuant to a certain HOME Investment Partnerships Program Agreement dated [Oct. 23, 2007] incorporated herein, ("HOME Agreement") and instruments referenced therein, Declarant agrees to utilize and City agrees to provide certain HOME Program Funds from the United States Department of Housing and Urban Development, to Declarant for certain Affordable Rental Housing (the "Project") upon the Property, with no less than eight (8) of the proposed Units to be preserved as Very Low-Income Affordable Rental Housing for tenants earning 30% or below of the area median income for the Fresno MSA, and with no less than eight (8) of the proposed Units to be preserved as Very Low-Income Affordable Rental Housing for tenants earning 40% or below of the area median income for the Fresno MSA, and with no less than thirty-nine (39) of the proposed Units to be preserved as Very Low-Income Affordable Rental Housing for tenants earning 50% or below of the area median income for the Fresno MSA, and with no less than twenty-three (23) of the proposed Units to be

preserved as Very Low-Income Affordable Rental Housing for tenants earning 60% or below of the area median income for the Fresno MSA subject to the terms and conditions set forth in the HOME Agreement; and

WHEREAS, the HOME Program regulations promulgated by HUD, including without limitation 24 CFR Section 92.252, and the HOME Agreement impose certain affordability requirements upon property benefited thereby, which affordability restrictions shall be enforceable for a fifty-five (55) year period; and

WHEREAS, these restrictions are intended to bind Declarant and all purchasers and their successors.

NOW THEREFORE, Declarant declares that the Property is held and will be held, transferred, encumbered, used, sold, conveyed and occupied subject to the covenants, restrictions, and limitations set forth in this Declaration, all of which are declared and agreed to be in furtherance of the proposed Affordable Rental Housing Project, the City's general, consolidated and annual action plans and housing element therein and HOME Program requirements. All of the restrictions, covenants and limitations will run with the land and will be binding on all parties having or acquiring any right, title or interest in the Property or any part thereof, will inure to the benefit of the City, and will be enforceable by it. Any purchaser under a contract of sale covering any right, title or interest in any part of the Property, by accepting a deed or a contract of sale or agreement of purchase, accepts the document subject to, and agrees to be bound by, any and all restrictions, covenants, and limitations set forth in this Declaration for the period of fifty-five (55) years constituting the Affordability Period.

1. Declarations. Declarant hereby declares that the Property is and shall be subject to the covenants and restrictions hereinafter set forth, all of which are declared to be in furtherance of the Project and the HOME Agreement, and are established and agreed upon for the purpose of enhancing and protecting the value of the Property and in consideration for City entering into the HOME Agreement with Declarant. All terms not otherwise defined herein shall have the meaning ascribed to such term in the HOME Agreement.

2. Restrictions. The following covenants and restrictions on the use and enjoyment of the Property shall be in addition to any other covenants and restrictions affecting the Property, and all such covenants and restrictions are for the benefit and protection of City, and shall run with the Property and be binding on any future owner's of the Property and inure to the benefit of and be enforceable by City. These covenants and restrictions are as follows:

a. Declarant for itself and its successor(s) on title covenants and agrees that from the date of recordation of the City's Certificate of Completion, until the expiration of the Affordability Period it shall cause the Project Units to be used as Affordable Rental Housing. Declarant further agrees to file a recordable document setting forth the Project Completion Date(s) and the Affordability Period when

determined by the City. Unless otherwise provided in the HOME Agreement, the term Affordable Rental Housing shall include, without limitation, compliance with the following requirements:

(i) Nondiscrimination. There shall be no discrimination against nor segregation of any person or group of persons on account of race, color, creed, religion, sex, marital status, national origin, ancestry, or handicap in the sale, transfer, use, occupancy, tenure, or enjoyment of any of the Property, nor shall Declarant or any person claiming under the Declarant, establish or permit any practice of discrimination or segregation with reference to the selection, location, number, use or occupancy of owners or vendees of the Project and/or Property.

(ii) Principal Residence. Each of the Units constituting the Project upon the Property shall be leased only to families, who shall occupy such as a principal residence. The foregoing requirement that the Property tenants occupy the Units as their principal residence does not apply to persons, other than natural persons, who acquire the Project Property or portion thereof by foreclosure or deed in lieu of foreclosure; or (ii) HUD qualified entities that acquire the Property or portion thereof, with the consent of the City.

(iii) Income Requirements. A total of eight (8) Units constituting Affordable Rental Housing upon the Property may be leased only to (a) person(s) whose annual household income at the time of initial occupancy is not greater than 30% of the most recent annual median income calculated and published by HUD for the Fresno Metropolitan Statistical Area applicable to such household's size, and at an affordable price consistent HOME Program regulations. A total of eight (8) Units constituting Affordable Rental Housing upon the Property may be leased only to (a) person(s) whose annual household income at the time of initial occupancy is not greater than 40% of the most recent annual median income calculated and published by HUD for the Fresno Metropolitan Statistical Area applicable to such household's size, and at an affordable price consistent HOME Program regulations. A total of thirty-nine (39) Units constituting Affordable Rental Housing upon the Property may be leased only to (a) person(s) whose annual household income at the time of initial occupancy is not greater than 50% of the most recent annual median income calculated and published by HUD for the Fresno Metropolitan Statistical Area applicable to such household's size, and at an affordable price consistent HOME Program regulations. The remaining twenty-three (23) Units constituting Affordable Rental Housing upon the Property may be leased only to (a) person(s) whose annual household income at the time of initial occupancy is not greater than 60% of the most recent annual median income calculated and published by HUD for the Fresno Metropolitan Statistical Area applicable to such household's size.

3. Enforcement of Restrictions. Without waiver or limitation, the City shall be entitled to injunctive or other equitable relief against any violation or attempted violation of any Covenant and Restriction, and shall, in addition, be entitled to damages for any injuries or losses resulting from any violations thereof.

4. Acceptance and Ratification. All present and future owners of the Property and other persons claiming by, through, or under them shall be subject to and shall comply with the Covenant and Restrictions. The acceptance of a deed of conveyance to the Property shall constitute an agreement that the Covenant and Restrictions, as may be amended or supplemented from time to time, are accepted and ratified by such future owners, tenant or occupant, and such Covenant and Restriction shall be a covenant running with the land and shall bind any person having at any time any interest or estate in the Property, all as though such Covenant and Restriction was recited and stipulated at length in each and every deed, conveyance, mortgage or lease thereof.

Notwithstanding the foregoing, upon foreclosure by a lender or other transfer in lieu of foreclosure, or assignment of an FHA-insured mortgage to HUD, the Affordability Period shall be terminated if the foreclosure or other transfer in lieu of foreclosure or assignment recognizes any contractual or legal rights of public agencies, nonprofit sponsors, or others to take actions that would avoid the termination of low-income affordability. However, the requirements with respect to Affordable Rental Housing shall be revived according to their original terms, if during the original Affordability Period, the owner of record before the foreclosure or other transfer, or any entity that includes the former owner or those with whom the former owner has or had formerly, family or business ties, obtains an ownership interest in the Project or the Property, the Affordability Period shall be revived according to its original terms.

5. Benefit. This Declaration shall run with and bind the Property for a term commencing on the date this Declaration is recorded in the Office of the Recorder of the County of Fresno, state of California, and expiring upon the expiration of the Affordability Period. The failure or delay at any time of City or any other person entitled to enforce this Declaration shall in no event be deemed a waiver of the same, or of the right to enforce the same at any time or from time to time thereafter, or an estoppel against the enforcement thereof.

6. Costs and Attorney's Fees. In any proceeding arising because of failure of Declarant or any future owner of the Property to comply with the Covenant and Restrictions required by this Declaration, as may be amended from time to time, City shall be entitled to recover its costs and reasonable attorney's fees incurred in connection with such default or failure.

7. Waiver. Neither Declarant nor any future owner of the Property may exempt itself from liability for failure to comply with the Covenant and Restrictions required in this Declaration.

8. Severability. The invalidity of the Covenant and Restrictions or any other covenant, restriction, condition, limitation, or other provision of this Declaration shall not impair or affect in any manner the validity, enforceability, or effect of the rest of this Declaration and each shall be enforceable to the greatest extent permitted by law.

9. Pronouns. Any reference to the masculine, feminine, or neuter gender herein shall, unless the context clearly requires the contrary, be deemed to refer to and include all genders. Words in the singular shall include and refer to the plural, and vice versa, as appropriate.

10. Interpretation. The captions and titles of the various articles, sections, subsections, paragraphs, and subparagraphs of this Declaration are inserted herein for ease and convenience of reference only and shall not be used as an aid in interpreting or construing this Declaration or any provision hereof.

11. Amendment. No amendment or modification of this Declaration shall be permitted without the prior written consent of City.

12. Recordation. Declarant acknowledges that this Declaration will be filed of record in the Office of the Recorder of the county of Fresno, State of California.

13. Capitalized Terms. All capitalized terms used in this Declaration, unless otherwise defined herein, shall have the meanings assigned to such terms in that certain HOME INVESTMENT PARTNERSHIPS PROGRAM Agreement by and between Declarant and City, of even date (the "HOME Agreement".)

14. Headings. The headings of the articles, sections, and paragraphs used in this Agreement are for convenience only and shall not be read or construed to affect the meaning or construction of any provision.

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IN WITNESS WHEREOF, Declarant has executed this Declaration of Restrictions on the date first written above.

DECLARANT: TANAGER SPRINGS II
a California Limited Partnership

By: SADI, LLC
a California Limited Liability Company
its General Partner

By: Advanced Development and Investment, Inc., a California Corporation
Its: Manager

By:_____
Name: Salim Karimi
Title: President
(Attach notary certificate of acknowledgment)

Date: 10/23/07

CONSENT OF OWNER

SADI, LLC, a California Limited Liability Company, the owner of record of the Property, consents to recording this Certificate of Completion against the Property described herein.

SADI, LLC
a California Limited Liability Company
its Manager

By:_____
Name: Salim Karimi
Title: President – ADI – Member of G.P.
(Attach notary certificate of acknowledgment)

Date: 10/23/07

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California
County of Los Angeles

On October 22, 2007 (Date) before me, Dmitriy Moskalenko, Notary Public (Name and Title of Officer (e.g., "Jane Doe, Notary Public")),

personally appeared SALIM KARIMI (Name(s) of Signer(s))

☒ personally known to me

☐ (or proved to me on the basis of satisfactory evidence)

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

DMITRIY MOSKALENKO
Commission # 1744196
Notary Public - California
Los Angeles County
My Comm. Expires May 8, 2011

WITNESS my hand and official seal.

Signature _____ (Signature of Notary Public)

Place Notary Seal Above

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Description of Attached Document

Title or Type of Document: _____

Document Date: _____ Number of Pages: _____

Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer(s)

Signer's Name: _____
☐ Individual
☐ Corporate Officer — Title(s): _____
☐ Partner — ☐ Limited ☐ General
☐ Attorney in Fact
☐ Trustee
☐ Guardian or Conservator
☐ Other: _____
Signer Is Representing: _____

RIGHT THUMBPRINT OF SIGNER
Top of thumb here

Signer's Name: _____
☐ Individual
☐ Corporate Officer — Title(s): _____
☐ Partner — ☐ Limited ☐ General
☐ Attorney in Fact
☐ Trustee
☐ Guardian or Conservator
☐ Other: _____
Signer Is Representing: _____

RIGHT THUMBPRINT OF SIGNER
Top of thumb here

© 2006 National Notary Association • 9350 De Soto Ave., P.O. Box 2402 • Chatsworth, CA 91313-2402 Item No. 5907 v609 Reorder: Call Toll-Free 1-800-876-6827

EXHIBIT F: CERTIFICATE OF COMPLETION

RECORDED AT THE REQUEST OF
AND WHEN RECORDED RETURN TO:

City of Fresno
Department of Planning and Development
Housing and Community Development Division
2600 Fresno Street, Room 3076
Fresno, CA 93721-3605
Attention: Division Manager

(SPACE ABOVE THIS LINE FOR RECORDER'S USE)

This Certificate of Completion is recorded at the request and for the benefit of the City of Fresno and is exempt from the payment of a recording fee pursuant to Government Code Section 6103.

APN:_____

City of Fresno

By:_____
Nick P. Yovino, Director
Planning and Development Department

Date:_____

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CERTIFICATE OF COMPLETION

APN:_____

Recitals:

A. By a HOME Investment Partnerships Program Agreement dated 10/23, 2007, ("HOME Agreement") between the City of Fresno, a municipal corporation ("CITY"), and TANAGER SPRINGS II, a California Limited Partnership, ("TANAGER"), agreed to develop an eighty (80) unit affordable rental housing project, of which seventy-eight (78) units would be reserved for rental by Very Low- and Low-Income households ("Project"), upon the premises leased from TANAGER's Administrative General Partner, SADI, LLC ("SADI") and legally described in EXHIBIT "A" attached to the HOME Agreement as amended from time to time, made a part hereof by this reference, (the "Property") for the purposes of affordable senior rental housing, with the assistance of HOME funds while meeting the affordable housing, income targeting and other requirements of 24 CFR 92 according to the terms and conditions of the HOME Agreement and the Loan Documents and other document/instruments referenced therein.

B. The HOME Agreement or a memorandum of it was recorded on ___, 2007 as Instrument No. _____ in the Official Records of Fresno County, California.

C. Under the terms of the HOME Agreement, after TANAGER completes the Project, TANAGER may ask CITY to record a Certificate of Completion.

D. TANAGER has asked CITY to furnish TANAGER with a recordable Certificate of Completion.

E. The CITY's issuance of this Certificate of Completion is conclusive evidence that TANAGER has completed construction the Project as set forth in the HOME Agreement.

NOW THEREFORE:

1. CITY certifies that TANAGER commenced the Project on_____ _____, 2007 and completed the Project on _____, 2008, and has done so in full compliance with the HOME Agreement.

2. This Certificate of Completion is not evidence of TANAGER's compliance with, or satisfaction of, any obligation to any mortgage or security interest holder, or any mortgage or security interest insurer, securing money lent to finance work on the Property or Project, or any part of the Property or Project.

3. This Certificate of Completion is not a notice of completion as referred to in California Civil Code Section 3093.

4. Nothing contained herein modifies any provision of the HOME Agreement.

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IN WITNESS WHEREOF, CITY has executed this Certificate of Completion as of this _____ day of _____, 2008.

CITY OF FRESNO
By:_____
Nick P. Yovino, Director, Planning and Development Department

ATTEST:
CITY CLERK

By:_____
Deputy

Date: _____

APPROVED AS TO FORM:
JAMES SANCHEZ, CITY ATTORNEY

By:_____
Assistant/Deputy

Date: _____

CONSENT OF LESSEE

TANAGER SPRINGS II, a California Limited Partnership, the Lessee/Developer of record of the Property, consents to recording this Certificate of Completion against the Property described herein.

TANAGER SPRINGS II
a California Limited Partnership.

By: SADI, LLC
a California Limited Liability Company
its Manager

By:_____
Name: Salim Karimi
Title: President
(Attach notary certificate of acknowledgment)

Date:_____

CONSENT OF OWNER

SADI, LLC, a California Limited Liability Company, the owner of record of the Property, consents to recording this Certificate of Completion against the Property described herein.

SADI, LLC
a California Limited Liability Company
its Manager

By:_____
Name: Salim Karim
Title: President
(Attach notary certificate of acknowledgment)

Date:_____

EXHIBIT G: PROMISSORY NOTE

DO NOT DESTROY THIS NOTE: When paid, this note must be surrendered to Borrower for Cancellation.

PROMISSORY NOTE

Loan Amount: $2,600,000 Date: Oct. 23, 2007

Fresno, California

For value received, the undersigned, TANAGER SPRINGS II, a California Limited Partnership ("Borrower"), promises to pay to the order of the City of Fresno, a California municipal corporation, ("Lender"), the sum of Two Million Six Hundred Thousand Dollars ($2,600,000.00), plus interest at the rate of 5.38% compounded annually with principal and interest payable from Residual Receipts at times prior to the Maturity Date and from general partnership funds upon the Maturity Date (as detailed in the HOME Agreement).

All capitalized terms used in this Note, unless otherwise defined, will have the respective meanings specified in the HOME Agreement. In addition, as used in this Note, the following terms will have the following meanings:

Business Day means any day other than Saturday, Sunday, or public holiday or the equivalent for banks generally under the laws of California. Whenever any payment to be made under this Note is stated to be due on a day other than a Business Day, that payment may be made on the next succeeding Business Day. However, if the extension would cause the payment to be made in a new calendar month, that payment will be made on the next preceding Business Day.

Maturity Date means sixty-five (65) years from the date the Lender issues the Project Certificate of Completion. The Affordability Period begins on the date the Lender issues the Project Certificate of Completion.

This Note, and any extensions or renewals hereof, is secured by a Deed of Trust, Security Agreement and Fixture Filing with Assignment of Rents on real estate in Fresno County, California, that provides for acceleration upon stated events, dated as of the same date as this Note, and executed in favor of and delivered to the Lender ("Deed of Trust"), insured as a not worse than 2nd position lien on the Property.

Time is of the essence. It will be a default under this Note if Borrower defaults under the HOME Agreement, defaults under any other Loan Documents, or if Borrower fails to pay when due any sum payable under this Note and such default continues beyond the notice and cure period as provided in the HOME Agreement. In the event of a default by

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Borrower with respect to any sum payable under this NOTE and the failure to cure such default within the applicable cure period, the Borrower shall pay a late charge equal to the lesser of 2% of any outstanding payment or the maximum amount allowed by law. All payments collected shall be applied first to payment of any costs, fees or other charges due under this Note or any other Loan Documents then to the interest and then to principal balance. On the occurrence of an uncured default or on the occurrence of any other event that under the terms of the Loan Documents give rise to the right to accelerate the balance of the indebtedness, then, at the option of Lender, this Note or any notes or other instruments that may be taken in renewal or extension of all or any part of the indebtedness will immediately become due without any further presentment, demand, protest, or notice of any kind. Lender acknowledges and agrees that notice and cure rights hereunder shall extend to any and all partners of Borrower that are prior identified in a writing delivered to Lender in the manner provided in the HOME Agreement.

The indebtedness evidenced by this Note may, at the option of the Borrower, be prepaid in whole or in part without penalty. Lender will apply all the prepayments first to the payment of any costs, fees, late charges, or other charges due under this Note or under any of the other Loan Documents and then to the interest and then to the principal balance.

All Loan payments are payable in lawful money of the United States of America at any place that Lender or the legal holders of this Note may, from time to time, in writing designate, and in the absence of that designation.

Borrower agrees to pay all costs including, without limitation, reasonable attorney fees, incurred by the holder of this Note in enforcing payment, whether or not suit is filed, and including, without limitation, all costs, attorney fees, and expenses incurred by the holder of this Note in connection with any bankruptcy, reorganization, arrangement, or other similar proceedings involving the undersigned that in any way affects the exercise by the holder of this Note of its rights and remedies under this Note. All costs incurred by the holder of this Note in any action undertaken to obtain relief from the stay of bankruptcy statutes are specifically included in those costs and expenses to be paid by Borrower. Borrower will pay to Lender all attorney fees and other costs referred to in this paragraph on demand.

Any notice, demand, or request relating to any matter set forth herein shall be in writing and shall be given as provided in the HOME Agreement.

No delay or omission of Lender in exercising any right or power arising in connection with any default will be construed as a waiver or as acquiescence, nor will any single or partial exercise preclude any further exercise. Lender may waive any of the conditions in this Note and no waiver will be deemed to be a waiver of Lender's rights under this Note, but rather will be deemed to have been made in pursuance of this Note and not in modification. No waiver of any default will be construed to be a waiver of or acquiescence in or consent to any preceding or subsequent default.

The Deed of Trust provides as follows:
DUE ON SALE/TRANSFER–CONSENT BY BENEFICIARY. Beneficiary may, at its option,

declare immediately due and payable all sums secured by this Deed of Trust upon the sale or transfer, without the Beneficiary's prior written consent, of all or any part of the Property, or any interest in the Property. A "sale or transfer" means the termination of the SADI-TANAGER (Project) Lease, and/or a conveyance of the Property or any right, title or interest therein; whether legal, beneficial or equitable; whether voluntary or involuntary; whether by outright sale, deed, installment sale contract, land contract, contract for deed, leasehold interest with a term greater than three (3) years, lease-option contract, or by sale, assignment, or transfer of any beneficial interest in or to any land trust holding title to the Property, or by any other method of conveyance of land interest. If any Trustor is a corporation, partnership or limited liability, company, transfer also includes any change in ownership of more than twenty-five percent (25%) of the voting stock, partnership interests or limited liability company interests, as the case may be, of Trustor. However, this option shall not be exercised by Beneficiary if such exercise is prohibited by applicable law. Notwithstanding the foregoing the following shall not constitute a "transfer" (1) transfer of investor limited partner interest to an affiliate, (ii) removal/replacement of general partner(s) by investor limited partner consistent with provision of the Borrower's Amended and Restated Agreement of Limited Partnership dated of October 1, 2007 (Partnership Agreement), (iii) remove /replacement of nonprofit Managing General Partner by the Administrative General Partner consistent with the Partnership Agreement, (iv) acquisition of the Project and/or interest of investor limited partner in the Project by the general partner(s) consistent with the Partnership Agreement Option and Right of First Refusal, and (v) any change in ownership where applicable law provides such does not constitute a "transfer" for purpose of this Due on Sale provision.

Lender may transfer this Note and deliver to the transferee all or any part of the Property then held by it as security under this Note, and the transferee will then become vested with all the powers and rights given to Lender; and Lender will then be forever relieved from any liability or responsibility in the matter, but Lender will retain all rights and powers given by this Note with respect to Property not transferred.

If any one or more of the provisions in this Note is held to be invalid, illegal, or unenforceable in any respect by a court of competent jurisdiction, the validity, legality, and enforceability of the remaining provisions will not in any way be affected or impaired. This Note will be binding on and inure to the benefit of Borrower, Lender, and their respective successors and assigns.

Borrower agrees that this Note will be deemed to have been made under and will be governed by the laws of California in all respects, including matters of construction, validity, and performance, and that none of its terms or provisions may be waived, altered, modified, or amended except as Lender may consent to in a writing duly signed by Lender or its authorized agents.

This Note shall be nonrecourse to Borrower and all its constituent members and may be prepaid at any time without penalty.

In witness whereof, Borrower has caused this Promissory Note to be executed by its authorized agent as of the date and year first above written.

TANAGER SPRINGS II
a California Partnership

By: SADI, LLC
a California Limited Liability Company
General Partner

By:_____
Name: Salim Karimi
Title: President - ADI-Member of G.P.
(Attach notary certificate of acknowledgment)

Date: 10/23/07

By: Advanced Development & Investment, Inc.
a California Corporation
its Manager

By:_____
Name: Salim Karimi
Title: President
(Attach notary certificate of acknowledgment)

Date: 10/23/07

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CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California
County of Los Angeles

On October 22, 2007 (Date) before me, Dmitriy Moskalenko, Notary Public (Name and Title of Officer (e.g., "Jane Doe, Notary Public")),

personally appeared Salim Karimi (Name(s) of Signer(s))

☒ personally known to me

☐ (or proved to me on the basis of satisfactory evidence)

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

DMITRIY MOSKALENKO
Commission # 1744196
Notary Public - California
Los Angeles County
My Comm. Expires May 8, 2011

WITNESS my hand and official seal.

Signature D. Moskalenko
Signature of Notary Public

Place Notary Seal Above

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Description of Attached Document

Title or Type of Document: _____

Document Date: _____ Number of Pages: _____

Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer(s)

Signer's Name: _____
☐ Individual
☐ Corporate Officer — Title(s): _____
☐ Partner — ☐ Limited ☐ General
☐ Attorney in Fact
☐ Trustee
☐ Guardian or Conservator
☐ Other: _____
Signer Is Representing: _____

RIGHT THUMBPRINT OF SIGNER
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Signer's Name: _____
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☐ Corporate Officer — Title(s): _____
☐ Partner — ☐ Limited ☐ General
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RIGHT THUMBPRINT OF SIGNER
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EXHIBIT H: GUARANTY

THIS GUARANTY ("Guaranty") is entered by SADI, LLC, a Limited Liability Company in good standing with principal offices in Los Angeles, California, by Advanced Development & Investment, Inc., a California Corporation its Manager (hereinafter referred to as "Guarantor"), in favor of and for the benefit of the CITY OF FRESNO, CALIFORNIA, a municipal corporation ("CITY"), in pursuit of the parties' HOME Investment Partnerships Program Agreement ("Agreement") regarding Tanager Springs Affordable Multi-Family Apartments Project Phase II ("Project") to which this Guaranty is an exhibit.

WHEREAS:

A. Guarantor is the Administrative General Partner of Tanager Springs II, a California Limited Partnership ("Tanager"), the developer of the project.

B. As provided in Section 9.4 of the Agreement, Guarantor and City desire that Guarantor guarantee actions of Tanager's project performance and payment obligations with a fully executed and enforceable Guaranty.

NOW, THEREFORE, in consideration of the above recitals and the Agreement and for other good and valuable consideration, it is hereby agreed as follows:

1. Guarantor hereby guarantees unconditionally, irrevocably and absolutely to the City, its successors and assigns, that Tanager shall fully perform those provisions of Agreement that are to be performed during the construction phase of the project, require to pay Project subcontractors and materialmen.

2. This continuing Guaranty shall not be affected by any deviation from or alteration of the terms, covenants or conditions of the Agreement, including but not limited to any extension or modification of the Agreement. If the Agreement is modified in any respect by agreement between City and Tanager, the obligations hereunder of Guarantor shall extend and apply with respect to the full and faithful performance and observance of all of the lawful covenants, terms, and conditions of the Agreement and of any such modification thereof.

3. The liability of Guarantor under this Guaranty is exclusive and independent of any insurance, security for or other guarantee or deposit of Guarantor, whether executed by Guarantor or any other party, and the liability of Guarantor under this Guaranty is not affected or impaired by (a) any other continuing or other insurance, guaranty, undertaking, or maximum liability of Tanager under the Agreement; (b) any payment on or in reduction of any other security, guaranty or deposit; (c) any dissolution, termination, or increase, decrease, or changes of personnel of the Guarantor; or (d) any payment made by the City on any indebtedness under the Agreement that City pays pursuant to court order in any bankruptcy, reorganization, arrangement, moratorium or other proceedings; Guarantor waives any right to the deferral or modification of Guarantor's obligations by virtue of any such proceeding.

4. It shall not be necessary for City to institute suit or exhaust any of its legal remedies against Tanager, or pursue any other remedy in City's power, in order to enforce this Guaranty. This Guaranty may be immediately enforced against Guarantor.

5. If any provision of this Guaranty shall be invalid, unenforceable or ineffective for any reason whatsoever, all other provisions hereof shall be and remain in full force and effect.

6. No right or power of City under this Guaranty shall be deemed to have been waived by any act to conduct on the part of the City, or by any neglect to exercise that right or power, or by a delay in so doing; and every right or power shall continue in full force and effect until specifically waived or released by an instrument in writing executed by City.

7, This Guaranty and the liability and obligations of Guarantor hereunder are binding on Guarantor and its respective successors and assigns, and inure to the benefit of and are enforceable by City and its successors, transferees and assigns.

8. This Guaranty, and all of the terms hereof, shall inure to the benefit of the City, its successors and assigns, and shall be binding upon Guarantor. No assignment of this Guaranty shall be effective without the prior written consent of City.

9. This Guaranty shall be deemed made under, interpreted in accordance with, and governed by, the substantive and procedural law of the State of California in all respects, including matters of construction, validity, and performance, and its terms and provisions may not be waived, altered, modified, or amended except in writing duly signed by an authorized agent of City and by Guarantor.

10. Guarantor represents and warrants that this Guaranty has been duly authorized by all necessary action and formality on Guarantor's part, has been duly executed and delivered by a duly authorized officer, and constitutes Guarantor's valid and legally binding agreement in accordance with this term.

11. The Guaranty shall be effective concurrently with the effective date of the Agreement and shall continue in effect until issuance of City's Certificate of Completion.

SADI, LLC
a California Limited Liability Company

By: Advanced Development & Investment, Inc.
a California Corporation
its Manager

By:_____
Name: Salim Karim
Title: President
(Attach notary certificate of acknowledgment)

Date: 10/23/07

66

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California
County of Los Angeles

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Signer Is Representing: _____

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