



REPORT TO THE HOUSING AUTHORITY OF THE CITY OF SAN DIEGO

DATE ISSUED: June 1, 2018

REPORT NO: HAR18-019

ATTENTION: Chair and Members of the Housing Authority of the City of San Diego
For the Agenda of June 26, 2018

SUBJECT: Final Bond Authorization for Parkside Apartments

COUNCIL DISTRICT: 4

REQUESTED ACTION

Authorize the issuance of Housing Authority of the City of San Diego Multifamily Housing Revenue Bonds to facilitate the acquisition and rehabilitation of Parkside Apartments, a 40-unit multifamily affordable rental housing development located at 4035 Park Haven Court, San Diego, CA 92113, which will remain affordable for 55 years.

STAFF RECOMMENDATIONS

That the Housing Authority of the City of San Diego (Housing Authority) authorize the issuance of up to \$5,500,000 in tax-exempt Multifamily Housing Revenue Bonds to facilitate single asset buyer Parkside SD Apartments, L.P.'s acquisition and rehabilitation of Parkside Apartments (Parkside), a 40-unit multifamily rental housing development, located at 4035 Park Haven Court, San Diego, in the Southeastern San Diego Mountain View neighborhood, which will remain affordable for 55 years.

SUMMARY

A Development Summary is at Attachment 1.

Table 1 –Development Details

Address	4035 Park Haven Court, San Diego, CA 92113
Council District	4
Community Plan Area	Southeastern San Diego, Mountain View Neighborhood
Development Type	Acquisition with rehabilitation
Construction Type	Type V (concrete slab on grade)
Structure	Wood framed, stucco/wood siding, concrete slab on grade foundation
Parking Type	57 surface parking spaces
Housing Type	Multifamily residential housing
Lot Size	1.67 acres (72,745 square feet)
Density	23.95 dwelling units per acre (40 units ÷ 1.67 acres)
Units	40 units, including one manager's unit
Unit Mix	5 one-bedroom units, 30 two-bedroom units and 5 three-bedroom units
Gross Building Area	31,940 square feet
Net Rentable Area	30,720 square feet

Developer's Proposal

In 2001, the Housing Commission made a \$1,418,838 residual receipts loan to Bolt Housing Partners, L.P. for acquisition and rehabilitation of Parkside. That loan's rate was at three percent simple interest, with a 55-year term and annual payments amounting to the greater of \$8,865 or 50 percent of residual receipts. There have been annual payments but the project's cash flow has not resulted in sufficient residual receipts to pay down the loan. It is estimated that approximately \$1,942,000 principal and interest may be owed on the existing Housing Commission loan as of escrow closing. However, a small portion of the outstanding loan may be repaid, by the current owner, upon close of the proposed financing, from proceeds of the property's sale to the new partnership. Prior to recording a new bond regulatory agreement against the property, the Housing Commission staff will evaluate the outstanding loan balance and assumption amount to be paid to the new buyer. In no event shall the seller receive any sales proceeds prior to Housing Commission loan payoff.

The development has completed the required 15-year tax credit period, and the developer, National Community Renaissance of California (National CORE), desires to re-syndicate the property's financing with new tax credits and new tax-exempt bonds.

The Development

Constructed in 1987, Parkside is an existing 40-unit family rental housing development located at 4035 Park Haven Court in the Mountain View neighborhood of Southeastern San Diego Community Plan Area (Attachment 2 – Site Maps). The development consists of five two-story walk-up buildings. There is also a one-story building with a manager's office, a community room, and a computer room. The site has a playground, a picnic area, and surface parking. Parkside includes five one-bedroom units, 29 two-bedroom units and five three-bedroom units.

Building Condition/Proposed Rehabilitation Work

Parkside is currently in fair condition but requires rehabilitation to address immediate and long-term capital needs. National CORE is requesting the issuance of up to \$5,500,000 in Multifamily Housing Revenue Bonds to finance the rehabilitation of the property to extend its useful life and maintain its marketability. The scope of the proposed rehabilitation includes health and safety issues, Americans with Disabilities Act (ADA) improvements, deferred maintenance, and energy efficiency. The proposed rehabilitation includes: exterior painting, re-roofing, replacing windows, replacing flooring, replacing countertops and cabinetry, new refrigerators, new ranges and range hoods, new dishwashers, parking lot maintenance, site fencing, upgrading building systems, and playground improvements. On March 14, 2018, a Property Condition Report (PCR) was completed by Partner Engineering and Science, Inc. The PCR summary of the proposed rehabilitation costs is at Attachment 3.

Relocation

National CORE does not anticipate any permanent relocation of tenants. For most units, the rehabilitation work will be performed from 8:00 a.m. to 5:00 p.m. to avoid relocation. However, there will be up to 20 days temporary relocation for four accessible units. The development's pro forma budgets \$40,000 for relocation.

Sustainability Features

Parkside will comply with the California Tax Credit Allocation Committee's (TCAC) minimum energy efficiency standards for rehabilitation projects.

Development Team

National CORE is a large nonprofit affordable housing developer with a 20-year history in real estate development, property management, and social services. National CORE has developments in four states with a portfolio composed of 77 assets totaling 8,384 units.

Property Management

Parkside is currently managed and will be continue to be managed by National CORE, which has more than 20 years' experience and currently manages all of their rental communities.

Table 2 Development Team Summary

ROLE	FIRM/CONTACT
Developer	National Community Renaissance of California
Proposed Owner/Borrower	Parkside SD Apartments, L.P.
General Partner	Parkside GP, LLC
Tax Credit Investor Partner	WNC & Associates Inc.
Architect	Onyx Architects, Pasadena
General Contractor	Kaperra General Contracting, Scottsdale
Property Management	National Community Renaissance of California
Construction and Permanent Lender	Pacific Western Bank

STATEMENT FOR PUBLIC DISCLOSURE

The developer's Statement for Public Disclosure is at Attachment 4.

FINANCING STRUCTURE

The estimated total development cost plus sources and uses of funds are detailed in the pro forma attached to this report (Attachment 5) and summarized in Table 3 below.

Table 3 – Estimated Permanent Sources and Uses

Permanent Financing Sources	Amounts	Permanent Financing Uses	Amounts	Per Unit
Permanent loan (multifamily housing mortgage revenue bonds)	\$2,658,000	Acquisition	\$5,200,000	\$130,000
Seller New Loan	2,460,000	Hard costs (including direct costs, indirect costs, bonding, insurance, & contingency)	3,106,636	77,666
Housing Commission Loan	1,942,220	Financing Costs	603,817	15,095
Capitalized Interest (Constr & Perm)	239,178	Other Soft Costs	406,179	10,155
4% Tax Credits	3,366,612	Reserves	120,000	3,000
Deferred Developer Fee	2,788	Developer Fee	1,232,166	30,804
Total Development Cost	\$10,668,798	Total Development Cost	\$10,668,798	\$266,720

Developer Fee

\$ 1,232,166 - gross developer fee
- 2,788 - minus deferred developer's fee
\$ 1,229,378 - net cash developer fee

The developer fee proposed is consistent with the Request for Approval of Updated Developer Fees (HAR17-011) approved by the Housing Authority on April 25, 2017.

Development Cost Key Performance Indicators

Housing Commission staff has identified development cost performance indicators that were used to evaluate the proposed development and make a funding recommendation. The key performance indicators in Table 4 are commonly used by real estate industry professionals and affordable housing developers.

Table 4 - Key Performance Indicators

Development Cost Per Unit	$\$10,668,798 \div 40 \text{ units} =$	\$266,720
Housing Commission Subsidy Per Unit	$1,942,220 \div 40 \text{ units} =$	\$48,556
Acquisition Cost Per Unit	$\$5,200,000 \div 40 \text{ units} =$	\$130,000
Gross Building Square Foot Hard Cost	$\$3,106,636 \div 31,940 \text{ sq. ft.} =$	\$97
Net Rentable Square Foot Hard Cost	$\$3,106,636 \div 30,720 \text{ sq. ft.} =$	\$101

Prevailing Wages

Prevailing wages are not applicable to the proposed rehabilitation because no new federal or state funds will be used.

Project Comparison Chart

There are multiple factors and variables that influence the cost of developing multifamily affordable housing, including but not limited to project location, site conditions, environmental factors, land use approval process, community involvement, construction type, design requirements/constraints, economies of scale, City fees, developer experience and capacity, and the mission and goals of the organization developing the project. Similar construction-type developments (completed or approved) over recent years are listed in Table 5.

Table 5 - Comparable Development Projects

Project Name	Year	Construction Type	Units	Prevailing Wages	Total Development Cost	Cost Per Unit	HC Subsidy Per Unit	Gross Hard Cost Sq. Ft.
Parkside	2018	V	40	No	\$10,668,798	\$266,720	\$48,556	\$97
Casa Puleta	2017	V	54	No	\$10,797,804	\$199,959	\$0	\$28
Hollywood Palms	2017	V	94	No	\$31,680,721	\$337,029	\$0	\$90
Mayberry	2015	V	70	No	\$16,286,796	\$232,669	\$13,004	\$40

TAX-EXEMPT MULTIFAMILY HOUSING REVENUE BONDS

Proposed Housing Bonds

The Housing Commission utilizes the Housing Authority's tax-exempt borrowing status to pass on lower interest rate financing (and make Federal 4 percent tax credits available) to developers of affordable rental housing. The Housing Authority's ability to issue bonds is limited under the U.S. Internal Revenue Code. To issue bonds for a development, the Housing Authority must first submit an application to the California Debt Limit Allocation Committee (CDLAC) for a bond allocation. Prior to submitting applications to CDLAC, developments are brought before the Housing Commission, Housing Authority and City Council. A Housing Authority bond inducement resolution must be obtained prior to application submittal, and a City Council Tax Equity and Fiscal Responsibility Act (TEFRA) resolution must be secured no later than 30 days after application submittal. These actions were completed for Parkside on December 11, 2017. These actions do not obligate the Housing Authority to issue bonds.

On May 16, 2018, the CTCAC approved a \$3,013,771 allocation of 4 percent tax credits, and the CDLAC approved up to a \$5,500,000 allocation of tax-exempt Multifamily Housing Revenue Bonds. The

developer proposes to issue the bonds through a tax-exempt private placement bond issuance. The bonds will meet all requirements of the Housing Commission's Multifamily Housing Revenue Bond Program policy and will fully comply with the City of San Diego's (City) ordinance on bond disclosure. The bond amount that is ultimately issued will be based upon project costs, revenues, and interest rates prevailing at the time of bond issuance. The developer proposes that the bonds will be used for acquisition, rehabilitation, and permanent financing. A general description of the Multifamily Housing Bond Program and the actions that must be taken by the Housing Authority and by the City Council to initiate and finalize proposed financing are described in Attachment 6.

Public Disclosure and Bond Authorization

The tax-exempt debt, in the form of the Bonds/note, will be sold through a private placement, purchased directly by Pacific Western Bank (Pacific). Pacific is a "qualified institutional buyer" within the meaning of the U.S. securities laws. At closing, Pacific will sign an "Investor's Letter" certifying, among other things, that it is buying the Bonds/note for its own account and not for public distribution. Because the Bonds/note is being sold through a private placement, an Official Statement will not be used. In addition, the Bonds/note will be neither subject to continuing disclosure requirements nor credit enhanced nor rated. Under the private placement structure for this transaction, Pacific will make a loan to the Housing Authority pursuant to the terms of a Funding Loan Agreement among Pacific, the Housing Authority, and a to be selected Fiscal Agent. The loan made by Pacific to the Housing Authority (Funding Loan) will be evidenced by the Bonds/note, which will obligate the Housing Authority to pay Pacific the amounts it receives from the Borrower, as described below. The Housing Authority and the Borrower will enter into a Borrower Loan Agreement pursuant to which the proceeds of the Funding Loan will be advanced to the Borrower. In return, the Borrower agrees to pay the Fiscal Agent amounts sufficient for the Fiscal Agent to make payments on the Bonds/note. The Housing Authority's obligation to make payments on the Bonds/note is limited to amounts the Fiscal Agent receives from the Borrower under the Borrower Loan Agreement, and no other funds of the Housing Authority are pledged to make payments on the Bonds/note. The transfer of the Bonds/note to any subsequent purchaser will comply with Housing Commission policy number PO300.301. Moreover, any subsequent Bonds/note holder will be required to represent to the Housing Authority that it is a qualified institutional buyer or accredited investor who is buying the Bonds/note for investment purposes and not for resale, and it has made due investigation of any material information necessary in connection with the purchase of the Bonds/note. The following documents will be executed on behalf of the Housing Authority with respect to the Bonds/note: Funding Loan Agreement, Borrower Loan Agreement, Assignment of Deed of Trust, Regulatory Agreement, and other ancillary loan documents. At the time of docketing, documents in substantially final form will be presented to members of the Housing Authority. Any changes to the documents following Housing Authority approval require the consent of the City Attorney's Office and Bond Counsel. The Bonds/note will be issued pursuant to the Funding Loan Agreement. Based upon instructions contained in the Funding Loan Agreement and the Borrower Loan Agreement, Pacific will disburse the Bonds/note proceeds for eligible costs and will, pursuant to an assignment from the Housing Authority, receive payments from the Borrower. The Borrower Loan Agreement sets out the terms of repayment and the security for the loan made by the Housing Authority to the Borrower, and the Housing Authority assigns its rights to receive repayments under the loan to Pacific. The Regulatory Agreement will be recorded against the property in order to ensure the long-term use of the project as affordable housing. The Regulatory Agreement will also ensure that the project complies with all applicable federal and state laws. An Assignment of Deed of Trust and other Loan Documents, which assigns the Housing Authority's rights and responsibilities as the issuer to Pacific, is signed by the Housing Authority for the benefit of Pacific. Rights and responsibilities that are assigned to Pacific include the right to collect and

enforce the collection of loan payments, monitor project rehabilitation and related budgets, and enforce insurance and other requirements. These rights will be used by Pacific to protect its financial interests as the holder of the Bonds/note.

Indemnification

National Community Renaissance of California, and/or one or more related individuals or entities, as “Guarantor,” shall execute a Guarantor Indemnification whereby it agrees to indemnify, hold harmless and defend the Governmental Lender (Housing Authority) and each of its officers, governing members, directors, officials, employees, attorneys and agents (collectively, the “Indemnified Parties”), against any and all losses, damages, claims, actions, liabilities, costs and expenses of any conceivable nature, kind, or character to which the Indemnified Parties, or any of them, may become subject under any statutory law (including federal or state securities laws) or at common law or otherwise, arising out of or based upon or in any way relating to the issuance of the Housing Authority of the City of San Diego Multifamily Housing Revenue Bonds/note for Parkside.

Financial Advisor’s Recommendation

Orrick Herrington & Sutcliffe LLP will be the bond counsel and CSG Advisors will be the bond financial advisor to work on the tax-exempt bonds issuance. After evaluating the terms of the proposed financing and the public benefits to be achieved, it is the financial advisor’s recommendation that the Housing Authority should proceed with the bonds issuance. The financial advisor’s analysis and recommendation is included at Attachment 7.

Government Code Section 5852.1

Effective January 1, 2018, a new State Government Code Section 5852.1 requires that the borrower provide certain representations and good faith estimates to the Housing Authority as a conduit issuer. That Government Code Section 5852.1 disclosure form is attached as Attachment 8.

Development Schedule

The estimated development timeline is as follows:

Milestones	Estimated Dates
• Housing Authority proposed final bond authorization	• June 26, 2018
• Estimated close of escrow and bond issuance	• July 2, 2018
• Estimated start of construction	• July 2018
• Estimated completion of construction	• December 2018

AFFORDABLE HOUSING IMPACT

The Housing Commission’s existing loan has affordability restrictions (on 21 units at 50 percent AMI and 18 units at 60 percent AMI) which expire in the year 2058. The development will be subject to applicable tax credit and bond regulatory agreements that will restrict affordability of 39 units for 55 years (estimated expiration in the year 2074 – a proposed additional 16 years of affordability on 39 units). The development’s 39 units will be affordable to tenants with income levels ranging from 50 percent to 60 percent of San Diego’s Area Median Income (AMI). There is also one unrestricted manager’s unit.

Table 6 Affordability and Monthly Estimated Rent Table

Unit Type (SDHC & TCAC restricted)	AMI	Number of Units	Gross Rents
One Bedroom	50%	3	\$913
One Bedroom	60%	2	\$1,095
Two Bedroom	50%	15	\$1,095
Two Bedroom	60%	14	\$1,314
Three Bedroom	50%	3	\$1,265
Three Bedroom	60%	2	\$1,518
Two Bedroom (manager's unit)	-	1	-
Total		40	

FISCAL CONSIDERATIONS

The proposed funding sources and uses to be approved by this action are not included in the Housing Authority approved Fiscal Year (FY) 2018 Housing Commission Budget. Approving this action will increase the FY 2018 total budget.

Funding sources approved by this action will be as follows:

Bond Issuance Fees – estimated \$13,750

Funding uses approved by this action will be as follows:

Administrative Costs – estimated up to \$13,750

The developer is responsible for the payment of all costs under the financing, including the Housing Commission's .0025 bond amount issuer fee (estimated at \$13,750 with a \$5,500,000 bond issue) and the Housing Commission's ongoing annual bonds administrative fee (estimated as \$10,000 at permanent financing conversion). There are no fiscal impacts to the Housing Commission, the City of San Diego, or the Housing Authority associated with the requested bonds actions. Approval of the bond inducement and TEFRA resolutions do not commit the Housing Authority to issue bonds. The bonds will not constitute a debt of the City of San Diego. If bonds are ultimately issued for the development, the bonds will not financially obligate the City, the Housing Authority, or the Housing Commission because security for the repayment of the bonds will be limited to specific private revenue sources. Neither the faith and credit nor the taxing power of the City, nor the faith and credit of the Housing Authority will be pledged to the payment of the bonds.

PREVIOUS COUNCIL and/or COMMITTEE ACTION

On December 11, 2017, the Housing Authority adopted Resolution HA-1774, which approved taking initial steps to issue tax-exempt Multifamily Housing Revenue Bonds of up to \$5,500,000 to facilitate the acquisition and rehabilitation of Parkside.

COMMUNITY PARTICIPATION and PUBLIC OUTREACH EFFORTS

On May 18, 2018, the developer presented the proposed development, as an informational item, to the Southeastern San Diego Community Planning Group. As requested by community members, the developer will work to increase the number of parking spaces and make landscaping improvements.

KEY STAKEHOLDERS & PROJECTED IMPACTS

Stakeholders include: the developer National CORE, the Housing Authority as the bond issuer, and the Mountain View community. The project is anticipated to have a positive impact on the community as it will contribute to the quality of the surrounding neighborhood and extend the affordability of 39 rental apartments for low-income individuals and families.

ENVIRONMENTAL REVIEW.

The proposed rehabilitation is categorically exempt from the requirements of the California Environmental Quality Act (CEQA) pursuant to Section 15301 of the State CEQA Guidelines because Parkside consists of existing facilities and the proposed actions do not involve expansion of the existing use. The project meets the criteria set forth in CEQA Section 15301(a), which allows for exterior and interior alterations of existing facilities. Processing under the National Environmental Policy Act (NEPA) is not required as there are no Federal funds involved with this proposed action.

Respectfully submitted,

J. P. Correia

J.P. Correia
Senior Real Estate Project Manager
Real Estate Division

Approved by,

Deborah N. Ruane

Deborah N. Ruane
Executive Vice President & Chief Strategy Officer
San Diego Housing Commission

- Attachments:
1. Development Summary
 2. Site Maps
 3. Rehabilitation Summary
 4. Developer's Disclosure Statement
 5. Developer's Proforma
 6. Multifamily Bond Program Summary
 7. Financial Advisor's Recommendation
 8. Government Code Section 5852.1 Disclosure

Hard copies are available for review during business hours at the security information desk in the main lobby and the fifth floor reception desk of the San Diego Housing Commission offices at 1122 Broadway, San Diego, CA 92101 and at the Office of the San Diego City Clerk, 202 C Street, San Diego, CA 92101. You may also review complete docket materials in the "Public Meetings" section of the San Diego Housing Commission website at www.sdhc.org.

ATTACHMENT 1 – DEVELOPMENT SUMMARY

Table 1 – Development Details

Address	4035 Park Haven Court, San Diego, CA 92113
Council District	4
Community Plan Area	Southeastern San Diego, Mountain View Neighborhood
Development Type	Acquisition with rehabilitation
Construction Type	Type V (concrete slab on grade)
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Housing Type	Multifamily residential housing
Lot Size	1.67 acres (72,745 square feet)
Density	23.95 dwelling units per acre (40 units ÷ 1.67 acres)
Units	40 units, including one manager's unit
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Table 3 – Estimated Sources and Uses of Financing

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Capitalized Interest (Constr & Perm)	239,178	Other Soft Costs	406,179	10,155
4% Tax Credits	3,366,612	Reserves	120,000	3,000
Deferred Developer Fee	2,788	Developer Fee	1,232,166	30,804
Total Development Cost	\$10,668,798	Total Development Cost	\$10,668,798	\$266,720

Table 4 – Revised Key Performance Indicators

Development Cost Per Unit	$\$10,668,798 \div 40 \text{ units} =$	\$266,720
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Gross Building Square Foot Hard Cost	$\$3,106,636 \div 31,940 \text{ sq. ft.} =$	\$97
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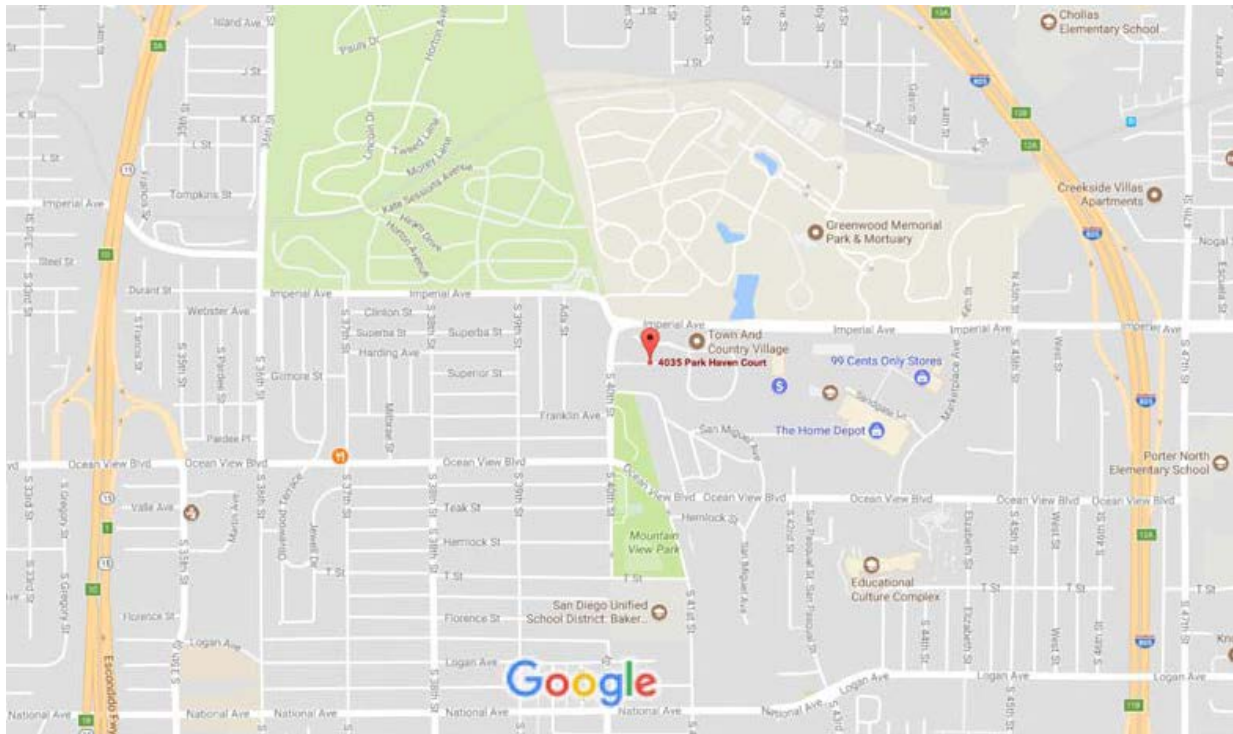
Table 5 – Revised Comparable Rehabilitation Projects with Tax-Exempt Bonds

Project Name	Year	Construction Type	Units	Prevailing Wages	Total Development Cost	Cost Per Unit	HC Subsidy Per Unit	Gross Hard Cost Sq. Ft.
Parkside	2018	V	40	No	\$10,668,798	\$266,720	\$48,556	\$97
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Two Bedroom	60%	14	\$1314
Three Bedroom	50%	3	\$1,265
Three Bedroom	60%	2	\$1,518
Two Bedroom (manager's unit)	-	1	-
Total		40	

Attachment 2



ATTACHMENT 3 – REHABILITATION SUMMARY

Parkside Apartments
4035 Park Haven Court
San Diego, CA



4/24/2018

Units 40
1bed/1bath 5
2bed/1bath 30
3bed/1bath 5
Beds 80
Baths 40
Buildings 11
Non Prevailing Wages

Area Of Work	Description	Quantity	Unit Cost	Extended Cost	Clarifications
Division 2					
Demolition	Demo - Unit Interiors	36	\$ 350.00	\$ 12,600.00	
Demolition	Demo - UFAS Unit Interiors	4	\$ 1,000.00	\$ 4,000.00	
Demolition	Site Dumpsters and Removals	1	\$ 10,000.00	\$ 10,000.00	
Roads and Walks	Asphalt - ADA Upgrades, Repairs, Crackfill, Seal Coat, and Striping	1	\$ 48,750.00	\$ 48,750.00	
Roads and Walks	Install New Parking Spots Per Revised ADA Path of Travel	1	\$ 36,500.00	\$ 36,500.00	Demo existing landscaping and replace with new asphalt/ concrete curb
Site Improvements	Install New Site Signage	1	\$ 6,500.00	\$ 6,500.00	
Site Improvements	Allowance - Monument Signage	1	\$ 10,000.00	\$ 10,000.00	
Site Improvements	Units - Signage with Braille	40	\$ 85.00	\$ 3,400.00	
Site Improvements	UFAS Unit Improvements	4	\$ 31,000.00	\$ 124,000.00	
Site Improvements	ADA Path of Travel	1	\$ 78,000.00	\$ 78,000.00	
Site Improvements	Allowance - Leasing and Community Room Improvements	1	\$ 15,000.00	\$ 15,000.00	
Site Improvements	Laundry Room Upgrades	1	\$ 6,500.00	\$ 6,500.00	Flooring, Lights, Paint, and Countertop
Site Improvements	Regrade Landscaping at North Side for Drainage	1	\$ 35,000.00	\$ 35,000.00	
Site Improvements	New Playground Surfacing	1	\$ 27,500.00	\$ 27,500.00	
Site Improvements	New Mailboxes	40	\$ 115.00	\$ 4,600.00	
Lawns and Planting	Termite Treatment	1	\$ 33,000.00	\$ 33,000.00	
Lawns and Planting	Allowance - Landscaping Improvements and Tree Trimming	1	\$ 230,500.00	\$ 230,500.00	
			Division Total	\$ 685,850.00	
Division 3					
Concrete	General Concrete Repairs	550	\$ 30.00	\$ 16,500.00	Assumed sf
Concrete	Replace Valley Gutters	360	\$ 58.00	\$ 20,880.00	
Concrete	Allowance - Concrete Stairread Replacement	1	\$ 3,000.00	\$ 3,000.00	
			Division Total	\$ 40,380.00	
Division 4					
Masonry			Division Total	\$ -	

Division 5			
Metals	1	\$ 4,500.00	\$ 4,500.00
Metals	1	\$ 15,000.00	\$ 15,000.00
		Division Total	\$ 19,500.00
Division 6			
Rough Carpentry	450	\$ 22.00	\$ 9,900.00
Rough Carpentry	1	\$ 10,000.00	\$ 10,000.00
Rough Carpentry	1	\$ 10,000.00	\$ 10,000.00
Finish Carpentry	40	\$ 2,675.00	\$ 107,000.00
Finish Carpentry	40	\$ 225.00	\$ 9,000.00
Finish Carpentry	40	\$ 120.00	\$ 4,800.00
Finish Carpentry	40	\$ 1,143.00	\$ 45,720.00
Finish Carpentry	40	\$ 382.00	\$ 15,280.00
		Division Total	\$ 211,700.00
Division 7			
Roofing	1	\$ 119,750.00	\$ 119,750.00
Sheet Metal	1	\$ 31,380.00	\$ 31,380.00
		Division Total	\$ 151,130.00
Division 8			
Door and Hardware	80	\$ 225.00	\$ 18,000.00
Doors	40	\$ 1,200.00	\$ 48,000.00
Door and Hardware	120	\$ 65.00	\$ 7,800.00
Door and Hardware	76	\$ 185.00	\$ 14,060.00
Door and Hardware	6	\$ 1,200.00	\$ 7,200.00
Door and Hardware	40	\$ 350.00	\$ 14,000.00
Windows	200	\$ 790.00	\$ 158,000.00
Glass	40	\$ 170.00	\$ 6,800.00
		Division Total	\$ 273,860.00
Division 9			
Lath and Plaster	1	\$ 10,000.00	\$ 10,000.00
Drywall	40	\$ 285.00	\$ 11,400.00
Carpets	20	\$ 1,175.00	\$ 23,500.00
Resilient Flooring	40	\$ 2,365.00	\$ 94,600.00
Resilient Flooring	40	\$ 325.00	\$ 13,000.00
Painting and Decorating	40	\$ 1,850.00	\$ 74,000.00
Painting and Decorating	40	\$ 1,025.00	\$ 41,000.00
Painting and Decorating	1	\$ 10,000.00	\$ 10,000.00
Painting and Decorating	40	\$ 465.00	\$ 18,600.00
		Division Total	\$ 296,100.00

Division 10					
<i>Specialties</i>	Install New Recessed Medicine Cabinet	40	\$	135.00	\$ 5,400.00
<i>Specialties</i>	Install New Toilet Paper Holder	40	\$	40.00	\$ 1,600.00
<i>Specialties</i>	Install New Towel Bar	40	\$	45.00	\$ 1,800.00
<i>Specialties</i>	Install New Curved Shower Rod	40	\$	138.00	\$ 5,520.00
	Division Total		\$		14,320.00
Division 11					
<i>Appliances</i>	Install New Unit Refrigerators	40	\$	685.00	\$ 27,400.00
<i>Appliances</i>	Install New Unit Gas Ranges - Includes New Flexline and valve	36	\$	468.00	\$ 16,848.00
<i>Appliances</i>	Install ADA Compliant Gas Range - Includes New Flexline and Valve	4	\$	859.00	\$ 3,436.00
<i>Appliances</i>	Install New Grease Shield	80	\$	65.00	\$ 5,200.00
<i>Appliances</i>	Install New Range Hood (Includes Hookup to Existing Ducting)	36	\$	215.00	\$ 7,740.00
<i>Appliances</i>	Install ADA Compliant Range Hood	4	\$	225.00	\$ 900.00
<i>Appliances</i>	Delivery, Appliance Spread, Installation, Removal	40	\$	300.00	\$ 12,000.00
	Division Total		\$		73,524.00
Division 12					
<i>Blinds and Shades, Artwork</i>	Install New Vertical Window Blinds in Units	40	\$	365.00	\$ 14,600.00
	Division Total		\$		14,600.00
Division 13					
<i>Special Construction</i>			\$		-
	Division Total		\$		-
Division 14					
<i>Elevators</i>			\$		-
	Division Total		\$		-
Division 15					
<i>Plumbing and Hot Water</i>	Install New Kitchen Sinks, Faucets, Disposals, Supplies	40	\$	725.00	\$ 29,000.00
<i>Plumbing and Hot Water</i>	Install New Bathroom Faucets, Drop-In Sink and Supplies	40	\$	360.00	\$ 14,400.00
<i>Plumbing and Hot Water</i>	Install New Angle Stops	200	\$	55.00	\$ 11,000.00
<i>Plumbing and Hot Water</i>	Extend Piping in the Kitchens Under the Sink	40	\$	195.00	\$ 7,800.00
<i>Plumbing and Hot Water</i>	Install New ADA Low Flo Toilet	40	\$	320.00	\$ 12,800.00
<i>Plumbing and Hot Water</i>	Install New Low Flo Shower Heads, Cartridges, & Trim Kits	40	\$	225.00	\$ 9,000.00
<i>Plumbing and Hot Water</i>	Refinish Tubs and Showers	36	\$	300.00	\$ 10,800.00
<i>Plumbing and Hot Water</i>	Replace 100 Gallon Water Heaters, Expansion Tank, and Recirc Pump	3	\$	6,685.00	\$ 20,055.00
<i>Plumbing and Hot Water</i>	Replace 75 Gallon Water Heater in the Laundry Room	1	\$	6,170.00	\$ 6,170.00
<i>Plumbing and Hot Water</i>	Install New Seismic Shut-Off Valves	41	\$	435.00	\$ 17,835.00
<i>Plumbing and Hot Water</i>	Waterjet Sewer and Site Drainage Lines	40	\$	365.00	\$ 14,600.00
<i>Plumbing and Hot Water</i>	Camera Unit and Site Sewer Lines	1	\$	5,000.00	\$ 5,000.00
<i>Plumbing and Hot Water</i>	Install New Builing Water Shut Off Valves	6	\$	285.00	\$ 1,710.00
<i>Heat and Ventilation</i>	Install New PTAC in Units	40	\$	2,300.00	\$ 92,000.00
<i>Heat and Ventilation</i>	Install New Wall Furnaces in Units	40	\$	1,575.00	\$ 63,000.00
	Division Total		\$		315,170.00

Division 16

<i>Electrical</i>	Install New Kitchen LED Light Fixtures	40	\$	225.00	\$	9,000.00
<i>Electrical</i>	Install New Ceiling Fans w/UL Box in Dining and Living Rooms	80	\$	285.00	\$	22,800.00
<i>Electrical</i>	Install Vacancy Sensor in the Bathrooms	40	\$	150.00	\$	6,000.00
<i>Electrical</i>	Install New Unit Panels	40	\$	1,400.00	\$	56,000.00
<i>Electrical</i>	Install New Hall LED Light Fixtures at 3 Bedroom Units Only	5	\$	115.00	\$	575.00
<i>Electrical</i>	Install Hardwired Smoke Detectors at Hallway of 3 Bed Units - New Location	5	\$	125.00	\$	625.00
<i>Electrical</i>	Install New Hardwired Smoke Detectors at Bedrooms	80	\$	125.00	\$	10,000.00
<i>Electrical</i>	Install New Hardwired CO2 / Smoke Detectors at Hallways	40	\$	135.00	\$	5,400.00
<i>Electrical</i>	Install New GFCI's at Kitchens and Baths	120	\$	48.00	\$	5,760.00
<i>Electrical</i>	Install New Outlet for Rangehood	40	\$	110.00	\$	4,400.00
<i>Electrical</i>	Install New Energy Star Humidistat Fan and Light - Connect to Existing Duct	40	\$	465.00	\$	18,600.00
<i>Electrical</i>	Install New Exterior LED Unit Light Fixtures	20	\$	155.00	\$	3,100.00
<i>Electrical</i>	Allowance - Install New Security Camera System	1	\$	20,000.00	\$	20,000.00
<i>Electrical</i>	ADA Improvements - Visual and Hearing Upgrades	4	\$	1,050.00	\$	4,200.00
<i>Electrical</i>	Allowance - Exterior Site and Landscape Lighting	1	\$	30,000.00	\$	30,000.00
	Total Construction Cost, Before Fees			Division Total	\$	196,460.00
						\$2,292,594.00

General Requirements						
Overhead	6%					\$137,555.64
Profit	2%					\$45,851.88
Insurance	6%					\$137,555.64
Bond	1.15%					\$26,364.83
	1.15%					\$26,364.83
Grand Total						\$2,666,286.82
Hard Cost Per Unit	40					\$57,314.85
Soft Cost Per Unit	40					\$66,657.17

Excludes Permits, Prevailing Wages, Security, and Section 3 Hiring



SAN DIEGO
HOUSING
COMMISSION

ATTACHMENT 4 DEVELOPER'S DISCLOSURE STATEMENT

Real Estate Department

DEVELOPERS/CONSULTANTS/SELLERS/CONTRACTORS/ ENTITY SEEKING GRANT/BORROWERS (Collectively referred to as "CONTRACTOR" herein) Statement for Public Disclosure

1. Name of CONTRACTOR: National Community Renaissance of California
 2. Address and Zip Code: 9421 Haven Avenue, Rancho Cucamonga, CA 91701
 3. Telephone Number: 909-483-2444
 4. Name of Principal Contact for CONTRACTOR: Michael Finn.
 5. Federal Identification Number or Social Security Number of CONTRACTOR: 33-0521215
 6. If the CONTRACTOR is not an individual doing business under his own name, the CONTRACTOR has the status indicated below and is organized or operating under the laws of California as:
 - ☐ A corporation (Attach Articles of Incorporation)
 - ☒ A nonprofit or charitable institution or corporation. (Attach copy of Articles of Incorporation and documentary evidence verifying current valid nonprofit or charitable status)
 - ☐ A partnership known as: _____
(Name)
- Check one:
- ☐ General Partnership (Attach statement of General Partnership)
 - ☐ Limited Partnership (Attach Certificate of Limited Partnership)
 - ☐ A business association or a joint venture known as: _____
(Attach joint venture or business association agreement)
 - ☐ A Federal, State or local government or instrumentality thereof.
 - ☒ Other: 501(c)(3) nonprofit corporation
7. If the CONTRACTOR is not an individual or a government agency or instrumentality, give date of organization:
March 26, 1992
 8. Provide names, addresses, telephone numbers, title of position (if any) and nature and extent of the interest of the current officers, principal members, shareholders, and investors of the CONTRACTOR, other than a government agency or instrumentality, as set forth below:
 - a. If the CONTRACTOR is a corporation, the officers, directors or trustees, and each stockholder owning more than 10% of any class of stock.
 - b. If the CONTRACTOR is a nonprofit or charitable institution or corporation, the members who constitute the board of trustees or board of directors or similar governing body

- c. If the CONTRACTOR is a partnership, each partner, whether a general or limited, and either the percent of interest or a description of the character and extent of interest.
- d. If the CONTRACTOR is a business association or a joint venture, each participant and either the percent of interest or a description of the character and extent of interest.
- e. If the CONTRACTOR is some other entity, the officers, the members of the governing body, and each person having an interest of more than 10%.(Attach extra sheet if necessary)

Name and Address	Position Title (if any) and percent of interest or description of character and extent of interest
Name: Jeffrey Burum	Board Chair; Board Director – 0% Interest
Address: 9421 Haven Avenue, Rancho Cucamonga, CA 9170; 909-483-2444	
Name: Armando Bucelo	Board Director – 0% Interest
Address: 9421 Haven Avenue, Rancho Cucamonga, CA 9170; 909-483-2444	
Name: James Cashion	Board Director – 0% Interest
Address: 9421 Haven Avenue, Rancho Cucamonga, CA 9170; 909-483-2444	
Name: Gavin Clingham	Board Director – 0% Interest
Address: 9421 Haven Avenue, Rancho Cucamonga, CA 9170; 909-483-2444	
Name: Raymond Crebs	Board Director – 0% Interest
Address: 9421 Haven Avenue, Rancho Cucamonga, CA 9170; 909-483-2444	
Name: Laura Kurtz Kuhns	Board Director – 0% Interest
Address: 9421 Haven Avenue, Rancho Cucamonga, CA 9170; 909-483-2444	
Name: Stephen G. Larson	Board Director -0% Interest
Address: 9421 Haven Avenue, Rancho Cucamonga, CA 9170; 909-483-2444	
Name: James Previti	Board Director 0% Interest
Address: 9421 Haven Avenue, Rancho Cucamonga, CA 9170; 909-483-2444	
Name: Dr. Joe Thigpen	Board Director – 0% Interest
Address: 9421 Haven Avenue, Rancho Cucamonga, CA 9170; 909-483-2444	
Name: Richard Dawson	Board Director – 0% Interest
Address: 9421 Haven Avenue, Rancho Cucamonga, CA 9170; 909-483-2444	

Name: Joyce Johnson	Board Director – 0% Interest
Address: 9421 Haven Avenue, Rancho Cucamonga, CA 9170; 909-483-2444	
Name: Venus Lujan	Board Director – 0% Interest
Address: 9421 Haven Avenue, Rancho Cucamonga, CA 9170; 909-483-2444	
Name: Jovita Schofield	Board Director – 0% Interest
Address: 9421 Haven Avenue, Rancho Cucamonga, CA 9170; 909-483-2444	
Name: Susanne Monterosso	Board Director – 0% Interest
Address: 9421 Haven Avenue, Rancho Cucamonga, CA 9170; 909-483-2444	

9. Has the makeup as set forth in Item 8(a) through 8(e) changed within the last twelve (12) months? If yes, please explain in detail. **Susanne Monterosso was added in September 2017; Shirlene Crees and Dan Fauske ceased to be Directors in 2017. G. Allan Kingston, Sebastiano Sterpa and Andrew Wright retired and resigned in November 2017; Jeffrey Burum, Raymond Crebs, and James Previti were added in November 2017.**
10. Is it *anticipated* that the makeup as set forth in Item 8(a) through 8(e) will change within the next twelve (12) months? If yes, please explain in detail. **No**
11. Provide name, address, telephone number, and nature and extent of interest of each person or entity (not named in response to Item 8) who has a beneficial interest in any of the shareholders or investors named in response to Item 8 which gives such person or entity more than a computed 10% interest in the CONTRACTOR (for example, more than 20% of the stock in a corporation which holds 50% of the stock of the CONTRACTOR or more than 50% of the stock in the corporation which holds 20% of the stock of the CONTRACTOR): **NA**

Name and Address	Position Title (if any) and percent of interest or description of character and extent of interest
Name: N/A	
Address:	
Name:	
Address:	
Name:	
Address:	

12. Names, addresses and telephone numbers (if not given above) of officers and directors or trustees of any corporation or firm listed under Item 8 or Item 11 above:

Name and Address	Position Title (if any) and percent of interest or description of character and extent of interest
Name: Steve PonTell	President and CEO
Address: 9421 Haven Avenue, Rancho Cucamonga, CA 91701; 909-483-2444	
Name: Michael Ruane	EVP
Address: 9421 Haven Avenue, Rancho Cucamonga, CA 91701; 909-483-2444	
Name: Michael Finn	CFO
Address: 9421 Haven Avenue, Rancho Cucamonga, CA 91701; 909-483-2444	
Name: Gregory Bradbard	Senior Vice President
Address: 9421 Haven Avenue, Rancho Cucamonga, CA 91701; 909-483-2444	
Name: Robert Diaz	General Counsel; Secretary
Address: 9421 Haven Avenue, Rancho Cucamonga, CA 91701; 909-483-2444	
Name: Dorrie Bryan	Assistant Secretary
Address: 9421 Haven Avenue, Rancho Cucamonga, CA 91701; 909-483-2444	
Name: Devin Wright	Assistant Secretary
Address: 9421 Haven Avenue, Rancho Cucamonga, CA 91701; 909-483-2444	

13. Is the CONTRACTOR a subsidiary of or affiliated with any other corporation or corporations, any other firm or any other business entity or entities of whatever nature? If yes, list each such corporation, firm or business entity by name and address, specify its relationship to the CONTRACTOR, and identify the officers and directors or trustees common to the CONTRACTOR and such other corporation, firm or business entity.

Name and Address	Relationship to CONTRACTOR
Name:	
Address:	
Name:	
Address:	
Name:	
Address:	

14. Provide the financial condition of the CONTRACTOR as of the date of the statement and for a period of twenty-four (24) months prior to the date of its statement as reflected in the attached financial statements, including, but not necessarily limited to, profit and loss statements and statements of financial position. **Unaudited 2017 and audited 2016 financial statements are attached**
15. If funds for the development/project are to be obtained from sources other than the CONTRACTOR's own funds, provide a statement of the CONTRACTOR's plan for financing the development/project:

Total development costs for the Parkside Apartments project will be approximately:

\$ 10,287,741

The development costs for the Sierra Vista project will be financed with:

- Tax-exempt bonds, privately placed with Pacific Western Bank
- New Seller Loan, San Diego Housing Commission, HCD, and Replacement Reserves
- Equity from the syndication of low-income housing tax credits
- Deferred developer fee

National Community Renaissance will execute a commitment letter with Pacific Western Bank, whereby the lender will purchase the tax-exempt bonds and provide a construction loan and permanent loan for the project. The construction loan will be up to approximately \$5 million for a period of 24 months. The permanent loan will be approximately \$2,788,000. During the construction period, monthly interest only payments will be required. The construction interest rate is currently 4%.

Upon completion of construction, 90% occupancy, and average debt service coverage of 1.15 for a period of three months, the project will convert to its permanent loan. The permanent period interest rate is currently 5%.

WNC & Associates will serve as the project's equity investor Limited Partner. The first equity contribution of 20% of their total contribution, approximately \$606,006 will be made upon closing of the tax-exempt bond loan. The second equity contribution of 10, approximately \$302,953, will be made upon 25% construction completion. WNC will make their third equity contribution of 40% (\$1,211,812) at permanent loan conversion and the fourth equity contribution of 30% (\$883,860) at 8609.

16. Provide sources and amount of cash available to CONTRACTOR to meet equity requirements of the proposed undertaking: **Contractor is utilizing low income housing tax credit to meet the equity requirements of the proposed undertaking. As needed, NCRC is able to provide predevelopment funding to finance development expenditures prior to closing the construction financing. Please see attached financial statements that detail cash available: the most recent unaudited consolidated balance sheet shows \$21,462,635 of total cash and cash equivalents from NCRC and its affiliates (NCRC - \$10,493,544; NCRC Housing Affiliates - \$10,969,091). The total net assets for NCRC (not including affiliates) on December 31, 2017 was \$109,338,332 and the total including housing affiliates was \$199,211,418.**

- a. In banks/savings and loans
See attached Financial Statements.:
Name:
Address:
Amount: \$

b. By loans from affiliated or associated corporations or firms:

See attached Financial Statements.:

Name:

Address:

Amount: \$

c. By sale of readily salable assets/including marketable securities:

See attached Financial Statements.:

Description	Market Value (\$)	Mortgages or Liens (\$)

17. Names and addresses of bank references, and name of contact at each reference:

Name and Address	Contact Name
Name: Wells Fargo Bank	Rick Arcaro; (909) 481-6514
Address: 4141 Inland Empire Blvd, #305, Ontario, CA 91764	
Name: US Bank	Craig Clark; (949) 863-2392
Address: 4100 Newport Place #130, Newport Beach, CA 92660	
Name:	
Address:	

18. Has the CONTRACTOR or any of the CONTRACTOR's officers or principal members, shareholders or investors, or other interested parties been adjudged bankrupt, either voluntary or involuntary, within the past 10 years?

☐ Yes

☒ No

If yes, give date, place, and under what name.

19. Has the CONTRACTOR or anyone referred to above as "principals of the CONTRACTOR" been convicted of any felony within the past 10 years?

☐ Yes

☒ No

If yes, give for each case (1) date, (2) charge, (3) place, (4) court, and (5) action taken. Attach any explanation deemed necessary.

20. List undertakings (including, but not limited to, bid bonds, performance bonds, payment bonds and/or improvement bonds) comparable to size of the proposed project which have been completed by the CONTRACTOR including identification and brief description of each project, date of completion, and amount of bond, whether any legal action has been taken on the bond:

Type of Bond	Project Description	Date of Completion	Amount of Bond	Action on Bond
Payment & Performance	Dumosa Senior Village; 75 Senior Apartments	2014	\$10,638,796	None
Payment & Performance	Downey The View; 50 Family Apartments	2014	\$12,205,100	None
Payment & Performance	Westlake Village Apartments Phase II; 57 Family Apartments	2013	\$6,992,014	None
Payment & Performance	Desert Meadows; 80 Family Apartments	2013	\$16,906,154	None

20. If the CONTRACTOR, or a parent corporation, a subsidiary, an affiliate, or a principal of the CONTRACTOR is to participate in the development as a construction contractor or builder, provide the following information

National Community Renaissance of California will not participate in the development as a construction contractor.

- a. Name and addresses of such contractor or builder:

Name and Address	Affiliation
Name:	
Address:	
Name:	
Address:	
Name:	
Address:	

- b. Has such contractor or builder within the last 10 years ever failed to qualify as a responsible bidder, refused to enter into a contract after an award has been made, or failed to complete a construction or development contract? **NA – NCRC will not be construction contractor.**

☐ Yes ☐ No

If yes, please explain, in detail, each such instance:

- c. Total amount of construction or development work performed by such contractor or builder during the last three (3) years: \$_____

NA – NCRC will not be construction contractor

General description of such work:

List each project, including location, nature of work performed, name, address of the owner of the project, bonding companies involved, amount of contract, date of commencement of project, date of completion, state whether any change orders were sought, amount of change orders, was litigation commenced concerning the project, including a designation of where, when and the outcome of the litigation. (Attach extra sheet if necessary)

Project Name		
Project Owner Contact Information		
	Name	Address
Project Location		
Project Details		
Bonding Company Involved		
	Name	Amount of Contract
Change Order Details		
Change Order Cost		
Litigation Details		
	Location/Date	Outcome Details

c. Construction contracts or developments now being performed by such contractor or builder:

NA – NCRC will not be construction contractor

Identification of Contract or Development	Location	Amount	Date to be Completed

d. Outstanding construction-contract bids of such contractor or builder:

NA – NCRC will not be construction contractor

Awarding Agency	Amount	Date Opened
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22. Provide a detailed and complete statement regarding equipment, experience, financial capacity, and other resources available to such contractor or builder for the performance of the work involved in the proposed project, specifying particularly the qualifications of the personnel, the nature of the equipment, and the general experience of the contractor:

NA – NCRC will not be construction contractor

23. Does any member of the governing body of the San Diego Housing Commission ("SDHC"), Housing Authority of the City of San Diego ("AUTHORITY") or City of San Diego ("CITY"), to which the accompanying proposal is being made or any officer or employee of the SDHC, the AUTHORITY or the CITY who exercises any functions or responsibilities in connection with the carrying out of the project covered by the CONTRACTOR's proposal, have any direct or indirect personal financial interest in the CONTRACTOR or in the proposed contractor?

☐ Yes ☒ No

If yes, explain:

24. Statements and other evidence of the CONTRACTOR's qualifications and financial responsibility (other than the financial statement referred to in Item 8) are attached hereto and hereby made a part hereof as follows:

NA – NCRC will not be construction contractor

25. Is the proposed CONTRACTOR, and/or are any of the proposed subcontractors, currently involved in any construction-related litigation?

26. **NA – NCRC will not be construction contractor**

☐ Yes ☐ No

If yes, explain:

27. State the name, address and telephone numbers of CONTRACTOR's insurance agent(s) and/or companies for the following coverage's: List the amount of coverage (limits) currently existing in each category: The following applies to National Community Renaissance of California, who will not participate as the General Contractor for this project.

Insurance Agent:

Kevin Kidd, Account Manager

NPN 8733641

IMA, Inc.

1705 17th Street, Suite 100 | Denver, CO 80202-1657 | 303-534-4567

Direct 303-615-7682 | Fax 303-534-0600
kevin.kidd@imacorp.com

Insurance Agent (Automobile Only):

Edgewood Partners/ Philadelphia Indemnity Insurance
Linda Campbell
(213) 629-8915
Linda.campbell@epicbrokers.com
601 S. Figueroa Street, Suite 3950
Los Angeles, CA 90017

- a. General Liability, including Bodily Injury and Property Damage Insurance [Attach certificate of insurance showing the amount of coverage and coverage period(s)]

**See attached certificates; Umbrella Liability- \$5 million each occurrence and aggregate;
General Liability- \$1 million limit; Personal- \$1 million; General Aggregate- \$2 million;
Products- Comp/Op Aggregate- \$2 million**

Check coverage(s) carried:

- ☒ Comprehensive Form
- ☒ Premises - Operations
- ☐ Explosion and Collapse Hazard
- ☐ Underground Hazard
- ☒ Products/Completed Operations Hazard
- ☒ Contractual Insurance
- ☐ Broad Form Property Damage
- ☐ Independent Contractors
- ☐ Personal Injury

- b. Automobile Public Liability/Property Damage [Attach certificate of insurance showing the amount of coverage and coverage period(s)] **See attached certificate; \$1 Million.**

Check coverage(s) carried:

- ☐ Comprehensive Form
- ☐ Owned
- ☒ Hired
- ☒ Non-Owned

- c. Workers Compensation [Attach certificate of insurance showing the amount of coverage and coverage period(s)] **See attached certificate; \$1 Million**
- d. Professional Liability (Errors and Omissions) [Attach certificate of insurance showing the amount of coverage and coverage period(s)] **NA**
- e. Excess Liability [Attach certificate(s) of insurance showing the amount of coverage and coverage period(s)] **\$ 5 million limit; See attached certificate**
- f.

- g. Other (Specify) [Attach certificate(s) of insurance showing the amount of coverage and coverage period(s)] **Umbrella Liability Policy; See attached certificate**
- h.

27. CONTRACTOR warrants and certifies that it will not during the term of the PROJECT, GRANT, LOAN, CONTRACT, DEVELOPMENT and/or RENDITIONS OF SERVICES discriminate against any employee, person, or applicant for employment because of race, age, sexual orientation, marital status, color, religion, sex, handicap, or national origin. The CONTRACTOR will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, age, sexual orientation, marital status, color, religion, sex, handicap, or national origin. Such action shall include, but not be limited to the following: employment, upgrading, demotion or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The CONTRACTOR agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the SDHC setting forth the provisions of this nondiscrimination clause.
28. The CONTRACTOR warrants and certifies that it will not without prior written consent of the SDHC, engage in any business pursuits that are adverse, hostile or take incompatible positions to the interests of the SDHC, during the term of the PROJECT, DEVELOPMENT, LOAN, GRANT, CONTRACT and/or RENDITION OF SERVICES.
29. CONTRACTOR warrants and certifies that no member, commissioner, councilperson, officer, or employee of the SDHC, the AUTHORITY and/or the CITY, no member of the governing body of the locality in which the PROJECT is situated, no member of the government body in which the SDHC was activated, and no other public official of such locality or localities who exercises any functions or responsibilities with respect to the assignment of work, has during his or her tenure, or will for one (1) year thereafter, have any interest, direct or indirect, in this PROJECT or the proceeds thereof.
30. List all citations, orders to cease and desist, stop work orders, complaints, judgments, fines, and penalties received by or imposed upon CONTRACTOR for safety violations from any and all government entities including but not limited to, the City of San Diego, County of San Diego, the State of California, the United States of America and any and all divisions and departments of said government entities for a period of five (5) years prior to the date of this statement. If none, please state: **NA – NCRC will not be construction contractor**

Government Complaint	Entity	Making	Date	Resolution

31. Has the CONTRACTOR ever been disqualified, removed from or otherwise prevented from bidding on or completing a federal, state, or local government project because of a violation of law or a safety regulation?

☐ Yes ☒ No

If yes, please explain, in detail,

32. Please list all licenses obtained by the CONTRACTOR through the State of California and/or the United States of America which are required and/or will be utilized by the CONTRACTOR and/or are convenient to the performance of the PROJECT, DEVELOPMENT, LOAN, GRANT, CONTRACT, or RENDITION OF SERVICES. State the name of the governmental agency granting the license, type of license, date of grant, and the status of the license, together with a statement as to whether the License has ever been revoked: **NA**

Government Agency	License Description	License Number	Date Issued (Original)	Status (Current)	Revocation (Yes/No)

33. Describe in detail any and all other facts, factors or conditions that may adversely affect CONTRACTOR's ability to perform or complete, in a timely manner, or at all, the PROJECT, CONTRACT, SALES of Real Property to, DEVELOPMENT, repayment of the LOAN, adherence to the conditions of the GRANT, or performance of consulting or other services under CONTRACT with the SDHC.

There are no factors or conditions that may adversely affect National Community Renaissance of California as CONTRACTOR's ability to perform or complete, in a timely manner, or at all, the PROJECT, CONTRACT, SALES of Real Property to, DEVELOPMENT, repayment of the LOAN, adherence to the conditions of the GRANT, or performance of consulting or other services under CONTRACT with SDHC.

34. Describe in detail, any and all other facts, factors or conditions that may favorably affect CONTRACTOR's ability to perform or complete, in a timely manner, or at all, the PROJECT, CONTRACT, DEVELOPMENT, repayment of the LOAN, adherence to the conditions of the GRANT, or performance of consulting or other services under CONTRACT with the SDHC.

NCRC has a long and successful track record of financing, developing, building, and managing affordable housing and partnering with numerous public agencies throughout the country. Having property management group in-house allows close coordination between Development and Management from pre-development through construction, lease-up, and operations. This will ensure the feasibility of this project2/17 and timely repayment of debt to financial partners such as SDHC.

35. List all CONTRACTS with, DEVELOPMENTS for or with, LOANS with, PROJECTS with, GRANTS from, SALES of Real Property to, the SDHC, AUTHORITY and/or the CITY within the last five (5) years:

Date	Entity Involved (i.e. City SDHC, etc)	Status (Current, delinquent, repaid, etc.)	Dollar Amount
3/2/2018	SDHC for Encanto Village	Closed on 3/2/2018	\$1,060,000
2/26/2018	SDHC for San Ysidro Senior Village	Funding Commitment 2/26/2018	\$6,200,000

36. Within the last five years, has the proposed CONTRACTOR, and/or have any of the proposed subcontractors, been the subject of a complaint filed with the Contractor's State License Board (CSLB)? **NA – NCRC will not be construction contractor** ☐ Yes ☐ No

If yes, explain:

37. Within the last five years, has the proposed CONTRACTOR, and/or have any of the proposed subcontractors, had a revocation or suspension of a CONTRACTOR's License? **NA – NCRC will not be construction contractor** ☐ Yes ☐ No

If yes, explain:

38. List three local references that would be familiar with your previous construction project: **NA – NCRC will not be construction contractor** Name:

Address:

Phone:

Project Name and Description:

1. Name:

Address:

Phone:

Project Name and Description:

2. Name:

Address:

Phone:

Project Name and Description:

39. Give a brief statement regarding equipment, experience, financial capacity and other resources available to the Contractor for the performance of the work involved in the proposed project, specifying particularly the qualifications of the personnel, the nature of the equipment and the general experience of the Contractor.

NA – NCRC will not be construction contractor

40. Give the name and experience of the proposed Construction Superintendent. **NA – NCRC will not be construction contractor**

Name	Experience

CONSENT TO PUBLIC DISCLOSURE BY CONTRACTOR

By providing the "Personal Information", (if any) as defined in Section 1798.3(a) of the Civil Code of the State of California (to the extent that it is applicable, if at all), requested herein and by seeking a loan from, a grant from, a contract with, the sale of real estate to, the right to develop from, and/or any and all other entitlements from the SAN DIEGO HOUSING COMMISSION ("SDHC"), the HOUSING AUTHORITY OF THE CITY OF SAN DIEGO ("AUTHORITY") and/or the CITY OF SAN DIEGO ("CITY"), the CONTRACTOR consents to the disclosure of any and all "Personal Information" and of any and all other information contained in this Public Disclosure Statement. CONTRACTOR specifically, knowingly and intentionally waives any and all privileges and rights that may exist under State and/or Federal Law relating to the public disclosure of the information contained herein. With respect to "Personal Information", if any, contained herein, the CONTRACTOR, by executing this disclosure statement and providing the information requested, consents to its disclosure pursuant to the provisions of the Information Practices Act of 1977, Civil Code Section 1798.24(b). CONTRACTOR is aware that a disclosure of information contained herein will be made at a public meeting or meetings of the SDHC, the AUTHORITY, and/or the CITY at such times as the meetings may be scheduled. CONTRACTOR hereby consents to the disclosure of said "Personal Information", if any, more than thirty (30) days from the date of this statement at the duly scheduled meeting(s) of the SDHC, the AUTHORITY and/or the CITY. CONTRACTOR acknowledges that public disclosure of the information contained herein may be made pursuant to the provisions of Civil Code Section 1798.24(d).

CONTRACTOR represents and warrants to the SDHC, the AUTHORITY and the CITY that by providing the information requested herein and waiving any and all privileges available under the Evidence Code of the State of California, State and Federal Law, (to the extent of this disclosure that the information being submitted herein), the information constitutes a "Public Record" subject to disclosure to members of the public in accordance with the provisions of California Government Section 6250 et seq.

CONTRACTOR specifically waives, by the production of the information disclosed herein, any and all rights that CONTRACTOR may have with respect to the information under the provisions of Government Code Section 6254 including its applicable subparagraphs, to the extent of the disclosure herein, as well as all rights of privacy, if any, under the State and Federal Law.

Executed this 18th day of May, 2018, at San Diego, California.

CONTRACTOR

By: [Signature]
Signature

SECRETARY
Title

CERTIFICATION

NATIONAL COMMUNITY REHABILITATION

The CONTRACTOR, OF CALIFORNIA, hereby certifies that this CONTRACTOR's Statement for Public Disclosure and the attached information/evidence of the CONTRACTOR's qualifications and financial responsibility, including financial statements, are true and correct to the best of CONTRACTOR's knowledge and belief.

By: *[Signature]*

By: _____

Title: SECRETARY

Title: _____

Dated: 5/18/2008

Dated: _____

WARNING: 18 U.S.C. 1001 provides, among other things, that whoever knowingly and willingly makes or uses a document or writing containing any false, fictitious or fraudulent statement or entry, in any matter within the jurisdiction or any department or agency of the United States, shall be fined not more than \$10,000 or imprisoned for not more than five years, or both.

JURAT

State of California

County of _____

Subscribed and sworn to (or affirmed) before me on this _____ day of _____, 20__

by _____ personally known to me or proved to me on the basis of
satisfactory evidence to be the person(s) who appeared before me.

Signature of Notary

see attached notary certificate MR

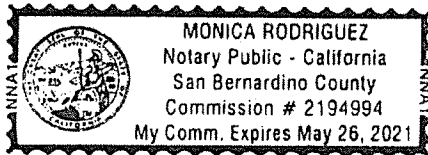
SEAL

CALIFORNIA JURAT


A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of San Bernardino)

Subscribed and sworn to (or affirmed) before me this 18th day of May, 2018
by Robert Diaz proved to me on the
basis of satisfactory evidence to be the person(s) who appeared before me.



(Seal)



Signature of Notary Public

My Commission Expires: May 26, 2021

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: _____ (not including this page)

Signer(s) Other Than Named Above: _____

11078
A0657184

1817911

CERTIFICATE OF AMENDMENT
OF
ARTICLES OF INCORPORATION
OF

FILED
In the office of the Secretary of State
of the State of California

FEB 21 2007

THE SOUTHERN CALIFORNIA HOUSING DEVELOPMENT CORPORATION

Rebecca Clark and Doretta Bryan certify that:

1. They are the President and the Secretary, respectively, of The Southern California Housing Development Corporation, a California nonprofit public benefit corporation (the "Corporation").
2. Article I of the Articles of Incorporation of the Corporation shall be amended to read in its entirety as follows:

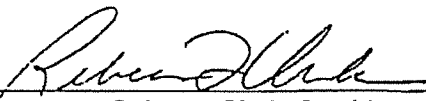
"I

The name of this corporation is: NATIONAL COMMUNITY RENAISSANCE
OF CALIFORNIA."

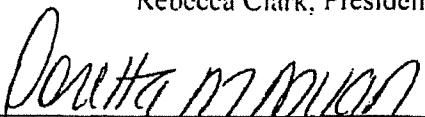
3. The foregoing amendment of the Articles of Incorporation has been duly approved by the Board of Directors.
4. The Corporation has no members.

We further declare under penalty of perjury under the laws of the State of California that the matters set forth in this certificate are true and correct of our own knowledge.

DATE: February 15, 2007



Rebecca Clark, President



Doretta Bryan, Secretary

Secretary of State
State of California
Corporate Filing Division

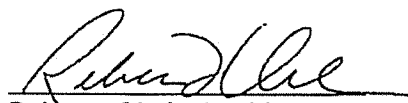
Re: National Community Renaissance of California

Ladies and Gentlemen:

Please be advised that the undersigned, Rebecca Clark, President of National Community Renaissance, hereby irrevocably consents to the use of the name National Community Renaissance of California to be formed in the State of California.

National Community Renaissance

By:


Rebecca Clark, President

1811911

18-7911

ENDORSED
FILED
In the office of the Secretary of State
of the State of California

MAR 23 1992

MARCH FONG EU, Secretary of State

ARTICLES OF INCORPORATION

OF

THE SOUTHERN CALIFORNIA HOUSING DEVELOPMENT CORPORATION

I.

The name of this corporation is The Southern California Housing Development Corporation.

II.

A. This corporation is a nonprofit public benefit corporation and is not organized for the private gain of any person. It is organized under the Nonprofit Public Benefit Corporation Law for charitable purposes.

B. The specific purpose of this corporation is to lessen the burdens of the governments of cities located in Imperial County, Kern County, Los Angeles County, Orange County, Riverside County, San Bernardino County, San Diego County, Santa Barbara County and Ventura County, California, by assisting such cities in the development of affordable housing, as defined by the State of California Community Redevelopment Law (Health and Safety Code Section 33000 et. seq.), as it may be amended from time to time.

III.

The name and address in the State of California of this corporation's initial agent for service of process is:

Andrew Wright
356 West Eleventh Street
Claremont, California 91711

IV.

A. This corporation is organized and operated exclusively for charitable purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code.

B. Notwithstanding any other provision of these articles, the corporation shall not carry on any other activities not permitted to be carried on (i) by a corporation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code or (ii) by a corporation contributions to which are deductible under Section 170(c)(2) of the Internal Revenue Code.

C. No substantial part of the activities of this corporation shall consist of carrying on propaganda, or otherwise attempting to influence legislation, and the corporation shall not participate or intervene in any political campaign (including the publishing or distribution of statements) on behalf of any candidate for public office.

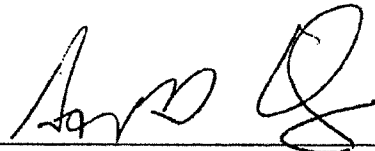
V.

A. The property of this corporation is irrevocably dedicated to charitable purposes and no part of the net income or assets of this corporation shall ever inure to the benefit of any director, officer or member thereof or to the benefit of any private person.

B. Upon the dissolution or winding up of the corporation, its assets remaining after payment, or provision for payment, of all debts and liabilities of this corporation shall be distributed to a nonprofit fund, foundation or corporation which is organized and operated exclusively for charitable purposes and which has established its tax exempt status under Section 501(c)(3) of the Internal Revenue Code.

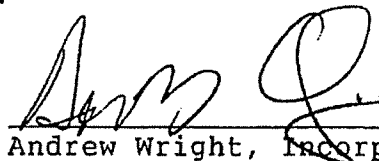
Dated:

March 20 1992



Andrew Wright, Incorporator

I hereby declare that I am the person who executed the foregoing Articles of Incorporation, and that this instrument is my act and deed.



Andrew Wright, Incorporator



IRS Department of the Treasury
Internal Revenue Service
P.O. Box 9941
Ogden UT 84409

OMB Clearance No.: 1545-0047

In reply refer to: 0438044135
June 06, 2013 LTR 4168C 0
33-0521215 000000 00

00037424
BODC: TE

NATIONAL COMMUNITY RENAISSANCE
OF CALIFORNIA
% NATIONAL COMMUNITY RENAISSANCE
9065 HAVEN AVE STE 100
RCH CUCAMONGA CA 91730



05790

Employer Identification Number: 33-0521215
Person to Contact: Janice Dawson
Toll Free Telephone Number: 1-877-829-5500

Dear Taxpayer:

This is in response to your May 28, 2013, request for information regarding your tax-exempt status.

Our records indicate that you were recognized as exempt under section 501(c)(3) of the Internal Revenue Code in a determination letter issued in October 1996.

Our records also indicate that you are not a private foundation within the meaning of section 509(a) of the Code because you are described in section(s) 509(a)(1) and 170(b)(1)(A)(vi).

Donors may deduct contributions to you as provided in section 170 of the Code. Bequests, legacies, devises, transfers, or gifts to you or for your use are deductible for Federal estate and gift tax purposes if they meet the applicable provisions of sections 2055, 2106, and 2522 of the Code.

Please refer to our website www.irs.gov/efo for information regarding filing requirements. Specifically, section 6033(j) of the Code provides that failure to file an annual information return for three consecutive years results in revocation of tax-exempt status as of the filing due date of the third return for organizations required to file. We will publish a list of organizations whose tax-exempt status was revoked under section 6033(j) of the Code on our website beginning in early 2011.

0438044135
June 06, 2013 LTR 4168C 0
33-0521215 000000 00
00037425

NATIONAL COMMUNITY RENAISSANCE
OF CALIFORNIA
% NATIONAL COMMUNITY RENAISSAN
9065 HAVEN AVE STE 100
RCH CUCAMONGA CA 91730

If you have any questions, please call us at the telephone number
shown in the heading of this letter.

Sincerely yours,



Sharon Davies
Accounts Management I



STATE OF CALIFORNIA

FRANCHISE TAX BOARD

P.O. BOX 1286

RANCHO CORDOVA, CA. 95741-1286

March 11, 1993

In reply refer to
340:G :RWN

THE SOUTHERN CALIFORNIA HOUSING
DEVELOPMENT CORPORATION
STE E ANDREW B. WRIGHT
190 N ARROWHEAD
RIALTO CA 92376

Purpose : CHARITABLE
Code Section : 23701d
Form of Organization : Corporation
Accounting Period Ending: June 30
Organization Number : 1817911 SC3HD

You are exempt from state franchise or income tax under the section of the Revenue and Taxation Code indicated above.

This decision is based on information you submitted and assumes that your present operations continue unchanged or conform to those proposed in your application. Any change in operation, character, or purpose of the organization must be reported immediately to this office so that we may determine the effect on your exempt status. Any change of name or address must also be reported.

In the event of a change in relevant statutory, administrative, judicial case law, a change in federal interpretation of federal law in cases where our opinion is based upon such an interpretation, or a change in the material facts or circumstances relating to your application upon which this opinion is based, this opinion may no longer be applicable. It is your responsibility to be aware of these changes should they occur. This paragraph constitutes written advice, other than a chief counsel ruling, within the meaning of Revenue and Taxation Code Section 21012(a)(2).

You may be required to file Form 199 (Exempt Organization Annual Information Return) on or before the 15th day of the 5th month (4 1/2 months) after the close of your accounting period. Please see annual instructions with forms for requirements.

You are not required to file state franchise or income tax returns unless you have income subject to the unrelated business income tax under Section 23731 of the Code. In this event, you are required to

March 11, 1993
THE SOUTHERN CALIFORNIA HOUSING
Corporate Number 1817911 SC3HD
Page 2

file Form 109 (Exempt Organization Business Income Tax Return) by the 15th day of the 5th month (4 1/2 months) after the close of your annual accounting period.

Please note that an exemption from federal income or other taxes and other state taxes requires separate applications.

A copy of this letter has been sent to the Registry of Charitable Trusts.

R NORTON
EXEMPT ORGANIZATION UNIT
CORPORATION AUDIT SECTION
Telephone (916) 369-4178

EO :



Internal Revenue Service

Department of the Treasury

Washington, DC 20224

The Southern California Housing
Development Corporation
c/o Andrew B. Wright
190 North Arrowhead, Suite E
Rialto, CA 92376

Person to Contact: J. O'Malley

Telephone Number: (202) 622-7247
(202) 622-7323

Refer Reply to:

E:EO:R:1

Date:

SEP 30 1992

Employer Identification Number: 33-0521215
Key District: Los Angeles
Accounting Period Ending: June 30
Foundation Status Classification: 509(a)(2)
Advance Ruling Period Begins: March 26, 1992
Advance Ruling Period Ends: June 30, 1996
Effective Date of Exemption: March 26, 1992
Form 990 Required: Yes

Dear Applicant:

Based on information supplied, and assuming your operations will be as stated in your application for recognition of exemption, we have determined you are exempt from federal income tax under section 501(a) of the Internal Revenue Code as an organization described in section 501(c)(3), beginning on your effective date of exemption.

Because you are a newly created organization, we are not now making a final determination of your foundation status under section 509(a) of the Code. However, we have determined that you can reasonably be expected to be a publicly supported organization described in the section(s) shown above.

Accordingly, you will be treated as a publicly supported organization, and not as a private foundation, during an advance ruling period. This advance ruling period begins and ends on the dates shown above.

Within 90 days after the end of your advance ruling period, you must submit to your key District Director information needed to determine whether you have met the requirements of the applicable support test during the advance ruling period. If you establish that you have been a publicly supported organization, you will be classified as a section 509(a)(1) or 509(a)(2) organization as long as you continue to meet the requirements of the applicable support test. If you do not meet the public support requirements during the advance ruling period, you will be classified as a private foundation for future periods. Also,

The Southern California Housing
Development Corporation

if you are classified as a private foundation, you will be treated as a private foundation from the date of your inception for purposes of sections 507(d) and 4940.

Donors may deduct contributions to you as provided in section 170 of the Code, beginning on your effective date of exemption. Bequests, legacies, devises, transfers, or gifts to you or for your use are deductible for federal estate and gift tax purposes, if they meet the applicable provisions of sections 2055, 2106, and 2522, beginning on your effective date of exemption.

Donors (including private foundations) may rely on the advance ruling that you are not a private foundation until 90 days after your advance ruling period ends. If you submit the required information within the 90 days, donors may continue to rely on the advance ruling until we make a final determination of your foundation status. However, if notice that you will no longer be treated as the type of organization shown above is published in the Internal Revenue Bulletin, donors may not rely on this advance ruling after the date of such publication. Also, donors (other than private foundations) may not rely on the classification shown above if they were in part responsible for, or were aware of, the act that resulted in your loss of that classification, or if they acquired knowledge that the Internal Revenue Service had given notice that you would be removed from that classification. Private foundations may rely on the classification as long as you were not directly or indirectly controlled by them or by disqualified persons with respect to them. However, private foundations may not rely on the classification shown above if they acquired knowledge that the Internal Revenue Service had given notice that you would be removed from that classification.

If your sources of support, or your purposes, character, or method of operation change, please let your key district know so that office can consider the effect of the change on your exempt status and foundation status. In the case of an amended document or bylaws, please send a copy of the amended document or bylaws to your key district. Also, you should inform your key District Director of all changes in your name or address.

As of January 1, 1984, you are liable for taxes under the Federal Insurance Contributions Act (social security taxes) on remuneration of \$100 or more you pay to each of your employees during a calendar year. You are not liable for the tax imposed under the Federal Unemployment Tax Act (FUTA).

The Southern California Housing
Development Corporation

Organizations that are not private foundations are not subject to the excise taxes under Chapter 42 of the Code. However, you are not automatically exempt from other federal excise taxes. If you have any questions about excise, employment, or other federal taxes, please contact your key District Director.

If you conduct fund-raising events such as benefit dinners, auctions, membership drives, etc., where something of value is received in return for contributions, you can help your donors avoid difficulties with their income tax returns by assisting them in determining the proper tax treatment of their contributions. To do this you should, in advance of the event, determine the fair market value of the benefit received and state it in your fund-raising materials such as solicitations, tickets, and receipts in such a way that your donors can determine how much is deductible and how much is not. To assist you in this, the Service has issued Publication 1391, Deductibility of Payments Made to Organizations Conducting Fund-Raising Events. You may obtain copies of Publication 1391 from your key district office.

In the heading of this letter we have indicated whether you must file Form 990, Return of Organization Exempt from Income Tax. If Yes is indicated, you are required to file Form 990 only if your gross receipts each year are normally more than \$25,000. If your gross receipts each year are not normally more than \$25,000, we ask that you establish that you are not required to file Form 990 by completing Part I of that Form for your first year. Thereafter, you will not be required to file a return until your gross receipts exceed the \$25,000 minimum. For guidance in determining if your gross receipts are "normally" not more than the \$25,000 limit, see the instructions for the Form 990. If a return is required, it must be filed by the 15th day of the fifth month after the end of your annual accounting period. A penalty of \$10 a day is charged when a return is filed late, unless there is reasonable cause for the delay. The maximum penalty charged cannot exceed \$5,000 or 5 percent of your gross receipts for the year, whichever is less. This penalty may also be charged if a return is not complete, so please be sure your return is complete before you file it.

You are required to make your annual return available for public inspection for three years after the return is due. You are also required to make available a copy of your exemption application, and supporting documents, and this exemption letter. Failure to make these documents available for public inspection may subject you to a penalty of \$10 per day for each day there is a failure to comply (up to a maximum of \$5,000 in the case of an

The Southern California Housing
Development Corporation

annual return). See Internal Revenue Service Notice 88-120,
1988-2 C.B. 454, for additional information.

You are not required to file federal income tax returns unless you are subject to the tax on unrelated business income under section 511 of the Code. If you are subject to this tax, you must file an income tax return on Form 990-T, Exempt Organization Business Income Tax Return. In this letter we are not determining whether any of your present or proposed activities are unrelated trade or business as defined in section 513 of the Code.

You need an employer identification number even if you have no employees. Please use that number on all returns you file and in all correspondence with the Internal Revenue Service.

We are informing your key District Director of this ruling. Because this letter could help resolve any questions about your exempt status and foundation status, you should keep it in your permanent records.

If you have any questions about this ruling, please contact the person whose name and telephone number are shown in the heading of this letter. For other matters, including questions concerning reporting requirements, please contact your key District Director.

Sincerely,

Marvin Friedlander

Marvin Friedlander
Chief, Exempt Organizations
Rulings Branch 1

Enclosure: Form 872-C

Form **872-C**

(Revised 9-90)

Department of the Treasury
Internal Revenue Service

**Consent Fixing Period of Limitation Upon
Assessment of Tax Under Section 4940 of the
Internal Revenue Code**

(See instructions on reverse side.)

OMB No. 1545-0056

To be used with Form
1023. Submit in
duplicate.

Under section 6501(c)(4) of the Internal Revenue Code, and as part of a request filed with Form 1023 that the organization named below be treated as a publicly supported organization under section 170(b)(1)(A)(vi) or section 509(a)(2) during an advance ruling period,

The Southern California Housing Development Corporation

(Exact legal name of organization as shown in organizing document)

190 North Arrowhead, Suite E

Rialto, California 92376

(Number, street, city or town, state, and ZIP code)

and the District Director of
Internal Revenue, or
Assistant Commissioner
(Employee Plans and
Exempt Organizations)

Consent and agree that the period for assessing tax (imposed under section 4940 of the Code) for any of the 5 tax years in the advance ruling period will extend 8 years, 4 months, and 15 days beyond the end of the first tax year.

However, if a notice of deficiency in tax for any of these years is sent to the organization before the period expires, the time for making an assessment will be further extended by the number of days the assessment is prohibited, plus 60 days.

Ending date of first tax year June 30, 1992
(Month, day, and year)

Name of organization (as shown in organizing document)

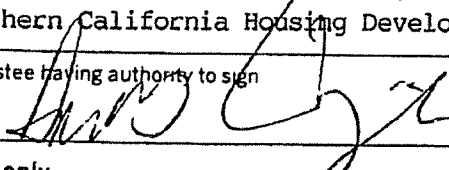
The Southern California Housing Development Corporation

Date

SEP 4 1992

Officer or trustee having authority to sign

Signature ▶



(President and Chairman of the Board)

For IRS use only

~~XXXXXXXXXX~~ Assistant Commissioner (Employee Plans and Exempt Organizations)

Date

John Burke

September 10, 1992

▶ 
For Paperwork Reduction Act Notice, see page 1 of the Form 1023 Instructions.

1023.18

Published by Tax Management Inc., a Subsidiary of The Bureau of National Affairs, Inc.

11/19/90

National Community Renaissance of California

**Consolidating Financial Statements
(With Supplemental Information)**

December 31, 2017

Unaudited

National Community Renaissance of California

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

December 31, 2017

	<u>Assets</u>			
	National Community Renaissance of California	Housing Affiliates	Eliminations	Total
Assets				
Cash and cash equivalents	\$ 10,493,544	\$ 10,969,091	\$ -	\$ 21,462,635
Reserve for security deposits held in trust	1,179,934	2,537,044	-	3,716,978
 Total cash and cash equivalents	 11,673,477	 13,506,136	 -	 25,179,613
Restricted cash	18,483,043	21,563,399	-	40,046,442
Accounts receivable, net	3,218,022	863,776	(330,074)	3,751,723
Advance due from affiliate, net	56,553,087	4,296,017	(48,180,005)	12,669,098
Developer fee receivable	10,775,333	-	(10,390,519)	384,814
Prepaid expenses	441,819	507,484	-	949,304
Investments	2,225,028	-	-	2,225,028
Project development costs	1,024,887	-	(71,337)	953,550
Assets held for sale	-	-	-	-
Property, equipment and improvements, net	106,490,334	729,872,406	1,742,295	838,105,036
Deferred costs, net	680,624	8,582,036	-	9,262,660
 Total assets	 <u>\$ 211,565,654</u>	 <u>\$ 779,191,254</u>	 <u>\$ (57,229,640)</u>	 <u>\$ 933,527,268</u>
 <u>Liabilities and Net Assets</u>				
Liabilities				
Accounts payable	\$ 2,469,422	\$ 10,097,273	\$ -	\$ 12,566,696
Accrued expenses	6,566,703	76,120,869	(1,168,271)	81,519,301
Security deposits	1,191,997	2,469,973	-	3,661,970
Deferred revenue	3,111,806	371,203	(2,964,219)	518,790
Mortgages and notes payable	88,318,317	582,224,946	(36,014,529)	634,528,734
Due to affiliates	569,076	12,126,347	(11,649,049)	1,046,373
Developer fee payable	-	5,907,538	(5,433,572)	473,966
 Total liabilities	 102,227,320	 689,318,151	 (57,229,640)	 734,315,831
 Commitments and Contingencies				
Net assets				
Partners' equity	-	89,880,003	(89,880,003)	-
Unrestricted net assets, controlling	57,798,583	(6,917)	(0)	57,791,666
Unrestricted net assets, non-controlling	-	-	89,880,003	89,880,003
 Total unrestricted net assets	 57,798,583	 (6,917)	 89,880,003	 147,671,669
Temporarily restricted net assets	51,539,749	-	-	51,539,749
 Total net assets	 <u>109,338,332</u>	 <u>89,873,085</u>	 <u>-</u>	 <u>199,211,418</u>
 Total liabilities and net assets	 <u>\$ 211,565,653</u>	 <u>\$ 779,191,236</u>	 <u>\$ (57,229,640)</u>	 <u>\$ 933,527,249</u>

National Community Renaissance of California

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Period Ending December 31, 2017

Unrestricted Net Assets

	National Community Renaissance of California	Housing Affiliates	Temporarily Restricted Net Assets	Eliminations	Total
Revenues and gains					
Rental income	\$ 18,998,103	\$ 41,956,671	\$ -	\$ -	\$ 60,954,775
Consulting, development and partnership fees	15,069,586	-	-	(1,427,271)	13,642,315
Management fees	4,028,012	-	-	(78,004)	3,950,008
Private donations - Hope Through Housing	1,124,885	-	-	-	1,124,885
Grants, including release of temporarily restricted net assets	1,038,738	-	(277,271)	-	761,467
Grants - Hope Through Housing	-	-	-	-	-
Laundry revenue	143,444	536,721	-	-	680,165
Interest	776,968	36,574	-	(67,647)	745,895
Other revenue	2,853,227	616,302	-	-	3,469,529
	<u>44,032,962</u>	<u>43,146,269</u>	<u>(277,271)</u>	<u>(1,572,922)</u>	<u>85,329,040</u>
Expenses					
Program service expenses					
Administrative	3,569,508	3,053,970	-	-	6,623,478
Salaries and related expenses	3,107,835	4,757,161	-	-	7,864,996
Utilities	2,184,866	6,040,101	-	-	8,224,967
Operating and maintenance	4,588,526	9,227,256	-	-	13,815,782
Professional services	95,527	59,689	-	-	155,217
Taxes and insurance	1,308,702	2,174,775	-	-	3,483,477
Interest	1,899,424	16,839,574	-	(67,647)	18,671,351
Depreciation	2,811,693	22,481,489	-	-	25,293,182
Amortization	69,806	520,182	-	-	589,988
Management fees	1,298,592	4,502,821	-	(1,505,274)	4,296,138
Other expense	1,852,144	(11,705,177)	-	-	(9,853,033)
Total program service expenses	<u>22,786,623</u>	<u>57,951,841</u>	<u>-</u>	<u>(1,572,922)</u>	<u>79,165,542</u>

(continued)

National Community Renaissance of California

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Period Ending December 31, 2017

Unrestricted Net Assets

	<u>National Community Renaissance of California</u>	<u>Housing Affiliates</u>	<u>Temporarily Restricted Net Assets</u>	<u>Eliminations</u>	<u>Total</u>
General and administrative expenses					
Administrative	1,733,917	-		-	1,733,917
Salaries and related expenses	9,946,439	-		-	9,946,439
Operating and maintenance	116,327	-		-	116,327
Professional services	1,736,320	-		-	1,736,320
Taxes and insurance	125,239	-		-	125,239
Interest	323,512	-		-	323,512
Depreciation	335,573	-		-	335,573
Amortization	100,487	-		-	100,487
Other expense	884	-			884
Total general and administrative expenses	<u>14,418,698</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,418,698</u>
Total expenses	<u>37,205,321</u>	<u>57,951,841</u>	<u>-</u>	<u>(1,572,922)</u>	<u>93,584,240</u>
Excess of revenues and gains over expenses	6,827,642	-	(277,271)	-	6,550,371
Net loss		(14,805,571)	-	-	(14,805,571)
Attributable to non-controlling interest		<u>(14,799,908)</u>		-	<u>(14,799,908)</u>
Excess of revenues and gains over expenses and losses after extraordinary items	<u>\$ 6,827,642</u>	<u>\$ (5,663)</u>	<u>\$ (277,271)</u>	<u>\$ -</u>	<u>\$ 6,544,708</u>

National Community Renaissance of California

CONSOLIDATED CHANGES IN NET ASSETS

For the Period Ending December 31, 2017

	National Community Renaissance of California (controlling interest)	Housing Affiliates (non- controlling interest)	Total
Net assets - unrestricted, January 1, 2017	\$ 41,307,364	\$ 85,240,629	\$ 126,547,993
Excess (deficiency) of revenues over expenses	6,821,979	(14,799,908)	(7,977,929)
Transfer of interest	11,403,935	(9,910,042)	1,493,893
Contributions	1,504,721	33,588,112	35,092,833
Distributions	<u>(3,246,333)</u>	<u>(4,238,781)</u>	<u>(7,485,114)</u>
Net assets - unrestricted, December 31, 2017	<u><u>\$ 57,791,666</u></u>	<u><u>\$ 89,880,009</u></u>	<u><u>\$ 147,671,675</u></u>
Net assets - temporarily restricted, January 1, 2017	\$ 51,817,020	\$ -	\$ 51,817,020
Grant income - Pledge Agreement grant	89,833	-	89,833
Release of temporarily restricted net assets	<u>(367,104)</u>	<u>-</u>	<u>(367,104)</u>
Net assets - temporarily restricted, December 31, 2017	<u><u>\$ 51,539,749</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 51,539,749</u></u>

National Community Renaissance of California

**Consolidating Financial Statements
(With Supplementary Information)
and Independent Auditor's Report**

December 31, 2016

COHN  REZNICK
ACCOUNTING • TAX • ADVISORY

National Community Renaissance of California

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Independent Auditor's Report

To the Board of Directors
National Community Renaissance of California

Report on the Financial Statements

We have audited the accompanying consolidating financial statements of National Community Renaissance of California, which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, changes in net assets and cash flows for the year then ended, and the related notes to the consolidating financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidating financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidating financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidating financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidating financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidating financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidating financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidating financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidating financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidating financial statements referred to above present fairly, in all material respects, the financial position of National Community Renaissance of California as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Adoption of New Accounting Principle

As discussed in Note 2 to the financial statements, in 2016, National Community Renaissance of California adopted a new accounting principle related to the presentation of debt issuance costs. Our report is not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidating financial statements as a whole. The accompanying supplementary information on pages 33 and 34 is presented for purposes of additional analysis, and is not a required part of the consolidating financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidating financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidating financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidating financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidating financial statements or to the consolidating financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidating financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2017, on our consideration of National Community Renaissance of California's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering National Community Renaissance of California's internal control over financial reporting and compliance.



Sacramento, California
June 30, 2017

Taxpayer Identification Number:
22-1478099

Lead Auditor: Brian J. Brewer, CPA

National Community Renaissance of California

Consolidating Statement of Financial Position December 31, 2016

	<u>Assets</u>			
	National Community Renaissance of California	Housing Affiliates	Eliminations	Total
Cash and cash equivalents	\$ 7,146,565	11,081,171	\$ -	\$ 18,227,736
Reserve for security deposits held in trust	1,004,280	2,573,648	-	3,577,928
Restricted cash	13,342,022	19,784,285	-	33,126,307
Accounts receivable, net	653,144	345,715	(327,177)	671,682
Advance due from affiliate, net	55,154,721	428,951	(48,280,034)	7,303,638
Developer fee receivable	9,191,876	-	(8,541,509)	650,367
Prepaid expenses	239,692	558,846	-	798,538
Investments	(25,719)	-	744,597	718,878
Project development costs	2,272,336	-	-	2,272,336
Property, equipment and improvements, net	88,562,627	691,637,021	(3,754,709)	776,444,939
Deferred costs, net	-	3,400,537	-	3,400,537
Total assets	\$ 177,541,544	\$ 729,810,174	\$ (60,158,832)	\$ 847,192,886
	<u>Liabilities and Net Assets</u>			
Liabilities				
Accounts payable	\$ 1,265,326	\$ 9,738,591	\$ -	\$ 11,003,917
Accrued expenses	2,557,836	74,921,919	(1,410,141)	76,069,614
Security deposits	1,023,655	2,511,381	-	3,535,036
Deferred revenue	3,862,374	373,588	(3,754,709)	481,253
Mortgages and notes payable, net	67,050,607	547,210,091	(36,126,865)	578,133,833
Due to affiliates	-	12,332,814	(11,426,037)	906,777
Developer fee payable	399,652	8,459,991	(8,185,677)	673,966
Total liabilities	76,159,450	655,548,375	(60,903,429)	670,804,396
Commitments and contingencies	-	-	-	-
Net assets				
Partners' equity	-	74,261,799	(74,261,799)	-
Unrestricted net assets, controlling	51,541,597	-	(10,234,233)	41,307,364
Unrestricted net assets, non-controlling	-	-	85,240,629	85,240,629
Total unrestricted net assets	51,541,597	-	75,006,396	126,547,993
Temporarily restricted net assets	49,840,497	-	-	49,840,497
Total net assets	101,382,094	74,261,799	744,597	176,388,490
Total liabilities and net assets	\$ 177,541,544	\$ 729,810,174	\$ (60,158,832)	\$ 847,192,886

See Notes to Consolidating Financial Statements.

National Community Renaissance of California

Consolidating Statement of Activities Year Ended December 31, 2016

	National Community Renaissance of California	Housing Affiliates	Temporarily Restricted Net Assets	Eliminations	Total
Revenues and gains					
Rental income	\$ 18,143,945	\$ 38,450,256	\$ -	\$ -	\$ 56,594,201
Consulting, development and partnership fees	8,792,973	31,481	-	(1,508,743)	7,315,711
Management fees	4,049,871	-	-	(108,337)	3,941,534
Private donations - Hope Through Housing	1,045,126	-	-	-	1,045,126
Grants, including release of temporarily restricted net assets	1,014,802	12,786	1,228,439	-	2,256,027
Grants - Hope Through Housing	271,895	-	-	-	271,895
Laundry revenue	159,704	494,648	-	-	654,352
Interest	840,539	39,464	-	(63,726)	816,277
Other revenue	1,475,659	932,181	-	-	2,407,840
	<u>35,794,514</u>	<u>39,960,816</u>	<u>1,228,439</u>	<u>(1,680,806)</u>	<u>75,302,963</u>
Expenses					
Program service expenses					
Administrative	2,981,494	1,400,136	-	-	4,381,630
Salaries and related expenses	3,145,082	4,541,076	-	-	7,686,158
Utilities	1,976,098	5,470,856	-	-	7,446,954
Operating and maintenance	3,873,740	8,692,460	-	-	12,566,200
Professional services	443,172	1,561,883	-	-	2,005,055
Taxes and insurance	1,271,526	2,103,370	-	-	3,374,896
Interest	1,809,491	15,943,336	-	(63,726)	17,689,101
Depreciation	2,658,346	22,050,040	-	-	24,708,386
Amortization	68,250	665,312	-	-	733,562
Management fees	1,246,095	4,526,676	-	(1,617,080)	4,155,691
Other expense	109,485	866,949	-	-	976,434
Total program service expenses	<u>19,582,779</u>	<u>67,822,094</u>	<u>-</u>	<u>(1,680,806)</u>	<u>85,724,067</u>

National Community Renaissance of California

Consolidating Statement of Activities Year Ended December 31, 2016

	National Community Renaissance of California	Housing Affiliates	Temporarily Restricted Net Assets	Eliminations	Total
General and administrative expenses					
Administrative	1,487,479	-	-	-	1,487,479
Salaries and related expenses	10,325,644	-	-	-	10,325,644
Operating and maintenance	129,151	-	-	-	129,151
Professional services	1,242,742	-	-	-	1,242,742
Taxes and insurance	118,014	-	-	-	118,014
Interest	310,095	-	-	-	310,095
Depreciation	359,166	-	-	-	359,166
Amortization	50,487	-	-	-	50,487
Other expense	95,968	-	-	-	95,968
Total general and administrative expenses	14,118,746	-	-	-	14,118,746
Total expenses	33,701,525	67,822,094	-	(1,680,806)	99,842,813
Excess of revenues and gains over expenses	2,092,989	-	1,228,439	-	3,321,428
Net loss		(27,861,278)	-	-	(27,861,278)
Attributable to non-controlling interest	-	(27,368,666)	-	-	(27,368,666)
Excess (deficit) of revenues and gains over expenses and losses attributable to National Community Renaissance of California	2,092,989	(492,612)	1,228,439	-	2,828,816
Write off of advances to related party	(3,171,604)	-	-	-	(3,171,604)
Excess (deficit) of revenues and gains over expenses and losses after write off of advances to related party	\$ (1,078,615)	\$ (492,612)	\$ 1,228,439	\$ -	\$ (342,788)

See Notes to Consolidating Financial Statements.

National Community Renaissance of California
Consolidating Statement of Changes in Net Assets
Year Ended December 31, 2016

	National Community Renaissance of California (controlling interest)	Housing Affiliates (non- controlling interest)	Total
Net assets - unrestricted, December 31, 2015	\$ 42,878,591	\$ 90,651,637	\$ 133,530,228
Excess (deficiency) of revenues over expenses	(1,571,227)	(27,368,666)	(28,939,893)
Contributions	-	22,404,263	22,404,263
Distributions	-	(446,605)	(446,605)
Net assets - unrestricted, December 31, 2016	<u>\$ 41,307,364</u>	<u>\$ 85,240,629</u>	<u>\$ 126,547,993</u>
Net assets - temporarily restricted, December 31, 2015	\$ 48,612,058	\$ -	\$ 48,612,058
Increase in temporarily restricted net assets	2,378,543	-	2,378,543
Release of temporarily restricted net assets	<u>(1,150,104)</u>	<u>-</u>	<u>(1,150,104)</u>
Net assets - temporarily restricted, December 31, 2016	<u>\$ 49,840,497</u>	<u>\$ -</u>	<u>\$ 49,840,497</u>

See Notes to Consolidating Financial Statements.

National Community Renaissance of California

Consolidating Statement of Cash Flows Year Ended December 31, 2016

Cash flows from operating activities	
Decrease in unrestricted net assets	\$ (28,939,893)
Increase in temporarily restricted net assets	1,228,439
Adjustments to reconcile increase in net assets to net cash provided by operating activities	
Depreciation and amortization	25,851,601
Bad debt expense	311,258
Write off of advances due from affiliates	3,717,605
(Increase) decrease in	
Accounts receivable	(202,536)
Developer fee receivable	(650,367)
Security deposits held in trust	(196,097)
Prepays and other assets	39,611
Decrease (increase) in	
Accounts payable and accrued expenses	19,706,987
Security deposits	132,802
Deferred revenue	100,805
Net cash provided by operating activities	<u>21,100,215</u>
Cash flows from investing activities	
Investment in property, equipment and improvements and assets held for use	(73,855,892)
Proceeds from sale of rental property	-
Advances to affiliates	(561,469)
Payment of project development costs	(1,828,089)
Purchase of investments	(5,970)
Developer fees paid	333,361
Net change in restricted cash	<u>(317,367)</u>
Net cash used in investing activities	<u>(76,235,426)</u>
Cash flows from financing activities	
Proceeds of mortgages and notes payable	67,020,054
Principal payments on notes payable	(34,831,027)
Repayment of amounts due to affiliates	(75,950)
Distributions paid	(446,605)
Capital contributions received from non-controlling interests	22,404,263
Payment of deferred costs	<u>(1,185,271)</u>
Net cash provided by financing activities	<u>52,885,464</u>
Net decrease in cash and cash equivalents	(2,249,747)
Cash and cash equivalents, beginning of the year	<u>20,477,484</u>
Cash and cash equivalents, end of year	<u><u>\$ 18,227,737</u></u>

National Community Renaissance of California

Consolidating Statement of Cash Flows
Year Ended December 31, 2016

Supplemental disclosure of cash flow information

Cash paid during the year for interest

\$ 11,213,659

Significant noncash investing and financing activities

Accounts payable included in property, equipment and improvements and assets
held for use

\$ 6,506,427

See Notes to Consolidating Financial Statements.

National Community Renaissance of California

Notes to Consolidating Financial Statements December 31, 2016

Note 1 - Organization and nature of operations

National Community Renaissance of California ("NCRC"), formerly known as Southern California Housing Development Corporation, is a nonprofit organization formed to assist cities in California in the development of high-quality affordable housing. NCRC assists in revitalizing communities through acquisition and rehabilitation of existing housing or through construction of housing. NCRC owns affordable housing properties, provides property management and social programs to enhance the quality of life of its residents, and serves as general partner for affordable housing projects. NCRC's principal sources of revenue are rental income from tenants, grants, property management fees and consulting and development fees.

NCRC and its affiliates receive significant funding from federal, state and local government subsidies in various forms, including low-income housing tax credits, low-interest rate loans, grants, and rent subsidies for qualifying very-low, low- and moderate-income tenants.

Principles of consolidation

The accompanying financial statements include the accounts of NCRC and supporting entities in which NCRC and affiliates own 100% interest. Additionally, the financial statements for the year ended December 31, 2016 include the accounts of 61 limited partnerships in which NCRC owns a minority financial interest, but has a controlling interest. These entities are included in the consolidation in accordance with U.S. generally accepted accounting principles ("GAAP"). For the limited partnerships in which the nonprofit general partner (noted on pages 12 and 13) serves as the general partner, NCRC has determined that the presumption of control for the limited partnerships has not been overcome, and as a result, the limited partnerships have been consolidated. All significant intercompany balances and transactions have been eliminated in consolidation.

NCRC has an economic relationship with National Community Renaissance Development Corporation ("NCRDC"), a nonprofit organization, which has an overlapping board and shares employees and facilities. However, each organization has and maintains its separate corporate identity. Neither entity has any voting rights in the other and there are no contractual or oversight requirements imposed on either organization in favor of the other. NCRC has provided voluntary operating advances to NCRDC. As of December 31, 2016, the balance of advances due from NCRDC is \$6,374,364, which is included in advances due from affiliates on the statement of financial position (see Note 11).

In accordance with GAAP, Reporting of Related Entities by Not-for-Profit Organizations, consolidation of the two organizations is not required. The total assets, liabilities, unrestricted net assets controlling, unrestricted net assets non-controlling, and revenues and gains and expenses and losses of NCRDC as of and for the year ended December 31, 2016 are approximately \$64,000,000, \$62,000,000, (\$2,000,000), \$4,000,000, \$13,000,000 and \$16,000,000, respectively.

Also included in the consolidation is Hope Through Housing Foundation, a separate 501(c)(3) entity. Hope Through Housing Foundation shares the same board of directors as NCRC, and is economically dependent on NCRC. In accordance with GAAP, it has been determined that control exists over Hope Through Housing Foundation, which has been included in the consolidation.

National Community Renaissance of California

Notes to Consolidating Financial Statements December 31, 2016

The not-for-profit supporting entities (identified as National Community Renaissance of California in the financial statements) consist of:

- Southern California Housing Development Corporation of Rancho Cucamonga owns 100% of the following projects:
 - Monterey Village Apartments
 - Mountainside Apartments
 - Northgate Village Apartments
 - Sycamore Springs Apartments
- Projects and organizations which are owned 100% by NCRC are as follows:
 - Arbor Villas LLC
 - Avenida Serra GP, LLC
 - Cathedral Palms Apartments
 - Cimmaron Heights Apartments
 - Clark Manor Apartments
 - Corona del Rey
 - Hawthorne Terrace Apartments
 - Mission Cove Phase A
 - Mission Cove Family II
 - Mission Cove Senior
 - Rancho Verde Village
 - Rancho Verde Village GP, LLC
 - Renaissance Village Apartments
 - RV Housing Partners
 - River Canyon GP, LLC
 - San Antonio Gateway Housing Corp.
 - Savi Ranch II
 - Signature at Valley Center
 - South Pace GP, LLC
 - Val 9 MGP, LLC
 - Vista Terraza II
 - Waterman Gardens
 - West Mission Partners LLC

National Community Renaissance of California

Notes to Consolidating Financial Statements December 31, 2016

The For Profit Housing Affiliates ("Housing Affiliates") are comprised of the following limited partnerships and limited liability companies, and respective NCRC owned nonprofit entities whom have or own general partner and managing member interests:

For profit housing affiliate	Nonprofit general partner	%
Autumn Ridge Apartments, L.P.	* SCHDC of Orange	0.0100%
ANF Family Ptrs II, LP	South Pace GP LLC	0.0100%
Avenida Serra Housing Partners, L.P.	* SCHDC of Orange	0.0100%
Bell Gardens Housing Partners, L.P.	* SCHDC of Los Angeles	0.0100%
Bell Housing Partners, L.P.	* SCHDC of Los Angeles	0.0100%
Bolt Housing Partners, L.P.	* SCHDC of Orange	0.0100%
Cathedral Family Housing Ptrs LP	* SCHDC of Inland Empire	0.0100%
CG Affordable Housing Partners, LLC	* National Community Renaissance of California	85.0000%
Citrus Grove Housing Partners, LP	* SCHDC of Inland Empire	0.0100%
Copper Hills Apartments, L.P.	* SCHDC of Orange	0.0100%
Corona de Oro Apartments, L.P.	* SCHDC of Orange	0.0100%
Courson Senior Partners, L.P.	* SCHDC of Los Angeles	0.0100%
Desert Meadows Housing Partners, L.P.	SCHDC of Inland Empire	0.0100%
Downey Housing Partners, L.P.	* SCHDC of Los Angeles	0.0100%
Eagle Rock Housing Partners, L.P.	SCHDC of Los Angeles	0.0100%
East Rancho Verde Housing Partners, L.P.	* SCHDC of Inland Empire	0.0100%
EMI Housing Partners, L.P.	SCHDC of Inland Empire	0.0100%
Escondido Housing Partners, L.P.	SCHDC of Orange	0.0100%
Escondido Senior Housing Partners, L.P.	* SCHDC of Orange	0.0100%
Executive Lodge Apartments, L.P.	* SCHDC of Orange	0.1000%
Fontana Housing Partners, L.P.	* SCHDC of Orange	0.0120%
Fontana II Housing Partners, L.P.	* SCHDC of Orange	0.0050%
Fontana III Housing Partners, L.P.	* SCHDC of Orange	0.0050%
Fontana IV Housing Partners, L.P.	* SCHDC of Orange	0.0050%
Inland Valley Housing Partners, L.P.	SCHDC of Inland Empire	0.0100%
Ken Tal Housing Partners, L.P.	* SCHDC of Orange	0.0050%
Malvern Housing Partners, L.P.	* SCHDC of Inland Empire	0.0100%
Mar Vista Union Housing Partners, L.P.	* SCHDC of Los Angeles	0.0100%
Mills Family Housing Partners, L.P.	* SCHDC of Inland Empire	0.0100%
Mission Cove Family Housing Partners, LP	* SCHDC of Orange	0.0100%
Mission Village Senior, L.P.	* SCHDC of Inland Empire	0.0045%
Montclair Family Housing Partners, L.P.	* SCHDC of Inland Empire	0.0100%
Montclair Senior Housing Partners, L.P.	San Antonio Gateway	0.0100%
Normandie Senior Apartments, L.P.	* Normandie Senior Housing Partners	0.0100%
Normandie Senior Housing Partners GP, LLC	* SCHDC of Los Angeles	79.0000%
Oceanside Housing Partners, L.P.	* SCHDC of Orange	0.0100%

National Community Renaissance of California

Notes to Consolidating Financial Statements December 31, 2016

For profit housing affiliate	Nonprofit general partner	%
Oceanside Senior Housing Partners, L.P.	SCHDC of Orange	0.0100%
Palmdale Senior Housing Partners, L.P.	* SCHDC of Los Angeles	0.0100%
Rancho Workforce Housing, L.P.	* SCHDC of Inland Empire	0.0045%
Renaissance Village Housing Partners, L.P.	* RV Housing Partners GP, LLC	0.0100%
Rialto Housing Partners, L.P.	* SCHDC of Inland Empire	0.0100%
Richmar Housing Partners, L.P.	* SCHDC of Orange	0.0100%
Riverside Housing Partners, L.P.	SCHDC of Inland Empire	0.0100%
San Marcos Housing Partners, L.P.	* SCHDC of Orange	0.0100%
Sante Fe Springs Housing Partners, L.P.	* SCHDC of Los Angeles	0.0100%
Santee Apartments, L.P.	SCHDC of Orange	0.0100%
Savi Ranch Housing Partners, L.P.	* SCHDC of Orange	0.0100%
Spring Valley Housing Partners, L.P.	* SCHDC of Orange	0.0100%
UC Housing Partners, L.P.	SCHDC of Orange	0.0100%
Val 9 Housing Partners, L.P.	* Val9 MGP, LLC	0.0080%
Victorville Housing Partners, L.P.	* SCHDC of Inland Empire	0.0100%
Villa Serena Apartments, L.P.	* SCHDC of Orange	0.0100%
Vista Dunes Housing Partners, L.P.	* Vista Dunes GP, LLC	0.0075%
Vista Dunes GP, LLC	* SCHDC of Inland Empire	75.0000%
Vista Terraza Housing Partners, L.P.	SCHDC of Orange	0.0100%
Waterman Gardens Partners I	* WG PARTNERS 1 MGP, LLC	0.0066%
Westlake Village Housing Partners, L.P.	* SCHDC of Orange	0.0100%
Woods Family Housing Partners, L.P.	* Woods Family Housing Partners GP, LLC	0.0100%
Woods Family Housing Partners GP, LLC	* SCHDC of Los Angeles	79.0000%
Yorba Linda Housing Partners, L.P.	* SCHDC of Orange	0.0100%
Yucca Valley Senior Housing Partners, L.P.	* SCHDC of Inland Empire	0.0100%

* The audited financial statements of these entities, whose results are included in these financial statements, were not required to be audited in accordance with *Government Auditing Standards*.

Note 2 - Significant accounting policies

Accounting method

NCRC uses the accrual method of accounting which recognizes income in the period earned and expenses when incurred, regardless of the timing of payments.

Basis of presentation

NCRC is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. Information is required to segregate program service expenses from general and administrative expenses.

In conformity with GAAP, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions.

National Community Renaissance of California

Notes to Consolidating Financial Statements December 31, 2016

Use of estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in these financial statements and the accompanying notes. Actual results could differ from those estimates. Estimates of future operations were made by management in the calculation of the amount of developer fee revenue recognized under GAAP, the amount of expense allocated to an affiliate, and the assessment of the collectability of advances due from affiliates.

Cash and cash equivalents

NCRC considers all highly-liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Restricted cash

Restricted cash consists of replacement reserves, property tax and insurance escrows, operating reserves, debt service reserves and construction loan draw reserves. Such reserves are required by various financing authorities, lenders or stipulations in the applicable partnership or operating agreements.

Accounts receivable and bad debts

Tenant accounts receivable are reported net of an allowance for doubtful accounts. Management's estimate of the allowance is based on historical collection experience and a review of the current status of tenant accounts receivable. It is reasonably possible that management's estimate of the allowance will change. As of December 31, 2016, the allowance for doubtful accounts is \$98,514. Bad debt expense during the year ended December 31, 2016 was \$311,258 and is included in rental income from tenants on the statement of activities.

Advances due from affiliates

The advances due from affiliates are reported net of an allowance for doubtful accounts. Management's estimate of the allowance is based on expected future operating performance and other factors. It is reasonably possible that management's estimate of the allowance will change. As of December 31, 2016, there is no allowance for doubtful accounts.

Investments

NCRC records its investments on the cost basis of accounting, as determined by their ownership percentage and control. Such investments include the following entities: Housing Partnership Network Group Insurance Initiative; HB Housing Partners, L.P.; Anaheim Revitalization Partners, L.P.; Anaheim Revitalization II, L.P.; Anaheim Revitalization III, L.P.; and Anaheim Revitalization IV, L.P.

Project development costs

NCRC incurs costs in connection with properties it is considering for development as well as costs associated with projects in the initial stages of development. These costs include such items as market studies, purchase options, environmental study costs, legal and accounting costs. Project development costs are capitalized until such time as the project is no longer considered desirable or feasible, at which time the costs are expensed. Project development costs related to projects that are ultimately developed are subsequently recorded as receivables to be repaid by the applicable projects. During the year ended December 31, 2016, \$8,591 of project development costs were expensed and included in other expense on the statement of activities.

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Notes to Consolidating Financial Statements December 31, 2016

Property, equipment and improvements

Property, equipment and improvements are recorded at cost. Expenditures for maintenance and repairs are expensed as incurred, while major renewals and betterments are capitalized. Costs of properties constructed or rehabilitated include all direct costs of construction, as well as carrying costs during the construction period and indirect costs of construction, supervision and management. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statement of activities. Depreciation is computed using the straight-line method over the estimated useful lives ranging from 5 to 40 years.

It is NCRC's policy to capitalize expenditures for improvements, furniture, and fixtures and equipment exceeding \$2,500.

Impairment of long-lived assets

NCRC reviews its long-lived assets and investments for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When recovery is reviewed, if the undiscounted cash flows estimated to be generated by the property are less than its carrying amount, management compares the carrying amount of the property to its fair value in order to determine whether an impairment loss has occurred. The amount of the impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. No impairment losses have been recognized during the year ended December 31, 2016.

Debt issuance costs

Debt issuance costs, net of accumulated amortization, are reported as a direct reduction from the face amount of the mortgage loan payable to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense and is computed using an imputed interest rate on the related loan.

Deferred costs

Costs related to obtaining low-income housing tax credits are being amortized using the straight-line method over the mandatory 15-year compliance period.

Costs related to obtaining leasehold interests are capitalized and amortized on the straight-line method over the life of the related ground lease.

The table below indicates each component within the deferred costs line item on the statement of financial position:

	<u>Tax Credit Monitoring fees</u>	<u>Leasehold interest</u>	<u>Total</u>
Deferred costs	\$ 2,837,480	\$ 2,212,203	\$ 5,049,683
Accumulated amortization	<u>(1,179,053)</u>	<u>(470,093)</u>	<u>(1,649,146)</u>
Deferred costs, net	<u>\$ 1,658,427</u>	<u>\$ 1,742,110</u>	<u>\$ 3,400,537</u>

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Notes to Consolidating Financial Statements December 31, 2016

Estimated annual amortization for each of the next five years subsequent to December 31, 2016 is as follows:

	<u>Tax Credit Monitoring fees</u>	<u>Leasehold interest</u>	<u>Total</u>
2017	\$ 144,745	\$ 40,222	\$ 184,967
2018	135,359	40,222	175,581
2019	124,104	40,222	164,326
2020	117,063	40,222	157,285
2021	105,319	40,222	145,541

Derivative instruments

NCRC has entered into an interest rate swap agreement, which is carried on the statement of financial position at fair value. Changes in fair value are estimated and recorded in the statement of activities. The fair value of the interest rate swap has been calculated utilizing a third-party methodology that management believes is commonly employed (see Note 7).

Fair value measurement

The carrying amount of NCRC's cash and cash equivalents, receivables, payables and accrued expenses approximate fair value due to the short-term nature of these instruments. The fair value of the NCRC's long-term notes receivable and notes payable is assessed by management based on analysis of underlying investments and historical trends. Impairment reserves are provided as necessary. It is impractical to estimate the fair value of the NCRC's financial guarantees because there are no quoted market prices for transactions that are similar in nature.

NCRC measures the fair value of its interest rate swap on a recurring basis in the financial statements. The following summarizes the three levels of inputs and hierarchy of fair value NCRC uses when measuring fair value:

- Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Partnership has the ability to access;
- Level 2 inputs may include quoted prices for similar assets and liabilities in active markets, as well as interest rates and yield curves that are observable at commonly quoted intervals; and
- Level 3 inputs are unobservable inputs for the asset or liability that are typically based on an entity's own assumptions as there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the fair value measurement will fall within the lowest level input that is significant to the fair value measurement in its entirety (see Note 7 for additional disclosures).

Non-controlling interest in limited partnerships and limited liability companies

This amount represents the aggregate balance of investor limited partner or investor member equity interest in the Housing Affiliates that are included in the financial statements. The aggregate negative balances, if any, of limited partner or investor member interests prior to January 1, 2010 remain in NCRC's net assets.

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Notes to Consolidating Financial Statements December 31, 2016

Revenue recognition

Rental income is recognized as rents become due. Rental payments received in advance are deferred until earned. All leases between the projects and the tenants of the projects are operating leases.

Portions of the rental income are in the form of subsidy payments from the U.S. Department of Housing and Urban Development ("HUD") under Section 8 of the National Housing Act and a Project Rental Assistance Contract. Tenants are subsidized based upon their level of income. Rent increases require HUD approval.

NCRC earns contractor fees based on services provided in the development of projects of affiliated limited partnerships and wholly owned properties. Such fees are recognized when earned based on the estimated percentage of completion. The fees are capitalized into rental property on the limited partnerships' financial statements.

Developer fees are earned in connection with the construction and oversight of the development of properties. The developer fees are recognized as revenue commencing with the closing of a project's construction loan (the "Closing") based on the percentage of completion method, taking into account the total anticipated development costs and the potential operating deficit obligation through the period from the Closing through the end of the operating deficit obligation period (typically three years from the achievement of Breakeven Operations as defined in partnership agreements). Generally, NCRC utilizes the following formula to determine the amount of the developer fee earned as of a specific date: The developer fee multiplied by the fraction having as its denominator (i) the total development costs plus (ii) the total operating deficit obligation for the obligation period and as its numerator (i) the total development costs incurred to the specific date of calculation plus (ii) the total operating deficits funded as of the specific date of calculation. Upon construction completion, the remaining developer fee is recorded as an asset with a corresponding offset to deferred revenue if the amount of developer fee owed exceeds the amount of developer fee earned to such date in accordance with the preceding formula. In the event that a portion, or all, of the developer fee is not paid at the end of the development period (deferred developer fee), the deferred developer fee is generally assumed to be paid from the future cash flow of the property and thereby recognized when paid. Developer fees that are earned during construction and paid for with investor equity or project debt are capitalized. The deferred developer fees expected to be paid from property operations are eliminated in consolidation.

Laundry and cable income, and prepaid rent received in advance are deferred until earned.

Property management fee income is earned monthly based on the management agreement.

Private donations

Contributions are recognized as revenue when an unconditional promise, in substance, to give is received. All contributions and other types of revenue with restrictions imposed by the donor, if any, are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are released and reclassified to unrestricted net assets.

Grants

Grants received from government agencies and others, which are conditioned upon NCRC incurring certain qualifying costs or meeting other conditions, are recognized as an increase in temporarily or permanently restricted net assets. When the qualifying costs are incurred and/or the possibilities of not meeting the conditions are remote, such grants are reported as increases in

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Notes to Consolidating Financial Statements December 31, 2016

unrestricted net assets. In general, these conditions require NCRC to maintain ownership of the property and to continue to provide low-income housing as specified in the agreement.

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Directly identifiable expenses are charged to program and supporting services. Expenses related to more than one function are charged to program and supporting services based on systematic methods.

Income taxes

NCRC including Hope Through Housing Foundation has applied for and received a determination letter from the Internal Revenue Service ("IRS") to be treated as a tax exempt entity pursuant to Section 501(c)(3) of the Internal Revenue Code and did not have any unrelated business income for the year ended December 31, 2016. Due to its tax exempt status, NCRC and Hope Through Housing Foundation are not subject to income taxes. NCRC and Hope Through Housing Foundation are required to file tax returns with the IRS and other taxing authorities. Accordingly, these financial statements do not reflect a provision for income taxes and NCRC and Hope Through Housing Foundation have no other tax positions which must be considered for disclosure. While no income tax returns are currently being examined by the Internal Revenue Service, tax years since 2013 are subject to review by the IRS.

The Housing Affiliates are pass-through entities for income tax purposes and, are not subject to income taxes. All items of taxable income, deductions and tax credits are passed through to and are reported by their owners on their respective income tax returns. The Housing Affiliates' federal tax status as pass-through entities is based on their legal status as a partnership. The Housing Affiliates are required to file tax returns with the IRS and other taxing authorities. Accordingly, these financial statements do not reflect a provision for income taxes and the Housing Affiliates have no other tax positions which must be considered for disclosure. While no income tax returns are currently being examined by the IRS, tax years since 2013 are subject to review by the IRS.

Advertising

Advertising and marketing costs are expensed as incurred.

Organization

Organization costs are expensed as incurred.

Change in accounting principle

During 2016, the Company adopted the provisions of Accounting Standards Update 2015-03, Simplifying the Presentation of Debt Issuance Costs ("ASU 2015-03"), which modifies the presentation of debt issuance costs and the related amortization. The change in accounting under ASU 2015-03 improves the reporting of debt issuance costs by no longer reporting them as assets. It also improves the reporting of the related amortization by including it as a component of interest expense. ASU 2015-03 has been adopted by the Company on a retroactive basis. As a result, total assets as well as loans payable for the year ended December 31, 2015 have been reduced by the effect of the reclassification of debt issuance costs, net of accumulated amortization of \$6,635,101.

Reclassifications

Certain items from the prior year financial statements have been reclassified to conform to the current year presentation.

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Notes to Consolidating Financial Statements December 31, 2016

Note 3 - Restricted cash

Regulatory Agreements with various state and local agencies requires monthly impound deposits for insurance premiums, property taxes, replacements and operating expenses. The restricted accounts are held by the various agencies and expenditures are subject to their supervision and approval. In addition, an operating expense reserve account was also established at the inception of the loan, which is required to be maintained until certain financial conditions are satisfied, as defined in the Regulatory Agreement.

Note 4 - Investments

On March 30, 2004, NCRC invested in the Housing Partnership Network Group Insurance Initiative, a cooperative of other real estate investment companies, whose purpose is to offer low-cost insurance and worker's compensation to companies with a history of low-loss ratios. The investment is accounted for under the cost method of accounting since NCRC's ownership is less than 20%. In 2004, NCRC purchased one share of Class A stock for \$10,000, and 277 shares of Class B stock at \$1,000 per share. In 2013, NCRC purchased 275 Class C shares at \$555 per share. NCRC is entitled to dividend payments in proportion to their investment once they are declared. As of December 31, 2016, the investment in the insurance cooperative is \$697,815. Dividends in the amount of \$115,292 were received during the year ended December 31, 2016, and are included in other income on the statement of activities.

NCRC consolidates its ownership interest in limited partnerships which it controls (see Note 1). As of December 31, 2016, there was a deficit balance in investment in limited partnerships of \$744,597. Such amount was eliminated in consolidation.

Note 5 - Property, equipment and improvements, net

Property, equipment and improvements consist of the following as of December 31, 2016:

Land	\$ 109,791,277
Buildings	675,200,742
Improvements	145,507,535
Furniture, fixtures and equipment	30,968,357
Construction in progress	<u>51,104,867</u>
	1,012,572,778
Less accumulated depreciation	<u>(236,127,839)</u>
	<u><u>\$ 776,444,939</u></u>

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Notes to Consolidating Financial Statements December 31, 2016

Note 6 - Mortgages and notes payable

Mortgages and notes payable are as follows as of December 31, 2016:

Lender	Secured Entity	Interest rate	Monthly principal and int or other repymt terms	Maturity	Principal balance
Greystone Servicing Corp.	NCRC / Arbor Villas, LLC	4.13%	\$ 27,487	11/2049	\$ 5,930,796
Guaranty Federal Bank	NCRC / Cathedral Palms Apartments	6.50%	5,057	01/2027	447,945
County of Riverside	NCRC / Cathedral Palms Apartments	3.00%	948	12/2031	97,516
City of Cathedral	NCRC / Cathedral Palms Apartments	0.00%	(7)	01/2027	1,000,000
Redevelopment Agency of City of Cathedral City	NCRC / Cimmaron Heights Apts	0.00%	(3)	12/2018	100,000
JPMorgan Chase Bank	NCRC / Clark Manor Apartments	4.93%	7,849	08/2033	1,066,331
Long Beach Affordable Housing Coalition, Inc.	NCRC / Clark Manor Apartments	4.00%	(1)	06/2058	550,000
JPMorgan Chase Bank	NCRC / Corona Del Rey Apartments	3.00%	54,804	08/2017	2,754,516
County of Riverside	NCRC / Corona Del Rey Apartments	3.00%	1,304	08/2028	152,987
City of Corona	NCRC / Corona Del Rey Apartments	0.00%	(7)	05/2051	762,400
City of Hawthorne RDA	NCRC / Hawthorne Terrace Apts	3.00%	(1)	10/2059	1,998,855
California Statewide Communities Development Authority	NCRC / Hawthorne Terrace Apts	5.55%	28,329	10/2029	2,190,000
City of Hawthorne HOME	NCRC / Hawthorne Terrace Apts	0.00%	(1)	07/2020	207,645
City of Hawthorne	NCRC / Hawthorne Terrace Apts	0.00%	(1)	10/2059	250,000
City of Oceanside	NCRC / Mission Cove Phase II	0.00%	(4)	TBD	1,135,258
City of Oceanside	NCRC / Mission Cove Phase II	0.00%	(4)	TBD	1,955,244
California Housing Finance Agency	SCHD / Monterey Village Apartments	7.25%	34,791	09/2026	2,929,479
California Housing Finance Agency	SCHD / Mountainside Apartments	7.25%	44,171	09/2026	3,719,290
California Housing Finance Agency	SCHD / Northgate Village Apartments	6.00%	33,444	09/2034	4,388,306
Victorville Redevelopment Agency	SCHD / Northgate Village Apartments	3.00%	(1)	12/2035	3,427,412
JPMorgan Chase Bank	NCRC / Rancho Verde Village	2.75%	(4)	04/2025	1,937,004
Victorville Redevelopment Agency	NCRC / Signature at Valley Center	3.00%	(1)	12/2061	1,394,841
HUD	NCRC / San Antonio Gateway Housing Corp	0.00%	(6)	03/2066	10,604,000
City of Yorba Linda	Savi Rancho II	3.00%	(1)	(a)	2,415,321
California Housing Finance Agency	SCHD / Sycamore Springs Apartments	7.25%	30,186	09/2026	2,541,755
Housing Authority County of San Bernardino	NCRC / Waterman Gardens				215,720
City of San Marcos	West Mission Apartments	3.00%	(1)	05/2031	1,320,000
Commerce West Bank	West Mission Apartments	5.62%	(1)	09/2020	341,621
Citibank N.A. - AHP	NCRC	0.00%	(3)	09/2071	680,000
JPMorgan Chase Bank - AHP	NCRC	0.00%	(1)	05/2067	500,000
Citibank N.A.- AHP	NCRC	0.00%	(3)	04/2069	480,000
Century Housing	NCRC	Variable		06/2017	2,719,365
Hudson HT. LP	NCRC	5.00%		04/2017	504,514
		Libor+1.88%+			
Wells Fargo Bank	NCRC	3.58%	Variable	09/2022	2,395,408
Housing Capital Company	NCRC	6.75%	(4)	06/2017	2,514,104
Wells Fargo Bank	NCRC	3.75%	(4)	11/2019	500,000
Wells Fargo Bank	NCRC	2.00%	(4)	11/2017	1,000,000
Wells Fargo Bank	NCRC	2.00%	(4)	11/2019	343,750

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Lender	Secured Entity	Interest rate	Monthly principal and int or other repymt terms	Maturity	Principal balance
Wells Fargo Bank	NCRC	2.00%	(4)	11/2019	156,250
Federal Home Loan Mortg Corp - Freddie Mac	ANF Family Partners II L.P.	4.53%	(4)	01/2044	4,863,117
City of Fairfield	ANF Family Partners II L.P.	3.00%	(1)	12/2066	9,357,694
Cal HFA - MHSA	ANF Family Partners II L.P.	0.00%	(1)	12/2066	1,200,000
Fairfield HOME Funds	ANF Family Partners II L.P.	3.00%	(1)	08/2066	1,688,005
County of San Diego California Statewide Communities	Autumn Ridge Apartments, L.P.	3.00%	(1)	02/2055	800,000
Redevelopment Agency of the City of San Marcos	Autumn Ridge Apartments, L.P.	3.00%	(1)	08/2035	440,000
Redevelopment Agency of the City of San Marcos	Autumn Ridge Apartments, L.P.	3.00%	(1)	01/2035	1,200,000
Redevelopment Agency of the City of San Marcos	Autumn Ridge Apartments L.P.	3.00%	(1)	01/2035	2,994,503
Union Bank of California	Autumn Ridge Apartments, L.P.	7.65%	63,732	08/2035	7,929,846
Citibank N. A.	Avenida Serra Housing Partners, L.P.	5.48%	2,314	09/2044	429,577
Citibank N. A.	Avenida Serra Housing Partners, L.P.	1.00%	(1)	10/2070	190,000
City of San Clemente	Avenida Serra Housing Partners, L.P.	0.00%	(1)	12/2070	3,430,771
Federal Home Loan Bank - AHP	Bell Gardens Housing Partners, L.P.	0.00%	(3)	03/2064	284,000
California Community Reinvestment Corporation	Bell Gardens Housing Partners, L.P.	5.52%	13,186	07/2038	1,993,276
County of Los Angeles	Bell Gardens Housing Partners, L.P.	3.00%	(1)	03/2062	2,785,367
Bell Gardens Community Development Commission	Bell Gardens Housing Partners, L.P.	3.00%	(1)	04/2060	3,812,203
Housing Authority of the County of Los Angeles	Bell Gardens Housing Partners, L.P.	3.00%	(1)	03/2063	1,500,000
Community Devel Commission of the County of LA	Bell Housing Partners L.P.	3.00%	(1)	03/2033	1,886,091
JPMorgan Chase Bank - AHP	Bell Housing Partners L.P.	0.00%	(3)	01/2034	240,000
JPMorgan Chase Bank	Bell Housing Partners L.P.	6.25%	9,623	01/2034	1,061,946
Housing Authority of the County of Los Angeles	Bell Housing Partners L.P.	3.00%	(1)	03/2033	1,000,000
JPMorgan Chase Bank	Bolt Housing Partners L.P.	6.30%	35,000	11/2026	694,932
San Diego Housing Commission	Bolt Housing Partners L.P.	3.00%	(1)	12/2055	1,418,838
CA Community Reinvestment Corp	Cathedral Family Housing Ptrs LP	7.25%	4,093	03/2028	568,264
County of Riverside	Cathedral Family Housing Ptrs LP	1.00%	(1)	07/2067	1,250,000
Cathedral City	Cathedral Family Housing Ptrs LP	2.00%	(1)	07/2062	4,006,162
Federal Home Loan Bank - AHP	Cathedral Family Housing Ptrs LP	-	(1)	04/2067	590,000
CCRC (Wells Fargo bond trustee)	Citrus Grove Housing Partners, L.P.	6.25%	5,100	07/2041	768,162
City of Rialto	Citrus Grove Housing Partners, L.P.	0.00%	(1)	07/2064	333,037
City of Rialto	Citrus Grove Housing Partners, L.P.	0.00%	(1)	11/2064	6,800,703
City of Rialto	Citrus Grove Housing Partners, L.P.	0.00%	(1)	11/2064	1,492,973
JPMorgan Chase Bank	Copper Hills Apartments, L.P.	6.95%	51,509	06/2031	1,883,704
Community Devel Commission of National City	Copper Hills Apartments, L.P.	3.00%	(1)	02/2054	4,454,037
Community Devel Commission of National City	Copper Hills Apartments, L.P.	3.00%	(1)	06/2054	771,658
City of Corona	Corona de Oro Apartments, L.P.	1.00%	(4)	09/2055	149,900
Redevelopment Agency of the City of Corona	Corona de Oro Apartments, L.P.	3.00%	(1)	03/2055	4,725,000
Berkadia Commerical Mortgage	Corona de Oro Apartments, L.P.	7.25%	8,784	07/2032	982,533
Citibank	Corona de Oro Apartments, L.P.	0.00%	(3)	06/2032	181,873
Federal Home Loan Bank - AHP	Courson Senior Partners, L.P.	0.00%	(3)	01/2039	350,000

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Lender	Secured Entity	Interest rate	Monthly principal and int or other repymt terms	Maturity	Principal balance
California Community Reinvestment Corporation	Courson Senior Partners, L.P.	6.88%	6,856	06/2039	980,554
City of Palmdale RDA	Courson Senior Partners, L.P.	3.00%	(1)	12/2060	2,850,000
State of Calif. HCD	Courson Senior Partners, L.P.	3.00%	(1)	06/2062	2,341,584
Riverside County Economic Development Agency	Desert Meadows Housing Partners LP	1.00%	(1)	08/2066	7,698,385
AHP Funds	Desert Meadows Housing Partners LP	0.00%	(1)	01/2067	790,000
Department of Housing & Community Development	Desert Meadows Housing Partners LP	3.00%	(1)	04/2069	5,954,244
City of Downey	Downey Housing Partners, LP	3.00%	(1)	02/2068	4,550,000
Housing Authority of the County of Los Angeles	Downey Housing Partners, LP	3.00%	(1)	02/2068	2,386,720
Community Devel Commission of the City of Downey - Developer Note	Downey Housing Partners, LP	3.00%	(1)	02/2068	450,000
Chase	Downey Housing Partners, LP	5.88%	13,201	09/2045	2,175,761
East West Bank	Eagle Rock Housing Partners, L.P	8.12%	4,243	06/2039	525,739
Los Angeles Housing	Eagle Rock Housing Partners, L.P	4.45%	(1)	02/2063	2,325,360
State of Calif. HCD	Eagle Rock Housing Partners, L.P	3.00%	(2)	06/2066	1,725,614
NHDC Tres Lomas, Inc.	Eagle Rock Housing Partners, L.P	4.45%	(1)	2/2062	692,428
Chase	East Rancho Verde Village, L.P.	5.13%	3,761	11/2040	1,437,051
City of Rancho Cucamonga	East Rancho Verde Village, L.P.	3.00%	(1)	06/2062	6,500,000
County of San Bernardino	East Rancho Verde Village, L.P.	3.00%	(1)	03/2063	1,100,000
City of Montclair	EMI Housing Partners, L.P.	3.00%	(1)	04/2069	682,119
Wells Fargo Bank	EMI Housing Partners, L.P.	0.00%	(3)	10/2055	2,869,900
Wells Fargo Bank - AHP	EMI Housing Partners, L.P.	0.00%	(3)	03/2044	158,357
City of Escondido	Escondido Housing Partners, L.P.	3.00%	(1)	10/2055	2,090,635
Department of Housing & Community Development	Escondido Housing Partners, L.P.	3.00%	(1)	04/2058	1,345,219
JPMorgan Chase Bank	Escondido Housing Partners, L.P.	3.17%	(4)	08/2026	966,000
CCRC	Escondido Senior Housing Partners, L.P	7.37%	(1)	12/2065	1,707,502
City of Escondido	Escondido Senior Housing Partners, L.P	5.32%	(1)	12/2065	3,051,230
City of Escondido	Escondido Senior Housing Partners, L.P	3.00%	(1)	12/2065	1,948,770
City of Escondido	Escondido Senior Housing Partners, L.P	3.00%	(1)	05/2065	500,000
City of West Covina	Executive Lodge Apartments, L.P.	3.00%	(1)	03/2038	5,617,867
Federal Home Loan Bank - AHP	Executive Lodge Apartments, L.P.	1.00%	(3)	(c)	214,000
Chase	Executive Lodge Apartments, L.P.	6.20%	12,472	01/2030	1,339,088
California Community Reinvestment Corporation	Fontana Housing Partners, L.P.	7.30%	10,284	09/2033	1,190,902
City of Fontana	Fontana Housing Partners, L.P.	3.00%	(1)	08/2033	1,136,700
Federal Home Loan Bank - AHP	Fontana Housing Partners, L.P.	0.00%	(3)	09/2033	500,000
California Community Reinvestment Corporation	Fontana II Housing Partners, L.P.	6.75%	8,820	12/2036	1,134,123
City of Fontana	Fontana II Housing Partners, L.P.	5.00%	(1)	02/2059	2,500,000
Bank of the West	Fontana III Housing Partners, L.P.	0.00%	(3)	03/2061	350,000
Fontana Housing Authority	Fontana III Housing Partners, L.P.	1.00%	(1)	06/2060	7,153,254
NorthMarq Capital, LLC	Fontana III Housing Partners, L.P.	5.79%	(4)	04/2036	1,582,000
California Community Reinvestment Corporation	Fontana IV Housing Partners, L.P.	6.50%	(11)	04/2045	2,167,458
Fontana Housing Authority	Fontana IV Housing Partners, L.P.	0.25%	(1)	06/2065	6,834,539
County of San Bernadino	Inland Valley Housing Partners, L.P.	3.00%	(1)	06/2060	3,000,000
Rialto Housing Authority	Inland Valley Housing Partners, L.P.	3.00%	(1)	08/2063	14,054,480

National Community Renaissance of California

Notes to Consolidating Financial Statements December 31, 2016

Lender	Secured Entity	Interest rate	Monthly principal and int or other repymt terms	Maturity	Principal balance
Department of Housing & Community Development	Inland Valley Housing Partners, L.P.	3.00%	(2)	07/2064	8,362,659
U.S. Bank	Inland Valley Housing Partners, L.P.	5.97%	15,408	08/2038	2,336,601
Federal Home Loan Bank - AHP	Inland Valley Housing Partners, L.P.	0.00%	(1)	02/2064	1,000,000
Housing Authority of San Diego	Ken-Tal Housing Partners, L.P.	5.00%	1,691	01/2037	257,548
County of San Diego	Ken-Tal Housing Partners, L.P.	3.00%	(1)	10/2059	5,216,424
JPMorgan Chase Bank	Malvern Housing Partners, L.P.	8.06%	3,699	10/2026	226,062
City of Rancho Cucamonga	Malvern Housing Partners, L.P.	1.00%	(1)	04/2058	4,000,000
County of San Bernadino	Malvern Housing Partners, L.P.	3.00%	(6)	12/2022	400,000
City of Pasadena	NCRC / Mar Vista	3.00%	(1)	04/2065	1,804,363.57
Federal Home Funds	NCRC / Mar Vista	3.00%	(1)	07/2066	1,564,783.00
JP Morgan Chase	NCRC / Mar Vista	Variable	(4)	TBD	4,349,285.82
Agency IV - First 5 LA	NCRC / Mar Vista	3.00%	(1)	06/2067	902,107.00
County of Los Angeles - CDC	NCRC / Mar Vista	3.00%	(1)	06/2067	855,000.00
Inclusionary Housing Fund	NCRC / Mar Vista	3.00%	(1)	07/2066	685,217.00
California Community Reinvestment Corporation	Mills Family Housing Partners LP	7.50%	5,943	09/2041	801,481
Montclair RDA	Mills Family Housing Partners LP	3.00%	(1)	04/2063	4,283,084
County of San Bernadino	Mills Family Housing Partners LP	3.00%	(1)	09/2041	2,000,000
City of Oceanside	NCRC / Mission Cove Family I	3.00%	(1)	(a)	5,297,778
City of Oceanside	NCRC / Mission Cove Family I	0.00%	(1)	(a)	5,900,000
California Housing Finance Agency	NCRC / Mission Cove Family I	3.00%	(1)	03/2071	943,470
Wells Fargo AHP	NCRC / Mission Cove Family I	0.00%	(3)	09/2073	890,000
Citibank, N.A.	NCRC / Mission Cove Family I	Variable	(4)	04/2071	9,312,879
US Bank	Mission Village Senior Apartments, L.P.	Variable	17,893	03/2040	2,727,195
Riverside Redevelopment Agency	Mission Village Senior Apartments, L.P.	3.00%	(1) (8)	06/2065	10,472,118
Mississippi Valley Life Insurance Co. (AHP)	Mission Village Senior Apartments, L.P.	0.00%	(2)	03/2065	500,000
County of San Bernadino	Montclair Family Housing Partners, L.P.	5.00%	(4)	05/2061	1,500,000
US Bank	Montclair Family Housing Partners, L.P.	7.73%	(4)	11/2037	1,224,863
Montclair RDA	Montclair Family Housing Partners, L.P.	3.00%	(4)	05/2061	1,943,765
Montclair Redevelopment Agency	Montclair Senior Housing Partners LP	3.00%	(1)	06/2062	1,528,280
County of Los Angeles - Home Funds	Normandie Senior Housing Partners, L.P.	0.00%	(1)	03/2065	5,501,007
County of Los Angeles - CDC	Normandie Senior Housing Partners, L.P.	6.75%	4,864	05/2043	714,106
County of Los Angeles - CDC	Normandie Senior Housing Partners, L.P.	3.00%	(1)	10/2067	600,000
Homeless Housing	Normandie Senior Housing Partners, L.P.	3.00%	(1)	01/2065	1,989,155
DCD - Homeless and Housing Program	Normandie Senior Housing Partners, L.P.	3.00%	(1)	04/2064	4,151,008
State of Calif. HCD	Oceanside Housing Partners, L.P.	5.75%	23,974	06/2049	4,225,086
MMA	Oceanside Housing Partners, L.P.	3.00%	(1)	06/2061	6,244,000
City of Oceanside	Oceanside Senior Housing Partners, L.P.	5.08%	(4)	07/2037	783,543
JPMorgan Chase Bank	Oceanside Senior Housing Partners, L.P.	3.00%	(1)	09/2063	3,772,340
City of Oceanside	Palmdale Senior Housing Partners, L.P.	5.65%	14,476	12/2026	2,520,448
Wells Fargo	Palmdale Senior Housing Partners, L.P.	3.00%	(1)	06/2059	750,000
City of Palmdale	Palmdale Senior Housing Partners, L.P.	3.00%	(1)	06/2059	1,000,000
City of Palmdale	Palmdale Senior Housing Partners, L.P.	0.00%	(6)	01/2066	600,000
First Private Bank & Trust	Rancho Workforce Housing LP	6.04%	51,996	10/2040	8,512,027
California Community Reinvestment Corporation					

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Notes to Consolidating Financial Statements December 31, 2016

Lender	Secured Entity	Interest rate	Monthly principal and int or other repymt terms	Maturity	Principal balance
City of Rancho Cucamonga	Rancho Workforce Housing LP	2.39%	(1)	09/2063	25,868,857
California Community Reinvestment Corporation	Rialto Housing Partners, L.P.	7.49%	13,790	03/2031	2,285,191
Rialto Housing Authority	Rialto Housing Partners, L.P.	3.00%	(4)	01/2054	1,000,000
County of San Bernadino	Rialto Housing Partners, L.P.	0.00%	(3)	02/2056	250,000
Berkadia Commerical Mortgage	Richmar Housing Partners, L.P.	5.12%	5,764	11/2049	1,098,549
City of San Marcos	Richmar Housing Partners, L.P.	3.00%	(1)	12/2068	3,397,973
J.P. Morgan Chase	Renaissance Village Housing Partners, L.P.	Variable	(4)	(8)	-
Greystone Servicing Corp.	Renaissance Village Housing Partners, L.P.	5.60%	25,971	01/2035	4,524,000
County of San Bernardino	Renaissance Village Housing Partners, L.P.	3.00%	2,978	05/2024	283,792
Department of Housing & Community Development	Riverside Housing Partners, L.P.	3.00%	(4)	03/2061	2,930,000
US Bank	Riverside Housing Partners, L.P.	6.21%	9,779	07/2036	1,341,002
City of Riverside	Riverside Housing Partners, L.P.	3.00%	(1)	06/2059	4,496,135
County of San Diego	San Marcos Housing Partners, L.P.	5.98%	(1)	01/2056	850,000
Red Mortgage Capital	San Marcos Housing Partners, L.P.	7.93%	30,613	12/2032	3,333,156
San Marcos Redevelopment Agency	San Marcos Housing Partners, L.P.	3.00%	(1)	12/2055	2,931,040
US Bank	Sante Fe Springs Housing Partners, L.P.	5.36%	27,298	04/2034	3,385,759
Los Angeles CDC	Sante Fe Springs Housing Partners, L.P.	3.00%	(1)	03/2032	742,596
City of Santa Fee Spring CDC	Sante Fe Springs Housing Partners, L.P.	3.00%	(1)	09/2057	1,843,667
HACOLA	Sante Fe Springs Housing Partners, L.P.	3.00%	(4)	03/2034	761,456
County of San Diego Dept of Housing and Community Development	Santee Apartments L.P.	3.00%	(1)	12/2055	240,000
J.P. Morgan Chase	Santee Apartments L.P.	5.95%	(5)	05/2028	2,120,229
Community Devel Commission of the City of Santee	Santee Apartments L.P.	3.00%	(1)	12/2055	3,016,248
Department of Housing & Community Development	Santee Apartments L.P.	3.00%	(1)	12/2038	3,270,535
City of Yorba Linda	NCRC / Savi Ranch	3.00%	(1)	(a)	13,652,782
FHLBSF AHP Funds - Citibank	NCRC / Savi Ranch	0.00%	(1)	09/2071	680,000
Citibank	NCRC / Savi Ranch	3.00%	(1)	(a)	6,212,033
San Diego County Department	Spring Valley Housing Partners, L.P.	3.00%	(1)	02/2057	1,825,000
JPMorgan Chase Bank	Spring Valley Housing Partners, L.P.	5.90%	12,850	10/2020	1,584,525
Brookfield University Commons LLC	UC Housing Partners, L.P.	2.00%	(3)	11/2059	1,463,164
California Community Reinvestment Corporation	UC Housing Partners, L.P.	5.60%	23,618	08/2037	3,465,864
Department of Housing & Community Develop.	UC Housing Partners, L.P.	3.00%	(2)	07/2062	6,382,879
Wells Fargo	Val 9 Housing Partners, L.P.	Variable	(4)	02/2017	8,019,920
PNC Bank	Val 9 Housing Partners, L.P.	3.47%	41,791	11/2046	10,297,419
City of San Bernardino	Val 9 Housing Partners, L.P.	3.00%	(1)	(a)	1,000,000
Housing Authority of San Bernardino	Val 9 Housing Partners, L.P.	3.00%	(3)	(a)	729,000
County of San Bernardino	Val 9 Housing Partners, L.P.	3.00%	(3)	(a)	1,350,000
County of San Bernadino	Victorville Housing Partners, L.P.	3.00%	(1)	09/2022	970,733
US Bank	Victorville Housing Partners, L.P.	6.66%	11,689	10/2021	1,457,933
Victorville RDA	Victorville Housing Partners, L.P.	3.00%	(1)	09/2057	794,602
San Marcos Redevelopment Agency	Villa Serena Apartments, L.P.	3.00%	(4)	01/2027	5,717,212
FHLB-AHP	Villa Serena Apartments, L.P.	0.00%	(3)	05/2030	337,680

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Notes to Consolidating Financial Statements December 31, 2016

Lender	Secured Entity	Interest rate	Monthly principal and int or other repymt terms	Maturity	Principal balance
Amerinational	Villa Serena Apartments, L.P.	3.00%	1,280	06/2034	177,763
JPMorgan Chase Bank	Villa Serena Apartments, L.P.	5.80%	13,761	6/2030	1,535,003
US Bank	Vista Dunes Housing Partners, L.P.	6.90%	7788	11/2038	1,047,957
NCRC	Vista Dunes Housing Partners, L.P.	1.00%	(1)	12/2062	347,097
Western Pacific Housing	Vista Terraza Housing Partners, L.P.	4.68%	(1)	04/2060	4,673,244
US Bank	Vista Terraza Housing Partners, L.P.	5.81%	25,343	05/2037	3,671,503
Department of Housing & Community Development	Vista Terraza Housing Partners, L.P.	3.00%	(2)	05/2062	7,000,302
Wells Fargo Bank	Waterman Gardens Partner 1, L.P.	3.65%	(10)	10/2057	1,475,114
Wells Fargo Bank	Waterman Gardens Partner 1, L.P.	2.94%	(12)	04/2018	1,883,635
City of San Bernardino HOME	Waterman Gardens Partner 1, L.P.	3.00%	(1)	(a)	660,600
San Bernardino County Housing Authority	Waterman Gardens Partner 1, L.P.	2.33%	(1)	04/2073	663,000
City of San Marcos RDA	Westlake Housing Partners, L.P.	3.00%	(1)	12/2068	13,330,252
Berkadia Commerical Mortgage	Westlake Housing Partners, L.P.	5.87%	3,930	06/2030	683,661
CCRC	Woods Family Housing Ptrs LP	8.50%	10,765	11/2043	1,364,267
Los Angeles CDC (Industry)	Woods Family Housing Ptrs LP	3.00%	(1)	09/2063	1,249,201
Los Angeles CDC (Maravilla)	Woods Family Housing Ptrs LP	3.00%	(1)	09/2063	1,000,000
Los Angeles CDC (CDBG)	Woods Family Housing Ptrs LP	3.00%	(1)	09/2063	1,000,000
Los Angeles CDC (1st District)	Woods Family Housing Ptrs LP	3.00%	(1)	09/2063	1,000,000
Los Angeles CDC (HOME)	Woods Family Housing Ptrs LP	3.00%	(1)	09/2063	2,047,376
JPMorgan Chase Bank	Yorba Linda Housing Partners, L.P.	6.07%	29,280	06/2035	4,357,278
Yorba Linda Redevelopment Agency	Yorba Linda Housing Partners, L.P.	3.00%	(1)	05/2061	12,726,406
Yorba Linda Redevelopment Agency	Yorba Linda Housing Partners, L.P.	0.00%	(1)	11/2039	750,000
Bonneville Mortgage	Yucca Valley Senior Housing Ptrs, LP	4.21%	8,572	02/2056	843,773
Town of Yucca Valley	Yucca Valley Senior Housing Ptrs, LP	0.50%	(8)	04/2068	2,925,000
JPMorgan Chase Bank - AHP	Yucca Valley Senior Housing Ptrs, LP	0.00%	(3)	01/2030	1,180,000
San Bernardino County	Yucca Valley Senior Housing Ptrs, LP	3.00%	(1)	(d)	1,622,830
Subtotal					584,487,265
Less debt issuance costs					(6,353,432)
Total					<u>\$ 578,133,833</u>

- (a) Maturity Date will be 55 years from completion of construction
- (b) Maturity Date will be 55 years from 50% occupancy.
- (c) Loan is being forgiven and is in the process of being reconveyed.
- (d) Maturity Date will be 55 years from the Certificate of Occupancy.
- (1) Payment is based on residual receipts.
- (2) Payment in the amount of .42% per annum.
- (3) Full payment at maturity.
- (4) Interest only monthly, principal payment at maturity.
- (5) Monthly payments of interest and semi-annual payments of principal.
- (6) Payments are deferred for 55 years.
- (7) Principal payments are based on residual receipts.
- (8) Will be converted into a permanent loan at the end of construction. Loan has not been extended.
- (9) Construction loan has been extended.
- (10) Interest only until 11/1/2017 then monthly pmts. of \$35,164.07
- (11) Payment in the amount of .25% per annum.

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Notes to Consolidating Financial Statements December 31, 2016

Financial instruments

To minimize the effect of changes in interest rates, in 2015 NCRC entered into an interest rate swap agreement with Wells Fargo under which NCRC pays interest at a fixed rate of 3.58% and Wells Fargo pays the interest on the mortgage at a variable rate. The variable rate under the Swap Agreement is based on the same notional amount as the underlying mortgage, which is \$2,402,816. The notional amount of the Swap Agreement is equal to the outstanding amount of the bonds. The Swap Agreement expires upon payment in full of the mortgage.

NCRC recorded an asset for the fair market value of the interest rate swap as of December 31, 2016 in the amount of \$14,209, which represents the fair value of the future differences in interest to be paid and received under the Swap Agreement over the remaining term of the Swap Agreement. During the year ended December 31, 2016, a gain in fair market value of \$19,423 has been realized and is included in other expense on the statement of activities.

Note Payable La Quinta Redevelopment Agency

During the year ended June 30, 2008, NCRC acquired a partially constructed project from the La Quinta Redevelopment Agency for \$24,000,000 pursuant to the Amended and Restated Affordability Housing Agreement dated October 31, 2007. NCRC gave the La Quinta Redevelopment Agency a Note in the same amount of \$24,000,000. The \$24,000,000 represented the amount that the La Quinta Redevelopment Agency had spent on construction as of the date of the sale of the partially completed project to NCRC. The note does not bear interest and is automatically forgiven five years after the date that Vista Dunes Housing Partners, L.P. (an entity in which NCRC holds a general partner interest through an affiliate) executes its permanent loan (which occurred on February 1, 2009), as long as NCRC does not violate any of the agreement covenants. On October 31, 2007, NCRC sold the project to Vista Dunes Housing Partners, L.P. for \$5,200,000. The sales price of \$5,200,000 was determined by an appraisal commissioned by NCRC. NCRC believes that the fair value of the project's assets sold to Vista Dunes Housing Partners, L.P. is \$5,200,000. Therefore, NCRC believes that the fair value of the project assets acquired from the Agency, and the note payable to the La Quinta Redevelopment Agency, is \$5,200,000. The fair value of the \$24,000,000 note at face value is set at \$5,200,000. On February 10, 2015 the loan was re-conveyed and will be amortized over the remaining compliance period of the Vista Dunes project. Consequently, the entire \$5,200,000 was classified as temporarily restricted net assets on the statement of financial position. Release of restriction on this grant commenced in February 2015 and will continue over a 46-year period on the straight line basis. During the year ended December 31, 2016, \$113,043 of temporarily restricted net assets was released, recognized as income and is included in other income on the statement of activities. Amortization in subsequent years will be approximately \$113,043 per year. As of December 31, 2016, NCRC has a balance of temporarily restricted net assets of \$4,983,334 attributable to the loan forgiveness.

There were additional advances from the La Quinta Redevelopment Agency totaling \$1,910,067. The entire amount was forgiven and is now classified as temporarily restricted net assets on the statement of financial position. Release of restriction on this grant commenced in February 2015 and will continue over a 46-year period on the straight line basis. During the year ended December 31, 2016, \$38,201 of temporarily restricted net assets was released, recognized as income and is included in other income on the statement of activities. Amortization in subsequent years will be approximately \$38,201 per year. As of December 31, 2016, NCRC has a balance of temporarily restricted net assets of \$1,754,603 attributable to the forgiveness of advances.

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The annual maturities of long-term debt for each of the next five years and thereafter subsequent to December 31, 2016 are as follows:

2017	\$ 14,156,137
2018	3,836,745
2019	5,075,609
2020	4,581,045
2021	5,778,636
Thereafter	<u>551,059,092</u>
	<u><u>\$ 584,487,265</u></u>

Interest capitalized into project development costs and property, equipment and improvements totaled \$608,323 for the year ended December 31, 2016.

Note 7 - Fair value

As of December 31, 2016, the fair value of the interest rate swap asset of \$14,209 is classified within Level 2 of the fair value hierarchy. No other assets or liabilities are measured at fair value as of December 31, 2016. The following table presents the financial liability measured at fair value on a recurring basis as of December 31, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Interest rate swap at December 31, 2016	<u>\$ -</u>	<u>\$ 14,209</u>	<u>\$ -</u>	<u>\$ 14,209</u>

On a recurring basis, NCRC measures its interest rate swap at its estimated fair value. In determining the fair value of its interest rate swap derivative, NCRC uses the present value of expected cash flows based on market observable interest rate yield curve commensurate with the term of the instrument. NCRC incorporates credit valuation adjustments to appropriately reflect both its own nonperformance risk and that of the respective counterparty in the fair value measurement. The credit valuation adjustments utilize Level 3 inputs, such as estimates of current credit spreads, to evaluate the likelihood of default by either the respective counterparty or the NCRC. However, NCRC determined that as of December 31, 2016, the impact of the credit valuation adjustments were not significant to the overall valuation of the swap. As a result, the fair value of the swap is considered to be based primarily on Level 2 inputs.

Note 8 - Extended affordability agreement

During the year ended June 30, 2008, NCRC received a \$42,500,000 donation under the terms of an Extended Affordability Agreement with the Rancho Cucamonga Redevelopment Agency (the "Agency"), in which NCRC agreed to add certain units to the existing below market units currently specified at four affordable housing properties (the "properties") named in the agreement and to keep all the below market units at each property at the agreed upon below market rate for a minimum of 99 years. The agreement to keep the properties as regulated affordable housing for a minimum of 99 years is a restriction on NCRC. The restriction is removed as progress is made in satisfying the 99-year term of the rent affordability restriction in the agreement. Consequently, the entire \$42,500,000 was classified as temporarily restricted net assets on the statement of financial position. Amortization of this grant (included in temporarily restricted net asset) commenced in December 2007 over the 99-year term on the straight line basis. During the year ended December

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31, 2016, \$429,294 of temporarily restricted net assets was released to unrestricted net assets. Amortization in subsequent years will be approximately \$429,300 per year. As of December 31, 2016, NCRC has a balance of temporarily restricted net assets of \$38,646,544 attributable to the extended affordability agreement.

Note 9 - Pledge Agreement grant

On July 24, 1994, NCRC executed a Pledge Agreement with the Redevelopment Agency of the City of Rancho Cucamonga (the "Redevelopment Agency"). The purpose of the agreement is to enable the Redevelopment Agency to provide NCRC funds on an annual basis over a period of thirty years to assist NCRC in acquiring qualifying apartment projects from the Redevelopment Agency's set-aside funds. As a result of this agreement NCRC acquired three qualifying projects. NCRC executed a Regulatory Agreement and Declaration of Restrictive Covenants for each of the three projects which impose tenant income and rent restrictions. Over time, the pledge agreement was amended to satisfy certain requirements of the Redevelopment Agency. Currently the Redevelopment Agency is providing annual funding in the amount of \$337,600 for the three projects combined which is deposited into the project's replacement reserve accounts. During the year ended December 31, 2016, the Redevelopment Agency funded \$508,800 under the Pledge Agreement, which is included in temporarily restricted net assets on the statement of activities. The funding is accounted for as temporarily restricted grant income. As expenditures from the replacement reserves are made, temporarily restricted net assets are released in the same amount. During the year ended December 31, 2016, \$503,893 of temporarily restricted net assets were released into unrestricted net assets. As of December 31, 2016, NCRC has a balance of temporarily restricted net assets of \$4,229,434 attributable to the Pledge Agreement grant.

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 which calls for dissolution of all redevelopment agencies in the State of California. The successor agency is the City of Rancho Cucamonga, and continued funding of the pledge agreement grant is included in the Rancho Cucamonga Redevelopment Agency's Enforceable Obligation Payment Schedule.

Note 10 - Retirement plan

National Community Renaissance (the "Company"), a related party, maintains a Voluntary 401(k) Retirement Plan ("Plan") covering substantially all full-time employees of the NCRC. Participants are immediately vested in their contribution and the Company's special matching contribution plus earnings thereon. Vesting in the remainder of the accounts is based on years of service. A year of service is given for each Plan year in which a participant performs 1,000 or more hours of service. After two years of service, a participant becomes 20% vested. Each service year thereafter will increase the participant's vesting by 20%, with 100% vesting after six years.

Discretionary contributions are determined by management and are allocated to all eligible employees based upon compensation. For the period ended December 31, 2016, \$395,366 was contributed by the NCRC to the retirement plan.

Note 11 - Related party transactions

In the ordinary course of business, NCRC has significant related party transactions with affiliates. It provides a considerable amount of funding in connection with the development of projects. It also provides development services, construction management services and property management services. In certain cases, NCRC pays operating expenses on behalf of affiliates, which are reimbursed to NCRC on a monthly basis. In certain instances however, such as when individual

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properties may be experiencing cash flow difficulties, repayment may be delayed, providing the individual properties with a source of funds.

NCRC earns construction contractor's fees, supervisory management and asset management fees, construction supervisory management fees, social services fees and property management fees in connection with services rendered to consolidated affiliated entities.

Advances due from affiliates

The amounts loaned by NCRC primarily represent development loans and other entity expenses to affiliates. These loans are unsecured and due on demand and some bear interest. As of December 31, 2016, such amounts due are \$929,274.

From time-to-time, NCRC advances funds to NCRDC to cover operating deficits. As of December 31, 2016, such advances totaled \$6,374,364, and are included in advances due from affiliates on the statement of financial position. NCRDC's management has provided to the management of NCRC their plans, as well as their underlying estimates and assumptions, to repay the advances. Management of NCRC has reviewed the plans, estimates and assumptions and accordingly has determined that no allowance for doubtful accounts is required at December 31, 2016.

General and administrative expense allocation

NCRC allocates 7% of its total general and administrative expenses to NCRDC. The allocation is based on a combination of total organization head count and total properties managed by each organization.

Note 12 - Guaranties

In its role as general partner of the various Housing Affiliates, NCRC is liable for recourse liabilities. These projects have been allocated low-income housing tax credits pursuant to Internal Revenue Code Section 42. In connection with their general partnership interests, certain guarantees have been made to the partnerships.

Development deficit guaranty

NCRC, or its affiliates, are obligated to pay any development cost deficits or, at the option of the investor limited partner, to purchase the interest of the investor limited partner if the project is not completed or if permanent financing has not been obtained. This obligation terminates at achievement of break-even operations, as defined. As of December 31, 2016, no amounts were due under this guaranty. As of December 31, 2016, the amount of potential obligation cannot be estimated.

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Operating deficit guaranty

NCRC, or its affiliates, are obligated to make non-interest bearing loans to cover operating cash shortfalls which are repayable through available cash flow. The guaranties are for a period of three to five years, commencing with the break-even date, as defined. As of December 31, 2016, no amounts were due under this guaranty. The following are the projects that are under the operating deficit guaranty, the period covered and the amount of the guaranty:

Project	Period covered	Amount
Normandie Senior Housing Partners, LP	01/12 - 01/17	\$ 200,000
ANF Family Partners II, LP	01/12 - 01/17	500,000
Woods Family Housing Ptrs LP	07/12 - 07/17	382,412
Westlake Village Housing Partners, LP	09/13 - 09/18	300,000
Downey Housing Partners, LP	06/15 - 06/18	307,000
Richmar Housing Partners, LP	11/14 - 11/19	300,000
Yucca Valley Housing Partners, LP	09/15 - 09/20	210,920
Mar Vista Union Housing Partners, LP	10/16 - 10/21	150,000
Savi Ranch Housing Partners, LP	12/16 - 12/21	300,000
Avenida Serra Housing Partners	03/16 - 03/21	110,000

Recapture guaranty

In the event of a tax credit recapture of low-income housing tax credits previously received by the investor limited partners or investment members in housing affiliates, NCRC shall be obligated to reimburse the investor limited partner or investment member for any recaptured credits plus any associated penalties, interest or additional taxes due, commencing with the breakeven date, as defined. NCRC shall not be liable for a recapture event caused by a change in law or actions of the investors or special limited partners. As of December 31, 2016, no amounts were due under these guaranties.

Note 13 - Concentration of credit risk

NCRC maintains cash and cash equivalents with various financial institutions. All reserves are held in NCRC's name. At times, these balances may exceed the federal insurance limits; however, NCRC has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these cash balances at December 31, 2016.

Note 14 - Commitments and contingencies

Grant and property use restrictions

Many of the properties owned and operated by NCRC were developed using monies provided by grants and restrictive, low-interest rate loans. The terms of these loans restrict the use of the property and generally require it be rented to low-income qualified tenants for the period of the grant or related loan term. NCRC also receives grants with restrictions other than property use. Failure to comply with the terms of the grant or the loans would result in a requirement to repay a portion or all of the proceeds received.

Rental assistance contracts

Four of the Housing Affiliates have entered into rental assistance contracts with HUD. These contracts have various terms and require the projects to operate as low-income housing properties and to obtain HUD approval of all rent increases.

National Community Renaissance of California

Notes to Consolidating Financial Statements December 31, 2016

Low-income housing tax credits

In connection with the Housing Affiliates who receive low-income housing tax credits, the Housing Affiliate's low-income housing tax credits are contingent on its ability to maintain compliance with applicable sections of Section 42. Failure to maintain compliance with occupant eligibility and/or unit gross rent, or to correct noncompliance within a specified time period, could result in recapture of previously taken tax credits plus interest. In addition, such potential noncompliance may require an adjustment to the contributed capital by the investor partner or member.

Litigation

NCRC is subject to lawsuits and claims, which arise out of the normal course of its activities. In the opinion of management, based upon the opinions of legal counsel, the disposition of any and all such actions, of which it is aware, will not have a material effect on the financial position of NCRC.

Economic concentrations

NCRC invests in rental property primarily in Southern California whose future operations could be affected by changes in economic or other conditions in that geographical area or by changes in federal low-income housing subsidies or the demand for such housing.

Other

As general partners in Housing Affiliates, NCRC may be subject to other liabilities, should the affected Housing Affiliates' assets become insufficient to meet their obligations. In the opinion of management, future revenues and the value of the underlying assets of each of these Housing Affiliates will be sufficient to meet ongoing and future obligations.

Note 15 - Subsequent events

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management evaluated the activity of NCRC through June 30, 2017, the date the consolidating financial statements were available to be issued, and concluded that no other subsequent events have occurred that would require recognition in the consolidating financial statements or disclosure in the notes to consolidating financial statements.

Supplementary Information

National Community Renaissance of California
Consolidating Schedule of Financial Position

December 31, 2016

	NCRC Corporate	Hope Through Housing	Wholly Owned	Eliminations Entries	National Core of California	Housing Affiliates	Elimination Entries	Total
<u>Assets</u>								
Cash and equivalents	\$ 1,502,099	\$ 359,301	\$ 5,285,165	\$ -	\$ 7,146,565	\$ 11,081,171	\$ -	\$ 18,227,736
Reserve for security deposits held in trust	-	-	1,004,280	-	1,004,280	2,573,648	-	3,577,928
Total cash and cash equivalents	1,502,099	359,301	6,289,445	-	8,150,845	13,654,819	-	21,805,664
Restricted cash	249,504	-	13,092,518	-	13,342,022	19,784,285	-	33,126,307
Accounts receivable, net	164,086	458,686	40,372	-	653,144	345,715	(327,177)	671,682
Advance due from affiliates, net	39,792,801	-	20,519,061	(10,000)	55,154,721	428,951	(48,280,034)	7,303,638
Developer fee receivable	9,191,876	-	-	(5,157,141)	9,191,876	-	(8,541,509)	650,367
Prepaid expenses	65,225	4,859	169,608	-	239,692	558,846	-	798,538
Investment	(25,719)	-	-	-	(25,719)	-	744,597	718,878
Project development cost	8,768,163	-	-	(6,495,827)	2,272,336	-	-	2,272,336
Property, equipment and improvements, net	4,199,333	529,911	85,020,641	(1,187,258)	88,562,627	691,637,021	(3,754,709)	776,444,939
Deferred costs, net	27,761	-	549,261	-	-	3,400,537	-	3,400,537
Total assets	\$ 63,935,129	\$ 1,352,757	\$ 125,680,906	\$ (12,850,226)	\$ 177,541,544	\$ 729,810,174	\$ (60,158,832)	\$ 847,192,886
<u>Liabilities and Net Assets</u>								
Accounts payable	\$ 241,700	\$ 77,769	\$ 945,857	\$ -	\$ 1,265,326	\$ 9,738,591	\$ -	\$ 11,003,917
Accrued expenses	966,278	49,545	1,542,013	-	2,557,836	74,921,919	(1,410,141)	76,069,614
Security deposits	4,732	-	1,018,923	-	1,023,655	2,511,381	-	3,535,036
Deferred revenue	3,738,286	-	124,088	-	3,862,374	373,588	(3,754,709)	481,253
Mortgages and notes payable	11,793,387	-	55,834,242	-	67,050,607	547,210,091	(36,126,865)	578,133,833
Due to affiliates	-	3,555,056	8,097,911	(11,652,967)	-	12,332,814	(11,426,037)	906,777
Developer fee payable	-	-	399,652	-	399,652	8,459,991	(8,185,677)	673,966
Total liabilities	16,744,383	3,682,370	67,962,686	(11,652,967)	76,159,450	655,548,375	(60,903,429)	670,804,396
Net assets	13,432,404	(2,556,204)	41,862,656	(1,197,259)	51,541,597	(744,597)	(9,489,636)	41,307,364
Unrestricted net assets, controlling	-	-	-	-	-	75,006,396	10,234,233	85,240,629
Unrestricted net assets, noncontrolling	-	-	-	-	-	-	-	-
Temporarily restricted net assets	33,758,342	226,591	15,855,564	-	49,840,497	-	-	49,840,497
Total liabilities and net assets	\$ 63,935,129	\$ 1,352,757	\$ 125,680,906	\$ (12,850,226)	\$ 177,541,544	\$ 729,810,174	\$ (60,158,832)	\$ 847,192,886

National Community Renaissance of California

Consolidating Schedule of Activities

Year Ended December 31, 2016

	NCRC Corporate	Hope Through Housing	Wholly Owned	Eliminations Entries	National Core of California	Housing Affiliates	Elimination Entries	Total
Revenue and gains								
Rental income from tenants	\$ -	\$ (69,427)	\$ 18,213,372	\$ -	\$ 18,143,945	\$ 38,450,256	\$ -	\$ 56,594,201
Consulting and development	10,813,788	1,321,902	-	(3,342,717)	8,792,973	31,481	(1,508,743)	7,315,711
Management fees	4,241,792	-	-	(191,921)	4,049,871	-	(108,337)	3,941,534
Private donations - HTHF	-	1,045,126	-	-	1,045,126	-	-	1,045,126
Grants	382,121	-	632,681	-	1,014,802	12,786	-	1,027,588
Laundry revenue	-	-	159,704	-	159,704	494,648	-	654,352
Interest	513,489	258	326,792	-	840,539	39,464	(63,726)	816,277
Other	30,576	743,968	701,115	-	1,475,659	932,181	-	2,407,840
Total revenue	15,981,766	3,313,722	20,033,664	(3,534,638)	35,794,514	39,960,816	(1,680,806)	74,074,524
Expenses, gains and losses								
Administrative	1,487,479	2,406,862	574,632	-	4,468,973	1,400,136	-	5,869,109
Salaries and related expenses	10,325,644	1,315,547	1,829,535	-	13,470,726	4,541,076	-	18,011,802
Utilities	62,860	-	1,913,238	-	1,976,098	5,470,856	-	7,446,954
Maintenance and operating	129,151	673	3,873,067	-	4,002,891	8,692,460	-	12,695,351
Professional services	1,242,742	116,611	326,561	-	1,685,914	1,561,883	-	3,247,797
Taxes and insurance	118,014	38,322	1,233,204	-	1,389,540	2,103,370	-	3,492,910
Interest	310,095	-	1,809,491	-	2,119,586	15,943,336	(63,726)	17,999,196
Depreciation	359,166	12,426	2,645,920	-	3,017,512	22,050,040	-	25,067,552
Amortization	50,487	-	68,250	-	118,737	665,312	-	784,049
Management fees	22,906	-	1,646,926	(423,737)	1,246,095	4,526,676	(1,617,080)	4,155,691
Other expense	3,267,572	12,749	96,736	-	3,377,057	866,949	-	4,244,006
Total expenses	17,376,116	3,903,190	16,017,560	(423,737)	36,873,129	67,822,094	(1,680,806)	103,014,417
Excess (deficit) of revenues and gains over expense	\$ (1,394,350)	\$ (589,468)	\$ 4,016,104	\$ (3,110,901)	\$ (1,078,615)	\$ (27,861,278)	\$ -	\$ (28,939,893)
Increase (decrease) in unrestricted net assets	\$ (1,394,350)	\$ (589,468)	\$ 4,016,104	\$ (3,110,901)	\$ (1,087,167)	\$ (492,612)	\$ -	\$ (1,571,227)
Net assets - unrestricted, beginning of year	15,571,351	(1,966,736)	40,957,452	(1,197,258)	53,364,809	(251,985)	(10,234,233)	42,878,591
Net assets - unrestricted, end of year	\$ 14,177,001	\$ (2,564,756)	\$ 41,862,656	\$ (1,197,259)	\$ 52,277,642	\$ (744,597)	\$ (10,234,233)	\$ 41,307,364
Net assets - temporarily restricted, beginning of year	\$ 32,417,298	\$ 215,315	\$ 15,979,445	\$ -	\$ 48,612,058	\$ -	\$ -	\$ 48,612,058
Increase in temporarily restricted net assets	1,792,804	76,939	508,800	-	2,378,543	-	-	2,378,543
Release of temporarily restricted net assets	(451,760)	(65,663)	(632,681)	-	(1,150,104)	-	-	(1,150,104)
Net assets - temporarily restricted, end of year	\$ 33,758,342	\$ 226,591	\$ 15,855,564	\$ -	\$ 49,840,497	\$ -	\$ -	\$ 49,840,497
Non-controlling interest								
Beginning net assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 80,417,404	\$ 10,234,233	\$ 90,651,637
Contributions	-	-	-	-	-	22,404,263	-	22,404,263
Distributions	-	-	-	-	-	(446,605)	-	(446,605)
Net income (loss)	-	-	-	-	-	(27,368,666)	-	(27,368,666)
Ending net assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 75,006,396	\$ 10,234,233	\$ 85,240,629

National Community Renaissance of California

**Schedule of Expenditures of Federal Awards
Year Ended December 31, 2016**

Federal grantor/pass through grantor Program title	Federal CFDA number	Pass-through identifying entity number	Total federal expenditures
Department of Housing and Urban Development, passed through from the City of San Marcos, the City of Hawthorne, the City of Riverside, the County of San Bernadino, the County of San Diego, Long Beach Affordable Housing, the County of Riverside, the City of Victorville and the County of Los Angeles:			
HOME Investments Partnership Program	14.239	N/A	\$ 2,913,444
Total U.S. Department of Housing and Urban Development			2,913,444
Total expenditures of federal awards			\$ 2,913,444

National Community Renaissance of California

**Notes to Schedule of Expenditures of Federal Awards
December 31, 2016**

Note 1 - Basis of presentation

The accompanying schedule of expenditures of federal awards includes the federal award activity of National Community Renaissance of California, under programs of the federal government for the year ended December 31, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of National Community Renaissance of California, it is not intended to and does not present the financial position, changes in net assets, or cash flows of National Community Renaissance of California.

Note 2 - Summary of significant accounting policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, the cost principles contained in the Uniform Guidance.

Note 3 - U.S. Department of Housing and Urban Development loan program

National Community Renaissance of California has received direct loans under the HOME Investments Partnership Program. The loan balance outstanding at the beginning of the year is included in the federal expenditures presented in the Schedule. National Community Renaissance of California received no additional loans during the year. The balance of the loans outstanding at December 31, 2016 consists of:

<u>CFDA Number</u>	<u>Program Name</u>	<u>Outstanding Balance at December 31, 2016</u>
14.239	HOME Investments Partnership Program	\$2,894,240

Independent Auditor's Report on Internal Control over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
National Community Renaissance of California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidating financial statements of National Community Renaissance of California, which comprise the consolidating statement of financial position as of December 31, 2016, and the related consolidating statements of activities, changes in net assets and cash flows for the year then ended, and the related notes to the consolidating financial statements, and have issued our report thereon dated June 30, 2017 which included an emphasis of matter paragraph related to the adoption of a new accounting principle as indicated at page 3.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidating financial statements, we considered National Community Renaissance of California's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidating financial statements, but not for the purpose of expressing an opinion on the effectiveness of National Community Renaissance of California's internal control. Accordingly, we do not express an opinion on the effectiveness of National Community Renaissance of California's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control, that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether National Community Renaissance of California's consolidating financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "CohnReznick LLP". The signature is written in a cursive, flowing style.

Sacramento, California
June 30, 2017

Independent Auditor's Report on Compliance for the Major Federal Program and on
Internal Control over Compliance Required by the Uniform Guidance

To the Board of Directors
National Community Renaissance of California

Report on Compliance for the Major Federal Program

We have audited National Community Renaissance of California's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on National Community Renaissance of California's major federal program for the year ended December 31, 2016. National Community Renaissance of California's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for National Community Renaissance of California's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about National Community Renaissance of California's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of National Community Renaissance of California's compliance.

Opinion on the Major Federal Program

In our opinion, National Community Renaissance of California complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2016.

Report on Internal Control over Compliance

Management of National Community Renaissance of California is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered National Community Renaissance of California's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of National Community Renaissance of California's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of our testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Sacramento, California
June 30, 2017

National Community Renaissance of California

Schedule of Findings and Questioned Costs
December 31, 2016

A. Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the consolidating financial statements audited were prepared in accordance with generally accepted accounting principles:

Unmodified

Internal control over financial reporting:

*Material weakness(es) identified? Yes X No

*Significant deficiency(ies) identified? Yes X None reported

Noncompliance material to consolidating financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

*Material weakness(es) identified? Yes X No

*Significant deficiency(ies) identified? Yes X None reported

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance 2 CFR Section 200.516(a)?

 Yes X No

Identification of major federal programs:

CFDA Numbers

14.239

Name of Federal Program or Cluster

Department of Housing and Urban Development
HOME Investment Partnership Program

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee X Yes No

B. Findings - Financial Statements Audit

None

C. Findings and Questioned Costs - Major Federal Award Programs Audit

None

ATTACHMENT 5 – DEVELOPER'S PROFORMA

LIHTC ACQUISITION-REHAB FINANCIAL MODEL

Page 1 - Project Summary

Seller Loan Assumptions	
Additional Seller Loan	\$2,460,000
New Seller Loan	2.100%
New Seller Loan Rate	2.100%
Residual Receipt Loan Amount	\$1,942,220
501(c)	
Residual Receipt 1 Rate	2.100%
HUD	
Residual Receipt 2 Rate	3.00%
Residual Receipt 3 Rate	1.100%
Residual Receipt 4 Rate	
Total Residual Receipts Assumed	\$1,942,220

Parkside SAN DIEGO

Unit Mix and Utility Allowances

Unit	Unit Mix and Utility Allowances		POST Utility Allowances		Average Current		Average Interim/ Bridge		Average Post Construction		Average TCAC		Overhang		Market Rate Units		Change	
	Total Units	Net Rentable Square Feet	Per Unit	Per Unit	Average Current	Average Interim/ Bridge	Average Post Construction	Average TCAC	Average Overhang	Total Units	Studio	One Bedroom	Two Bedroom	Three Bedroom	Four Bedroom	Current Rents	Post Rents	Change
Studio	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
One Bedroom	5	576	40	40	845	845	946	972	-328	0	0	0	0	0	0	0	0	0
Two Bedroom	29	768	52	52	1,011	1,011	1,083	1,162	-2,280	0	0	0	0	0	0	0	0	0
Three Bedroom	5	960	63	63	1,138	1,138	1,216	1,340	-616	0	0	0	0	0	0	0	0	0
Four Bedroom	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Manager Studio	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Manager One Bedroom	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Manager Two Bedroom	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Manager Three Bedroom	1	960	0	0	908	908	971	1,317	0	0	0	0	0	0	0	5,919	5,919	0
Manager Four Bedroom	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Market Rate Units	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Totals	40	Average 773	Average 51	Average 994	Average 994	Average 994	Average 1,050	Average 1,151	-3,224	0	0	0	0	0	0	0	0	0

Stabilized Operations Summary

Stabilized Operations Summary	
Gross Rental Income	Per SF
Retail Income	16.44
Other Income	0.00
Vacancy	0.00
Effective Gross Income	16.44
Operating Expenses, including \$100 per unit reserves	16.12
Net Operating Income	0.32
Total Debt Service (excluding cash flow-based loans)	0.03
Net Cash Flow (before partnership-level expenses)	0.29

Sources and Uses of Funds

Sources and Uses of Funds	
Debt:	Per SF
Term Loan #1, 5%, 1.16DCR, 35-year amort	168.22
Term Loan #1, 0%, 1.15DCR, 35-year amort	88.64
Net operating income through Interim Loan	79.58
New Seller Loan	100.50
San Diego Housing Development Corp	
Capitalized Cash Flow From Operations (Deferred Development Fee)	
Equity:	
Tax Credit Equity @ \$0.9350	
Construction Interest in Basis	
Free Cash Flow During Construction Lease-Up	
Repayment of Developer Expenses	
TOTAL SOURCES	
Property Acquisition	5,200,000
Property Acquisition	2,746,000
GP Deferred Cost	2,460,000
Renovation Costs	3,106,636
Interest Costs	142,000
Third Party Reports	342,713
Financing Placement	239,178
Capitalized Interest	15,000
Accounting Fees	75,000
Legal & Organizational Fees	40,000
Relocation Allowance	120,000
Initial Deposit to Reserves	21,926
Tax Credit Reservation Fees	134,180
Other Fees and Costs	1,229,378
Total Cash Developer Fee	2,788
Capitalized Cash Flow From Operations	70

4/21/2018

Outer Economics	
Purchase Price Including Reserves	5,200,000
Payoff Loan (1st Trust Deed)	632,822
Payoff (County)	0
LP Buyout	164,938
Seller Loan	2,460,000
Cash Proceeds at Reacquisition	0
Dev Fee Share 50%	616,083
Retail Income	0

Stabilized Operations Summary

Stabilized Operations Summary	
Gross Rental Income	Per SF
Retail Income	16.44
Other Income	0.00
Vacancy	0.00
Effective Gross Income	16.44
Operating Expenses, including \$100 per unit reserves	16.12
Net Operating Income	0.32
Total Debt Service (excluding cash flow-based loans)	0.03
Net Cash Flow (before partnership-level expenses)	0.29

Sources and Uses of Funds

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San Diego Housing Development Corp	
Capitalized Cash Flow From Operations (Deferred Development Fee)	
Equity:	
Tax Credit Equity @ \$0.9350	
Construction Interest in Basis	
Free Cash Flow During Construction Lease-Up	
Repayment of Developer Expenses	
TOTAL SOURCES	
Property Acquisition	5,200,000
Property Acquisition	2,746,000
GP Deferred Cost	2,460,000
Renovation Costs	3,106,636
Interest Costs	142,000
Third Party Reports	342,713
Financing Placement	239,178
Capitalized Interest	15,000
Accounting Fees	75,000
Legal & Organizational Fees	40,000
Relocation Allowance	120,000
Initial Deposit to Reserves	21,926
Tax Credit Reservation Fees	134,180
Other Fees and Costs	1,229,378
Total Cash Developer Fee	2,788
Capitalized Cash Flow From Operations	70

Equity and Developer Fee Installments, Estimated Yield

Equity and Developer Fee Installments, Estimated Yield	
Closing	Equity Percent
2nd Installment	20.0%
3rd Installment	10.0%
4th Installment	0.0%
5th Installment	0.0%
Conversion	0.0%
8609's	30.0%
Equity Installments	071,322
Developer Fee	336,661
Estimated Date	
1-Jul-18	
1-Nov-18	
1-Feb-19	
1-Jun-19	
1-Oct-19	
1-Apr-20	
1-Jul-20	
10,668,797	
5,200,000	
2,746,000	
2,460,000	
3,106,636	
142,000	
342,713	
239,178	
15,000	
75,000	
40,000	
120,000	
21,926	
134,180	
1,229,378	
2,788	
70	

DCR Calculations	1.16
Term Loan #1	1.15
Combined All Loans	
Purchase Price:	5,200,000
Per Unit	

OTHER NOTES:	
Seller Note:	2,460,000
Residual: Refi: Asset priority	1,229,378
Equity Generated	770,493
Deferred Dev Fee:	2,788
% of Equity:	22.89%
Years of CF	2
Equity Generated	1,115

50% Test	\$1,44*
Avg Rent: Cash Flow	50,570
Per Unit	

0.21% of total developer fee
0.03% of total equity generated

**Parkside
Sources and Uses**

	Construction Financing	Perm S&U
Sources and Uses of Funds		
Debt:		
Permanent Loan		2,658,000
Construction Loan	5,250,000	-
Interim Loan	-	-
New Seller Loan	2,460,000	2,460,000
San Diego Housing	1,942,220	1,942,220
Deferred Developer Fee	1,232,166	2,788
Project:		
Free Cash flow Through Construction Period	0	-
Capitalized Interest (Interim & Construction)	239,178	239,178
Equity:		
Tax Credit Equity @ \$0.955	1,009,984	3,366,612
Other / Overage/ Repayment of Costs	0	-
Developer Equity (additional Deferred Fee)	(1,464,749)	-
Net Operating Income (interim period)	-	-
TOTAL SOURCES	10,668,797	10,668,797
Property Acquisition	5,200,000	5,200,000
Interim Interest	-	-
Renovation Costs	3,106,636	3,106,636
Indirect Costs:	-	-
Third Party Reports	142,000	142,000
Financing Placement	342,713	342,713
Capitalized Interest (Interim & Construction)	239,178	239,178
Accounting	15,000	15,000
Legal & Organizational	75,000	75,000
Relocation Allowance	40,000	40,000
Initial Deposits to Reserves	120,000	120,000
Tax Credit Reservation Fees	21,926	21,926
Other Fees and Costs	134,180	134,180
Developer Fee	1,232,166	1,232,166
TOTAL USES	10,668,797	10,668,797

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[illegible]

Parkside
INCOME/EXPENSE

Stabilized Income From Operations		Stabilized			
Units	40	INPUT (BASE YEAR)	OUTPUT (BASE YEAR)		
			Total \$	Per Unit	Per SF
Tax Credit Rents			534,228	13,356	17.28
Loss to Lease			-37,548	-939	-1.21
Retail Income			0	n/a	n/a
Manager's Unit			11,652	291	0.38
Retail Income			0	n/a	n/a
Other Income			14,832	371	0.48
TOTAL GROSS INCOME			523,164	13,079	16.92
Less Physical Vacancy		4.649% of GPR	24,834	621	0.80
Concessions		0.000% of GPR	0	n/a	n/a
Other Economic Loss		0.000% of GPR	0	n/a	n/a
EFFECTIVE GROSS INCOME			498,330	12,458	16.12
Less Professional Management		4.0% of EGI	25,201	630	0.82
Payroll & Benefits (inc mgr unit)		1,139 per unit	45,545	1,139	1.47
Office & Administration *		1,412 per unit	56,471	1,412	1.83
Marketing/Advertising		53 per unit	2,120	53	0.07
Utilities					
Water/Sewer		822 per unit	32,892	822	1.06
Garbage		338 per unit	13,500	338	0.44
Gas		276 per unit	11,028	276	0.36
Electricity (common area and va		165 per unit	6,600	165	0.21
Maintenance					
General R&M		1,362 per unit	54,485	1,362	1.76
Turnover & Redecorating		107 per unit	4,272	107	0.14
Contract Services		0 per unit	0	n/a	n/a
Social Services		1.16 per SF	36,000	900	1.16
Insurance		0.30 per SF	9,180	230	0.30
Replacement Reserves		300 per unit	12,000	300	0.39
Total Before Taxes			309,294	7,732	10.01
Real Property Taxes			2,582	65	0.08
Total Operating Expenses			311,876	7,797	10.09
NET OPERATING INCOME			186,454	4,661	6.03

Perkade

COSTS

Construction-Related Costs				COST SEGREGATION					
INPUT	Total \$	Per Unit	Per SF	Land & Non-Depreciable				Buildings	
				Retain	Personal Property	Site work	15 yrs	27.5 yrs	Total
Retail Construction/ Basis:									
Energy Credit	0 fixed sum	0	0	0.00	0	0	0	0	0
Reserved	0 fixed sum	0	0	0.00	0	0	0	0	0
Total Construction Contract	0	0	0	0	0	0	0	0	0
CONSTRUCTION CONTRACT:									
Reserved	0 fixed sum	0	0	0.00	0	0	0	0	0
Reserved	0 fixed sum	0	0	0.00	0	0	0	0	0
Reserved	0 fixed sum	0	0	0.00	0	0	0	0	0
Reserved	0 fixed sum	0	0	0.00	0	0	0	0	0
Reserved	0 fixed sum	0	0	0.00	0	0	0	0	0
Reserved	0 fixed sum	0	0	0.00	0	0	0	0	0
Energy Credit	0 fixed sum	0	0	0.00	0	0	0	0	0
Perkade	57,293 fixed sum	2,291,594	57,293	74.11	0	0	0	0	2,291,594
Total Construction Contract	57,293	2,291,594	57,293	74.11	0	0	0	0	2,291,594
OTHER CONSTRUCTION COSTS PAID BY OWNER:									
Architectural	100,000 fixed sum	100,000	2,500	3.23	0	0	0	100,000	100,000
Engineering	0 fixed sum	0	0	0.00	0	0	0	0	0
Fees & Permits	75,000 fixed sum	75,000	1,875	2.43	0	0	0	75,000	75,000
Contractor's Liability Insurance	1.15% of hard costs	26,353	659	0.85	0	0	0	26,353	26,353
Payment and Performance Bond	1.15% of hard costs	26,353	659	0.85	0	0	0	26,353	26,353
Solar	0 fixed sum	0	0	0.00	0	0	0	0	0
Tenant Recruit/Management Setup Fee	0 fixed sum	0	0	0.00	0	0	0	0	0
FF&E	0 fixed sum	0	0	0.00	0	0	0	0	0
Reserved	0 fixed sum	0	0	0.00	0	0	0	0	0
Reserved	0 fixed sum	0	0	0.00	0	0	0	0	0
Total Other Construction Costs	227,707	227,707	5,693	7.37	0	0	0	227,707	227,707
INELIGIBLE COSTS:									
Income-Generating Parking Structures	0 fixed sum	0	0	0.00	0	0	0	0	0
Other	0 fixed sum	0	0	0.00	0	0	0	0	0
Total Ineligible	0	0	0	0	0	0	0	0	0
GENERAL REQUIREMENTS									
CONTINGENCY	6.0% of hard costs	137,496	3,437	4.45	0	0	0	137,496	137,496
GENERAL CONTRACTOR'S OH&P	10.0% of hard costs	266,512	6,663	8.62	0	0	0	266,512	266,512
SALES TAX	8.0% of hard costs	183,328	4,583	5.93	0	0	0	183,328	183,328
	0.0% of hard costs	0	0	0.00	0	0	0	0	0
Total	587,336	587,336	14,683	19.00	0	0	0	587,336	587,336
TOTAL CONSTRUCTION COSTS	3,106,636	3,106,636	77,666	100.50	0	0	0	3,106,636	3,106,636

(Deferred fees 0% of total fee)

Indirect and Acquisition Costs				COST SEGREGATION					
INPUT	Total \$	Per Unit	Per SF	Land & Non-Depreciable				Buildings	
				Retain	Personal Property	Site work	15 yrs	27.5 yrs	Total
HYP Land Value	760,000								
ACQUISITION COSTS:									
HYP (Restricted Value)	384,000								
Land	10,000								
Reserved	25,729 fixed sum	760,000	19,000	24.59	760,000	0	0	0	760,000
Reserved	0 fixed sum	0	0	0.00	0	0	0	0	0
Reserved/ Grants/ Flex Subsidy	0 fixed sum	0	0	0.00	0	0	0	0	0
Acquisition - Buildings & Personal Property	4,440,000 fixed sum	4,440,000	111,000	143.63	0	4,440,000	0	0	4,440,000
Total Acquisition Costs	5,700,000	5,700,000	130,000	168	760,000	4,440,000	0	0	5,700,000
THIRD PARTY REPORTS:									
Phase I Assessment	5,000 fixed sum	5,000	125	0.16	0	5,000	0	0	5,000
Physical Needs Assessment	5,000 fixed sum	5,000	125	0.16	0	5,000	0	0	5,000
Market Study	5,000 fixed sum	5,000	125	0.16	0	5,000	0	0	5,000
Financing Appraisal (including land value appraisal)	5,000 fixed sum	5,000	125	0.16	0	5,000	0	0	5,000
ACS	0 fixed sum	0	0	0.00	0	0	0	0	0
ALTA Survey	12,000 fixed sum	12,000	300	0.39	0	12,000	0	0	12,000
HERS II & CalGreen	35,000 fixed sum	35,000	875	1.13	0	35,000	0	0	35,000
Miscellaneous Predevelopment & Soft cost Contingency	75,000 fixed sum	75,000	1,875	2.43	0	75,000	0	0	75,000
Total Third Party Reports	142,000	142,000	3,550	4.59	0	142,000	0	0	142,000
FINANCING PLACEMENT COSTS:									
Construction Loan Origination Fee	1.00% of loan amt	52,500	1,313	1.70	0	52,500	0	0	52,500
Construction Lender Legal Fees	35,000 fixed sum	35,000	875	1.13	0	35,000	0	0	35,000
Construction Underwriting Costs / Deposit for 3rd party reports	25,000 fixed sum	25,000	625	0.81	0	25,000	0	0	25,000
Construction Loan Monitoring	12,000 fixed sum	12,000	300	0.39	0	12,000	0	0	12,000
Fidellie Max Application Fee	35,000 of loan amt	35,000	875	1.13	0	35,000	0	0	35,000
Permanent Lender Underwriting Costs	0 fixed sum	0	0	0.00	0	0	0	0	0
Interim Financing	0 of loan amt	0	0	0.00	0	0	0	0	0
Prepayment Penalty	0 basis points	0	0	0.00	0	0	0	0	0
Fund Costs of Insurance (see below usage 5.2)	183,213 fixed sum	183,213	4,580	5.93	0	183,213	0	0	183,213
Construction Bridge Expense	0 basis points	0	0	0.00	0	0	0	0	0
0.00% Total Financing Placement Costs	342,713	342,713	8,558	11	0	342,713	0	0	342,713
INTEREST:									
Capitalized Interest Paid From Operations	239,178 should equal blue	239,178	5,979	7.74	112,056	127,121	0	0	239,178
Total Interest	239,178	239,178	5,979	8	112,056	127,121	0	0	239,178
**Assumes Draw Down									
OTHER INDIRECT COSTS:									
Accounting, Cost Certification	15,000 fixed sum	15,000	375	0.49	0	15,000	0	0	15,000
Allowance for Rehabilitation Costs	40,000 fixed sum	40,000	1,000	1.29	0	40,000	0	0	40,000
Predevelopment Bridge Loan Interest	50,000 fixed sum	50,000	1,250	1.62	0	50,000	0	0	50,000
Title, Escrow, Recording, Property Tax Reserve	75,000 fixed sum	75,000	1,875	2.43	0	75,000	0	0	75,000
Bridge Loan Interest	0 fixed sum	0	0	0.00	0	0	0	0	0
Prepaid Insurance	9,180 fixed sum	9,180	230	0.30	0	9,180	0	0	9,180
Partnership Legal	35,000 fixed sum	35,000	875	1.13	0	35,000	0	0	35,000
Reserves:									
Operating (Including Private RA)	120,000 fixed sum	120,000	3,000	3.88	120,000	0	0	0	120,000
Initial Replacement Reserve	0 fixed sum	0	0	0.00	0	0	0	0	0
Tax Credit Fees	21,926 fixed sum	21,926	548	0.71	0	0	0	21,926	21,926
Total Other Indirect Costs	406,106	406,106	10,153	13	145,000	239,180	0	21,926	406,106
DEVELOPER FEE									
Fee on Acquisition Costs	15.00%	666,000							
Fee on Renovation and indirect Costs	15.00%	566,166							
Non-Basis Fee	0	0							
Total Fee	1,232,166	1,232,166	31,804	39.86	0	1,232,166	0	0	1,232,166
GRAND TOTAL - ALL ACQUISITION AND INDIRECT COSTS	7,562,161	7,562,161	189,054	244.64	1,017,056	6,339,947	0	183,213	7,562,161

Bond Insurance Cost Detail				COST SEGREGATION					
INPUT	Total \$	Per Unit	Per SF	Land & Non-Depreciable				Buildings	
				Retain	Personal Property	Site work	15 yrs	27.5 yrs	Total
FIXED COSTS (for page 5.1, line 32):									
Bond Counsel	50,000 fixed sum	50,000	1,250	1.62	0	50,000	0	0	50,000
Semi-Annual Issuer Fee	0.004% of bond amt	3,150	79	0.10	0	3,150	0	0	3,150
Issuer Fee	25,000 fixed sum	25,000	625	0.81	0	25,000	0	0	25,000
Origination Fee	0 fixed sum	0	0	0.00	0	0	0	0	0
Lender Bond Counsel	0 fixed sum	0	0	0.00	0	0	0	0	0
County Review Costs (KMA)	30,000 fixed sum	30,000	750	0.97	0	30,000	0	0	30,000
Negative Arbitrage	0 fixed sum	0	0	0.00	0	0	0	0	0
Trustee Acceptance Fee and Expenses	0 fixed sum	0	0	0.00	0	0	0	0	0
CDLAC Application Fee	600 fixed sum	600	15	0.02	0	600	0	0	600
CDLAC Insurance Fee (net of application fee)	2,625 fixed sum	2,625	66	0.08	0	2,625	0	0	2,625
CDLAC Fee	0.035% fixed sum	1,838	46	0.06	0	1,838	0	0	1,838
CSCDA Application Fee	0 fixed sum	0	0	0.00	0	0	0	0	0
CD Contingency	20,000 fixed sum	20,000	500	0.65	0	20,000	0	0	20,000
531 App Fees	0 fixed sum	0	0	0.00	0	0	0	0	0
Equity Cost Reimbursement	50,000 fixed sum	50,000	1,250	1.62	0	50,000	0	0	50,000
Total Fixed Costs	183,213	183,213	4,580	6	0	183,213	0	0	183,213

* Insurance costs financed by bonds limited to 2.0% of bond amount

Tax Credit Calculations

	Ineligible Costs	Eligible Basis	Federal Credits ACQUISITION	REHABILITATION	TOTAL	State Credits ACQUISITION	REHABILITATION	TOTAL
Land Costs	760,000	0	0	0	0	0	0	0
Acquisition Costs	4,440,000	4,440,000	4,440,000	0	0	4,440,000	0	4,440,000
Direct Construction Costs	0	3,106,636	0	3,106,636	3,106,636	3,106,636	0	3,106,636
Indirect Costs	482,195	667,801	0	0	667,801	667,801	0	667,801
Developer Fee	0	1,232,166	666,000	566,166	1,232,166	1,232,166	0	1,232,166
Total Project Costs	10,668,797	9,446,603	5,106,000	4,340,603	9,446,603	9,446,603	0	9,446,603
Less:			0	0	0	0	0	0
Ineligible Grant, Loan(s), & Voluntary reductions in basis		9,446,603	5,106,000	4,340,603	9,446,603	0	0	0
Total Eligible Basis			100%	130%	100%	0%	0%	0%
High Cost Factor Adjustment (for DDA or OCT)			100%	100%	100%	0%	0%	0%
Low Income Occupancy Percentage ("Applicable Fraction")			5,106,000	5,642,784	10,748,784	0	0	0
Qualified Basis			3.28%	3.28%	3.28%	13.00%	30.00%	0
Applicable Percentage (as of 4/31/91)			167,477	185,083	352,560	0	0	0
MAXIMUM CREDIT REQUEST BASED ON QUALIFIED BASIS					352,560	0	0	0
Subject to Limit Based on Credit Reservation					352,560	0	0	0
State Credits as Percent of Federal Credits					100.00%	0.00%	0.00%	0
Annual State Credits					0.00%	0.00%	0.00%	0
TAX CREDIT EQUITY VALUATION:								
Annual Credit Allowed					352,560	352,560		0
Total Credit Allowed Over 10 Years					3,525,601	3,525,601		0
Investors' Percentage Allocation of Credits					99.99%	99.99%		0.00%
Investors' Dollar Allocation of Credits					3,525,249	3,525,249		0
Tax Credit Factor					\$0.96	\$0.96		\$0.00
Tax Credit Equity Value					3,366,612	3,366,612		0
TOTAL TAX CREDIT EQUITY VALUE (Federal + State)					3,366,612	3,366,612		0

"50% Test		
Land		760,000
Residential Buildings		9,446,603
	Total Land + Buildings	10,206,603
	Times 50%	5,103,301
Tax-Exempt Debt		5,250,000
	Percent of Land + Buildings	51.44%
Costs Below 50% Threshold		293,397

Parkside
15 Year Pro Forma
Actual Assumptions

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
GROSS ANNUAL RENTAL INCOME TAX CREDIT RENTIS	534,228	530,255	536,762	533,785	601,278	619,317	637,896	657,033	676,744	697,046	717,958	739,496	761,681	784,332	808,068
GROSS ANNUAL RENTAL INCOME (Loss to Lease)	-37,548	-38,674	-39,835	-41,030	-43,528	-46,173	-48,954	-51,878	-54,945	-58,157	-61,515	-65,020	-68,673	-72,475	-76,425
Manager's Unit	11,652	12,002	12,362	12,732	13,114	13,508	13,913	14,330	14,760	15,203	15,659	16,129	16,613	17,111	17,623
Retail Income	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0% Section 8 (Tenant)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Income & Loss to Lease (net)	14,832	15,277	15,725	16,207	16,694	17,194	17,710	18,241	18,788	19,352	19,933	20,531	21,147	21,781	22,435
TOTAL GROSS INCOME	521,184	538,859	555,025	571,975	589,480	607,490	625,685	644,026	662,729	681,670	700,983	720,681	740,757	761,284	782,332
Less:	9,934	10,232	10,539	10,855	11,180	11,516	11,861	12,217	12,584	12,961	13,350	13,750	14,163	14,588	15,025
#DW/PI	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	511,250	528,627	544,486	561,120	578,300	595,974	613,824	631,799	650,145	668,646	687,328	706,131	725,144	744,358	763,707
Less:															
Professional Management	25,201	22,561	22,238	23,335	24,653	26,382	28,154	29,939	31,747	33,579	35,437	37,320	39,229	41,166	43,131
Payroll & Benefits	45,545	46,911	48,319	49,768	51,261	52,799	54,333	55,815	57,295	58,726	60,156	61,586	63,016	64,446	65,876
Office, Administration, Accounting	58,471	58,165	58,910	61,707	63,595	65,483	67,429	69,432	71,490	73,598	75,756	77,964	80,222	82,530	84,888
Marketing/Advertising	2,120	2,164	2,249	2,317	2,366	2,409	2,453	2,497	2,541	2,585	2,629	2,673	2,717	2,761	2,805
Utilities and Trash Removal	64,020	65,941	67,919	69,956	72,055	74,217	76,443	78,737	81,099	83,532	86,038	88,619	91,277	94,015	96,836
Maintenance															
Supplies & Repairs	54,465	56,120	57,803	59,537	61,323	63,163	65,058	67,010	69,020	71,091	73,223	75,420	77,683	80,013	82,413
Turnover & Reconditioning	4,772	4,400	4,532	4,668	4,808	4,952	5,101	5,254	5,412	5,574	5,741	5,913	6,091	6,274	6,462
Contract Services	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Social Services	36,000	37,080	38,192	39,338	40,518	41,734	42,986	44,275	45,604	46,972	48,381	49,832	51,327	52,867	54,453
Insurance	9,180	9,455	9,739	10,031	10,332	10,642	10,961	11,290	11,629	11,978	12,337	12,707	13,088	13,481	13,886
Property Taxes	2,582	2,634	2,686	2,740	2,795	2,851	2,908	2,966	3,025	3,086	3,147	3,210	3,275	3,340	3,407
Replacement Reserves	12,000	12,500	12,731	13,113	13,508	13,917	14,329	14,754	15,201	15,657	16,127	16,611	17,109	17,622	18,151
Total Expenses	311,676	317,810	327,316	337,111	347,197	357,565	368,284	379,303	390,633	402,342	414,381	426,781	439,553	452,706	466,254
Per Unit	7,797	7,945	8,163	8,428	8,680	8,940	9,207	9,483	9,768	10,059	10,360	10,670	10,989	11,318	11,656
NET OPERATING INCOME	201,354	210,817	217,168	223,710	230,449	237,380	244,540	251,906	259,482	267,307	275,357	283,650	292,191	300,990	310,053
**Assumes 100% increase in debt payment post term for CF Analysis and Seller Loan Analysis.															
Amortized Permanent Loan Debt Service	28,487	30,323	31,975	33,595	35,220	37,021	38,916	40,907	42,999	45,199	47,512	49,943	52,498	55,184	58,007
Interest Only Permanent Loan Debt Service	132,126	136,652	142,101	147,470	152,756	157,954	163,060	168,089	173,016	177,816	182,483	187,013	191,413	195,792	200,156
Annual Issuer Fee	1,174	1,174	1,174	1,174	1,174	1,174	1,174	1,174	1,174	1,174	1,174	1,174	1,174	1,174	1,174
Other Fees/Debt Service	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Debt Service	182,149	182,149	182,149	182,149	182,149	182,149	182,149	182,149	182,149	182,149	182,149	182,149	182,149	182,149	182,149
100% CF															
NET CASH FLOW FROM OPERATIONS	32,205	48,668	55,019	61,561	68,299	75,241	82,391	89,756	97,343	105,158	113,208	121,500	130,042	138,841	147,904
Debt Coverage Ratio (Form Loan)	1.24	1.30	1.34	1.38	1.42	1.46	1.51	1.55	1.60	1.65	1.70	1.75	1.80	1.86	1.91
Cash Flow, Percent of Debt Service	24.2%	30.0%	33.9%	38.0%	42.1%	46.4%	50.8%	55.4%	60.0%	64.9%	69.8%	74.9%	80.2%	85.6%	91.2%
Cash Flow, Percent of Gross Income	7.5%	9.0%	9.9%	10.8%	11.6%	12.4%	13.2%	13.9%	14.7%	15.4%	16.1%	16.8%	17.4%	18.1%	18.7%
Debt Yield	7.67%	8.17%	8.47%	8.84%	9.23%	9.63%	10.04%	10.46%	10.89%	11.33%	11.77%	12.22%	12.67%	13.13%	13.59%
CF/Principal Balance Outstanding Debt at End of Period	1.53%	1.99%	2.14%	2.4%	2.7%	3.1%	3.4%	3.8%	4.2%	4.6%	5.0%	5.5%	6.1%	6.7%	7.3%
NET CASH FLOW AVAILABLE FOR PAYMENT															
Cash flow	39,205	48,668	55,019	61,561	68,299	75,241	82,391	89,756	97,343	105,158	113,208	121,500	130,042	138,841	147,904
6,500 LP Asset Manager Fee	6,500	6,695	6,896	7,103	7,316	7,535	7,761	7,994	8,234	8,481	8,735	8,996	9,267	9,545	9,832
100% MGP Fee	7,500	7,725	7,957	8,195	8,441	8,695	8,955	9,224	9,501	9,786	10,079	10,382	10,693	11,014	11,344
0% Co-OP Fee	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
100% 12.788 Developer Fee/Loan	25,205	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Available Cash Flow After Developer Fee	0	34,248	40,169	46,253	52,542	59,011	65,674	72,538	79,608	86,881	94,383	102,121	110,081	118,281	126,727
97% Cash Flow Available for Seller Loan Payment	0	33,221	38,961	44,875	50,966	57,241	63,704	70,362	77,220	84,285	91,562	99,058	106,779	114,733	122,936
50% 2,490,000 Seller Loan 1	0	16,610	19,481	22,437	25,483	28,620	31,852	35,181	38,610	42,142	45,781	49,529	53,389	57,366	61,463
50% 1,942,220 Seller Loan 2	0	16,610	19,481	22,437	25,483	28,620	31,852	35,181	38,610	42,142	45,781	49,529	53,389	57,366	61,463
0% Seller Loan 3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
100% (Residual)	0	1,027	1,205	1,388	1,576	1,770	1,970	2,176	2,388	2,607	2,832	3,064	3,302	3,548	3,802
NET CASH FLOW AVAILABLE FOR PAYMENT															
Cash flow	0	1,027	1,205	1,388	1,576	1,770	1,970	2,176	2,388	2,607	2,832	3,064	3,302	3,548	3,802
To LP	0	103	120	139	156	177	197	218	239	261	283	306	330	355	380
To GP	0	925	1,084	1,249	1,419	1,593	1,773	1,959	2,149	2,346	2,549	2,757	2,972	3,184	3,422

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ATTACHMENT 6
HOUSING COMMISSION MULTIFAMILY
HOUSING REVENUE BOND PROGRAM
SUMMARY

General Description: The multifamily housing bond program provides below-market financing (based on bond interest being exempt from income tax) for developers willing to set aside a percentage of project units as affordable housing. Multifamily housing revenue bonds are also known as “private activity” bonds because the projects are owned by private entities, often including nonprofit sponsors and for-profit investors.

Bond Issuer: Housing Authority of the City of San Diego. There is no direct legal liability to the City, the Housing Authority or the Housing Commission in connection with the issuance or repayment of bonds. There is no pledge of the City’s faith, credit or taxing power nor of the Housing Authority’s faith or credit. The bonds do not constitute a general obligation of the issuer because security for repayment of the bonds is limited to specific private revenue sources, such as project revenues. The developer is responsible for the payment of costs of issuance and all other costs under each financing.

Affordability: Minimum requirement is that at least 20% of the units are affordable at 50% of Area Median Income (AMI). Alternatively, a minimum of 10% of the units may be affordable at 50% AMI with an additional 30% of the units affordable at 60% AMI. The Housing Commission requires that the affordability restriction be in place for a minimum of 15 years. Due to the combined requirements of state, local, and federal funding sources, projects financed under the Bond Program are normally affordable for 30-55 years and often provide deeper affordability levels than the minimum levels required under the Bond Program.

Rating: Generally “AAA” or its equivalent with a minimum rating of “A” or, under conditions that meet IRS and Housing Commission requirements, bonds may be unrated for private placement with institutional investors (typically, large banks). Additional security is normally achieved through the provision of outside credit support (“credit enhancement”) by participating financial institutions that underwrite the project loans and guarantee the repayment of the bonds. The credit rating on the bonds reflects the credit quality of the credit enhancement provider.

Approval Process:

- **Inducement Resolution:** The bond process is initiated when the issuer (Housing Authority) adopts an “Inducement Resolution” to establish the date from which project costs may be reimbursable from bond proceeds (if bonds are later issued) and to authorize staff to work with the financing team to perform a due diligence process. The Inducement Resolution does not represent any commitment by the Housing Commission, Housing Authority, or the developer to proceed with the financing.

- TEFRA Hearing and Resolution (Tax Equity and Fiscal Responsibility Act of 1982): To assure that projects making use of tax-exempt financing meet appropriate governmental purposes and provide reasonable public benefits, the IRS Code requires that a public hearing be held and that the issuance of bonds be approved by representatives of the governmental unit with jurisdiction over the area in which the project is located (City Council). This process does not make the City financially or legally liable for the bonds or for the project.

[Note: It is uncommon for the members of the City Council to be asked to take two actions at this stage in the bond process---one in their capacity as the City Council (TEFRA hearing and resolution) and another as the Housing Authority (bond inducement). Were the issuer (Housing Authority) a more remote entity, the TEFRA hearing and resolution would be the only opportunity for local elected officials to weigh in on the project.]

- Application for Bond Allocation: The issuance of these “private activity bonds” (bonds for projects owned by private developers, including projects with nonprofit sponsors and for-profit investors) requires an allocation of bond issuing authority from the State of California. To apply for an allocation, an application approved by the Housing Authority and supported by an adopted inducement resolution and by proof of credit enhancement (or bond rating) must be filed with the California Debt Limit Allocation Committee (CDLAC). In addition, evidence of a TEFRA hearing and approval must be submitted prior to the CDLAC meeting.
- Final Bond Approval: The Housing Authority retains absolute discretion over the issuance of bonds through adoption of a final resolution authorizing the issuance. Prior to final consideration of the proposed bond issuance, the project must comply with all applicable financing, affordability, and legal requirements and undergo all required planning procedures/reviews by local planning groups, etc.
- Funding and Bond Administration: All monies are held and accounted for by a third party trustee. The trustee disburses proceeds from bond sales to the developer in order to acquire and/or construct the housing project. Rental income used to make bond payments is collected from the developer by the trustee and disbursed to bond holders. If rents are insufficient to make bond payments, the trustee obtains funds from the credit enhancement provider. No monies are transferred through the Housing Commission or Housing Authority, and the trustee has no standing to ask the issuer for funds.

Bond Disclosure: The offering document (typically a Preliminary Offering Statement or bond placement memorandum) discloses relevant information regarding the project, the developer, and the credit enhancement provider. Since the Housing Authority is not responsible in any way for bond repayment, there are no financial statements or summaries about the Housing Authority or the City that are included as part of the offering document. The offering document includes a paragraph that states that the

Housing Authority is a legal entity with the authority to issue multifamily housing bonds and that the Housing Commission acts on behalf of the Housing Authority to issue the bonds. The offering document also includes a paragraph that details that there is no pending or threatened litigation that would affect the validity of the bonds or curtail the ability of the Housing Authority to issue bonds. This is the extent of the disclosure required of the Housing Authority, Housing Commission, or the City. However, it is the obligation of members of the Housing Authority to disclose any material facts known about the project, not available to the general public, which might have an impact on the viability of the project.

May 30, 2018

Mr. Joe Correia
San Diego Housing Commission
1122 Broadway, Suite 300
San Diego, California 92101

RE: Parkside Apartments

Dear Mr. Correia:

The San Diego Housing Commission (the "Commission") has retained CSG Advisors, Inc. to analyze the feasibility of the proposed tax-exempt financing for the Parkside Apartments (the "Project"). Our findings are organized as follows:

- Current Project Status and the Proposed Project
- The Proposed Financing
- Project's Projected Financial Status
- Benefits and Risks to the Commission
- Public Purpose
- Negotiation of Additional Public Benefit
- Recommendations

We have based our analysis of the proposed financing on documents provided by National Community Renaissance of California (the "Developer"), and on additional conversations and documents provided by representatives of the Developer and Commission staff. The documents examined included the Developer's proposed financial schedules and financing commitments from the proposed lender and investor. CSG has not visited the site of the proposed Project.

CURRENT PROJECT STATUS AND THE PROPOSED PROJECT

The Project will consist of the rehabilitation of an existing 40-unit property (the "Property") located at 4035 Park Haven Court, San Diego, California (the "Site"). The Developer proposes to rehabilitate the Property. Rehabilitation of the Project will be financed, from among other sources, equity raised from the sale of 4% low-income housing tax credits and tax-exempt debt issued by the Housing Authority of the City of San Diego (the "Housing Authority").

39 units (i.e., excluding one manager's unit), will be subject to affordability restrictions as further described herein.

The Project was originally financed, in 2003, with the proceeds of tax-exempt bonds, equity from 4% Low Income Housing Tax Credits, and subordinate financing from the San Diego Housing Commission. A portion of the subordinate loan from the Commission remains outstanding and will further be repaid, in part, by the current owner, upon close of the proposed financing, from proceeds of the sale of the Property to the new partnership. The Project is currently owned by Bolt Housing Partners, L.P.

On December 11, 2017, the Housing Authority approved a resolution evidencing its official intent to conduct a tax-exempt issuance in the not-to-exceed amount of \$6,000,000 for the Project. The resolution also approved submittal of the application to the California Debt Limit Allocation Committee ("CDLAC").

On December 11, 2017, the City Council held a public hearing ("TEFRA") required pursuant to Section 147(f) of the Internal Revenue Code for tax-exempt issuances. The City Council approved the resulting approving resolution on December 12, 2017. The TEFRA hearing remains valid for a period of one year.

On March 16, 2018, the Housing Authority submitted an application to CDLAC for \$5,500,000 in tax-exempt private activity issuance authority for the Project.

On May 16, 2018, CDLAC provided an allocation of \$5,500,000 in tax-exempt authority to the Housing Authority for the Project.

THE PROPOSED FINANCING

The Developer proposes that the Housing Authority issue up \$5,500,000 in a tax-exempt "Tax-Exempt Note"¹ (the "Note"). The issuance of the Notes would occur under a single Bank Loan Agreement.

The Developer proposes that Pacific Western Bank ("PWB") serve as the construction and permanent lender. PWB will purchase a single Note issued by the Housing Authority in the not-to-exceed amount of \$5,500,000.

According to projections provided by the Developer, the total development cost totals approximately \$10,668,800.

At permanent conversion, a portion of the Note will be repaid, and the remaining outstanding balance will amortize to term/maturity.

Parkside : Construction and Permanent Source Summary

	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Note	\$4,202,100	\$2,658,000
Tax Credit Equity	\$316,300	\$3,366,600
Seller Financing	\$2,460,000	\$2,460,000
Existing Commission Loan	\$1,942,200	\$1,942,200
Accrued Interest	\$127,100	\$239,200
Deferred Developer Fee	\$0	<u>\$2,800</u>

¹ The financing would occur through the issuance of tax-exempt "Notes" under a "Back-to-Back" loan structure. The Back-to-Back structure and a bond issuance structure with an Indenture are functionally equivalent. In the Back-to-Back Structure, a Bank Loan Agreement (between the Lender, Issuer and the Fiscal Agent) replaces the Indenture and a Borrower Loan Agreement (between the Issuer and the Borrower) replaces the Loan Agreement from an Indenture structure. A "Fiscal Agent" replaces the Trustee. Certain lenders prefer the Back-to-Back structure in order to obtain beneficial treatment under the Community Reinvestment Act.

	\$9,047,700	\$10,668,800
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Parkside : Construction and Permanent Use Summary

	<u>Construction</u>	<u>Permanent</u>
Land/Acquisition	\$5,200,000	\$5,200,000
Construction	\$2,638,800	\$2,638,800
Construction Contingency	\$266,500	\$266,500
Developer Fee	\$0	\$1,232,200
Operating Reserve	\$0	\$120,000
Accrued Interest	\$127,100	\$239,200
Other Hard and Soft Costs	<u>\$815,300</u>	<u>\$972,100</u>
	\$9,047,700	\$10,668,800

Ownership

The ownership entity for the Project will be Parkside SD Apartments, L.P. (the "Borrower"). Parkside GP LLC, with the Developer as managing member, will serve as the General Partner of the Borrower. An affiliate of WNC, the tax credit investor, will serve as the investor limited partner.

Tax-Exempt Note Structure and Credit Enhancement

Construction Loan

The Developer proposes that the Housing Authority issue up to \$5,500,000 in a Tax-Exempt Note to finance the rehabilitation of the Project.

The Note would be unrated, without credit enhancement, and would be purchased by PWB on a private placement basis. Solely revenues pledged under the Bank and Borrower Loan Agreements will secure the payment of principal and interest to the Noteholder.

As unrated, non-credit enhanced Notes sold on a private placement basis, the Notes must meet the minimum requirements of the Commission's policies for such issues (e.g., maximum \$100,000 minimum denominations, no more than 15 Bondholders, etc).

The construction loan would have a term of up to 24 months (note the PWB commitment limits the loan amount to \$5,250,000). The PWB commitment indicates a construction interest rate of 4%, and an interest rate during the permanent term of 5%. Payments during the construction period will be interest-only.

Permanent Loan

Upon satisfaction of certain conditions to Conversion, a portion of the outstanding Notes will be repaid, with the remaining outstanding balance continuing as a permanent loan.

Per the PWB commitment letter, the permanent loan would have a term of 17 years from Conversion. Principal and interest payments would be based on a 35-year fully amortizing schedule. The PWB indicates a permanent loan interest rate of 5%

Projected Issuance Date

The Developer proposes that the Housing Authority issue the Notes on or about July 3, 2018. CDLAC has provided an allocation expiration date of November 26, 2018.

Commission Financial Involvement

The Commission has an existing loan on the property. A portion of the outstanding loan will repaid in part, by the current owner, upon close of the proposed financing, from proceeds of the sale of the Property to the new partnership

Affordability Restrictions

The Project is subject to the following *existing*, overlapping, regulatory restrictions:

<u>Source of Restriction</u>	<u>Restriction</u>	<u>Expiration Date</u>
San Diego Housing Commission (existing)	21 units at 50% AMI; 18 units at 60% AMI	2058
California Tax Credit Allocation Committee (new)	21 units at 50% AMI; 18 units at 60% AMI	2074
Tax-Exempt Bond (new)	21 units at 50% AMI; 18 units at 60% AMI	2074

These are overlapping, inclusive restrictions, and apply to the same units where applicable. Overall, the most restrictive restrictions and for the longest term will apply.

Upon implementing the proposed financing, the Project will be subject to the following *new* regulatory restrictions and regulatory terms:

- New tax-exempt Note and tax credit regulatory agreements (in addition to the existing restrictions) will be restricted to 50% and 60% of area median income (AMI). The Developer has elected to restrict 21 units to 50% AMI and 18 units to 60% AMI. This election reflects voluntary elections under CDLAC and CTCAC and is effective for a term of 55 years.

PROJECT'S PROJECTED FINANCIAL STATUS

Under the proposed financing – according to information provided by the Developer and analysis by CSG – annual debt service on the maximum senior loan would total approximately \$160,975. According to preliminary information provided by the Developer and analysis by CSG, stabilized annual cash flow (before reserves) after construction and lease-up (including Issuer fees) would total approximately \$47,756 at a debt coverage ratio (DCR) of 1.30. Cash flow after reserves would total approximately \$35,756 at a DCR of 1.22. The PWB debt coverage minimum is 1.15.

THE BENEFITS AND RISKS TO THE COMMISSION

The proposed financing provides for financing for the acquisition and rehabilitation of the Project.

By approving a recommendation to the Housing Authority to move forward with the approval process for the proposed tax-exempt Note financing, the Commission will not obligate the Commission or the Housing Authority to issue the Notes.

As proposed, the financing will maintain and extend the affordability of 39 units. These units will remain long-term affordable for an additional 55 years.

If the Authority issues the Notes, the Commission would receive a fee at closing of 0.25% of the issue amount (approximately \$13,750) and an annual fee equal to the greater of \$10,000 and 0.125% of the outstanding Notes.

PUBLIC PURPOSE

The proposed financing will result in maintaining and extending the affordability of 39 housing units in the City of San Diego. The proposed financing will result in *new* CDLAC and CTCAC regulatory restrictions as follows:

- 21 units will be restricted to households earning 50% of AMI or less;
- 18 units will be restricted to households earning 60% of AMI or less.

These new restrictions will be in effect for 55 years.

NEGOTIATION OF ADDITIONAL PUBLIC BENEFIT

As noted above, the financing will result in long-term affordability restrictions on 39 units within the Project.

RECOMMENDATIONS

Based upon analysis of the available information, we recommend that the Commission approve moving forward with the proposed issuance. Our recommendation is based upon the following:

- The financing will maintain and extend the affordability on 39 units in the City of San Diego with long-term affordability covenants.
- The Commission has received tax-exempt authority of \$5,500,000 from CDLAC for the Project.
- Pacific Western Bank and WNC are currently underwriting the Project.

- The Commission will not be responsible for costs of issuance. The Commission will receive an issuance fee at closing of approximately \$13,750, and a long-term annual fee equal to the greater of \$10,000 and 0.125% the outstanding Notes.
- The net Tax-Exempt Note financing and tax credit equity will provide approximately \$3,366,600 for development costs.

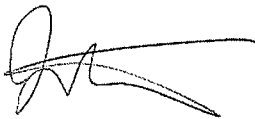
Contingent Items

The Commission may choose to move forward with the financing subject to the following contingencies:

- As of this writing, neither Pacific Western Bank nor WNC have provided final credit approval for the financing. The tax-exempt Notes cannot be issued without these final approvals.
- The Commission and the Developer must finalize the terms for assuming the existing SDHC loan
- Final Notes documents and approving resolution must be approved by the Housing Authority.

Should you require any further information or would like to discuss the Project or the proposed financing in additional detail, please do not hesitate to contact me.

Sincerely,
CSG Advisors



John Hamilton

ATTACHMENT 8 – GOVERNMENT CODE SECTION 5852.1 DISCLOSURE

Parkside SD Apartments, L.P.
c/o National Community Renaissance of California
9421 Haven Avenue
Rancho Cucamonga, CA 91730

PUBLIC DISCLOSURES RELATING TO CONDUIT REVENUE OBLIGATIONS

Pursuant to California Government Code Section 5852.1, the borrower (the "Borrower") identified below has provided the following required information to the Housing Authority of the City of San Diego (the "Authority") as conduit financing provider, prior to the Authority's meeting (the "Meeting") of its Board of Commissioners (the "Board") at which Meeting the Board will consider the authorization of conduit revenue obligations (the "Obligations") as identified below.

1. Name of Borrower: Parkside SD Apartments L.P., a California limited partnership
2. Authority Meeting Date: June 26, 2018
3. Name of Obligations: Housing Authority of the City of San Diego Multifamily Housing Revenue Note (Parkside Apartments) 2018 Series A
4. X Private Placement Lender or Bond Purchaser, ___ Underwriter or ___ Financial Advisor (mark one) engaged by the Borrower provided the Borrower with the required good faith estimates relating to the Obligations attached as Schedule A (Commitment Letter):
5. The good faith estimates attached as Schedule A were ___ presented to the governing board of the Borrower, or ___ presented to the official or officials or committee designated by the governing board of the Borrower to obligate the Borrower in connection with the Obligations or, in the absence of a governing board, X presented to the official or officials of the Borrower having authority to obligate the Borrower in connection with the Obligations (mark one).

The foregoing estimates constitute good faith estimates only. The actual principal amount of the Obligations issued and sold, the true interest cost thereof, the finance charges thereof, the amount of proceeds received therefrom and total payment amount with respect thereto may differ from such good faith estimates due to a variety of factors. The actual interest rates borne by the Obligations and the actual amortization of the Obligations will depend on market interest rates at the time of sale thereof. Market interest rates are affected by economic and other factors beyond the control of the Borrower.

The Authority is authorized to make this document available to the public at the Meeting of the Authority.


Dated: May 31, 2018

BORROWER:

Parkside SD Apartments, L.P.,
a California limited partnership

By: Parkside GP LLC,
a California limited liability company,
its general partner

By: National Community Renaissance of California,
a California nonprofit public benefit corporation,
the manager and member

By: 

Name: MICHAEL FINN

Its: CEO

HOUSING AUTHORITY OF
THE CITY OF SAN DIEGO

RESOLUTION NUMBER HA-_____

DATE OF FINAL PASSAGE _____

A RESOLUTION OF THE HOUSING AUTHORITY OF THE CITY OF SAN DIEGO AUTHORIZING THE EXECUTION AND DELIVERY OF A MULTIFAMILY REVENUE NOTE IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$5,500,000 TO FINANCE THE ACQUISITION AND REHABILITATION OF A MULTIFAMILY RENTAL HOUSING FACILITY KNOWN AS PARKSIDE APARTMENTS, AND APPROVING AND AUTHORIZING RELATED DOCUMENTS AND ACTIONS.

WHEREAS, pursuant to Chapter 1 of Part 2 of Division 24 of the California Health and Safety Code, as amended (Act), the Housing Authority of the City of San Diego (Authority) is authorized to incur indebtedness to finance the acquisition, rehabilitation, and development of multifamily rental housing; and

WHEREAS, Parkside SD Apartments, L.P., a California limited partnership (Borrower), has requested that the Authority borrow funds and loan the funds to the Borrower to finance Borrower's acquisition and rehabilitation of a multifamily residential rental housing facility known as "Parkside Apartments" (Project), consisting of 40 apartment units located at 4035 Park Haven Court in the City of San Diego; and

WHEREAS, the Board of Commissioners of the Authority (Board) desires that a portion of the units in the Project be available for low and very low income persons or families, and to accomplish such purpose it is desirable for the Authority to issue one or more revenue notes to finance costs of the acquisition and rehabilitation of the Project; and

WHEREAS, the Authority intends to issue its Housing Authority of the City of San Diego Multifamily Housing Revenue Note (Parkside Apartments) 2018 Series A (Note) in an aggregate principal amount not to exceed \$5,500,000, which Note may be designated in one or more subseries, evidencing a loan made by Pacific Western Bank (Bank) to the Authority to fund a loan to the Borrower; and

WHEREAS, the Authority will loan the proceeds of the Note to the Borrower (Mortgage Loan) and the Borrower will use the proceeds of the Note to finance costs of the acquisition and rehabilitation of the Project and the costs of issuing the Note; and

WHEREAS, the City Council of the City of San Diego approved the Authority's issuance of the Note after publication of a "TEFRA" notice and the holding on December 11, 2017 of a "TEFRA" hearing, as required by the Internal Revenue Code of 1986, as amended (Code), and applicable United States Treasury Regulations; and

WHEREAS, California Government Code section 8869.85 requires that a local agency file an application with the California Debt Limit Allocation Committee (CDLAC) and obtain CDLAC's authority to issue tax-exempt multifamily housing revenue obligations; and

WHEREAS, CDLAC has allocated to the Project \$5,500,000 of the State of California ceiling for private activity bonds under Section 146 of the Code; and

WHEREAS, pursuant to section 5852.1 of the California Government Code, the Authority, as a conduit financing provider, has received certain representations and good faith estimates from the Borrower and has disclosed such good faith estimates as set forth in the report to the Authority for this Item; and

WHEREAS, the following documents are presented for consideration:

(1) The form of Loan Agreement (Bank Loan Agreement), by and among the Authority, the fiscal agent named therein (Fiscal Agent) and the Bank, including the form of the Note attached to the Bank Loan Agreement as Exhibit A; and

(2) The form of Loan Agreement (Borrower Loan Agreement), by and between the Authority and the Borrower; and

(3) The form of Assignment Agreement (Assignment Agreement), by and between the Authority and the Bank; and

(4) The form of Regulatory Agreement and Declaration of Restrictive Covenants (Regulatory Agreement), by and among the Authority, the Fiscal Agent and the Borrower.

WHEREAS, each of the above-referenced documents is in appropriate form and is an appropriate instrument to be executed and delivered for the purposes intended; NOW, THEREFORE,

BE IT RESOLVED, by the Board of Commissioners of the Housing Authority of the City of San Diego, as follows:

Section 1. Finding and Determination. It is found and determined that it is necessary and desirable for the Authority to provide for the financing of the acquisition and rehabilitation of the Project through the execution and delivery of the Note in order to assist persons of low and very low income within the City of San Diego in obtaining decent, safe, and sanitary housing and to achieve certain other public purposes.

Section 2. Authorization of Note. For the purpose of financing the acquisition and rehabilitation of the Project, the Authority approves the execution and delivery of the Note in one series, with one or more subseries, in an aggregate principal amount not to exceed \$5,500,000. The Note shall be executed and delivered in the principal amount, and shall bear interest (which

shall not exceed 12% per annum) and mature (not later than 45 years from the date of execution and delivery thereof) as provided in the Bank Loan Agreement. The Note shall be in substantially the form attached as Exhibit A to the Bank Loan Agreement, with such appropriate variations, omissions, insertions, and provisions as are required or permitted by the Bank Loan Agreement. The Note shall be a special, limited obligation of the Authority and shall be payable as to principal and interest, and the obligations of the Authority under the Bank Loan Agreement shall be paid and satisfied, solely from the revenues, receipts and other moneys and assets pledged under the Bank Loan Agreement.

Section 3. Execution and Delivery of the Note. The Note shall be executed on behalf of the Authority by the manual or facsimile signature of the Chairman of the Authority (Chairman), the Vice Chairman of the Authority (Vice Chairman), the Executive Director of the Authority (Executive Director), the Executive Vice President of Real Estate and Chief Strategy Officer (Executive Vice President Real Estate) of the San Diego Housing Commission (Housing Commission), the Vice President of Real Estate Finance of the Housing Commission (Vice President Real Estate Finance), or the Executive Vice President and Chief of Staff of the Housing Commission (Executive Vice President Chief of Staff), and the official seal of the Authority, or a facsimile, shall be impressed or imprinted on the Note and attested with the manual or facsimile signature of the Secretary or a Deputy Secretary of the Authority.

Section 4. Approval of the Bank Loan Agreement. The Bank Loan Agreement, in the form on file in the Housing Commission offices, is approved. The Chairman, the Vice Chairman, the Executive Director, the Executive Vice President Real Estate, the Vice President Real Estate Finance, the Executive Vice President Chief of Staff and the Secretary or a Deputy Secretary of the Authority, or the designee of any such officer (collectively, the Designated Officers) are each

authorized to execute and deliver the Bank Loan Agreement in such form, together with such changes as may be approved by the Designated Officer executing the same, upon consultation with the General Counsel to the Authority, such execution to constitute conclusive evidence of the approval of all changes from the form of the Bank Loan Agreement approved in this Resolution.

Section 5. Approval of Borrower Loan Agreement. The Borrower Loan Agreement, in the form on file in the Housing Commission offices, is approved. The Designated Officers are each authorized to execute and deliver the Borrower Loan Agreement in such form, together with such changes as may be approved by the Designated Officer executing the same, in consultation with the General Counsel to the Authority, such execution to constitute conclusive evidence of the approval of all changes from the form of the Borrower Loan Agreement approved in this Resolution.

Section 6. Approval of Assignment Agreement. The Assignment Agreement, in the form on file in the Housing Commission offices, is approved. The Designated Officers are each authorized to execute and deliver the Assignment Agreement in such form, together with such changes as may be approved by the Designated Officer executing the same, in consultation with the General Counsel to the Authority, such execution to constitute conclusive evidence of the approval of all changes from the form of the Assignment Agreement approved in this Resolution.

Section 7. Approval of Regulatory Agreement. The Regulatory Agreement, in the form on file in the Housing Commission offices, is approved. The Designated Officers are each authorized to execute and deliver the Regulatory Agreement in such form, together with such changes as may be approved by the Designated Officer executing the same, in consultation with

the General Counsel to the Authority, such execution to constitute conclusive evidence of the approval of all changes from the form of the Regulatory Agreement approved in this Resolution.

Section 8. Actions Ratified and Authorized. All prior actions taken by the officers, employees, and agents of the Authority with respect to the issuance and sale of the Note are approved, confirmed, and ratified, and the Designated Officers are each authorized, for and in the name and on behalf of the Authority, to take any and all actions and execute and deliver any and all certificates, agreements (including a tax certificate and agreement), and other documents, including but not limited to those described in any of the documents approved by this Resolution, which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and delivery of the Note and the making of the Mortgage Loan in accordance with the Act and this Resolution.

Section 9. Further Consents, Approvals and Other Actions. All consents, approvals, notices, orders, requests, and other actions permitted or required by any of the documents authorized by this Resolution or otherwise appropriate in the administration of the Note and the lending program financed by the Note, including without limitation any of the foregoing which may be necessary or desirable in connection with any amendment of such documents, any transfer of the Project, any substitution of security for the Note, or any prepayment or redemption of the Note may be taken or given by any of the Designated Officers, in consultation with the Authority's General Counsel, without further authorization by the Board, and the Designated Officers are authorized and directed to give any such consent, approval, notice, order or request and to take any such action which such officer may deem necessary or desirable to further the purposes of this Resolution.

Section 10. Severability. If any section, paragraph, or provision of this Resolution shall be held to be invalid or unenforceable for any reason, the invalidity or unenforceability of such section, paragraph, or provision shall not affect any remaining provisions of this Resolution.

Section 11. Effective Date. This Resolution shall take effect immediately upon its adoption.

APPROVED: MARA W. ELLIOTT, General Counsel

By _____
Bret A. Bartolotta
Deputy General Counsel

BAB:jdf
5/29/18
Or.Dept: Housing Authority
Doc. No. 1635055

HOUSING AUTHORITY OF
THE CITY OF SAN DIEGO

RESOLUTION NUMBER HA-_____

DATE OF FINAL PASSAGE _____

A RESOLUTION OF THE HOUSING AUTHORITY OF THE CITY OF SAN DIEGO DETERMINING THAT THE ACQUISITION AND REHABILITATION OF THE PARKSIDE APARTMENTS PROJECT IS CATEGORICALLY EXEMPT FROM THE CALIFORNIA ENVIRONMENTAL QUALITY ACT PURSUANT TO TITLE 14 CALIFORNIA CODE OF REGULATIONS SECTION 15301.

WHEREAS, the Housing Authority of the City of San Diego (Authority) is considering authorizing the issuance of tax-exempt multifamily housing revenue notes, and entering into related agreements, to provide funding for the acquisition and rehabilitation of the residential rental housing facility known as “Parkside Apartments,” consisting of 40 apartment units located at 4035 Park Haven Court in the City of San Diego (Project); and

WHEREAS, the California Environmental Quality Act (CEQA), California Public Resources Code (Code) sections 21000 – 21189.3, provides in section 21083 that the California Office of Planning and Research shall promulgate and the Secretary of the California Natural Resources Agency shall adopt guidelines for implementation of CEQA; and

WHEREAS, the California Office of Planning and Research promulgated and the Secretary of the California Natural Resources Agency adopted the guidelines for implementation of CEQA set forth in Title 14 California Code of Regulations sections 15000 – 15387 (CEQA Guidelines); and

WHEREAS, Code section 21084 provides that the CEQA Guidelines shall include a list of classes of projects that have been determined not to have a significant effect on the environment and are exempt from the provisions of CEQA; and

WHEREAS, CEQA Guidelines sections 15300 – 15333 list classes of projects that have been determined not to have a significant effect on the environment and declared to be exempt from preparation of environmental documents under CEQA; and

WHEREAS, the Authority has considered the written record regarding the Project and any public comments concerning the potential environmental effects of the Project; and

WHEREAS, the Authority, using its independent judgment, has determined that the Project is categorically exempt from the provisions of CEQA pursuant to CEQA Guidelines section 15301 for Class 1 Existing Facilities; and

WHEREAS, no exception to the application of a categorical exemption set forth in CEQA Guidelines section 15300.2 applies to the Project; NOW, THEREFORE,

BE IT RESOLVED, by the Board of Commissioners of the Housing Authority of the City of San Diego, as follows:

1. The Project is categorically exempt from the provisions of CEQA pursuant to CEQA Guidelines section 15301 for Class 1 Existing Facilities.
2. No exception to the application of a categorical exemption set forth in CEQA Guidelines section 15300.2 applies to the Project.

3. The Secretary of the Authority, or designee, is directed to file a Notice of Exemption in accordance with CEQA with the Clerk of the Board of Supervisors for the County of San Diego regarding the Project.

APPROVED: MARA W. ELLIOTT, General Counsel

By: _____
Bret A. Bartolotta
Deputy General Counsel

BAB:jdf
5/16/18
Or.Dept: Housing Authority
Doc. No. 1635030



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WWW.ORRICK.COM

TO Housing Authority of the City of San Diego

FROM Christine Rankin

DATE June 19, 2018

RE Parkside Apartments

If the Housing Authority of the City of San Diego (Authority) adopts a resolution authorizing the execution and delivery of the Housing Authority of the City of San Diego Multifamily Housing Revenue Note (Parkside Apartments) 2018 Series E (Note) and certain related matters, it is expected that the Note will be executed and delivered in July 2018. The primary legal documents for the Note that are referenced in the Resolution of the Authority authorizing the issuance of the Note (Resolution) currently contain a number of blanks or bracketed items that are related to the Note, various dates and other matters.

The following table sets forth a summary of the blanks or bracketed items in the primary legal documents for the Note referenced in the Resolution, and describes when, and by whom, the information will be provided to fill in the blanks. Capitalized terms used below and not otherwise defined have the meanings given to them in the related documents.

<u>Document</u>	<u>Location Within Document</u>	<u>Item</u>	<u>When Completed</u>	<u>Responsible Party/Parties</u>
Loan Agreement (Bank Loan Agreement)	Cover	Total Par	Prior to closing	Pacific Western Bank
	Section 1.1 Definitions	Amount of maximum principal amount of Note within definition of "Bank Loan"	Prior to closing	Pacific Western Bank
		Confirmation of all documents listed in definition of "Borrower Assignments"	Prior to closing	Pacific Western Bank



June 19, 2018
Page 2

<u>Document</u>	<u>Location Within Document</u>	<u>Item</u>	<u>When Completed</u>	<u>Responsible Party/Parties</u>
		Amount of maximum principal amount of Note within definition of “Borrower Loan” and “Borrower Note” and “Governmental Lender Note”	Prior to closing	Pacific Western Bank
		Definition of “Closing Date”	Prior to closing	Borrower/Pacific Western Bank
		Definition of “Fiscal Agent’s Fees”	Prior to closing	Fiscal Agent
		Identity of “Rebate Analyst”	Prior to closing	Borrower
	Section 3.3	Amount of bank loan	Prior to closing	Pacific Western Bank
	Section 3.4	Amount of initial draw on loan	Prior to closing	Borrower/Pacific Western Bank
	Section 5.1(c)	Amount of Bank Loan Fee	Prior to closing	Borrower/Pacific Western Bank
	Exhibit A – Form of Note	Total Par, Closing Date, Final Maturity	Prior to closing	Borrower/Pacific Western Bank
Loan Agreement (Borrower Loan Agreement)	Cover	Total Par	Prior to closing	Pacific Western Bank
	Section 1.1 Definitions	Par amount as appears in definition of “Bank Loan” “Borrower Loan” and “Borrower Note”	Prior to closing	Pacific Western Bank



June 19, 2018
Page 3

<u>Document</u>	<u>Location Within Document</u>	<u>Item</u>	<u>When Completed</u>	<u>Responsible Party/Parties</u>
		Confirmation of all documents listed in definition of “Borrower Assignments”	Prior to closing	Pacific Western Bank
		Amount of maximum principal amount of Note within definition of “Borrower Loan” and “Borrower Note” and “Governmental Lender Loan” and “Governmental Lender Note”	Prior to closing	Pacific Western Bank
		Definition of “Closing Date”	Prior to closing	Borrower/Pacific Western Bank
	Section 8.2 - Notices	Notice Addresses for Fiscal Agent	Prior to closing	Fiscal Agent
	Exhibit A – Borrower Note	Closing Date, Maturity Date, final par amount, interest rate	Prior to closing	Pacific Western Bank/Borrower
Regulatory Agreement	Recitals	Total Par	Prior to closing	Pacific Western Bank
	Section 20	Governmental Lender Fees (dependent upon final par amount)	Prior to closing	Governmental Lender
	Exhibit A	Legal Description	Prior to closing	Borrower
	Exhibit D	CDLAC Resolution	To be attached prior to closing	Borrower/Authority
Assignment Agreement	Cover	Total Par	Prior to closing	Pacific Western Bank



June 19, 2018
Page 4

<u>Document</u>	<u>Location Within Document</u>	<u>Item</u>	<u>When Completed</u>	<u>Responsible Party/Parties</u>
	Exhibit A	Legal Description	Prior to closing	Borrower

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The City of San Diego
Item Approvals

Item Subject: Final Bond Authorization for Parkside Apartments.

Contributing Department	Approval Date
DOCKET OFFICE	06/04/2018

Approving Authority	Approver	Approval Date
HOUSING COMMISSION FINAL DEPARTMENT APPROVER	DAVIS, JEFF	06/01/2018
CITY ATTORNEY	BARTOLOTTA, BRET	06/04/2018
DEPUTY CHIEF OPERATING OFFICER	GRAHAM, DAVID	06/07/2018



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TO Housing Authority of the City of San Diego

FROM Christine Rankin

DATE June 19, 2018

RE Parkside Apartments

If the Housing Authority of the City of San Diego (Authority) adopts a resolution authorizing the execution and delivery of the Housing Authority of the City of San Diego Multifamily Housing Revenue Note (Parkside Apartments) 2018 Series E (Note) and certain related matters, it is expected that the Note will be executed and delivered in July 2018. The primary legal documents for the Note that are referenced in the Resolution of the Authority authorizing the issuance of the Note (Resolution) currently contain a number of blanks or bracketed items that are related to the Note, various dates and other matters.

The following table sets forth a summary of the blanks or bracketed items in the primary legal documents for the Note referenced in the Resolution, and describes when, and by whom, the information will be provided to fill in the blanks. Capitalized terms used below and not otherwise defined have the meanings given to them in the related documents.

<u>Document</u>	<u>Location Within Document</u>	<u>Item</u>	<u>When Completed</u>	<u>Responsible Party/Parties</u>
Loan Agreement (Bank Loan Agreement)	Cover	Total Par	Prior to closing	Pacific Western Bank
	Section 1.1 Definitions	Amount of maximum principal amount of Note within definition of "Bank Loan"	Prior to closing	Pacific Western Bank
		Confirmation of all documents listed in definition of "Borrower Assignments"	Prior to closing	Pacific Western Bank



June 19, 2018
Page 2

<u>Document</u>	<u>Location Within Document</u>	<u>Item</u>	<u>When Completed</u>	<u>Responsible Party/Parties</u>
		Amount of maximum principal amount of Note within definition of “Borrower Loan” and “Borrower Note” and “Governmental Lender Note”	Prior to closing	Pacific Western Bank
		Definition of “Closing Date”	Prior to closing	Borrower/Pacific Western Bank
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		Identity of “Rebate Analyst”	Prior to closing	Borrower
	Section 3.3	Amount of bank loan	Prior to closing	Pacific Western Bank
	Section 3.4	Amount of initial draw on loan	Prior to closing	Borrower/Pacific Western Bank
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June 19, 2018
Page 3

<u>Document</u>	<u>Location Within Document</u>	<u>Item</u>	<u>When Completed</u>	<u>Responsible Party/Parties</u>
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		Amount of maximum principal amount of Note within definition of “Borrower Loan” and “Borrower Note” and “Governmental Lender Note” and “Governmental Lender Loan” and “Governmental Lender Note”	Prior to closing	Pacific Western Bank
		Definition of “Closing Date”	Prior to closing	Borrower/Pacific Western Bank
	Section 8.2 - Notices	Notice Addresses for Fiscal Agent	Prior to closing	Fiscal Agent
	Exhibit A – Borrower Note	Closing Date, Maturity Date, final par amount, interest rate	Prior to closing	Pacific Western Bank/Borrower
Regulatory Agreement	Recitals	Total Par	Prior to closing	Pacific Western Bank
	Section 20	Governmental Lender Fees (dependent upon final par amount)	Prior to closing	Governmental Lender
	Exhibit A	Legal Description	Prior to closing	Borrower
	Exhibit D	CDLAC Resolution	To be attached prior to closing	Borrower/Authority
Assignment Agreement	Cover	Total Par	Prior to closing	Pacific Western Bank



June 19, 2018
Page 4

<u>Document</u>	<u>Location Within Document</u>	<u>Item</u>	<u>When Completed</u>	<u>Responsible Party/Parties</u>
	Exhibit A	Legal Description	Prior to closing	Borrower

###



SAN DIEGO
HOUSING
COMMISSION

MEMORANDUM

To: Bret Bartolotta

From: J.P. Correia 

Date: May 23, 2018

Subject: Parkside Apartments - Related Entity Letter

The San Diego Housing Commission acts as administrator for multifamily housing bonds issued by the Housing Authority of the City of San Diego (Housing Authority).

On June 26, 2018, the San Diego Housing Commission will seek Housing Authority approval for the issuance of up to \$6,000,000 in a multifamily housing revenue note (Note) to finance the acquisition with rehabilitation of a multifamily residential rental housing facility known as Parkside Apartments (Project). The proposed Note will be a special limited obligation of the Housing Authority, payable solely from the operating revenues and assets comprising the Project. The proposed Note issuance has been structured as a private placement and no Official Statement or other offering document will be used to market the Note to investors.

The attached letter has been prepared in accordance with Municipal Code §22.4101 *et seq.* (Code). In preparing the Note documents for this transaction, the San Diego Housing Commission and its financing team have not relied upon any information provided by the City.

Should you have any questions, please contact me at 578-7575.



SAN DIEGO
HOUSING
COMMISSION

May 23, 2018

Bret Bartolotta
Deputy City Attorney
San Diego City Attorney's Office
1200 3rd Avenue, Suite 1620
San Diego, CA 92101

Subject: Parkside Apartments - Related Entity Letter

Dear Bret:

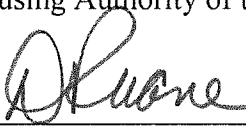
The San Diego Housing Commission (Housing Commission), as administrator for the Housing Authority of the City of San Diego (Housing Authority), acknowledges that pursuant to Municipal Code §22.4101 et. Seq. (Code), the Disclosure Practices Working Group (Group) has the responsibility to review the form and content of information disclosed by the City of San Diego in connection with securities issued by Related Entities (as defined in the Code). To help the Group fulfill this responsibility, the Housing Commission submits this letter for approval by the Group. The Housing Commission understands and agrees that it will not docket the Preliminary Official Statement or any other offering document for consideration by the City Council prior to submitting this letter to the Group.

The Housing Commission understands that it is responsible for preparing this letter because the Housing Authority is a Related Entity of the City of San Diego. The Housing Commission makes the following certification related to the proposed multifamily housing revenue bonds for the rental housing facility known as North Park Seniors Apartments.

☒ The Housing Commission did not request, and did not receive, any information from a City employee that we intend to include in a Preliminary Official Statement or other offering document that is being prepared in connection with the securities being offered by the Housing Authority.

Related Entity: Housing Authority of the City of San Diego

Authorized Officer:


Deborah N. Ruane
Executive Vice President & Chief Strategy Officer
San Diego Housing Commission

Dated:

May 23, 2018

RECORDING REQUESTED BY
PARKSIDE SD APARTMENTS, L.P.,
California limited partnership

WHEN RECORDED RETURN TO:
Orrick, Herrington & Sutcliffe LLP
405 Howard Street
San Francisco, CA 94105
Attention: Meagan Singer

ASSIGNMENT AGREEMENT

by and between the

**HOUSING AUTHORITY OF THE CITY OF SAN DIEGO,
as Governmental Lender**

and

**PACIFIC WESTERN BANK,
as Bank**

dated as of July 1, 2018

relating to:

**\$(PAR)
Housing Authority of the City of San Diego
Multifamily Housing Revenue Note
(Parkside Apartments) 2018 Series E**

ASSIGNMENT AGREEMENT

THIS ASSIGNMENT AGREEMENT, dated as of July 1, 2018 (the "Assignment Agreement"), is by and between the HOUSING AUTHORITY OF THE CITY OF SAN DIEGO, a public body corporate and politic, duly organized and existing under the laws of the State of California (together with any successor to its rights, duties and obligations, the "Governmental Lender"), and PACIFIC WESTERN BANK, a California state-chartered bank (the "Bank").

In the joint and mutual exercise of their powers, in consideration of the mutual covenants herein contained, and for other valuable consideration the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

Section 1. Recitals.

(a) Parkside SD Apartments, L.P., a California limited partnership (the "Borrower") and the Governmental Lender have entered into a Loan Agreement, dated as of July 1, 2018 (the "Borrower Loan Agreement"), whereby the Governmental Lender has agreed to a loan to the Borrower for the purpose of financing costs of the acquisition and rehabilitation by the Borrower of the residential rental facility identified as Parkside Apartments, which includes a total of 40 units of multifamily housing (including one manager's unit) located in the City of San Diego (the "City"), which facility is located on the real property described in Exhibit A hereto (the "Site") in the manner and on the terms set forth in the Borrower Loan Agreement, which terms include, without limitation, the obligation of the Borrower to make loan payments (the "Borrower Loan Payments") to the Governmental Lender in repayment of the amounts loaned under the Borrower Loan Agreement as evidenced initially by that certain Borrower Note referenced therein (the "Borrower Note"). The Borrower has executed the Deed of Trust (as such term is defined in the Borrower Loan Agreement) to secure its obligations under the Borrower Note and the Borrower Loan Agreement.

(b) The Governmental Lender and the Bank have entered into an unrecorded Loan Agreement, dated as of July 1, 2018 (the "Bank Loan Agreement"), whereby the Bank has agreed to make a loan to the Governmental Lender for the purpose of making funds available to the Governmental Lender to make the loan to the Borrower pursuant to the Borrower Loan Agreement, in the manner and on the terms set forth in the Bank Loan Agreement, which terms include, without limitation, the obligation of the Governmental Lender to make loan payments to the Bank from the Borrower Loan Payments in repayment of the amounts loaned under the Bank Loan Agreement, as evidenced by the Governmental Lender Note referenced therein (the "Governmental Lender Note").

(c) The Governmental Lender desires to irrevocably pledge to the Bank, as security for its obligations to repay amounts due under the Governmental Lender Note and its obligations under the Bank Loan Agreement, its rights to the Borrower Loan Payments due and payable pursuant to the Borrower Note, and to irrevocably assign to the Bank, as further security for its obligation to repay amounts due under the Governmental Lender Note and its obligations under the Bank Loan Agreement, its rights in and obligations under the Borrower Loan Agreement

(except as provided herein), and any and all of its rights in and under the Disbursement Agreement, the Subordination Agreement, and the Continuing Covenants Agreement (as such terms are defined in the Bank Loan Agreement), as well as under the Deed of Trust and the Borrower Note.

(d) Each of the parties has authority to enter into this Assignment Agreement and has taken all actions necessary to authorize its respective officers to execute it.

Section 2. Assignment. As security for its obligation to repay amounts due under the Governmental Lender Note and its obligations under the Bank Loan Agreement, the Governmental Lender hereby transfers, assigns and sets over to the Bank all of the Governmental Lender's rights and obligations under the Borrower Loan Agreement (excepting only the Governmental Lender's rights under Section 6.7 of the Borrower Loan Agreement, and its retained rights to separately enforce, for the benefit of the Governmental Lender, the Governmental Lender's rights under Sections 2.3, 2.4, 5.1(b), 5.1(d), 7.4, 8.7, 8.12 and 8.13 of the Borrower Loan Agreement, together with its rights to receive notice and consent to amendments pursuant to the Loan Documents) and any and all of its rights under the Borrower Note, the Subordination Agreement, the Deed of Trust, the Continuing Covenants Agreement and the Disbursement Agreement (which documents are either unrecorded or are being recorded concurrently with this Assignment Agreement), including without limitation (a) the right to collect and receive net proceeds of any policy of insurance maintained pursuant to the Deed of Trust, the Continuing Covenants Agreement or the Borrower Loan Agreement, and (b) the right to exercise such rights and remedies conferred on the Governmental Lender pursuant to the Borrower Loan Agreement as may be necessary or convenient (i) to enforce payment of the Borrower Loan Payments and prepayments thereof, or (ii) otherwise to protect the interests of the Bank in the event of a default by the Borrower under the Borrower Loan Agreement or the Continuing Covenants Agreement. In addition, the Governmental Lender hereby irrevocably pledges to Bank, as further security for its obligation to repay amounts due under the Governmental Lender Note and its obligations under the Bank Loan Agreement (and hereby appoints Bank as its agent to collect), all of the Borrower Loan Payments (including prepayments thereof) from the Borrower under the Borrower Loan Agreement. In order to perfect the foregoing assignment, the Governmental Lender shall cause this Assignment Agreement to be recorded in the San Diego County Recorder's Office and shall endorse the Borrower Note to the Bank, without recourse.

As an incident to the assignment made to the Bank hereunder, the Governmental Lender hereby assigns to the Bank the Governmental Lender's interest in and obligations, if any, under (a) any policy of insurance issued in connection with or required to be maintained under the Deed of Trust or the Continuing Covenants Agreement, (b) any award or payment becoming payable to the Governmental Lender under the Deed of Trust by reason of any condemnation of all or a portion of the facilities located on the Site or any conveyance in lieu of condemnation, and (c) any bankruptcy, insolvency, reorganization or condemnation proceeding involving the Borrower Loan Agreement, the Borrower Note and the Deed of Trust.

Section 3. Power of Attorney. The Governmental Lender hereby irrevocably makes, constitutes and appoints the Bank (and any of the Bank's officers, employees or agents, as

appropriate and as designated by the Bank) as the Governmental Lender's true and lawful attorney-in-fact with full power of substitution to (a) sign in the name of the Governmental Lender any financing statements, continuation statements, assignments, notices of default, notices of election to sell, assignments and substitutions of trustee or similar documents necessary or appropriate to enforce the remedies of the Governmental Lender under the Borrower Loan Agreement, the Borrower Note and the Deed of Trust, including complaints, motions and any other pleadings necessary to secure the appointment of a receiver under the Deed of Trust, (b) to appear in any bankruptcy, insolvency, reorganization, condemnation or other action or proceeding, and (c) to prepare applications for, negotiate and settle claims, and collect any distribution, award or other amount becoming payable through or as the result of (i) any such proceedings, (ii) any insured or uninsured casualty loss, or (iii) any condemnation, taking or conveyance in lieu of condemnation of any of the assets that are the subject of the Borrower Loan Agreement, the Borrower Note or the Deed of Trust and the Subordination Agreement. The power of attorney granted by the Governmental Lender to the Bank hereunder, being coupled with the Bank's interest in the facilities located on the Site, is irrevocable until all of the obligations of the Governmental Lender under the Governmental Lender Note have been satisfied and discharged in full. Notwithstanding the foregoing, the Bank shall provide the Governmental Lender with copies of all documents executed by the Bank under the foregoing power of attorney and shall advise the Governmental Lender in writing prior to taking any action described in clause (b) or (c) of the second preceding sentence.

Section 4. Acceptance. The Bank hereby accepts the assignments and pledge made herein for the purpose of securing the payments due pursuant to the Bank Loan Agreement.

Section 5. Conditions. This Assignment Agreement shall confer no obligations or impose no duties upon the Bank beyond those expressly provided in the Bank Loan Agreement. This Assignment Agreement shall confer no obligations or impose no duties upon the Governmental Lender beyond those expressly provided in the Bank Loan Agreement.

Section 6. Execution in Counterparts. This Assignment Agreement may be executed in multiple counterparts, all of which shall constitute one and the same instrument, and each of which shall be deemed to be an original.

Section 7. Choice of Law and Venue. This Assignment Agreement and the Governmental Lender Note are contracts made under the laws of the State of California and shall be governed by and construed in accordance with the Constitution and laws applicable to contracts made and performed in the State of California. This Assignment Agreement and the Governmental Lender Note shall be enforceable in the State of California, and any action arising out of this Assignment Agreement or the Governmental Lender Note shall be filed and maintained in San Diego County, California, unless the Governmental Lender waives this requirement.

IN WITNESS WHEREOF, the parties hereto have executed this Assignment Agreement by their officers thereunto duly authorized as of the day and year first written above.

HOUSING AUTHORITY OF THE CITY
OF SAN DIEGO

By: _____
Jeff Davis – Executive Vice President
and Chief of Staff

PACIFIC WESTERN BANK, a California
state-chartered bank

By: _____
Jennifer D. Riddle,
Senior Vice President

[Signature Page to Assignment Agreement – Parkside]

NOTARY ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California

County of _____

ss.

On _____, before me, _____, Notary Public
Date Name and Title of Officer (e.g., "Jane Doe, Notary Public")

personally appeared _____
Name(s) of Signer(s)

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

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

WITNESS my hand and official seal.

Signature _____ [Seal]
Notary Public

[Notary Page of the Governmental Lender to Assignment Agreement – Parkside]

NOTARY ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California }
County of _____ } ss.

On _____, before me, _____, Notary Public
Date Name and Title of Officer (e.g., "Jane Doe, Notary Public")

personally appeared _____
Name(s) of Signer(s)

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

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

WITNESS my hand and official seal.

Signature _____ [Seal]
Notary Public

[Notary Page of the Bank to Assignment Agreement – Parkside]

EXHIBIT A

DESCRIPTION OF PROPERTY

THE PROPERTY SITUATED IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO,
STATE OF CALIFORNIA DESCRIBED AS FOLLOWS:

[To Come.]

LOAN AGREEMENT

by and among

**PACIFIC WESTERN BANK,
as Bank**

and

**HOUSING AUTHORITY OF THE CITY OF SAN DIEGO,
as Governmental Lender**

and

**U.S. BANK NATIONAL ASSOCIATION
as Fiscal Agent**

dated as of July 1, 2018

relating to:

**[\$5,500,000]
Housing Authority of the City of San Diego
Multifamily Housing Revenue Note
(Parkside Apartments) 2018 Series E**

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EXHIBIT A FORM OF GOVERNMENTAL LENDER NOTE

EXHIBIT B FORM OF REQUIRED TRANSFEREE REPRESENTATIONS

LOAN AGREEMENT

THIS LOAN AGREEMENT, dated as of July 1, 2018 (this “Bank Loan Agreement”), is by and among Pacific Western Bank, a California state-chartered bank (the “Bank”), and the Housing Authority of the City of San Diego, a public body, corporate and politic, (together with its successors and assigns, the “Governmental Lender”) and U.S. Bank National Association, a national banking association duly organized and existing under the laws of the United States of America, as fiscal agent (together with its successors and assigns, the “Fiscal Agent”).

RECITALS

WHEREAS, the Governmental Lender is a public body, corporate and politic, duly organized and validly existing under the laws of the State of California; and

WHEREAS, the Governmental Lender is empowered pursuant to Chapter 1 of Part 2 of Division 24 of the California Health and Safety Code (the “Act”) to: (a) make loans to any person to provide financing for residential rental developments located within the jurisdiction of the Governmental Lender and intended to be occupied in part by persons of low and moderate income; (b) incur indebtedness for the purpose of obtaining moneys to make such loans and provide such financing, to establish any required reserve funds and to pay administrative costs and other costs incurred in connection with the incurrence of such indebtedness of the Governmental Lender; and (c) pledge all or any part of the revenues, receipts or resources of the Governmental Lender, including the revenues and receipts to be received by the Governmental Lender from or in connection with such loans, and to mortgage, pledge or grant security interests in such loans or other property of the Governmental Lender in order to secure the payment of the principal of, prepayment premium, if any, on and interest on such indebtedness of the Governmental Lender; and

WHEREAS, Parkside SD Apartments, L.P., a California limited partnership (the “Borrower”), has requested the Governmental Lender to enter into this Loan Agreement under which the Bank (i) will advance funds (the “Bank Loan”) to or for the account of the Governmental Lender, and (ii) apply the proceeds of the Bank Loan to make a loan (the “Borrower Loan”) to the Borrower to finance the acquisition, rehabilitation and equipping of a 40-unit (including one manager’s unit) multifamily rental housing development located in the City of San Diego, County of San Diego, State of California, known as “Parkside Apartments” (the “Project”); and

WHEREAS, simultaneously with the delivery of this Loan Agreement, the Governmental Lender and the Borrower will enter into a Loan Agreement of even date herewith (as it may be supplemented or amended, the “Borrower Loan Agreement”), whereby the Borrower agrees to make loan payments to the Governmental Lender in an amount which, when added to other funds available under this Loan Agreement, will be sufficient to enable the Governmental Lender to repay the Bank Loan and to pay all costs and expenses related thereto when due; and

WHEREAS, to evidence its payment obligations under the Borrower Loan Agreement, the Borrower will execute and deliver to the Governmental Lender its Borrower Note (as defined

herein), and the obligations of the Borrower under the Borrower Note will be secured by a lien on and security interest in the Project pursuant to a Deed of Trust, Security Agreement, Absolute Assignment of Leases and Rents and Fixture Filing of even date herewith made by the Borrower in favor of the Governmental Lender, as assigned by the Governmental Lender without recourse to the Bank to secure the performance by the Governmental Lender of its obligations under the Bank Loan; and

WHEREAS, the Governmental Lender has executed and delivered to the Bank its Governmental Lender Note (as defined herein), evidencing its obligation to make the payments due to the Bank under the Bank Loan as provided in this Loan Agreement, and all things necessary to make this Loan Agreement, the valid, binding and legal limited obligation of the Governmental Lender, have been done and performed and the execution and delivery of this Loan Agreement and the execution and delivery of the Governmental Lender Note, subject to the terms hereof, have in all respects been duly authorized;

NOW, THEREFORE, in consideration of the premises and the mutual representations, covenants and agreements herein contained, the parties hereto do hereby agree as follows:

ARTICLE I

DEFINITIONS AND INTERPRETATION

Section 1.1. Definitions. The following words and terms as used in this Agreement shall have the following meanings unless the context or use otherwise requires:

“Act” means Chapter 1 of Part 2 of Division 24 of the California Health and Safety Code, as now in effect and as it may from time to time hereafter be amended or supplemented to apply to obligations incurred as of the Closing Date.

“Act of Bankruptcy” means the filing of a petition in bankruptcy (or other commencement of a bankruptcy or similar proceeding) by or against the Borrower, or any guarantor of the Borrower, under any applicable bankruptcy, insolvency or similar law now or hereafter in effect.

“Affiliate” means, as to any Person, any other Person that, directly or indirectly, is in Control of, is Controlled by or is under common Control with such Person.

“Approved Institutional Buyer” means (1) a “qualified institutional buyer” as defined in Rule 144A promulgated under the Securities Act of 1933, as in effect on the date hereof (the “Securities Act”); (2) an “accredited investor” as defined in paragraphs (1) through (3) of subsection (a) of Section 501 (“Section 501”) of Regulation D promulgated under the Securities Act; (3) an entity that is directly or indirectly wholly owned or controlled by the purchaser/bondholder representative (being a financial institution described in (1) above; (4) an “accredited investor” as defined in paragraph (5) of subsection (a) of said Section 501, provided that the minimum net worth shall be \$5,000,000; (5) an “accredited investor” as defined in paragraph (6) of subsection (a) of said Section 501, provided that the minimum income (individual or joint) shall be \$1,000,000; (6) an entity all of the investors in which are described

in (1), (2) or (3) above; or (7) a custodian or trustee for a party described in (1), (2), (3), (4) or (5) above.

“Assignment Agreement” means that certain Assignment Agreement, dated as of July 1, 2018, by and between the Bank and the Governmental Lender, as referenced in Section 6.6 of this Bank Loan Agreement and Section 6.8 of the Borrower Loan Agreement.

“Bank” means Pacific Western Bank, and its successors and assigns.

“Bank Loan” means the mortgage loan originated hereunder by the Bank to the Governmental Lender initially in a maximum principal amount of \$[5,500,000], evidenced by the Governmental Lender Note, for the purpose of enabling the Governmental Lender to make the Borrower Loan to the Borrower pursuant to the terms of the Borrower Loan Agreement.

“Bank Loan Agreement” means this Loan Agreement, as amended and supplemented from time to time.

“Bank Loan Documents” means this Bank Loan Agreement, the Borrower Loan Agreement, the Regulatory Agreement, the Governmental Lender Note, the Assignment Agreement, the Borrower Note, the Borrower Assignments, the Continuing Covenants Agreement, the Disbursement Agreement and the Deed of Trust.

“Borrower” means Parkside SD Apartments, L.P., a California limited partnership, and its successors and assigns.

“Borrower Assignments” means, collectively, [the Assignment of Development Agreement and Developer Fee Subordination Agreement, made effective as of July 1, 2018, by the Borrower for the benefit of the Bank; the Environmental Indemnity Agreement, made effective as of July 1, 2018, by the Borrower and the Guarantor in favor of the Bank; the Guaranty of Payment and Performance, made effective as of July 1, 2018, by the Guarantor in favor of the Bank; the Continuing Covenants Agreement; the Disbursement Agreement; the Assignment of Construction Contracts, made effective as of July 1, 2018, by the Borrower in favor of the Bank; and the Assignment of Management Contracts and Subordination of Management Fees, and made effective as of July 1, 2018, by the Borrower in favor of the Bank.]

“Borrower Loan” means the mortgage loan originated by the Governmental Lender to the Borrower in a maximum principal amount of \$[5,500,000], evidenced by the Borrower Note, pursuant to the terms of the Borrower Loan Agreement;

“Borrower Loan Agreement” means that certain Loan Agreement, dated as of July 1, 2018, by and between the Governmental Lender and the Borrower, as amended and supplemented from time to time, pursuant to which the Borrower Loan is being made.

“Borrower Note” means the promissory note evidencing a portion of the Borrower Loan in the maximum principal amount of \$[5,500,000], executed by the Borrower, in the form attached to the Borrower Loan Agreement as Exhibit A thereto.

“Borrower Representative” means any officer of the general partner of the Borrower designated by action of the Borrower to be a Borrower Representative for purposes of the Loan Documents.

“Business Day” means any day other than a Saturday, a Sunday, or a day on which the Bank is closed.

“City” means the City of San Diego, California.

“Closing Costs” has the meaning given to the term Costs of Funding in the Borrower Loan Agreement.

“Closing Costs Fund” means the fund by that name established pursuant to Section 7.3(d) hereof.

“Closing Date” means [Closing Date], being the date of issuance of Governmental Lender Note for purposes of the Code.

“Code” means the Internal Revenue Code of 1986 as in effect on the date of issuance of the Governmental Lender Note and (except as otherwise referenced herein) as it may be amended, together with applicable temporary and final regulations promulgated, and applicable official public guidance published, under the Code.

“Commission” means the San Diego Housing Commission, a public agency.

“Continuing Covenants Agreement” means the Continuing Covenant Agreement, dated as of July 1, 2018, between the Bank and the Borrower, as amended and supplemented from time to time in accordance with its terms.

“Control” shall mean, with respect to any Person, either (i) ownership directly or through other entities of more than 50% of all beneficial equity interest in such Person, or (ii) the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, through the ownership of voting securities, by contract or otherwise.

“County” means the County of San Diego, California.

“Deed of Trust” means the Deed of Trust, Security Agreement, Absolute Assignment of Leases and Rents and Fixture Filing, dated as of July 1, 2018, executed by the Borrower and granting a security interest in the Project, to Fidelity National Title Insurance Company, as trustee, for the benefit of the Governmental Lender, in order to secure the Borrower’s obligations under the Borrower Note to repay the Borrower Loan, and all obligations related thereto under this Borrower Loan Agreement.

“Disbursement Agreement” means the Construction Disbursement Agreement, dated as of July 1, 2018, between the Bank and the Borrower, as amended and supplemented from time to time in accordance with its terms.

“Equity Investor” means [WNC Entity – to be confirmed], a [_____] limited liability company, and its successors and assigns.

“Event of Default” means any of the events described as an event of default in Section 7.1 hereof.

“Fiscal Agent” shall mean U.S. Bank National Association, which entity is appointed pursuant to Section [_____] to serve as Fiscal Agent under this Bank Loan Agreement, and any successor thereto pursuant to Section [_____].

“Fiscal Agent’s Fees” shall mean [_____].

“Governmental Lender” means the Housing Authority of the City of San Diego, a public body corporate and politic, organized and existing under the laws of the State of California, together with its successors and assigns.

“Governmental Lender Note” means that certain Housing Authority of the City of San Diego Multifamily Housing Revenue Note (Parkside Apartments) 2018 Series E, dated the Closing Date, evidencing the Bank Loan, in the principal amount of \$[5,500,000], made by the Governmental Lender and payable to the Bank, as executed by the Governmental Lender on the Closing Date as it may thereafter be amended or supplemented from time to time, in the form attached hereto as Exhibit A.

“Governmental Lender Representative” means the Executive Director of the Governmental Lender, or any other person designated as a Governmental Lender Representative by a certificate signed by the Executive Director and filed with the Bank.

“Guarantor” has the meaning given that term in the Borrower Loan Agreement.

“Initial Disbursement” means the initial advance of the principal of the Bank Loan on the Closing Date in respect of Governmental Lender Note, in the amount specified by the Bank on the Closing Date (which shall be an amount no less than \$55,000).

“Loan Documents” has the meaning given to such term in the Borrower Loan Agreement.

“Maximum Legal Rate” shall mean the lesser of (i) 12% per annum and (ii) the maximum interest rate that may be paid on the Bank Loan under State law.

“Note Proceeds Account” shall mean the account by that name in the Project Fund established pursuant to Section [_____] hereof.

“Opinion of Counsel” shall mean a written opinion from an attorney or firm of attorneys, acceptable to the Bank and the Governmental Lender with experience in the matters to be covered in the opinion; provided that whenever an Opinion of Counsel is required to address the exclusion of interest on the Governmental Lender Note from gross income for purposes of federal income taxation, such opinion shall be a Tax Counsel No Adverse Effect Opinion.

“Permitted Investments” shall mean, to the extent authorized by law for investment of any moneys held under this Bank Loan Agreement, but only to the extent that the same are acquired at Fair Market Value:

(a) Government Obligations.

(b) Direct obligations of, and obligations on which the full and timely payment of principal and interest is unconditionally guaranteed by, any agency or instrumentality of the United States of America (other than the Federal Home Loan Mortgage Corporation) or direct obligations of the World Bank, which obligations are rated in the Highest Rating Category.

(c) Obligations, in each case rated in the Highest Rating Category, of (i) any state or territory of the United States of America, (ii) any agency, instrumentality, authority or political subdivision of a state or territory or (iii) any public benefit or municipal corporation the principal of and interest on which are guaranteed by such state or political subdivision.

(d) Any written repurchase agreement entered into with a Qualified Financial Institution whose unsecured short-term obligations are rated in the Highest Rating Category.

(e) Commercial paper rated in the Highest Rating Category.

(f) Interest bearing negotiable certificates of deposit, interest bearing time deposits, interest bearing savings accounts and bankers’ acceptances, issued by a Qualified Financial Institution if either (i) the Qualified Financial Institution’s unsecured short term obligations are rated in the Highest Rating Category or (ii) such deposits, accounts or acceptances are fully collateralized by investments described in clauses (a) or (b) of this definition or fully insured by the Federal Deposit Insurance Corporation.

(g) An agreement held by the Fiscal Agent for the investment of moneys at a guaranteed rate with a Qualified Financial Institution whose unsecured long term obligations are rated in the Highest Rating Category or Second Highest Rating Category, or whose obligations are unconditionally guaranteed or insured by a Qualified Financial Institution whose unsecured long term obligations are rated in the Highest Rating Category or Second Highest Rating Category; provided that such agreement is in a form acceptable to the Bank and the Fiscal Agent; and provided further that such agreement includes the following restrictions:

(1) the invested funds will be available for withdrawal without penalty or premium, at any time that the Bank is required to pay moneys from the Fund(s)

established under this Bank Loan Agreement to which the agreement is applicable;

(2) the agreement, and if applicable the guarantee or insurance, is an unconditional and general obligation of the provider and, if applicable, the guarantor or insurer of the agreement, and ranks *pari passu* with all other unsecured unsubordinated obligations of the provider, and if applicable, the guarantor or insurer of the agreement;

(3) the Bank and the Fiscal Agent receive an Opinion of Counsel, which may be subject to customary qualifications, that such agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms and, if applicable, an Opinion of Counsel that any guaranty or insurance policy provided by a guarantor or insurer is legal, valid, binding and enforceable upon the guarantor or insurer in accordance with its terms; and

(4) the agreement provides that if during its term the rating of the Qualified Financial Institution providing, guaranteeing or insuring, as applicable, the agreement, is withdrawn, suspended by any rating agency or falls below the Second Highest Rating Category, the provider must, within ten days, either: (A) collateralize the agreement (if the agreement is not already collateralized) with Permitted Investments described in paragraph (a) or (b) by depositing collateral with the Fiscal Agent or a third party custodian, such collateralization to be effected in a manner and in an amount reasonably satisfactory to the Bank, or, if the agreement is already collateralized, increase the collateral with Permitted Investments described in paragraph (a) or (b) by depositing collateral with the Fiscal Agent or a third party custodian, in an amount reasonably satisfactory to the Bank, (B) at the request of the Bank, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium unless required by law or (C) transfer the agreement, guarantee or insurance, as applicable, to a replacement provider, guarantor or insurer, as applicable, then meeting the requirements of a Qualified Financial Institution and whose unsecured long term obligations are then rated in the Highest Rating Category or Second Highest Rating Category. The agreement may provide that the downgraded provider may elect which of the remedies to the down grade (other than the remedy set out in (B)) to perform.

Notwithstanding anything else in this paragraph (g) to the contrary and with respect only to any agreement described in this paragraph (g) or any guarantee or insurance for any such agreement which is to be in effect for any period after the Conversion Date, any reference in this paragraph to the “Second Highest Rating Category” will be deemed deleted so that the only acceptable rating category for such an agreement, guarantee or insurance will be the Highest Rating Category.

(h) Subject to the ratings requirements set forth in this definition, shares in any money market mutual fund (including those of the Bank or the Fiscal Agent or any of its affiliates) registered under the Investment Company Act of 1940, as amended, that

have been rated “AAAm G” or “AAAm” by S&P or “Aaa” by Moody’s so long as the portfolio of such money market mutual fund is limited to Government Obligations and agreements to repurchase Government Obligations. If approved in writing by the Bank, a money market mutual fund portfolio may also contain obligations and agreements to repurchase obligations described in paragraphs (b) or (c). The money market mutual fund must be rated “AAAm G” or “AAAm” by S&P, or “Aaa” by Moody’s. If at any time (i) both S&P and Moody’s rate a money market mutual fund and (ii) one of those ratings is below the level required by this paragraph, then such money market mutual fund will, nevertheless, be deemed to be rated in the Highest Rating Category if the lower rating is no more than one rating category below the highest rating category of that rating agency.

(i) Any other investment authorized by the laws of the State, if such investment is approved in writing by the Bank.

Permitted Investments shall not include any of the following:

(1) Except for any investment described in the next sentence, any investment with a final maturity or any agreement with a term greater than one year from the date of the investment. This exception (1) shall not apply to Permitted Investments listed in paragraphs (g) and (i).

(2) Except for any obligation described in paragraph (a) or (b), any obligation with a purchase price greater or less than the par value of such obligation.

(3) Any asset backed security, including mortgage backed securities, real estate mortgage investment conduits, collateralized mortgage obligations, credit card receivable asset backed securities and auto loan asset backed securities.

(4) Any interest only or principal only stripped security.

(5) Any obligation bearing interest at an inverse floating rate.

(6) Any investment which may be prepaid or called at a price less than its purchase price prior to stated maturity.

(7) Any investment the interest rate on which is variable and is established other than by reference to a single index plus a fixed spread, if any, and which interest rate moves proportionately with that index.

(8) Any investment described in paragraph (d) or (g) with, or guaranteed or insured by, a Qualified Financial Institution described in clause (iv) of the definition of Qualified Financial Institution if such institution does not agree to submit to jurisdiction, venue and service of process in the United States of America in the agreement relating to the investment.

(9) Any investment to which S&P has added an “r” or “t” highlighter.

“Person” shall mean an individual, a corporation, a partnership, a limited liability company, a limited liability partnership, a limited partnership, a trust, an unincorporated organization or a government or any agency or political subdivision thereof.

“Project” means, that residential rental facility consisting of a total of 40 units (including one manager unit) multifamily rental housing development located in the City of San Diego, County of San Diego, State of California, known as “Parkside Apartments.”

“Qualified Project Period” has the meaning given to such term in the Regulatory Agreement.

“Rebate Fund” shall mean the fund by that name established pursuant to Section [_____] hereof.

“Regulations” means the income tax regulations promulgated by the United States Department of the Treasury from time to time pursuant to the Code.

“Regulatory Agreement” shall mean that certain Regulatory Agreement and Declaration of Restrictive Covenants, dated as of the date hereof, by and between the Governmental Lender and the Borrower, as hereafter amended or modified.

“Security” shall mean the security for the Governmental Lender Note assigned to the Bank pursuant to the Assignment Agreement.

“State” means the State of California.

“Tax Certificate” shall mean the Tax Certificate and Agreement, dated the Closing Date, executed and delivered by the Governmental Lender and the Borrower.

“Tax Counsel” shall mean Orrick, Herrington & Sutcliffe LLP or any other attorney or firm of attorneys designated by the Governmental Lender and approved by the Bank having a national reputation for skill in connection with the authorization and issuance of municipal obligations under Sections 103 and 141 through 150 (or any successor provisions) of the Code.

“Tax Counsel Approving Opinion” shall mean an opinion of Tax Counsel substantially to the effect that the Governmental Lender Note constitutes a valid and binding obligation of the Governmental Lender and that, under existing statutes, regulations published rulings and judicial decisions, the interest on the Governmental Lender Note is excludable from gross income for federal income tax purposes (subject to the inclusion of such customary exceptions as are acceptable to the recipient thereof).

“Tax Counsel No Adverse Effect Opinion” shall mean an opinion of Tax Counsel to the effect that the taking of the action specified therein will not impair the exclusion of interest on the Governmental Lender Note from gross income for purposes of federal income taxation (subject to the inclusion of such customary exceptions as are acceptable to the recipient thereof).

“Title Company” shall mean Fidelity National Title Company.

Section 1.2. Interpretation. Unless the context clearly requires otherwise, words of masculine gender shall be construed to include correlative words of the feminine and neuter genders and vice versa, and words of the singular number shall be construed to include correlative words of the plural number and vice versa. This Bank Loan Agreement and all the terms and provisions hereof shall be construed to effectuate the purpose set forth herein and to sustain the validity hereof.

Section 1.3. Recitals, Titles and Headings. The terms and phrases used in the recitals of this Bank Loan Agreement have been included for convenience of reference only, and the meaning, construction and interpretation of all such terms and phrases for purposes of this Bank Loan Agreement shall be determined by references to Section 1.1 hereof. The titles and headings of the articles and sections of this Bank Loan Agreement have been inserted for convenience of reference only and are not to be considered a part hereof, and shall not in any way modify or restrict any of the terms or provisions hereof and shall never be considered or given any effect in construing this Bank Loan Agreement or any provision hereof or in ascertaining intent, if any question of intent should arise.

ARTICLE II

REPRESENTATIONS AND WARRANTIES

Section 2.1. Representations and Warranties of the Governmental Lender. The Governmental Lender makes the following representations as the basis for the undertakings on its part herein contained:

(a) The Governmental Lender is a public body corporate and politic, organized and existing under the laws of the State, has the power and authority to (i) enter into the Bank Loan Documents to which it is a party and the transactions contemplated thereby, (ii) incur the limited obligation represented by the Governmental Lender Note and apply the proceeds of such obligation to finance the Project and (iii) carry out its other obligations under this Bank Loan Agreement and the Governmental Lender Note, and by proper action has duly authorized the Governmental Lender's execution and delivery of, and its performance under, such Bank Loan Documents and all other agreements and instruments relating thereto.

(b) The Governmental Lender is not in default under or in violation of, and the execution and delivery of the Bank Loan Documents to which it is a party and its compliance with the terms and conditions thereof will not conflict or constitute a default under or a violation of, (i) the Act, (ii) to its knowledge, any other existing laws, rules, regulations, judgments, decrees and orders applicable to it, or (iii) to its knowledge, the provisions of any agreements and instruments to which the Governmental Lender is a party, a default under or violation of which would prevent it from entering into the Bank Loan Agreement, executing and delivering the Governmental Lender Note, financing the Project, executing and delivering the other Bank Loan Documents to which it is a party or consummating the transactions contemplated thereby, and, to its knowledge, no event has occurred and is continuing under the provisions of any such agreement or instrument or otherwise that with the lapse of time or the giving of notice, or both, would constitute such a default or violation (it being understood, however, that the Governmental Lender is making no representations as to the necessity of registering the Governmental Lender Note or the Borrower Note pursuant to any securities laws or complying with any other requirements of securities laws).

(c) To the best knowledge of the Governmental Lender, no litigation, inquiry or investigation of any kind in or by any judicial or administrative court or agency is pending or, to the knowledge of the Governmental Lender, threatened against the Governmental Lender with respect to (i) the organization and existence of the Governmental Lender, (ii) its authority to execute or deliver the Bank Loan Documents to which it is a party, (iii) the validity or enforceability of any such Bank Loan Documents or the transactions contemplated thereby, (iv) the title of any officer of the Governmental Lender who executed such Bank Loan Documents or (v) any authority or proceedings relating to the execution and delivery of such Bank Loan Documents on behalf of the Governmental Lender, and no such authority or proceedings have been repealed, revoked, rescinded or amended but are in full force and effect.

(d) The revenues and receipts to be derived from the Borrower Loan Agreement, the Borrower Note and this Bank Loan Agreement (the “Pledged Revenues”) have not been pledged previously by the Governmental Lender to secure any of its Note or bonds other than the Bank Loan as evidenced by the Governmental Lender Note.

THE GOVERNMENTAL LENDER MAKES NO REPRESENTATION, COVENANT OR AGREEMENT AS TO THE FINANCIAL POSITION OR BUSINESS CONDITION OF THE BORROWER OR THE PROJECT AND DOES NOT REPRESENT OR WARRANT AS TO ANY STATEMENTS, MATERIALS, REPRESENTATIONS OR CERTIFICATIONS FURNISHED BY THE BORROWER IN CONNECTION WITH THE BANK LOAN OR THE BORROWER LOAN, OR AS TO THE CORRECTNESS, COMPLETENESS OR ACCURACY THEREOF.

Section 2.2. Representations, Warranties and Covenants of the Bank. The Bank as of the date hereof, represents, warrants and covenants that:

(a) The Bank is a banking corporation, organized and existing under the laws of the State, is in good standing in the State, and has full legal right, power and authority under the laws of the United States and the State (i) to enter into the Bank Loan Documents to which it is a party, (ii) to perform its obligations hereunder, and (iii) to consummate the transactions on its part contemplated by the Bank Loan Documents to which it is a party.

(b) The Bank Loan Documents to which it is a party have been duly executed and delivered by the Bank and, when duly authorized, executed and delivered by the other respective parties thereto, will constitute valid and binding obligations of the Bank, enforceable against the Bank in accordance with their respective terms, except as limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws or judicial decisions affecting the rights of creditors generally.

(c) The execution and delivery of the Bank Loan Documents to which it is a party, the performance by the Bank of its obligations thereunder and the consummation of the transactions on its part contemplated thereby will not violate any law, regulation, rule or ordinance or any order, judgment or decree of any federal, state or local court and do not conflict with, or constitute a breach of, or a default under, any document, instrument or commitment to which the Bank is a party or by which the Bank or any of its property is bound.

(d) The Bank has not been served with and, to the knowledge of the Bank there is no action, suit, proceeding, inquiry or investigation by or before any court, governmental agency or public board or body pending or threatened against the Bank which (i) affects or seeks to prohibit, restrain or enjoin the Bank’s loaning of the amounts set forth herein to the Governmental Lender or the Bank’s execution and delivery of the Bank Loan Documents to which it is a party, (ii) affects or questions the validity or enforceability against the Bank of the Bank Loan Documents to which it is a party, or (iii) questions the

power or authority of the Bank to carry out the transactions on its part contemplated by, or to perform its obligations under, the Bank Loan Documents to which it is a party.

(e) Any certificate signed by a representative of the Bank and delivered pursuant to this Bank Loan Agreement or any of the other Bank Loan Documents to which it is a party shall be deemed a representation and warranty by the Bank as to the statements made therein.

ARTICLE III

THE BANK LOAN

Section 3.1. Closing of the Bank Loan. The closing of the Bank Loan shall not occur until the following conditions are met:

(a) the Bank shall have received an original executed counterpart of this Bank Loan Agreement, the Governmental Lender Note, the Assignment Agreement, the Regulatory Agreement, the Disbursement Agreement, the Deed of Trust, the Borrower Assignments, the Continuing Covenants Agreement and the Subordination Agreement, and the original of the Borrower Note endorsed by the Governmental Lender without recourse to the Bank together with evidence satisfactory to the Bank of the recordation of the Regulatory Agreement, the Subordination Agreement and the Deed of Trust in the official records of the County Recorder of the County, which may be by telephonic notice from a title company;

(b) no Event of Default nor any event which with the passage of time and/or the giving of notice would constitute an Event of Default under this Bank Loan Agreement shall have occurred as evidenced by a certificate received from the Governmental Lender;

(c) the conditions to the initial advance of the Bank Loan set forth in the Disbursement Agreement and the Continuing Covenants Agreement shall have been satisfied in full;

(d) counsel to the Borrower shall have delivered an opinion in form satisfactory to counsel to the Governmental Lender and counsel to the Bank regarding the enforceability against the Borrower of the Bank Loan Documents to which the Borrower is a party;

(e) the receipt by the Governmental Lender of an investor letter executed by the Bank in the form set forth in Exhibit B to the Bank Loan Agreement;

(f) the Bank shall have received the original Governmental Lender Note, executed by the Governmental Lender;

(g) the Bank shall have received a certified copy of the resolution of the Governmental Lender authorizing the issuance of the Governmental Lender Note; and

(h) all legal matters incident to the transactions contemplated by this Bank Loan Agreement shall be concluded to the reasonable satisfaction of Orrick, Herrington & Sutcliffe, LLP serving as Tax Counsel to the Governmental Lender, the Governmental Lender's issuer's counsel and counsel to the Bank.

Section 3.2. Commitment to Execute the Governmental Lender Note. The Governmental Lender agrees to execute and deliver the Governmental Lender Note simultaneously with the execution of this Bank Loan Agreement, the Borrower Loan Agreement, the Borrower Note and the Regulatory Agreement.

Section 3.3. Amount and Use of Bank Loan. The Bank hereby makes to the Governmental Lender and agrees to fund, and the Governmental Lender hereby accepts from the Bank, upon the terms and conditions set forth herein, the Bank Loan in an aggregate principal amount of \$[5,500,000], and agrees to have the proceeds of the Bank Loan applied and disbursed in accordance with the provisions of this Bank Loan Agreement.

Section 3.4. Disbursement of Bank Loan Proceeds. (a) The Bank Loan is to be funded on a draw-down basis. The proceeds of the Bank Loan shall be advanced by the Bank to the Fiscal Agent for deposit by the Fiscal Agent to the Project Fund for the account of the Governmental Lender as and when needed to make each advance in accordance with the disbursement provisions of the Borrower Loan Agreement and the Disbursement Agreement. Subject to the terms and conditions of the Borrower Loan Agreement, the Disbursement Agreement and the Continuing Covenants Agreement, the Bank agrees to advance, on behalf of the Governmental Lender, directly to the Title Company, which shall be deemed for the account of the Project Fund, at least [Draw Amount] on the Closing Date, and the Fiscal Agent will not receive any funds for deposit in any fund or account on the Closing Date. Notwithstanding anything in this Bank Loan Agreement to the contrary, no amount of the Bank Loan may be drawn down and funded hereunder after the date which is three (3) years after the Closing Date.

(b) The Bank Loan shall be originated on the Closing Date and the Governmental Lender Note shall mature on its maturity date as specified in the Governmental Lender Note at which time the entire principal amount, to the extent not previously paid, and all accrued and unpaid interest, shall be due and payable.

(c) The outstanding principal amount of the Governmental Lender Note and of the Bank Loan as of any given date shall be the total amount advanced to the Fiscal Agent by the Bank to or for the account of the Governmental Lender to fund corresponding advances under the Borrower Loan Agreement and the Disbursement Agreement as proceeds of the Borrower Loan, less any payments of principal of the Governmental Lender Note previously received upon payment of corresponding principal amounts under the Borrower Note, including regularly scheduled principal payments and voluntary and mandatory prepayments. The principal amount of the Governmental Lender Note and interest thereon shall be payable on the basis specified in this paragraph (c) and in paragraphs (d) and (e) of this Section 3.4.

The Fiscal Agent shall keep a record of all advances and principal repayments made under the Governmental Lender Note and shall upon written request provide the Governmental

Lender with a statement of the outstanding principal balance of the Governmental Lender Note and the Bank Loan.

(d) Interest shall be paid on the outstanding principal amount of the Governmental Lender Note at the rate or rates set forth in the Governmental Lender Note.

(e) The payment or prepayment of principal, interest and premium, if any, due on the Bank Loan and the Governmental Lender Note shall be identical with and shall be made on the same dates, terms and conditions, as the principal, interest, premiums, late payment fees and other amounts due on the Borrower Note. The Governmental Lender Note shall be payable from payments on the Borrower Note. Any payment or prepayment made by the Borrower of principal, interest, premium, if any, due on the Borrower Note shall be deemed to be like payments or prepayments of principal, interest and premium, if any, due on the Bank Loan and the Governmental Lender Note.

ARTICLE IV

LIMITED LIABILITY; NOTE REGISTER

Section 4.1. Limited Liability. The Bank Loan is a limited obligation of the Governmental Lender, payable solely from the Pledged Revenues and other funds and moneys and Security pledged and assigned hereunder. NONE OF THE GOVERNMENTAL LENDER (EXCEPT AS PROVIDED IN THE FIRST SENTENCE OF THIS SECTION 4.1), THE CITY OF SAN DIEGO, THE STATE, OR ANY POLITICAL SUBDIVISION THEREOF (EXCEPT THE GOVERNMENTAL LENDER, TO THE LIMITED EXTENT SET FORTH HEREIN), SHALL IN ANY EVENT BE LIABLE FOR THE PAYMENT OF THE PRINCIPAL OF, PREMIUM (IF ANY) OR INTEREST ON THE BANK LOAN OR FOR THE PERFORMANCE OF ANY PLEDGE, OBLIGATION OR AGREEMENT OF ANY KIND WHATSOEVER WITH RESPECT THERETO EXCEPT AS SET FORTH HEREIN, AND NONE OF THE BANK LOAN, OR THE GOVERNMENTAL LENDER NOTE OR ANY OF THE GOVERNMENTAL LENDER'S AGREEMENTS OR OBLIGATIONS WITH RESPECT TO THE BANK LOAN, THE GOVERNMENTAL LENDER NOTE, OR HEREUNDER OR UNDER ANY OF THE OTHER BANK LOAN DOCUMENTS, SHALL BE CONSTRUED TO CONSTITUTE AN INDEBTEDNESS OF OR A PLEDGE OF THE FAITH AND CREDIT OF OR A LOAN OF THE CREDIT OF OR A MORAL OBLIGATION OF ANY OF THE FOREGOING WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION WHATSOEVER. THE GOVERNMENTAL LENDER HAS NO TAXING POWER.

Section 4.2. Note Register. The Bank shall maintain records (the "Note Register") as to the payee of the Governmental Lender Note. Any transfer by the Bank (or by any subsequent transferee) of the Governmental Lender Note shall be recorded by the Bank in the Note Register.

The Fiscal Agent acknowledges that the Bank is the initial registered owner of the Governmental Lender Note and shall remain the sole registered owner of the Governmental Lender Note except as provided herein. The Bank shall provide written notice to the Bank of any transfer by the Bank of the Governmental Lender Note or any interest of the Bank in the Governmental Lender Note.

Section 4.3. Transfer of Governmental Lender Note. (a) The Governmental Lender Note may, in accordance with the terms of this Bank Loan Agreement but in any event subject to the provisions of Section 4.3(b) and (c) hereof, be transferred upon the Note Register required to be kept pursuant to the provisions of Section 4.2 by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of the respective Governmental Lender Note for cancellation at the office of the Governmental Lender, accompanied by a written instrument of transfer in the form attached to the respective Governmental Lender Note, duly executed. Whenever the Governmental Lender Note shall be surrendered for transfer, the Governmental Lender shall execute and deliver to the Bank, and the Bank shall deliver to the transferee thereof, a new Governmental Lender Note in the name of the transferee as beneficiary thereof.

(b) Notwithstanding any other provision hereof, the Governmental Lender Note may not be registered in the name of, or transferred to, any person except an Approved Institutional Buyer that executes and delivers to the Governmental Lender an investor letter substantially in the form attached hereto as Exhibit B; provided, however, that no investor letter is required to be executed by an Affiliate of the Bank.

Nothing contained in this Section 4.3(b) shall be deemed to limit or otherwise restrict the sale by any holder of the Governmental Lender Note of any participation interests in the Governmental Lender Note; provided that (i) such holder shall remain the owner of record of the respective Governmental Lender Note following the sale of any such participation interest; (ii) all purchasers of any participation interest are Approved Institutional Buyers; (iii) any such participation shall be in a principal amount of at least \$250,000, or, if less, the then outstanding principal amount of the respective Governmental Lender Note; and (iv) the purchaser of such participation interest shall provide an investor letter to the Governmental Lender substantially in the form of Exhibit B hereto.

(c) The Governmental Lender Note may only be transferred in whole.

(d) The Governmental Lender may require the payment by the entity requesting a transfer of the Governmental Lender Note of any tax, fee or other governmental charge required to be paid with respect to such transfer. The cost of printing any new Governmental Lender Note and any services rendered or any out-of-pocket expenses incurred by the Governmental Lender in connection therewith shall be paid by the transferor of the respective Governmental Lender Note.

(e) The Bank shall indemnify and defend the Governmental Lender against any claim against the Governmental Lender brought by any transferor or transferee of the Governmental Lender Note in respect of the Bank Loan Documents or the Project in the event that the Bank permits a transfer of the Governmental Lender Note in violation of the restrictions in Sections 4.3(b) and (c) above, except no such indemnity or defense shall be required in respect of any action of the Governmental Lender constituting willful misconduct on the part of the Governmental Lender in connection with any such transfer.

ARTICLE V

REPAYMENT OF THE BANK LOAN

Section 5.1. Bank Loan Repayment. (a) The Bank Loan shall be evidenced by the Governmental Lender Note which shall be a physically certificated instrument executed by a Governmental Lender Representative in the form attached hereto as Exhibit A. The Governmental Lender Note may not be registered in the name of, or thereafter be transferred to, any person except as set forth in Section 4.3(b) hereof. The Governmental Lender agrees to pay to the Bank, but only from amounts received by the Governmental Lender (or by the Bank, in its capacity as agent for the Governmental Lender under the Assignment Agreement) from the Borrower pursuant to the Borrower Loan Agreement, the Borrower Note, the Borrower Assignments and the Deed of Trust; principal of and interest on the Bank Loan at the times, in the manner, in the amount and at the rates of interest provided in the Governmental Lender Note and this Bank Loan Agreement.

(b) The Governmental Lender further agrees to cause the Borrower to pay, solely by the execution of the Borrower Loan Agreement and the assignment thereof to the Bank and appointment of the Bank as agent for the Governmental Lender under the Assignment Agreement, all late charges and prepayment penalties as set forth in the Governmental Lender Note, all taxes and assessments, general or special, including, without limitation, all ad valorem taxes and any other governmental charges and impositions whatsoever concerning or in any way related to the Project, foreseen or unforeseen, and all utility and other charges and assessments concerning or in any way related to the Project; provided, however, that the Governmental Lender reserves the right to contest in good faith the legality of any tax or governmental charge concerning or in any way related to the Project and the Governmental Lender's obligations hereunder will be limited as provided in Article IV hereof.

(c) The Governmental Lender further agrees, subject to Article IV hereof, to cause the Borrower to pay to the Bank, solely by the execution of the Borrower Loan Agreement and the assignment thereof to the Bank and appointment of the Bank as agent for the Governmental Lender under the Assignment Agreement, on the Closing Date a loan fee equal to \$[Loan Fee].

Section 5.2. Nature of the Governmental Lender's Obligations. The Governmental Lender shall repay the Bank Loan, but only from amounts received by the Governmental Lender or the Bank (in its capacity as assignee of the Governmental Lender under the Assignment Agreement) from the Borrower pursuant to the Borrower Loan Agreement, the Borrower Note, the Borrower Assignments and the Deed of Trust, pursuant to the terms of the Governmental Lender Note irrespective of any rights of set-off, recoupment or counterclaim the Governmental Lender might otherwise have against the Bank or any other person. The Governmental Lender will not suspend, discontinue or reduce any such payment or (except as expressly provided herein) terminate this Bank Loan Agreement for any cause, including, without limiting the generality of the foregoing: (i) any delay or interruption in the rehabilitation or operation of the Project; (ii) the failure to obtain any permit, order or action of any kind from any governmental agency relating to the Bank Loan or the Project; (iii) any event constituting Force Majeure (as defined in the Borrower Loan Agreement); (iv) any acts or circumstances that may constitute

commercial frustration of purpose; (v) any change in the laws of the United States of America, the State or any political subdivision thereof; or (vi) any failure of the Governmental Lender or the Bank to perform or observe any covenant whether expressed or implied, or to discharge any duty, liability or obligation arising out of or connected with the Governmental Lender Note; it being the intention of the parties that, as long as the Governmental Lender Note or any portion thereof remains outstanding and unpaid, the Governmental Lender shall be obliged to repay the Bank Loan, but only from amounts received by the Governmental Lender or the Bank (in its capacity as assignee of the Governmental Lender under the Assignment Agreement) from the Borrower pursuant to the Borrower Loan Agreement, the Borrower Note, the Borrower Assignments and the Deed of Trust. This Section 5.2 shall not be construed to release the Governmental Lender from any of its obligations hereunder, or, except as provided in this Section 5.2, to prevent or restrict the Governmental Lender from asserting any rights which it may have against the Bank under the Governmental Lender Note or under any provision of law or to prevent or restrict the Governmental Lender, from prosecuting or defending any action or proceeding by or against the Bank or the Borrower or taking any other action to protect or secure its rights, or to prevent or restrict the Bank from asserting any rights which it may have against the Borrower.

Notwithstanding the foregoing, neither the Governmental Lender nor any Governmental Lender member is liable personally for the amounts owing under this Bank Loan Agreement or the Governmental Lender Note; and the Bank's remedies in the event of a default under the Bank Loan shall be limited to those remedies set forth in Section 7.3 hereof and, if a default also exists under the Borrower Loan Agreement, the Borrower Note or the Deed of Trust, to commence foreclosure under one or more of the Deed of Trust and the exercise of the power of sale or other rights granted thereunder and to exercise any rights it may have under the Borrower Assignments. In the event of a default hereunder or under the Governmental Lender Note, the Bank shall not have the right to proceed directly against the Governmental Lender or the right to obtain a deficiency judgment from the Governmental Lender after foreclosure.

ARTICLE VI

FURTHER AGREEMENTS

Section 6.1. Successor to the Governmental Lender. The Governmental Lender will at all times use its best efforts to maintain the powers, functions, duties and obligations now reposed in it pursuant to law or assure the assumptions of its obligations hereunder by any public trust or political subdivision succeeding to its powers.

Section 6.2. Borrower Not to Dispose of Assets; Conditions Under Which Exceptions Permitted. In Section 6.2 of the Borrower Loan Agreement and subject to the terms thereof, the Governmental Lender has caused the Borrower to agree that during the term of the Borrower Loan Agreement the Borrower will not dispose of all or substantially all of its assets nor consolidate with nor merge into any entity unless (i) the acquirer of its assets or the entity with which it shall consolidate or into which it shall merge shall be an individual or a corporation, partnership or other legal entity organized and existing under the laws of the United States of America or one of the states of the United States of America and shall be qualified and admitted to do business in the State; and (ii) such acquiring or remaining entity shall assume in writing all of the obligations of the Borrower under the Borrower Loan Agreement, the Regulatory Agreement, the Borrower Note, the Disbursement Agreement, the Continuing Covenants Agreement, the Borrower Assignments and the Deed of Trust.

Section 6.3. Additional Instruments. The Governmental Lender hereby covenants to execute and deliver, or cause to be executed and delivered, at the expense of the Borrower, such additional instruments and to perform such additional acts, or cause the performance of such additional acts, as may be necessary, in the written opinion of the Bank, acting reasonably, to carry out the intent of the Bank Loan and the Governmental Lender Note or to perfect or give further assurances of any of the rights granted or provided for in the Bank Loan Documents.

Section 6.4. Books and Records. The Governmental Lender shall, solely by the execution of the Borrower Loan Agreement and the assignment thereof to the Bank, and subject to the provisions of Article IV hereof, cause the Borrower to permit the Bank or its duly authorized representatives access during normal business hours to the books and records of the Borrower pertaining to the Borrower Loan and the Project, and to make such books and records available for audit and inspection, at reasonable times and under reasonable conditions to the Governmental Lender, the Bank and their duly authorized representatives, and at the sole expense of the Borrower.

Section 6.5. Notice of Certain Events. The Governmental Lender hereby covenants to advise the Bank promptly in writing of the occurrence of any Event of Default under and as defined in the Borrower Loan Agreement or any of the Regulatory Agreement of which it has received written notice, or any event which, with the passage of time or service of notice, or both, would constitute an Event of Default thereunder of which it has received written notice, specifying the nature and period of existence of such event and the actions being taken or proposed to be taken with respect thereto. In Section 6.6 of the Borrower Loan Agreement, the Borrower has agreed to advise the Governmental Lender and the Bank promptly in writing of the

occurrence of any default under the Borrower Loan or of the occurrence of an Act of Bankruptcy.

Section 6.6. Consent to Assignment. The Governmental Lender has made an assignment to the Bank of all rights and interest of the Governmental Lender in and to the Borrower Loan Agreement (except the Governmental Lender's rights under Section 6.7 of the Borrower Loan Agreement and its retained rights under Sections 2.3, 2.4, 5.1(b), 5.1(c), 5.1(d), 7.4, 8.7, 8.12 and 8.13 of the Borrower Loan Agreement, together with its rights to receive notice and consent to amendments pursuant to the Loan Documents), the Borrower Assignments and the Deed of Trust and the Borrower Note, upon the terms and as otherwise provided in the Assignment Agreement. The Bank hereby consents to all such assignments.

Section 6.7. Compliance with Usury Laws. Notwithstanding any other provision of this Bank Loan Agreement, it is agreed and understood that in no event shall this Bank Loan Agreement, with respect to the Governmental Lender Note, be construed as requiring the Governmental Lender or any other person to pay interest and other costs or considerations that constitute interest under any applicable law which are contracted for, charged or received pursuant to this Bank Loan Agreement in an amount in excess of the maximum amount of interest allowed under any applicable law.

In the event of any acceleration of the payment of the principal amount of either of the Governmental Lender Note or other evidence of indebtedness, that portion of any interest payment in excess of the maximum legal rate of interest, if any, provided for in this Bank Loan Agreement or related documents shall be cancelled automatically as of the date of such acceleration, or if theretofore paid, credited to the principal amount.

The provisions of this Section prevail over any other provision of this Bank Loan Agreement.

Section 6.8. Title to the Project. The Borrower has agreed in Section 6.10 of the Borrower Loan Agreement that, concurrently with the closing of the Borrower Loan, it will have a fee interest in the site on which the Project is located free and clear of any lien or encumbrance except for (i) liens for nondelinquent assessments and taxes not yet due or which are being contested in good faith by appropriate proceedings; (ii) the Deed of Trust and the Subordination Agreement, (iii) Permitted Encumbrances (as defined in the Disbursement Agreement), and (iv) any other encumbrances approved by the Bank. Concurrently with the closing of the Bank Loan, the Borrower is obligated under Section 6.10 of the Borrower Loan Agreement to deliver to the Bank one or more title policies, naming the Bank as the insured, as its interests may appear with endorsements specified in the Bank's escrow instructions, issued by a title company acceptable to the Bank. The Governmental Lender makes no representation as to the condition of title to the Project or as to the adequacy or enforceability of any title insurance referred to in the Borrower Loan Agreement or the Deed of Trust.

Section 6.9. Filing of Tax Returns. The Governmental Lender shall, solely by the execution of the Borrower Loan Agreement and the assignment thereof to the Bank, and subject to the provisions of Article IV hereof, cause the Borrower to file, or caused to be filed all federal,

state and local tax returns or information returns which are required to be filed with respect to the Project and of which the Governmental Lender has knowledge.

Section 6.10. No Untrue Statements. Neither this Bank Loan Agreement nor any other document, certificate or statement furnished to the Bank by the Governmental Lender, contains to the best of its knowledge any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained herein and therein not misleading or incomplete as of the date hereof. It is specifically understood by the Governmental Lender that all such statements, representations and warranties shall be deemed to have been relied upon by the Bank as an inducement to make the Bank Loan and that if any such statements, representations and warranties were materially incorrect at the time they were made, the Bank may consider any such misrepresentation or breach an Event of Default.

No document, certificate or statement furnished to the Governmental Lender by the Bank contains to the best of its knowledge any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained therein not misleading or incomplete as of the date hereof.

Section 6.11. Insurance. The Governmental Lender shall, solely by the execution of the Borrower Loan Agreement and the assignment thereof to the Bank, and subject to the provisions of Article IV hereof, cause the Borrower to provide policies of insurance with respect to the Project and the operation thereof issued by an insurer, and in forms and amounts, as required by the Continuing Covenants Agreement.

Section 6.12. Tax Covenants. The Governmental Lender covenants to and for the benefit of the Bank that, notwithstanding any other provisions of this Bank Loan Agreement or of any other instrument, it will:

(a) Require the Borrower to execute the Regulatory Agreement as a condition of funding the Borrower Loan;

(b) Not knowingly take or cause to be taken any other action or actions, or knowingly fail to take any action or actions, which would cause the interest payable on the Governmental Lender Note to be includable in gross income for federal income tax purposes;

(c) Whenever and so often as requested by Bank, the Governmental Lender (at the sole cost and expense of the Borrower) shall do and perform all acts and things permitted by law and necessary or desirable in order to assure that interest paid by the Governmental Lender on the Governmental Lender Note will be excluded from the gross income of the holders of the Governmental Lender Note, for federal income tax purposes, pursuant to Section 103 of the Code, except in the event where any holder of the Bank Loan or a portion thereof is a “substantial user” of the facilities financed with the Bank Loan or a “related person” within the meaning of Section 147(a) of the Code;

(d) Not knowingly take any action nor, solely in reliance upon the covenants and representations of the Borrower in the Borrower Loan Agreement, in the Regulatory Agreement and in the Tax Certificate, knowingly permit or suffer any action to be taken if the result of the

same would be to cause the Governmental Lender Note financed with the proceeds of the Bank Loan to be “federally guaranteed” within the meaning of Section 149(b) of the Code and the Regulations; and

(e) Require the Borrower to agree, solely by causing the Borrower to execute and deliver the Borrower Loan Agreement, not to commit any act and not to make any use of the proceeds of the Governmental Lender Note financed with the proceeds of the Bank Loan, or any other moneys which may be deemed to be proceeds of the Governmental Lender Note financed with the proceeds of the Bank Loan pursuant to the Code, which would cause the Governmental Lender Note financed with the proceeds of the Bank Loan to be an “arbitrage bond” within the meaning of Sections 103(b) and 148 the Code, and to comply with the requirements of the Code throughout the term of the Governmental Lender Note financed with the proceeds of the Bank Loan; and

(f) Require the Borrower, solely by causing the Borrower to execute and deliver the Borrower Loan Agreement, to take all steps necessary to compute and pay any rebatable arbitrage in accordance with Section 148(f) of the Code.

In furtherance of the covenants in this Section 6.12, the Governmental Lender and the Borrower shall execute, deliver and comply with the provisions of the Tax Certificate, which are by this reference incorporated into this Bank Loan Agreement and made a part of this Bank Loan Agreement as if set forth in this Bank Loan Agreement in full. To the extent of any conflict between the requirements of this Bank Loan Agreement and the Tax Certificate, the requirements of the Tax Certificate shall control.

For purposes of this Section 6.12 the Governmental Lender’s compliance shall be based solely on matters within the Governmental Lender’s knowledge and control and no acts, omissions or directions of the Borrower, the Bank or any other Persons shall be attributed to the Governmental Lender.

In complying with the foregoing covenants, the Governmental Lender may rely from time to time on a Tax Counsel No Adverse Effect Opinion or other appropriate opinion of Tax Counsel.

The covenants of the Governmental Lender in this Section 6.12 are made solely in reliance on the representations and covenants of the Borrower set forth in the Borrower Loan Agreement, the Tax Certificate and the Regulatory Agreement and a default by the Borrower with respect thereto shall not be considered a default of the Governmental Lender hereunder. The covenants of the Governmental Lender in this Section 6.12 are limited to those actions within its control, and further limited to the extent that the costs and expenses of taking such actions are borne by the Borrower or a third party.

Section 6.13. CDLAC Allocation. [The California Debt Limit Allocation Committee has provided an allocation of the State’s 20__ private activity bond volume cap under section 146 of the Code to the Governmental Lender for the Governmental Lender Note. The Governmental Lender hereby elects to apply the alternative option under clause (2) of the first paragraph of Section 3.01 of IRS Notice 2011-63 with respect to the issue date of the Governmental Lender

Note; and, in connection therewith, has directed Tax Counsel to include the information on Form 8038 filed for the Governmental Lender Note that is required by section 3.03 of said Notice.]

Section 6.14. Immunities and Limitations of Responsibility of Governmental Lender. The Governmental Lender shall be entitled to the advice of counsel, and the Governmental Lender shall be wholly protected as to action taken or omitted in reliance on such advice. The Governmental Lender may rely conclusively on any communication or other document furnished to it hereunder or under the Borrower Loan Agreement and reasonably believed by it to be genuine. The Governmental Lender shall in no event be liable for the application or misapplication of funds or for other acts or defaults by any person, except its own officers and employees. When any payment or consent or other action by it is called for hereby, it may defer such action pending receipt of such evidence (if any) as it may require in support thereof. The Governmental Lender shall not be required to take any remedial action (other than the giving of notice) unless indemnity in a form acceptable to the Governmental Lender is furnished for any expense or liability to be incurred in connection with such remedial action. The Governmental Lender shall be entitled to reimbursement from the Borrower for its expenses reasonably incurred or advances reasonably made, with interest at the rate of interest on the Borrower Loan, in the exercise of its rights or the performance of its obligations hereunder, to the extent that it acts without previously obtaining indemnity. No permissive right or power to act which the Governmental Lender may have shall be construed as a requirement to act; and no delay in the exercise of a right or power shall affect its subsequent exercise of the right or power.

A default by the Borrower in any of its covenants, representations and agreements in the Borrower Loan Agreement or the Regulatory Agreement on which the Governmental Lender is relying in the various sections of this Article VI shall not be considered a default hereunder by the Governmental Lender.

The Borrower has indemnified the Governmental Lender against certain acts and events as set forth in Section 6.7 of the Borrower Loan Agreement and Section 9 of the Regulatory Agreement. Such indemnities shall survive payment of the Bank Loan and discharge of this Bank Loan Agreement.

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES

Section 7.1. Events of Default. Each of the following shall be an “Event of Default”:

(a) The Governmental Lender shall fail to perform or observe any of its covenants or agreements contained in this Bank Loan Agreement or the Governmental Lender Note, and such failure shall continue during and after the period specified in Section 7.2; or

(b) Any representation or warranty of the Governmental Lender hereunder shall be determined by the Bank to have been false in any material respect when made; or

(c) The Borrower shall fail to pay when due the amounts required to be paid under the Borrower Loan Agreement, the Continuing Covenants Agreement, the Deed of Trust, the Borrower Assignments or the Borrower Note, including a failure to repay any amounts which have been previously paid but are recovered, attached or enjoined pursuant to any insolvency receivership, liquidation or similar proceedings; or

(d) the occurrence of any other Event of Default under and as defined in the Borrower Loan Agreement.

Section 7.2. Notice of Default; Opportunity to Cure. No default under Section 7.1(a), (b) or (d) hereof shall constitute an Event of Default until:

(a) The Governmental Lender, the Borrower and the Equity Investor by registered or certified mail, shall have been sent notice of such default specifying the same and stating that such notice is a “Notice of Default”; and

(b) The Governmental Lender, the Borrower and the Equity Investor shall have had 10 days after receipt of such notice to correct the default and shall not have corrected it; provided, however, that if the default stated in the notice is of such a nature that it cannot be corrected within 10 days, such default shall not constitute an Event of Default hereunder so long as (i) the Governmental Lender, the Borrower or the Equity Investor institutes corrective action within said 10 days, and diligently pursues such action until the default is corrected, but in no event later than 60 days after the occurrence of such Event of Default, and (ii) in the opinion of the Counsel to the Governmental Lender, the failure to cure said default within 10 days will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Governmental Lender Note.

The Governmental Lender and the Equity Investor may, but shall not in any way be required to, correct a default on behalf of the Borrower under the Borrower Loan Agreement or the Borrower Note.

Notwithstanding anything to the contrary contained in the Bank Loan Documents, if a monetary default or event of default occurs under the terms of any of the Bank Loan Documents, prior to exercising any remedies thereunder, the Bank shall give the Borrower and the Equity Investor and any administrative limited partner of the Borrower under the Partnership Agreement simultaneous written notice of such default. The Borrower and the Equity Investor shall have a period of ten (10) days after receipt of such notice, or such longer period of time as may be set forth in the applicable Loan Documents, to cure the default prior to exercise of remedies by the Bank under the Bank Loan Documents.

Section 7.3. Remedies. Whenever any Event of Default under Section 7.1 hereof shall have happened and be continuing, the Bank may take whatever remedial steps as may be allowed under the law, this Bank Loan Agreement, the Continuing Covenants Agreement, the Deed of Trust and the Borrower Assignments.

Section 7.4. Attorneys' Fees and Expenses. If an Event of Default occurs and if the Governmental Lender or the Bank should employ attorneys or incur expenses for the enforcement of any obligation or agreement of the Governmental Lender contained herein, the Governmental Lender shall cause the Borrower (solely by its execution and assignment of the Borrower Loan Agreement) on demand to pay to the Governmental Lender or the Bank the reasonable fees of such attorneys and the reasonable expenses so incurred, including court appeals.

Section 7.5. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Bank is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Bank Loan Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Bank to exercise any remedy reserved to it in this Article VII, it shall not be necessary to give any notice, other than such notice as may be herein expressly required.

Section 7.6. No Additional Waiver Implied by One Waiver. In the event any agreement or covenant contained in this Bank Loan Agreement should be breached by the Governmental Lender or the Borrower and thereafter waived by the Bank, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder including any other breach of the same agreement or covenant.

ARTICLE VIII

FUNDS AND ACCOUNT

Section 8.1. Authorization to Create Funds and Accounts. Except as provided in Section 8.3 hereof, no funds or accounts shall be established in connection with the Bank Loan at the time of closing and origination of the Bank Loan. The Bank, the Fiscal Agent and any designee of the Bank, are authorized to establish and create from time to time such other funds and accounts or subaccounts as may be necessary for the deposit of moneys (including, without limitation, insurance proceeds and/or condemnation awards), if any, received by the Governmental Lender, the Fiscal Agent or the Bank pursuant to the terms hereof or any of the other Bank Loan Documents and not immediately transferred or disbursed pursuant to the terms of the Bank Loan Documents and/or the Borrower Loan Documents.

Section 8.2 Investment of Funds. Amounts held in any funds or accounts created under this Bank Loan Agreement shall be invested by the Fiscal Agent, the Bank or the designee of the Bank, in Permitted Investments at the written direction of the Borrower, subject in all cases to the restrictions of Section 6.12 hereof and of the Tax Certificate. The Borrower's instruction shall be sufficient evidence that the investment constitutes a Permitted Investment. In the absence of any such instruction, monies shall be held uninvested. Permitted Investments purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account. All interest or gain derived from the investment of amounts in any of the funds or accounts established hereunder shall be deposited in such fund or account. For purposes of acquiring any investments hereunder, the Fiscal Agent may commingle funds held by it hereunder, except as provided in Section 8.8(h) hereof with respect to the Rebate Fund. The Fiscal Agent shall incur no liability for losses arising from any investments made pursuant to this Section.

The Fiscal Agent shall furnish the Borrower and Bank periodic cash transaction statements that include detail for all investment transactions effected by the Fiscal Agent or brokers selected by the Borrower. Upon the Borrower's or Bank's election, such statements will be delivered via the Fiscal Agent's online service, and upon electing such service, paper statements will be provided only upon request. The Borrower waives the right to receive brokerage confirmations of security transactions effected by the Fiscal Agent as they occur, to the extent permitted by law. The Borrower further understands that trade confirmations for securities transactions effected by the Fiscal Agent will be available upon request and at no additional cost, and other trade confirmations may be obtained from the applicable broker.

Section 8.3 Establishment of Funds. There are established with the Fiscal Agent the following funds and accounts:

- (a) The Bank Loan Payment Fund;
- (b) The Project Fund (consisting solely of a Note Proceeds Account and an Equity Account);
- (c) The Expense Fund;

(d) The Closing Costs Fund; and

(e) The Rebate Fund (to be established by the Fiscal Agent once the Fiscal Agent is required to deposit or transfer, as applicable, amounts to the Rebate Fund in accordance with Section 8.8(a)).

All money required to be deposited with or paid to the Fiscal Agent for the account of any of the funds or accounts created by this Bank Loan Agreement shall be held by the Fiscal Agent for the benefit of the Bank, and except for money held in the Expense Fund or the Rebate Fund, shall, while held by the Fiscal Agent, constitute part of the Pledged Revenues and be subject to the lien hereof. Notwithstanding the foregoing, the Fiscal Agent shall not be required to open the Closing Costs Fund or the Equity Account of the Project Fund unless and until a first deposit is required to be made therein.

Section 8.4 Bank Loan Payment Fund. The Governmental Lender and the Borrower shall have no interest in the Bank Loan Payment Fund or the moneys therein, which shall always be maintained by the Fiscal Agent completely separate and segregated from all other moneys held hereunder and from any other moneys of the Governmental Lender and the Borrower.

The Fiscal Agent shall deposit into the Bank Loan Payment Fund any amounts received from or on behalf of the Borrower as payments of principal of or premium and interest on the Borrower Loan and any other amounts received by the Fiscal Agent that are subject to the lien and pledge of this Bank Loan Agreement, including any Pledged Revenues not required to be deposited to the Expense Fund or not otherwise specifically directed in writing to be deposited into other funds created by this Bank Loan Agreement.

The Fiscal Agent shall apply all amounts on deposit in the Bank Loan Payment Fund in the following order of priority:

First, to pay or provide for the payment of the interest then due on the Bank Loan to the Bank or any transferee of the Bank with respect to the Bank Loan;

Second, to pay or provide for the payment or the prepayment (together with any Prepayment Premium payable in connection with such prepayment) of principal on the Bank Loan to the Bank or any transferee of the Bank with respect to the Bank Loan, provided moneys have been transferred or deposited into the Bank Loan Payment Fund for such purpose; and

Third, to pay or provide for the payment of the Bank Loan on the Maturity Date to the Bank or any transferee of the Bank with respect to the Bank Loan.

Section 8.5 Expense Fund. The Fiscal Agent shall deposit into the Expense Fund the amounts required by the Regulatory Agreement or the Borrower Loan Agreement to be paid by the Borrower to the Governmental Lender or the Fiscal Agent on behalf of the Borrower. Amounts on deposit in the Expense Fund shall be used to pay the fees and expenses of the Governmental Lender and the Fiscal Agent, as and when the same become due. In that regard, moneys in the Expense Fund shall be withdrawn or maintained, as appropriate, by the Fiscal Agent to pay (i) the Ongoing Governmental Lender Fee to the Governmental Lender as and

when due, (ii) the Fiscal Agent's Fees to the Fiscal Agent when due, (iii) upon receipt, to the Fiscal Agent, any amounts due to the Fiscal Agent which have not been paid, other than amounts paid in accordance with clause (ii) hereof, and (iv) upon receipt, to, or at the direction of, the Governmental Lender, any amounts owing the Governmental Lender by the Borrower and then due and unpaid, other than amounts paid in accordance with clause (i) hereof. In the event that the amounts on deposit in the Expense Fund are not equal to the amounts payable from the Expense Fund as provided in the preceding paragraph on any date on which such amounts are due and payable, the Fiscal Agent shall give notice to the Borrower of such deficiency and of the amount of such deficiency and request payment within two Business Days to the Fiscal Agent of the amount of such deficiency.

Written notice of any insufficiency, which would result in the Governmental Lender not receiving the Ongoing Governmental Lender Fee on the applicable due date, shall be provided by the Fiscal Agent to the Governmental Lender (with a copy to the Borrower and the Bank) within 10 days of the respective due date.

Upon payment by the Borrower to the Fiscal Agent of such deficiency, the amounts for which such deficiency was requested shall be paid by the Fiscal Agent.

Notwithstanding anything herein to the contrary, the Fiscal Agent, on behalf of the Governmental Lender, shall prepare and submit a written invoice to the Borrower for payment of the Ongoing Governmental Lender Fee not later than 30 days prior to the due date for payment of such the Ongoing Governmental Lender Fee, and shall remit moneys received by the Borrower to the Governmental Lender for payment of such fee.

Section 8.6 Closing Costs Fund. Amounts in the Closing Costs Fund shall be disbursed by the Fiscal Agent to pay Closing Costs on the Closing Date or as soon as practicable thereafter as follows: moneys on deposit in the Closing Costs Fund shall be applied to pay Closing Costs at the written direction of the Authorized Borrower Representative, consented to by the Bank and the Governmental Lender, in the form attached hereto as Exhibit D. Any interest earnings on amounts on deposit in the Closing Costs Fund shall remain in the Fund. Any moneys remaining in the Closing Costs Fund (including investment proceeds) after the earlier of (i) the payment of all costs of issuance as certified in writing to the Fiscal Agent by the Borrower or (ii) a period of six (6) months after the Closing Date, shall be paid to or at the direction of the Borrower and the Closing Costs Fund shall be closed.

Section 8.7 Project Fund. (a) The proceeds of the Bank Loan shall be deposited by the Fiscal Agent to the Note Proceeds Account of the Project Fund, provided that the initial advance of proceeds of the Bank Loan on the Closing Date shall be deposited to the Title Company for disbursement in accordance with the written instructions of the Borrower and the Governmental Lender. Any additional amounts delivered from time to time to the Fiscal Agent by or on behalf of the Borrower (excluding any proceeds of the Bank Loan) shall be deposited to the Equity Account of the Project Fund. The Fiscal Agent shall disburse moneys in the Project Fund for the acquisition, rehabilitation and equipping of the Project, to pay other Qualified Project Costs and to pay other costs related to the Project as provided herein.

Not less than 97% of the moneys deposited in and credited to the Note Proceeds Account of the Project Fund, and taking into account proceeds of the Bank Loan (if any) deposited in the Closing Costs Fund, representing the proceeds of the Bank Loan, including Investment Income thereon, will be expended for Qualified Project Costs (the “**97% Requirement**”). No more than 2% of the amounts deposited to the Note Proceeds Account of the Project Fund shall be applied to the payment of Closing Costs.

Before any payment shall be made from the Note Proceeds Account of the Project Fund, the Regulatory Agreement shall have been executed and submitted to the Title Company for recordation in the official records of the County of San Diego.

Before any payment shall be made from the Note Proceeds Account of the Project Fund following the payment to be made on the Closing Date described above, there shall be filed with the Fiscal Agent a Written Requisition of the Borrower substantially in the form attached hereto as Exhibit C and consented to by the Bank pursuant to the terms, conditions and provisions of the Construction Funding Agreement, with a copy to the Governmental Lender.

(b) Upon receipt of each Written Requisition submitted by the Borrower and approved in writing by the Bank, the Fiscal Agent shall promptly, but in any case within two Business Days, make payment from the appropriate account within the Project Fund in accordance with such Written Requisition. The Fiscal Agent shall have no duty to determine whether any requested disbursement from the Project Fund complies with the terms, conditions and provisions of the Bank Loan Documents, constitutes payment of Qualified Project Costs or complies with the 97% Requirement. The approval in writing of a Written Requisition by the Bank shall be deemed a certification and, insofar as the Fiscal Agent and the Governmental Lender are concerned, shall constitute conclusive evidence that all of the terms, conditions and requirements of the Bank Loan Documents applicable to such disbursement have been fully satisfied or waived and the Written Requisition from the Borrower shall, insofar as the Fiscal Agent and the Governmental Lender are concerned, constitute conclusive evidence that the costs described in the Written Requisition constitute Qualified Project Costs or other permitted Project costs. These documents shall be retained by the Fiscal Agent, subject at all reasonable times to examination by the Borrower, the Governmental Lender, the Bank and the agents and representatives thereof upon reasonable notice to the Fiscal Agent. The Fiscal Agent is not required to inspect the Project or the construction work or to make any independent investigation with respect to the matters set forth in any Written Requisition or other statements, orders, certifications and approvals received by the Fiscal Agent. The Fiscal Agent is not required to obtain completion bonds, lien releases or otherwise supervise the acquisition, rehabilitation and equipping of the Project.

Notwithstanding anything to the contrary contained herein, only the signature of an authorized officer of the Bank shall be required on a Written Requisition during any period in which a default by the Borrower has occurred and is then continuing under the Borrower Loan (notice of which default has been given in writing by an authorized officer of the Bank to the Fiscal Agent and the Governmental Lender, and the Fiscal Agent shall be entitled to conclusively rely on any such Written Notice as to the

occurrence and continuation of such a default). Furthermore, the Fiscal Agent shall disburse amounts in the Project Fund upon receipt of a Written Requisition signed only by the Bank (and without any need for any signature by an Authorized Borrower Representative) so long as the amount to be disbursed is to be used solely to make payments of principal, interest and/or fees due under the Bank Loan Documents.

The Fiscal Agent shall immediately provide Written Notice to the Borrower, the Bank and the Governmental Lender if there are not sufficient funds available to or on deposit with the Fiscal Agent to make the payments as and when required by this Section 8.7(b). Except as provided in the next sentence, all such payments shall be made by check or draft payable, or by wire transfer in accordance with the payment instructions set forth in the Written Requisition. The Fiscal Agent shall conclusively rely on the payment instructions provided in any Written Requisition or invoices provided in connection therewith, and the Fiscal Agent shall have no duty to authenticate or investigate such payment instructions or the authority under which they were given. Upon the occurrence of an Event of Default of the Borrower of which the Fiscal Agent has knowledge as provided herein, which is continuing under the Bank Loan Documents, with the Written Consent of the Bank, the Fiscal Agent may apply amounts on deposit in the Project Fund to the payment of principal of and interest on the Bank Loan.

(c) Immediately prior to any mandatory prepayment of the Bank Loan pursuant to hereto, any amounts then remaining in the Project Fund shall, at the written direction of the Bank, be transferred to the Bank Loan Payment Fund to be applied to the prepayment of the Bank Loan pursuant hereto.

(d) Amounts on deposit in the Project Fund, other than the deposit to the Note Proceeds Account on the Closing Date (which will be promptly disbursed therefrom pursuant to Section 8.7(a) above) which shall be held uninvested until disbursed, shall be invested in Permitted Investments directed in writing by the Borrower. Investment Income earned on amounts on deposit in each account of the Project Fund shall be retained in and credited to and become a part of the amounts on deposit in that account of the Project Fund. Upon final disbursement of all amounts on deposit in the Project Fund, the Fiscal Agent shall close the Project Fund.

Section 8.8 Rebate Fund. The Fiscal Agent shall deposit or transfer to the credit of the Rebate Fund each amount delivered to the Fiscal Agent by the Borrower for deposit thereto and each amount directed by the Borrower to be transferred thereto.

(a) Within 15 days after each receipt or transfer of funds to the Rebate Fund, the Fiscal Agent shall withdraw from the Rebate Fund and pay to the United States of America the entire balance of the Rebate Fund.

(b) All payments to the United States of America pursuant to this Section shall be made by the Fiscal Agent for the account and in the name of the Governmental Lender and shall be paid through the United States Mail (return receipt requested or overnight delivery), addressed to the appropriate Internal Revenue Service Center and

accompanied by the appropriate Internal Revenue Service forms (such forms to be provided to the Fiscal Agent by the Borrower or the Rebate Analyst).

(c) The Fiscal Agent shall preserve all statements, forms and explanations received from the Borrower and delivered to the Fiscal Agent and all records of transactions in the Rebate Fund until six years after the retirement of the Governmental Lender Note.

(d) The Fiscal Agent may conclusively rely on the instructions of the Borrower (based upon the report of the Rebate Analyst) with regard to any actions to be taken by it pursuant to this Section and shall have no liability for any consequences of any failure of the Borrower or the Rebate Analyst to perform its duties or obligations or to supply accurate or sufficient instructions. Except as specifically provided in Subsection (b) above, the Fiscal Agent shall have no duty or responsibility with respect to the Rebate Fund or the Borrower's duties and responsibilities with respect thereto except to follow the Borrower's specific written instruction related thereto.

(e) If at any time during the term of this Bank Loan Agreement the Governmental Lender, the Fiscal Agent or the Borrower desires to take any action that would otherwise be prohibited by the terms of this Section, such person shall be permitted to take such action if it shall first obtain and provide to the other persons named herein, a Tax Counsel No Adverse Effect Opinion and an opinion of Tax Counsel that such action shall be in compliance with the laws of the State and the terms of this Bank Loan Agreement.

(f) Moneys and securities held by the Fiscal Agent in the Rebate Fund shall not be deemed funds of the Governmental Lender and are not pledged or otherwise subject to any security interest in favor of the Owners to secure the Governmental Lender Note or any other obligations.

(g) Moneys in the Rebate Fund may be separately invested and reinvested by the Fiscal Agent, at the request of and as directed in writing by the Borrower, in Permitted Investments, subject to the Code. The Fiscal Agent shall sell and reduce to cash a sufficient amount of such Permitted Investments, as directed in writing by the Borrower, whenever the cash balance in the Rebate Fund is insufficient for its purposes.

(h) Notwithstanding anything to the contrary in this Bank Loan Agreement, no payment shall be made by the Fiscal Agent to the United States if the Borrower shall furnish to the Governmental Lender and the Fiscal Agent, an opinion of Tax Counsel to the effect that such payment is not required under Section 148(d) and (f) of the Code in order to maintain the exclusion from gross income for federal income tax purposes of interest on the Governmental Lender Note. In such event the Borrower shall be entitled to withdraw funds from the Rebate Fund to the extent the Borrower shall provide a Tax Counsel No Adverse Effect Opinion to the Governmental Lender and the Fiscal Agent with respect to such withdrawal.

(i) The Fiscal Agent shall keep and make available to the Governmental Lender and the Borrower records concerning the investments of all funds held by the Fiscal Agent pursuant to this Bank Loan Agreement including date bought and sold, price and commission paid, and bids taken, if any, and shall keep all such records until six years after the date on which the Governmental Lender Note is no longer Outstanding in order to enable the Borrower to make the computations required under Section 148(f) of the Code.

(j) Notwithstanding the foregoing, the computations and payments of rebate amounts referred to in this Section 7.8 need not be made to the extent that neither the Governmental Lender nor the Borrower will thereby fail to comply with any requirements of Section 148(f) of the Code based on a Tax Counsel No Adverse Effect Opinion, a copy of which shall be provided to the Fiscal Agent and the Governmental Lender.

ARTICLE IX

THE FISCAL AGENT

Section 9.1. Appointment of Fiscal Agent; Acceptance. The Governmental Lender hereby appoints Fiscal Agent as fiscal agent hereunder. The Fiscal Agent shall signify its acceptance of the duties and obligations imposed upon it by this Bank Loan Agreement by executing this Bank Loan Agreement.

Section 9.2. Certain Duties and Responsibilities of Fiscal Agent.

(a) The Fiscal Agent undertakes to perform such duties and only such duties as are specifically set forth in this Bank Loan Agreement, and no implied covenants or obligations shall be read into this Bank Loan Agreement against the Fiscal Agent.

(b) If an event of default exists hereunder or under any Borrower Loan Document, the Fiscal Agent shall exercise such of the rights and powers vested in it by this Bank Loan Agreement, and exercise any rights or duties or remedies solely at the written direction of the Bank.

(c) No provision of this Bank Loan Agreement shall be construed to relieve the Fiscal Agent from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, in each case, as finally adjudicated by a court of law, except that:

(i) This subsection shall not be construed to limit the effect of subsection (a) of this Section;

(ii) The Fiscal Agent shall not be liable for any error of judgment made in good faith, unless it shall be proved that the Fiscal Agent was negligent in ascertaining the pertinent facts;

(iii) The Fiscal Agent shall not be liable with respect to any action taken or omitted to be taken by it in accordance with the direction of the Bank relating to the time, method and place of conducting any proceeding for any remedy available to the Fiscal Agent, or exercising any power conferred upon the Fiscal Agent under this Bank Loan Agreement; and

(iv) No provision of this Bank Loan Agreement shall require the Fiscal Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not assured to it in its sole discretion.

(v) Subject to its rights to indemnification pursuant to Section 9.4 hereof, the Fiscal Agent is directed to enter into the Borrower Loan Documents to

which it is a party and other related documents, solely in its capacity as Fiscal Agent.

(d) Whether or not therein expressly so provided, every provision of this Bank Loan Agreement and the other Bank Loan Documents relating to the conduct or affecting the liability of or affording protection to the Fiscal Agent shall be subject to the provisions of this Section.

(e) The Fiscal Agent may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Fiscal Agent and conforming to the requirements of this Bank Loan Agreement; but in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Fiscal Agent, the Fiscal Agent shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Bank Loan Agreement.

(f) The permissive rights of the Fiscal Agent to do things enumerated in this Bank Loan Agreement shall not be construed as a duty.

(g) The rights of the Fiscal Agent and limitations of liability enumerated herein and in Section 11.4 shall extend to actions taken or omitted in its role as assignee of the Governmental Lender under the Borrower Loan Agreement and the other Bank Loan Documents.

Section 9.3. Notice of Defaults. Upon the occurrence of any default hereunder or under any Borrower Loan Document and provided that a Responsible Officer of the Fiscal Agent has actual knowledge or has received Written Notice of the existence of such default, promptly, and in any event within 15 days, the Fiscal Agent shall transmit to the Governmental Lender, the Borrower, the Equity Investor and the Bank, in the manner and at the addresses for notices set forth in Section 10.1 hereof, notice of such default hereunder known to the Fiscal Agent pursuant to Section 9.4(g) hereof, unless such default shall have been cured or waived. Section

9.4. Certain Rights of Fiscal Agent. Except as otherwise provided in Section 9.1 hereof:

(a) The Fiscal Agent may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note, debenture, coupon or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) Any request or direction of the Governmental Lender mentioned herein shall be sufficiently evidenced by a certificate or order executed by an Authorized Governmental Lender Representative;

(c) Whenever in the administration of this Bank Loan Agreement or any Borrower Loan Document the Fiscal Agent shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Fiscal Agent (unless other evidence be herein specifically prescribed) may, in the absence

of bad faith on its part, rely upon a Written Certificate of the Governmental Lender, the Bank or the Borrower, as appropriate;

(d) The Fiscal Agent shall be under no obligation to exercise any of the rights or powers vested in it by this Bank Loan Agreement or any Borrower Loan Document at the request or direction of the Bank, pursuant to this Bank Loan Agreement, unless the Bank shall have offered to the Fiscal Agent in writing security or indemnity reasonably satisfactory to the Fiscal Agent against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction, except costs, expenses and liabilities which are adjudicated to have resulted from its own negligence or willful misconduct, provided, that nothing contained in this subparagraph (d) shall be construed to require such security or indemnity for the performance by the Fiscal Agent of its obligations under Article II hereof;

(e) The Fiscal Agent shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note, debenture, coupon or other paper or document but the Fiscal Agent, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Fiscal Agent shall determine to make such further inquiry or investigation, it shall be entitled to examine the books and records of the Governmental Lender, if any, and of the Borrower, in either case personally or by agent or attorney after reasonable notice and during normal business hours;

(f) The Fiscal Agent may execute any of its powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and pay reasonable compensation thereto and the Fiscal Agent shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder. The Fiscal Agent may act upon the advice of counsel of its choice concerning all matters hereof and the Fiscal Agent shall not be responsible for any loss or damage resulting from any action or inaction taken in good faith reliance upon said advice; and

(g) The Fiscal Agent shall not be required to take notice or be deemed to have notice of any default hereunder or under any Borrower Loan Document except for failure by the Borrower to make payments of principal, interest, premium, if any, or Ongoing Governmental Lender Fee when due, unless a Responsible Officer of the Fiscal Agent shall be specifically notified by a Written Direction of such default by the Governmental Lender, the Servicer or the Bank, and all notices or other instruments required by this Bank Loan Agreement or under any Borrower Loan Document to be delivered to the Fiscal Agent, must, in order to be effective, be delivered in writing to a Responsible Officer of the Fiscal Agent at the Office of the Fiscal Agent, and in the absence of such Written Notice so delivered the Fiscal Agent may conclusively assume there is no default as aforesaid.

Section 9.5. Not Responsible for Recitals. The recitals contained herein and in the Governmental Lender Note shall be taken as the statements of the Governmental Lender, and the Fiscal Agent assumes no responsibility for their correctness. The Fiscal Agent makes no

representations as to the value or condition of the Pledged Revenues, the Security or any part thereof, or as to the title of the Governmental Lender thereto or as to the security afforded thereby or hereby, or as to the validity or sufficiency of this Bank Loan Agreement or of the Bank Loan.

The Fiscal Agent shall have no responsibility or liability with respect to any information, statement or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the funding of the Bank Loan.

The Fiscal Agent shall not be required to monitor the financial condition of the Borrower or the physical condition of the Project. Unless otherwise expressly provided, the Fiscal Agent shall be under no obligation to analyze, review or make any credit decisions with respect to any financial statements, reports, notices, certificates or documents received hereunder but shall hold such financial statements reports, notices, certificates and documents solely for the benefit of, and review by, the Bank and such other parties to whom the Fiscal Agent may provide such information pursuant to this Bank Loan Agreement.

The Fiscal Agent makes no representations as to and shall have no responsibility for the sufficiency of the insurance required under any of the Borrower Loan Documents.

Section 9.6. May Hold Bank Loan. The Fiscal Agent in its individual or any other capacity may become the owner or pledgee of the Bank Loan and may otherwise deal with the Governmental Lender, the Bank and the Borrower with the same rights it would have if it were not Fiscal Agent.

Section 9.7. Moneys Held Hereunder. Moneys held by the Fiscal Agent hereunder need not be segregated from other funds except to the extent required by law. The Fiscal Agent shall be under no liability for interest on any moneys received by it hereunder except as otherwise provided herein.

Section 9.8. Compensation and Reimbursement. Under the Borrower Loan Agreement, the Borrower has agreed to, except as otherwise expressly provided herein, reimburse the Fiscal Agent as provided in this Bank Loan Agreement or the Borrower Loan Agreement, upon its request for all reasonable expenses, disbursements and advances incurred or made by the Fiscal Agent in accordance with any provision of this Bank Loan Agreement (including the reasonable fees, expenses and disbursements of its agents and counsel), except any such expense, disbursement or advance as may be attributable to the Fiscal Agent's negligence or willful misconduct, both as finally adjudicated by a court of law.

When the Fiscal Agent incurs expenses or renders service in connection with any bankruptcy or insolvency proceeding, such expenses (including the fees and expenses of its counsel) and the compensation for such services are intended to constitute expenses of administration under any bankruptcy law or law relating to creditors rights generally.

(a) The Governmental Lender has no obligation to pay the Fiscal Agent for services rendered.

(b) As security for the performance of the obligations of the Borrower under this Section and for the payment of such compensation, expenses, reimbursements and indemnity, the Fiscal Agent shall have the right to use and apply any moneys held by it as Pledged Revenues.

(c) The Fiscal Agent's rights to compensation and reimbursement shall survive its resignation or removal, the payment of the Bank Loan or the Borrower Loan or the release of this Bank Loan Agreement.

Section 9.9. Fiscal Agent Required; Eligibility. Any successor Fiscal Agent shall at all times be a trust company, a state banking corporation or a national banking association with the authority to accept trusts in the State approved in writing by the Governmental Lender and either (a) have a combined capital and surplus of at least \$50,000,000 as set forth in its most recent published annual report of condition, (b) be a wholly owned subsidiary of a bank holding company, or a wholly owned subsidiary of a company that is a wholly owned subsidiary of a bank holding company, having a combined capital and surplus of at least \$50,000,000 as set forth in its most recent published annual report of condition, have at least \$500,000,000 of trust assets under management and have a combined capital and surplus of at least \$2,000,000 as set forth in its most recent published annual report of condition, or (c) be otherwise acceptable to the Bank in its sole and absolute discretion.

Section 9.10. Resignation and Removal; Appointment of Successor.

(a) No resignation or removal of the Fiscal Agent hereunder and no appointment of a successor Fiscal Agent pursuant to this Article shall become effective until the written acceptance by the successor Fiscal Agent of such appointment.

(b) The Fiscal Agent may resign at any time by giving 60 days' Written Notice thereof to the Governmental Lender, the Borrower, the Servicer, if any, and the Bank. If an instrument of acceptance by a successor Fiscal Agent shall not have been delivered to the Fiscal Agent within 30 days after the giving of such notice of resignation, the resigning Fiscal Agent may petition any court of competent jurisdiction for the appointment of a successor Fiscal Agent.

(c) The Fiscal Agent may be removed at any time with 30 days' notice by (i) the Governmental Lender, (ii) the Borrower (unless the Borrower is in default under any of the Borrower Loan Documents), subject to applicable notice and cure periods, with the Written Consent of the Bank and the Governmental Lender, or (iii) the Bank with the Written Consent of the Governmental Lender and Written Notice delivered to the Fiscal Agent and the Borrower.

(d) If the Fiscal Agent shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the Office of the Fiscal Agent for any cause, the Governmental Lender shall promptly appoint a successor Fiscal Agent, with the consent of the Bank, which consent shall not be unreasonably withheld. In case all or substantially all of the Pledged Revenues and Security shall be in the possession of a receiver or trustee lawfully appointed, such receiver or trustee may similarly appoint a

successor to fill such vacancy until a new Fiscal Agent shall be so appointed by the Governmental Lender. If, within 60 days after such resignation, removal or incapability or the occurrence of such vacancy, the Governmental Lender has failed to so appoint a successor Fiscal Agent, then a successor Fiscal Agent shall be appointed by the Bank (from any of the institutions approved by the Governmental Lender to serve as a fiscal agent or trustee) with Written Notice thereof delivered to the Governmental Lender, the Borrower, the Servicer, if any, and the retiring Fiscal Agent, and the successor Fiscal Agent so appointed shall, forthwith upon its acceptance of such appointment, become the successor Fiscal Agent and supersede the successor Fiscal Agent appointed by such receiver or Fiscal Agent. If no successor Fiscal Agent shall have been appointed by the Governmental Lender or the Bank and accepted appointment in the manner hereinafter provided, the Fiscal Agent may petition any court of competent jurisdiction for the appointment of a successor Fiscal Agent.

(e) The retiring Fiscal Agent shall cause Written Notice of each resignation and each removal of the Fiscal Agent and each appointment of a successor Fiscal Agent to be provided to the Bank. Each notice shall include the name of the successor Fiscal Agent and the address of the office of the successor Fiscal Agent.

Section 9.11. Acceptance of Appointment by Successor.

(a) Every successor Fiscal Agent appointed hereunder shall execute, acknowledge and deliver to the Governmental Lender and to the retiring Fiscal Agent an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Fiscal Agent shall become effective and such successor Fiscal Agent, without any further act, deed or conveyance, shall become vested with all the estates, properties, rights, powers and duties of the retiring Fiscal Agent; notwithstanding the foregoing, on request of the Governmental Lender or the successor Fiscal Agent, such retiring Fiscal Agent shall, upon payment of its charges, execute and deliver an instrument conveying and transferring to such successor Fiscal Agent all the estates, properties, rights, powers and trusts of the retiring Fiscal Agent, and shall duly assign, transfer and deliver to such successor Fiscal Agent all property and money held by such retiring Fiscal Agent hereunder. Upon request of any such successor Fiscal Agent, the Governmental Lender shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Fiscal Agent all such estates, properties, rights and powers.

(b) No successor Fiscal Agent shall accept its appointment unless at the time of such acceptance such successor Fiscal Agent shall be qualified and eligible under this Article, to the extent operative.

Section 9.12. Merger, Conversion, Consolidation or Succession to Business . Any corporation into which the Fiscal Agent may be merged or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Fiscal Agent shall be a party, or any corporation succeeding to all or substantially all of the corporate trust business of the Fiscal Agent, shall be the successor of the Fiscal Agent hereunder, provided such corporation shall be otherwise qualified and eligible under this Article, to the extent operative, without the execution or filing of any paper or any further act on the part of any of the

parties hereto. Notwithstanding the foregoing, any such successor Fiscal Agent shall cause Written Notice of such succession to be delivered to the Bank within 30 days of such succession.

Section 9.13. Appointment of Co-Fiscal Agent. It is recognized that in case of litigation under this Bank Loan Agreement, the Borrower Loan Agreement, any other Borrower Loan Document or the Regulatory Agreement, and in particular in case of the enforcement of any of them on default, or in case the Fiscal Agent deems that by reason of any present or future law of any jurisdiction it may not exercise any of the powers, rights or remedies herein granted to the Fiscal Agent or hold title to the properties, as herein provided, or take any other action which may be desirable or necessary in connection therewith, it may be necessary that the Fiscal Agent appoint an additional individual or institution as a separate or co-fiscal agent. The following provisions of this Section are adopted to these ends.

The Fiscal Agent is hereby authorized to appoint an additional individual or institution as a separate or co-fiscal agent hereunder, upon Written Notice to the Governmental Lender, the Bank and the Borrower, and with the consent of the Governmental Lender and the Bank, but without the necessity of further authorization or consent, in which event each and every remedy, power, right, claim, demand, cause of action, immunity, estate, title, interest and lien expressed or intended by this Bank Loan Agreement, any Borrower Loan Document, the Regulatory Agreement or the Borrower Loan Agreement to be exercised by or vested in or conveyed to the Fiscal Agent with respect thereto shall be exercisable by and vest in such separate or co-fiscal agent but only to the extent necessary to exercise such powers, rights and remedies, and every covenant and obligation necessary to the exercise thereof by such separate or co-fiscal agent shall run to and be enforceable by either of them.

Should any instrument in writing from the Governmental Lender be required by the separate fiscal agent or co-fiscal agent appointed by the Fiscal Agent for more fully and certainly vesting in and confirming to him or it such properties, rights, powers, duties and obligations, any and all such instruments in writing shall, on request of the Fiscal Agent, be executed, acknowledged and delivered by the Governmental Lender. In case any separate fiscal agent or co-fiscal agent, or a successor to either, shall die, become incapable of acting, resign or be removed, all the estates, properties, rights, powers, duties and obligations of such separate fiscal agent or co-fiscal agent, so far as permitted by law, shall vest in and be exercised by the Fiscal Agent until the appointment of a successor to such separate fiscal agent or co fiscal agent.

Section 9.14. Loan Servicing. The Governmental Lender and the Fiscal Agent acknowledge that the Bank Lender shall have the right to appoint a Servicer to service and administer the Bank Loan and the Borrower Loan as set forth in a Servicing Agreement. The Governmental Lender and the Fiscal Agent shall not be responsible for monitoring the performance of any Servicer or for any acts or omissions of such Servicer. The Bank Lender may, in its sole discretion, terminate or replace the Servicer.

Section 9.15. No Recourse against Officers or Employees of Fiscal Agent. No recourse with respect to any claim related to any obligation, duty or agreement contained in this Bank Loan Agreement or any other Bank Loan Document shall be had against any officer or employee, as such, of the Fiscal Agent, it being expressly understood that the obligations, duties

and agreements of the Fiscal Agent contained in this Bank Loan Agreement and the other Bank Loan Documents are solely corporate in nature.

ARTICLE X

MISCELLANEOUS

Section 10.1. Entire Agreement. This Bank Loan Agreement, the Governmental Lender Note, the Assignment Agreement and the other Loan Documents to which the Governmental Lender is a party constitute the entire agreement and supersede all prior agreements and understandings, both written and oral, between the Governmental Lender and the Bank with respect to the subject matter hereof.

Section 10.2. Notices. All notices, demands, requests and other communications required or permitted to be given by any provision of this Bank Loan Agreement shall be in writing and sent by first class, regular, registered or certified mail, commercial delivery service, overnight courier, telegraph, telex, telecopier or facsimile transmission, air or other courier, or hand delivery to the party to be notified addressed as follows:

If to the Governmental Lender: Housing Authority of the City of San Diego
1122 Broadway, Suite 300
San Diego, California 92101
Attention: Executive Director
Phone: (619) 578-7575
Facsimile: (619) 578-7356

If to Borrower: Parkside SD Apartments, L.P.
9421 Haven Avenue
Rancho Cucamonga, CA 91730
Attention: EVP / CFO
Telephone: (909) 483-2444
E-mail: mruane@nationalcore.org

with a copy to: Gubb & Barshay LLP
505 14th Street, Suite 450
Oakland, CA 94612
Attention: Lauren Fechter, Esq.

If to the Equity Investor: [WNC Entity – to be confirmed]
c/o WNC & Associates, Inc.
17782 Sky Park Circle
Irvine, CA 92614
Attention: Michael J. Gaber

with a copy to: Holland & Knight LLP
10 Saint James Avenue, 11th Floor
Boston, MA 02116
Attention: Jonathan Sirois
Facsimile: (617) 523-6850

If to the Bank:

Pacific Western Bank
1001 Marsh Street
San Luis Obispo, California 93401
Attention:
Email:

with a copy to:

Pacific Western Bank
444 South Flower Street, 14th Floor
Los Angeles, California 90071
Attention: Holly A. Hayes
Telephone: (213) 330-2073
Email: hhayes@pacificwesternbank.com

Any such notice, demand, request or communication shall be deemed to have been given and received for all purposes under this Bank Loan Agreement: (i) three Business Days after the same is deposited in any official depository or receptacle of the United States Postal Service first class, or, if applicable, certified mail, return receipt requested, postage prepaid; (ii) on the date of transmission when delivered by telecopier or facsimile transmission, telex, telegraph or other telecommunication device, provided any telecopy or other electronic transmission received by any party after 4:00 p.m., local time, as evidenced by the time shown on such transmission, shall be deemed to have been received the following Business Day; (iii) on the next Business Day after the same is deposited with a nationally recognized overnight delivery service that guarantees overnight delivery; and (iv) on the date of actual delivery to such party by any other means; provided, however, if the day such notice, demand, request or communication shall be deemed to have been given and received as aforesaid is not a Business Day, such notice, demand, request or communication shall be deemed to have been given and received on the next Business Day. Any facsimile signature by a Person on a document, notice, demand, request or communication required or permitted by this Bank Loan Agreement shall constitute a legal, valid and binding execution thereof by such Person.

Any party to this Bank Loan Agreement may change such party's address for the purpose of notice, demands, requests and communications required or permitted under this Bank Loan Agreement by providing written notice of such change of address to all of the parties by written notice as provided herein.

Section 10.3. Assignments. Neither this Bank Loan Agreement nor the Borrower Loan Agreement may be assigned by any party hereto or thereto without the prior written consent of the other, which consent shall not be unreasonably withheld, except that the Governmental Lender shall assign to the Bank its rights under the Borrower Loan Agreement.

Section 10.4. Severability. If any provision of this Bank Loan Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining portions shall not in any way be affected or impaired. In case any covenant, stipulation, obligation or agreement contained in the Governmental Lender Note or in this Bank Loan Agreement shall for any reason be held to be usurious or in violation of law, then such covenant,

stipulation, obligation or agreement shall be deemed to be the covenant, stipulation, obligation or agreement of the Governmental Lender or the Bank only to the full extent permitted by law.

Section 10.5. Execution of Counterparts. This Bank Loan Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 10.6. Amendments, Changes and Modifications. Except as otherwise provided in this Bank Loan Agreement, this Bank Loan Agreement may not be effectively amended, changed, modified, altered or terminated without the written consent of the parties hereto.

No amendment to this Bank Loan Agreement or any other Bank Loan Document entered into under this Section 10.6 or any amendment, change or modification otherwise permitted under this Section 10.6 shall become effective unless and until (i) the Bank shall have approved the same in writing in its sole discretion and (ii) the Bank shall have received, at the expense of the Borrower, a Tax Counsel No Adverse Effect Opinion and an Opinion of Counsel to the effect that any such proposed amendment is authorized and complies with the provisions of this Bank Loan Agreement.

Section 10.7. Governing Law. This Bank Loan Agreement and the Governmental Lender Note are contracts made under the laws of the State of California and shall be governed by and construed in accordance with the Constitution and laws applicable to contracts made and performed in the State of California. This Bank Loan Agreement and the Governmental Lender Note shall be enforceable in the State of California, and any action arising out of this Bank Loan Agreement or the Governmental Lender Note shall be filed and maintained in San Diego County, California, unless the Governmental Lender waives this requirement.

Section 10.8. Waiver of Jury Trial. TO THE MAXIMUM EXTENT PERMITTED UNDER APPLICABLE LAW, EACH OF BORROWER, THE GOVERNMENTAL LENDER AND THE BANK (A) COVENANTS AND AGREES NOT TO ELECT A TRIAL BY JURY WITH RESPECT TO ANY ISSUE ARISING OUT OF THIS BANK LOAN AGREEMENT OR THE RELATIONSHIP BETWEEN THE PARTIES THAT IS TRIABLE OF RIGHT BY A JURY AND (B) WAIVES ANY RIGHT TO TRIAL BY JURY WITH RESPECT TO SUCH ISSUE TO THE EXTENT THAT ANY SUCH RIGHT EXISTS NOW OR IN THE FUTURE. THIS WAIVER OF RIGHT TO TRIAL BY JURY IS SEPARATELY GIVEN BY EACH PARTY, KNOWINGLY AND VOLUNTARILY WITH THE BENEFIT OF COMPETENT LEGAL COUNSEL.

IF FOR ANY REASON THIS WAIVER IS DETERMINED TO BE UNENFORCEABLE, ALL DISPUTES WILL BE RESOLVED BY JUDICIAL REFERENCE PURSUANT TO THE PROCEDURES SET FORTH IN THE DEED OF TRUST.

Section 10.9. Term of Agreement. This Bank Loan Agreement shall be in full force and effect until all payment obligations of the Governmental Lender hereunder have been paid in full and the Bank Loan has been retired or the payment thereof has been provided for; except that on and after payment in full of the Governmental Lender Note, this Bank Loan Agreement shall be

terminated, without further action by the parties hereto. Time is of the essence in this Bank Loan Agreement.

Section 10.10. Survival of Agreement. All agreements, representations and warranties made herein shall survive the making of the Bank Loan.

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

HOUSING AUTHORITY OF THE CITY
OF SAN DIEGO

By: _____
Authorized Signatory

U.S. BANK NATIONAL ASSOCIATION,
as fiscal agent

By: _____
Authorized Signatory

PACIFIC WESTERN BANK, a California
state-chartered bank

By: _____
Authorized Signatory

[Signature Page to Bank Loan Agreement – Parkside Apartments]

EXHIBIT A

FORM OF GOVERNMENTAL LENDER NOTE

THIS GOVERNMENTAL LENDER NOTE MAY BE OWNED ONLY BY AN APPROVED INSTITUTIONAL BUYER IN ACCORDANCE WITH THE TERMS OF THE BANK LOAN AGREEMENT, AND THE HOLDER HEREOF, BY THE ACCEPTANCE OF THIS GOVERNMENTAL LENDER NOTE (A) REPRESENTS THAT IT IS AN APPROVED INSTITUTIONAL BUYER AND (B) ACKNOWLEDGES THAT IT CAN ONLY TRANSFER THIS GOVERNMENTAL LENDER NOTE OR ANY INTEREST HEREIN TO ANOTHER APPROVED INSTITUTIONAL BUYER IN ACCORDANCE WITH THE TERMS OF THE BANK LOAN AGREEMENT.

**HOUSING AUTHORITY OF THE CITY OF SAN DIEGO
MULTIFAMILY HOUSING REVENUE NOTE
(PARKSIDE APARTMENTS)
2018 SERIES E**

DATED [CLOSING DATE]

[\$5,500,000]

FOR VALUE RECEIVED, the undersigned HOUSING AUTHORITY OF THE CITY OF SAN DIEGO (“Obligor”) promises to pay to the order of PACIFIC WESTERN BANK (“Holder”) the principal sum of [PAR AMOUNT SPELLED OUT] DOLLARS (\$[5,500,000]), on [Maturity Date] (the “Maturity Date”), or earlier as provided herein, together with interest thereon at the rates, at the times and in the amounts provided below.

Obligor shall pay to the Holder on or before each date on which payment is due under that certain Loan Agreement, dated as of July 1, 2018 (the “Bank Loan Agreement”), between Obligor, Holder and U.S. Bank National Association, as fiscal agent (the “Fiscal Agent”), an amount in immediately available funds sufficient to pay the principal amount of and prepayment premium, if any, on this Governmental Lender Note then due and payable, whether by maturity, acceleration, prepayment or otherwise. In the event that amounts held derived from proceeds of this Governmental Lender Note, condemnation awards or insurance proceeds or investment earnings thereon are applied to the payment of principal due on this Governmental Lender Note in accordance with the Bank Loan Agreement, the principal amount due hereunder shall be reduced to the extent of the principal amount of this Governmental Lender Note so paid. Capitalized terms not otherwise defined herein shall have the meaning assigned in the Bank Loan Agreement.

Obligor shall pay to the Holder on or before each date on which interest on the Bank Loan is payable interest on the unpaid balance hereof in an amount in immediately available funds sufficient to pay the interest on this Governmental Lender Note then due and payable in the amounts and at the rate or rates set forth in the Bank Loan Agreement.

This Governmental Lender Note is a pass-through obligation relating to a construction and permanent loan (the “Borrower Loan”) made by Obligor from proceeds of the Bank Loan to

Parkside SD Apartments, L.P., a California limited partnership, as borrower (the "Borrower"), under that certain Loan Agreement, dated as of July 1, 2018 (as the same may be modified, amended or supplemented from time to time, the "Borrower Loan Agreement"), between the Obligor and the Borrower, evidenced by the Borrower Note (as defined in the Borrower Loan Agreement). Reference is made to the Borrower Loan Agreement and to the Borrower Note for complete payment and prepayment terms of the Borrower Note, payments on which are passed-through under this Governmental Lender Note.

NONE OF THE GOVERNMENTAL LENDER, ANY GOVERNMENTAL LENDER MEMBER OR ANY PERSON EXECUTING THIS GOVERNMENTAL LENDER NOTE IS LIABLE PERSONALLY ON THE GOVERNMENTAL LENDER NOTE OR SUBJECT TO ANY PERSONAL LIABILITY OR ACCOUNTABILITY BY REASON OF THEIR EXECUTION AND DELIVERY. THIS GOVERNMENTAL LENDER NOTE IS A LIMITED OBLIGATION OF THE GOVERNMENTAL LENDER, PAYABLE SOLELY FROM AND SECURED BY THE SECURITY. NEITHER THE GOVERNMENTAL LENDER, ITS MEMBERS, THE STATE OF CALIFORNIA, NOR ANY OF ITS POLITICAL SUBDIVISIONS SHALL BE DIRECTLY, INDIRECTLY, CONTINGENTLY OR MORALLY OBLIGATED TO USE ANY OTHER MONEYS OR ASSETS TO PAY ALL OR ANY PORTION OF THE DEBT SERVICE DUE ON THIS GOVERNMENTAL LENDER NOTE, TO LEVY OR TO PLEDGE ANY FORM OF TAXATION WHATEVER THEREFOR OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT. THIS GOVERNMENTAL LENDER NOTE IS NOT A PLEDGE OF THE FAITH AND CREDIT OF THE GOVERNMENTAL LENDER, ITS MEMBERS, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS NOR DOES IT CONSTITUTE INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION. THE GOVERNMENTAL LENDER HAS NO TAXING POWER.

The Governmental Lender shall not be liable for payment of the principal of, prepayment premium, if any, or interest on this Governmental Lender Note or any other costs, expenses, losses, damages, claims or actions of any conceivable kind on any conceivable theory, under or by reason of or in connection with the Bank Loan Agreement, this Governmental Lender Note or any other documents, except only to the extent amounts are received for the payment thereof from the Borrower under the Borrower Loan Agreement.

All capitalized terms used but not defined herein shall have the meanings ascribed to them in the Bank Loan Agreement or in the Borrower Loan Agreement.

This Governmental Lender Note is subject to the express condition that at no time shall interest be payable on this Governmental Lender Note or the Bank Loan at a rate in excess of the Maximum Legal Rate provided in the Bank Loan Agreement; and Obligor shall not be obligated or required to pay, nor shall the Holder be permitted to charge or collect, interest at a rate in excess of such Maximum Legal Rate. If by the terms of this Governmental Lender Note or of the Bank Loan Agreement, Obligor is required to pay interest at a rate in excess of such Maximum Legal Rate, the rate of interest hereunder or thereunder shall be deemed to be reduced immediately and automatically to such Maximum Legal Rate, and any such excess payment previously made shall be immediately and automatically applied to the unpaid balance of the principal sum hereof and not to the payment of interest.

Amounts payable hereunder representing late payments, penalty payments or the like shall be payable to the extent allowed by law.

This Governmental Lender Note is subject to all of the terms, conditions, and provisions of the Bank Loan Agreement, including those respecting prepayment and the acceleration of maturity.

If there is an Event of Default under the Bank Loan Documents, then in any such event and subject to the requirements set forth in the Bank Loan Agreement, the Holder may declare the entire unpaid principal balance of this Governmental Lender Note and accrued interest, if any, due and payable at once. All of the covenants, conditions and agreements contained in the Bank Loan Documents are hereby made part of this Governmental Lender Note.

No delay or omission on the part of the Holder in exercising any remedy, right or option under this Governmental Lender Note or the Bank Loan Documents shall operate as a waiver of such remedy, right or option. In any event a waiver on any one occasion shall not be construed as a waiver or bar to any such remedy, right or option on a future occasion. The rights, remedies and options of the Holder under this Governmental Lender Note and the Bank Loan Documents are and shall be cumulative and are in addition to all of the rights, remedies and options of the Holder at law or in equity or under any other agreement.

Obligor shall pay all costs of collection on demand by the Holder, including without limitation, reasonable attorneys' fees and disbursements, which costs may be added to the indebtedness hereunder, together with interest thereon, to the extent allowed by law, as set forth in the Bank Loan Agreement.

This Governmental Lender Note may not be changed orally. Presentment for payment, notice of dishonor, protest and notice of protest are hereby waived. The acceptance by the Holder of any amount after the same is due shall not constitute a waiver of the right to require prompt payment, when due, of all other amounts due hereunder. The acceptance by the Holder of any sum in an amount less than the amount then due shall be deemed an acceptance on account only and upon condition that such acceptance shall not constitute a waiver of the obligation of Obligor to pay the entire sum then due, and Obligor's failure to pay such amount then due shall be and continue to be a default notwithstanding such acceptance of such amount on account, as aforesaid. Consent by the Holder to any action of Obligor which is subject to consent or approval of the Holder hereunder shall not be deemed a waiver of the right to require such consent or approval to future or successive actions.

IN WITNESS WHEREOF, the undersigned has duly executed and delivered this Governmental Lender Note or caused this Governmental Lender Note to be duly executed and delivered by its authorized representative as of the date first set forth above.

OBLIGOR:

**HOUSING AUTHORITY OF THE CITY OF
SAN DIEGO**

By: _____
Authorized Signatory

[Seal]

ATTEST:

By: _____
Deputy Secretary

EXHIBIT B

FORM OF REQUIRED TRANSFEREE REPRESENTATIONS

The undersigned, as owner (the “Holder”) of [an interest in] the Housing Authority of the City of San Diego Multifamily Housing Revenue Note (Parkside Apartments) 2018 Series E (the “Governmental Lender Note”) evidencing a loan (the “Bank Loan”) in the aggregate maximum principal amount of \$[5,500,000] from PACIFIC WESTERN BANK (the “Bank”) to the HOUSING AUTHORITY OF THE CITY OF SAN DIEGO (the “Governmental Lender”) pursuant to a Bank Loan Agreement, dated as of July 1, 2018 (the “Bank Loan Agreement”) among the Bank, the Governmental Lender and U.S. Bank National Association, as fiscal agent hereby represents that:

1. The Holder has sufficient knowledge and experience in financial and business matters with respect to the evaluation of residential real estate developments such as the Project to be able to evaluate the risk and merits of the investment represented by the Bank Loan. The Holder is able to bear the economic risks of such investment.

2. The Holder acknowledges that it has either been supplied with or been given access to information, including financial statements and other financial information, to which a reasonable investor would attach significance in making investment decisions, and the Holder has had the opportunity to ask questions and receive answers from knowledgeable individuals concerning the Governmental Lender, the Project, the use of proceeds of the Bank Loan and the Bank Loan and the security therefor so that, as a reasonable investor, the Holder has been able to make its decision to assume the position of the Bank under the Governmental Lender Note or an interest therein. In entering into this transaction, the Holder acknowledges that it has not relied upon any representations or opinions of the Governmental Lender relating to the legal consequences to the Bank or other aspects of its making the Bank Loan and acquiring the Governmental Lender Note, nor has it looked to, nor expected, the Governmental Lender to undertake or require any credit investigation or due diligence reviews relating to the Borrower, its financial condition or business operations, the Project (including the financing or management thereof), or any other matter pertaining to the merits or risks of the transactions contemplated by the Bank Loan Agreement and the Borrower Loan Agreement, or the adequacy of the funds pledged to the Bank to secure repayment of the Governmental Lender Note.

3. The Holder is an Approved Institutional Buyer (as defined in the Bank Loan Agreement).

4. The Holder acknowledges that it is [assuming the position of the Bank under the Governmental Lender Note] [purchasing an interest in the Governmental Lender Note] for investment for its own account and not with a present view toward resale or the distribution thereof, in that it does not now intend to resell or otherwise dispose of all or any part of its interests in the Governmental Lender Note; provided, however, that the Holder may sell or transfer the Governmental Lender Note and the Bank Loan, or any portion of or participation interests in the Governmental Lender Note and Bank Loan, subject to the delivery to the Governmental Lender of representations from the transferee to substantially the same effect as these representations or in such other form authorized by the Governmental Lender with no

revisions except as may be approved in writing by the Governmental Lender. The Holder agrees to and shall indemnify, hold harmless and defend the Governmental Lender, its officers, members, directors, officials and employees, and each of them, against all loss, costs, damages, expenses, suits, judgments, actions and liabilities of whatever nature (including, without limitation, attorneys' fees, litigation and court costs, amounts paid in settlement, and amounts paid to discharge judgments) directly or indirectly resulting from or arising out of or related to its transfer of the Governmental Lender Note, any interest in the Governmental Lender Note and the Bank Loan, or any interest in the Bank Loan in violation of Section 4.3 of the Bank Loan Agreement.

5. The Holder understands that (a) the Governmental Lender Note is a limited obligation of the Governmental Lender, payable solely from funds and moneys pledged and assigned under the Bank Loan Agreement, and that the liabilities and obligations of the Governmental Lender with respect to the Governmental Lender Note are expressly limited as set forth in the Bank Loan Agreement and related documents, (b) the Governmental Lender Note is not secured by any pledge of any moneys received or to be received from taxation by the State of California or any political subdivision thereof and that the Governmental Lender has no taxing power, and (c) the Governmental Lender Note does not and will not represent or constitute a general obligation or a pledge of the faith and credit of the Governmental Lender, the City of San Diego or the State of California or any political subdivision thereof.

6. The Holder has authority to assume the position of the Bank under the Governmental Lender Note or an interest therein and to execute these representations and any other instructions and documents required to be executed by the Holder in connection with the assumption of the position of the Bank under the Governmental Lender Note or an interest therein. The undersigned is a duly appointed qualified and acting officer of the Holder and is authorized to execute these representations on behalf of the Holder.

7. The Holder understands that the Governmental Lender Note is not registered under the Securities Act of 1933 and that such registration is not legally required as of the date hereof; and further understands that the Governmental Lender Note (a) are not being registered or otherwise qualified for sale under the "Blue Sky" laws and regulations of any state, (b) will not be listed on any stock or other securities exchange, and (c) will not carry a rating from any rating agency. The Holder agrees that it will comply with any applicable state and federal securities laws then in effect with respect to any disposition of any interest in the Governmental Lender Note by it, as well as the provisions of Section 4.3 of the Bank Loan Agreement, and further acknowledges that any current exemption from registration of the Governmental Lender Note does not affect or diminish such requirements.

8. None of the Governmental Lender, its members, its Board of Directors, or any of its employees, counsel or agents will have any responsibility to the Holder for the accuracy or completeness of information obtained by the Holder from any source regarding the Borrower or its financial condition or the Project, or regarding the Governmental Lender Note, the provision for payment thereof, or the sufficiency of any security therefor. No written information has been provided by the Governmental Lender to the Holder with respect to the Governmental Lender Note. The Holder acknowledges that, as between the Holder and all of such parties, the Holder has assumed responsibility for obtaining such information and making such review as the Holder

deemed necessary or desirable in connection with its decision to purchase the Governmental Lender Note or any interest therein.

9. Capitalized terms used herein and not otherwise defined have the meanings given such terms in the Bank Loan Agreement.

[Signature Page to Required Transferee Representations]

_____, as Holder

By _____
Name _____
Its _____

EXHIBIT C

FORM OF WRITTEN REQUISITION OF THE BORROWER – PROJECT FUND

Draw # _____

To: U.S. Bank National Association, as Fiscal Agent (the “Fiscal Agent”) under that certain Bank Loan Agreement, dated as of [July] 1, 2018, among Pacific Western Bank, as Bank, the Housing Authority of the City of San Diego, as Governmental Lender, and the Fiscal Agent (the “Bank Loan Agreement”), pursuant to which the Housing Authority of the City of San Diego Multifamily Housing Revenue Note (Parkside Apartments) 2018 Series E (the “Governmental Lender Note”) was issued.

1. You are requested to disburse funds from the Project Fund pursuant to Section 8.7 of the Bank Loan Agreement in the amount(s), to the person(s) and for the purpose(s) set forth on Schedule I attached hereto and incorporated herein by reference. An invoice or other appropriate evidence of the obligations described on Schedule I is attached hereto.

2. The undersigned certifies that:

(i) there has been received no notice (A) of any lien, right to lien or attachment upon, or claim affecting the right of the payee to receive payment of, any of the moneys payable under such requisition to any of the persons, firms or corporations named therein, and (B) that any materials, supplies or equipment covered by such requisition are subject to any lien or security interest, or if any notice of any such lien, attachment, claim or security interest has been received, such lien, attachment, claim or security interest has been released, discharged, insured or bonded over or will be released, discharged, insured or bonded over upon payment of the requisition;

(ii) such requisition contains no items representing payment on account of any percentage entitled to be retained at the date of the certificate;

(iii) the obligation stated on the requisition has been incurred in or about the rehabilitation or equipping of the Project, each item is a proper charge against the Project Fund, and the obligation has not been the basis for a prior requisition that has been paid;

(iv) such requisition contains no items representing any Costs of Issuance or any other amount constituting an issuance cost under Section 147(g) of the Code, unless such item is being paid solely from the Equity Account of the Project Fund;

(v) not less than 97% of the sum of: (A) the amounts requisitioned by this Requisition to be funded with the proceeds of the Governmental Lender Note plus (B) all amounts allocated to the Governmental Lender Note previously disbursed from the Note Proceeds Account of the Project Fund, have been or will be applied by the Borrower to pay Qualified Project Costs;

(vi) to the undersigned's current, actual knowledge, as of the date hereof no event or condition has happened or is happening or exists that constitutes, or that with notice or lapse of time or both, would constitute, an Event of Default under the Bank Loan Agreement; and

(vii) attached as Schedule I to this Requisition is an exhibit that allocates the amount requested hereby from each account of the Project Fund among the sources for payment.

Dated:_____

Parkside SD Apartments, L.P.,
a California limited partnership

By: Parkside GP LLC,
a California limited liability company,
its general partner

By: National Community Renaissance of California,
a California nonprofit public benefit corporation,
the manager and member

By: _____
Michael Finn
Chief Financial Officer

PACIFIC WESTERN BANK, a California
state-chartered bank

By: _____
Authorized Signatory

Schedule I

Payment Instructions

EXHIBIT D

FORM OF WRITTEN REQUISITION OF THE BORROWER – CLOSING COSTS FUND

To: U.S. Bank National Association, as Fiscal Agent (the “Fiscal Agent”) under that certain Bank Loan Agreement, dated as of [July] 1, 2018, among Pacific Western Bank, as Bank, Housing Authority of the City of San Diego, as Governmental Lender, and the Fiscal Agent (the “Bank Loan Agreement”).

1. You are requested to disburse funds from the Closing Costs Fund pursuant to Section 8.6 of the Bank Loan Agreement in the amount(s), to the person(s) and for the purpose(s) set forth on Schedule I attached hereto and incorporated herein by reference. An invoice or other appropriate evidence of the obligations described on Schedule I is attached hereto. All payments will be made by check or wire transfer in accordance with the payment instructions set forth on Schedule I (or on the attached invoice) and the Fiscal Agent shall have no obligation to authenticate such payment instructions or the authority under which they were given.

2. The undersigned certifies that as of the date hereof no event or condition has happened or is happening or exists that constitutes, or that with notice or lapse of time or both, would constitute, an Event of Default under the Bank Loan Agreement.

Dated: _____

BORROWER:

Parkside SD Apartments, L.P.,
a California limited partnership

By: Parkside GP LLC,
a California limited liability company,
its general partner

By: National Community Renaissance of California,
a California nonprofit public benefit corporation,
the manager and member

By: _____
Michael Finn
Chief Financial Officer

The foregoing Requisition is hereby
consented to:

BANK:

PACIFIC WESTERN BANK, a California state-chartered bank

By: _____
Jennifer D. Riddle,
Senior Vice President

GOVERNMENTAL LENDER:

HOUSING AUTHORITY OF THE CITY
OF SAN DIEGO

By: _____
Jeff Davis,
Executive Vice President and Chief of Staff

Schedule I

Payment Instructions

Payee	Purpose	Amount of Payment
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LOAN AGREEMENT

by and between the

**HOUSING AUTHORITY OF THE CITY OF SAN DIEGO,
as Governmental Lender**

and

**PARKSIDE SD APARTMENTS, L.P.,
a California limited partnership,
as Borrower**

dated as of July 1, 2018

relating to:

**[\$5,500,000]
Housing Authority of the City of San Diego
Multifamily Housing Revenue Note
(Parkside Apartments) 2018 Series E**

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EXHIBIT A FORM OF BORROWER NOTE

LOAN AGREEMENT

THIS LOAN AGREEMENT, dated as of July 1, 2018 (this “Borrower Loan Agreement”), is by and between the Housing Authority of the City of San Diego, a public body corporate and politic, organized and existing under the laws of the State of California (together with its successors and assigns, the “Governmental Lender”), and Parkside SD Apartments, L.P., a California limited partnership (the “Borrower”).

For and in consideration of the mutual agreements hereinafter contained, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS AND INTERPRETATION

Section 1.1. Definitions. The following words and terms as used in this Borrower Loan Agreement shall have the following meanings unless the context or use otherwise requires, or if not defined herein as defined in the Bank Loan Agreement:

“Act” shall mean Chapter 1 of Part 2 of Division 24 of the California Health and Safety Code, as now in effect and as it may from time to time hereafter be amended or supplemented to apply to obligations incurred as of the Closing Date.

“Act of Bankruptcy” shall mean the filing of a petition in bankruptcy (or any other commencement of a bankruptcy or similar proceeding) by or against the Borrower, or any guarantor of the Borrower under any applicable bankruptcy, insolvency, reorganization, or similar law, now or hereafter in effect; provided that, in the case of an involuntary proceeding, such proceeding is not dismissed within ninety (90) days after the commencement thereof.

“Assignment Agreement” means that certain Assignment Agreement, dated as of July 1, 2018, by and between the Bank and the Governmental Lender, as referenced in Section 6.6 of the Bank Loan Agreement and Section 6.8 of this Borrower Loan Agreement.

“Bank” means Pacific Western Bank.

“Bank Loan” means the mortgage loan originated under the Bank Loan Agreement by the Bank to the Governmental Lender initially in a maximum principal amount of \$[5,500,000], evidenced by the Governmental Lender Note, for the purpose of enabling the Governmental Lender to make the Borrower Loan to the Borrower pursuant to the terms of this Borrower Loan Agreement.

“Bank Loan Agreement” means that certain Loan Agreement, dated as of July 1, 2018, by and between the Bank, the Governmental Lender and U.S. Bank National Association, as fiscal agent (the “Fiscal Agent”), as amended and supplemented from time to time, pursuant to which the Governmental Lender Loan is being made.

“Bank Loan Documents” shall have the meaning given to that term in the Bank Loan Agreement.

“Borrower” means Parkside SD Apartments, L.P., a California limited partnership, and its successors and assigns.

“Borrower Assignments” means, collectively, [the Assignment of Development Agreement and Developer Fee Subordination Agreement, made effective as of July 1, 2018, by the Borrower for the benefit of the Bank; the Environmental Indemnity Agreement, the Guaranty; the Continuing Covenants Agreement; the Disbursement Agreement; the Assignment of Construction Contracts, made effective as of July 1, 2018, by the Borrower in favor of the Bank; and the Assignment of Management Contracts and Subordination of Management Fees], and made effective as of July 1, 2018, by the Borrower in favor of the Bank.

“Borrower Loan” means the mortgage loan originated by the Governmental Lender to the Borrower in a maximum principal amount of \$[5,500,000], evidenced by the Borrower Note, pursuant to the terms of this Borrower Loan Agreement.

“Borrower Loan Agreement” means this Loan Agreement, as amended and supplemented from time to time.

“Borrower Note” means the promissory note evidencing a portion of the Borrower Loan in the maximum principal amount of \$[5,500,000], executed by the Borrower, in the form attached hereto as Exhibit A.

“Borrower Representative” means the Chief Executive Officer of the managing general partner of the Borrower, the Chief Financial Officer of the managing general partner of the Borrower, or any other officer of the managing general partner of the Borrower designated by the Chief Executive Officer, the Chief Financial Officer or the Board of Directors of the managing general partner of the Borrower to be a Borrower Representative for purposes of the Loan Documents.

“Business Day” means any day other than a Saturday, a Sunday, or a day on which the Bank is closed.

“City” means the City of San Diego, California.

“Closing Date” means [July __, 2018], being the date of issuance of Governmental Lender Note for purposes of the Code.

“Code” shall mean the Internal Revenue Code of 1986 as in effect on the Closing Date or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the Closing Date, together with applicable proposed, temporary and final regulations promulgated, and applicable official public guidance published, under the Code.

“Continuing Covenants Agreement” means the Continuing Covenant Agreement, dated as of July 1, 2018, between the Bank and the Borrower, as amended and supplemented from time to time in accordance with its terms.

“Costs of Issuance” means all fees, costs and expenses directly associated with the authorization, issuance, sale and delivery of the Governmental Lender Note, and the making of the Governmental Lender Loan and the Borrower Loan, including, but not limited to: (i) counsel fees (including but not limited to Tax Counsel, counsel to the Governmental Lender, Borrower’s counsel and Bank’s counsel); (ii) financial advisor fees, incurred in connection with the closing of the Borrower Loan and the Bank Loan; (iii) certifying and authenticating agent fees and expenses related to funding of the Bank Loan; (iv) any recording fees; (v) any additional fees charged by the Governmental Lender or the Fiscal Agent, including the fees and expenses of the Governmental Lender’s financial advisor; (vi) costs incurred in connection with the required public notices generally and costs of the public hearing; and (vii) fees paid to the Bank in connection with the origination of the Governmental Lender Loan.

“County” means the County of San Diego, California.

“Deed of Trust” means the Deed of Trust, Security Agreement, Absolute Assignment of Leases and Rents and Fixture Filing, dated as of [July 1], 2018, executed by the Borrower and granting a security interest in the Project, to Fidelity National Title Insurance Company, as trustee, for the benefit of the Governmental Lender, in order to secure the Borrower’s obligations under the Borrower Note to repay the Borrower Loan, and all obligations related thereto under this Borrower Loan Agreement.

“Disbursement Agreement” means the Construction Disbursement Agreement, dated as of July 1, 2018, between the Bank and the Borrower, as amended and supplemented from time to time in accordance with its terms.

“Equity Contributions” shall mean the equity to be contributed by the Equity Investor in accordance with and subject to the terms of the Partnership Agreement.

“Equity Investor” means [WNC Entity – to be confirmed], a [_____] [limited liability company], and its successors and assigns.

“Environmental Indemnity Agreement” means the Environmental Indemnity Agreement, dated as of July 1, 2018, by the Borrower and the Guarantor in favor of the Bank.

“Event of Default” means any of the events described as an event of default in Section 7.1 hereof.

“Fiscal Agent” shall mean the Fiscal Agent from time to time under and pursuant to the Bank Loan Agreement. Initially, the Fiscal Agent is U.S. Bank National Association.

“Force Majeure” shall mean without limitation, the following: acts of God; strikes, lockouts or other industrial disturbances; acts of terrorism or of public enemies; orders or restraints of any kind of the government of the United States of America or of the State or any of their

departments, agencies, political subdivisions or officials, or any civil or military authority; insurrections; civil disturbances; riots; epidemics; landslides; lightning; earthquakes; fires; hurricanes; tornados; storms; droughts; floods; arrests; restraint of government and people; explosions; breakage, malfunction or accident to facilities, machinery, transmission pipes or canals; partial or entire failure of utilities; shortages of labor, materials, supplies or transportation; or any cause, circumstance or event not reasonably within the control of the Borrower; provided Borrower shall notify the Bank of any such event within 10 calendar days after the occurrence thereof.

“General Partner” means Parkside GP LLC, a California limited liability company.

“Good Costs” has the meaning given to such term in Section 3.2(a) of the Tax Certificate.

“Governmental Lender” the Housing Authority of the City of San Diego, a public body corporate and politic, organized and existing under the laws of the State of California, together with its successors and assigns.

“Governmental Lender Annual Fee” has the meaning given such term in the Regulatory Agreement.

“Governmental Lender Issuance Fee” has the meaning given such term in the Regulatory Agreement.

“Governmental Lender Loan” means the mortgage loan originated under the Bank Loan Agreement by the Bank to the Governmental Lender initially in a maximum principal amount of \$[5,500,000], evidenced by the Governmental Lender Note, for the purpose of enabling the Governmental Lender to make the Borrower Loan to the Borrower pursuant to the terms of this Borrower Loan Agreement.

“Governmental Lender Note” means the promissory note evidencing the Governmental Lender Loan in the maximum principal amount of \$[5,500,000], executed by the Governmental Lender, in the form attached to the Bank Loan Agreement as Exhibit A thereto.

“Gross Income” has the meaning ascribed to such term in the Regulatory Agreement.

“Guarantor” means National Community Renaissance of California.

“Guaranty” means the Guaranty of Payment and Performance, dated as of July 1, 2018, by the Guarantor in favor of the Bank.

“Inducement Date” means December 11, 2017, being the date of adoption of Resolution HA-1774 by the Governmental Lender.

“Initial Disbursement” means the initial advance of the principal of the Borrower Loan on the Closing Date in the amount of the Initial Disbursement (as defined in the Bank Loan Agreement) of the Governmental Lender Loan.

“Loan Documents” means this Borrower Loan Agreement, the Bank Loan Agreement, the Regulatory Agreement, the Borrower Note, the Governmental Lender Note, the Borrower Assignments, the Deed of Trust, the Continuing Covenants Agreement and the Disbursement Agreement.

“Low Income Tenants” has the meaning ascribed to such term in the Regulatory Agreement.

“Partnership Agreement” means the Amended and Restated Agreement of Limited Partnership of Parkside SD Apartments, L.P., as executed by the parties thereto or as thereafter amended or restated in accordance with its terms.

“Project” shall mean the Property (as defined in the Deed of Trust) and Improvements thereon owned by the Borrower and encumbered by the Deed of Trust, together with all rights pertaining to such real property and Improvements, as more particularly described in the Granting Clauses of the Deed of Trust and referred to therein as the “Property”.

“Project Costs” means, to the extent authorized by the Act, any and all costs and expenses incurred by the Borrower with respect to the acquisition, financing, rehabilitation and/or operation of the Project, whether paid or incurred prior to or after the Closing Date, including, without limitation, costs for the acquisition of property, the cost of consultant, accounting and legal services, appraisal costs, other expenses necessary or incident to the acquisition of the Project, and administrative expenses, and interest on the Borrower Loan.

“Property” means, the site on which the Project is located.

“Purchase Option” means any option of a partner of the Borrower to purchase the Project and a fee interest, in the Property contemplated by the Partnership Agreement or documents related to the Partnership Agreement.

“Qualified Project Period” has the meaning given to such term in the Regulatory Agreement.

“Regulations” means the income tax regulations promulgated by the United States Department of the Treasury from time to time pursuant to the Code.

“Regulatory Agreement” shall mean that certain Regulatory Agreement and Declaration of Restrictive Covenants, dated as of July 1, 2018, among the Governmental Lender, the Fiscal Agent and the Borrower, as in effect on the Closing Date and as it may thereafter be amended or modified in accordance with its terms.

“State” means the State of California.

“Tax Certificate” shall mean the Tax Certificate and Agreement, dated the Closing Date, executed and delivered by the Governmental Lender and the Borrower.

“Tax Counsel” shall have the meaning set forth in the Bank Loan Agreement.

“Taxes” shall mean all real estate and personal property taxes, assessments, water rates or sewer rents, now or hereafter levied or assessed or imposed against all or part of the Project.

Section 1.2. Interpretation. Unless the context clearly requires otherwise, words of masculine gender shall be construed to include correlative words of the feminine and neuter genders and vice versa, and words of the singular number shall be construed to include correlative words of the plural number and vice versa. This Borrower Loan Agreement and all the terms and provisions hereof shall be construed to effectuate the purpose set forth herein and to sustain the validity hereof.

Section 1.3. Recitals, Titles and Headings. The terms and phrases used in the recitals of this Borrower Loan Agreement have been included for convenience of reference only, and the meaning, construction and interpretation of all such terms and phrases for purposes of this Borrower Loan Agreement shall be determined by references to Section 1.1 hereof. The titles and headings of the articles and sections of this Borrower Loan Agreement have been inserted for convenience of reference only and are not to be considered a part hereof, and shall not in any way modify or restrict any of the terms or provisions hereof and shall never be considered or given any effect in construing this Borrower Loan Agreement or any provision hereof or in ascertaining intent, if any question of intent should arise.

ARTICLE II

REPRESENTATIONS AND WARRANTIES

Section 2.1. Representations and Warranties of the Governmental Lender. The Governmental Lender represents, warrants and covenants that:

(a) The Governmental Lender is a joint exercise of powers agency duly organized and existing under the laws of the State and is duly authorized to execute and deliver the Governmental Lender Note and to perform its obligations under this Borrower Loan Agreement.

(b) All requirements have been met and procedures have occurred in order to authorize the execution and delivery of this Borrower Loan Agreement. The Governmental Lender has taken all necessary action and has complied with all provisions of the law required to make this Borrower Loan Agreement a valid and binding limited obligation of the Governmental Lender, except to the extent limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors’ rights generally, by the application of equitable principles regardless of whether enforcement is sought in a proceeding at law or in equity, or by public policy.

(c) The Loan Documents to which the Governmental Lender is a party have been duly executed and delivered by the Governmental Lender, and the Governmental Lender has taken such actions as are necessary to cause the Loan Documents to which it is a party, when duly authorized, executed and delivered by the other respective parties thereto, to be valid and binding obligations of the Governmental Lender, enforceable against the Governmental Lender in

accordance with their respective terms, except as limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting the rights of creditors generally.

(d) To the best knowledge of the Governmental Lender, there is no action, suit, proceeding, inquiry or investigation by or before any court, governmental agency or public board or body pending or threatened against the Governmental Lender (i) affects or questions the existence or the territorial jurisdiction of the Governmental Lender or the title to office of any members of the Board of Directors of the Governmental Lender; (ii) affects or questions the validity or enforceability of this Borrower Loan Agreement or the Regulatory Agreement; or (iv) questions the tax-exempt status of interest on the Governmental Lender Note.

The Governmental Lender makes no representation or warranty, either express or implied, that the Project will be adequate or sufficient for the purposes of the Borrower. Nothing in this Borrower Loan Agreement shall be construed as requiring the Governmental Lender to provide any financing for the Project other than the proceeds of the Borrower Loan, or to provide sufficient moneys for all of the costs of the Project.

Section 2.2. Representations, Warranties and Covenants of the Borrower. The Borrower represents, warrants and covenants that:

(a) The Borrower is a limited partnership, duly organized and in good standing under the laws of the State of California and has full legal right, power and authority (i) to enter into this Borrower Loan Agreement and the other Loan Documents to which it is a party; (ii) to perform its obligations hereunder and thereunder; and (iii) to consummate the transactions on its part contemplated by the Loan Documents.

(b) The Loan Documents to which it is a party have been duly authorized, executed and delivered by the Borrower and, upon the execution thereof by the other respective parties thereto, constitute valid and binding obligations of the Borrower, enforceable in accordance with their respective terms, except as limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws or judicial decisions affecting the rights of creditors generally.

(c) The execution and delivery of the Loan Documents to which it is a party, the performance by the Borrower of its obligations hereunder and thereunder and the consummation of the transactions contemplated hereby and thereby do not require the consent or approval of any other person, regulatory agency or governmental body (other than the other parties to the Loan Documents) and will not violate the Partnership Agreement, or any law, regulation, rule or ordinance or any order, judgment or decree of any federal, state or local court and do not conflict with, or constitute a breach of, or a default under, any document, instrument or commitment to which the Borrower is a party or by which the Borrower or any of its property is bound.

(d) The execution and delivery of this Borrower Loan Agreement and the Regulatory Agreement, the performance of by the Governmental Lender of its obligations hereunder and thereunder and the consummation of the transactions on its part contemplated hereby and thereby, including, without limitation, the loaning of the amounts herein set forth to

the Borrower, do not violate any law, rule, regulation or ordinance or any order, judgement or decree of any federal, state or local court, and do not conflict with, or constitute a breach of, or a default under the terms and conditions of any agreement, instrument or commitment to which the Governmental Lender is a party or by which the Governmental Lender or any of its property is bound.

(e) There is no action, suit, proceeding, inquiry or investigation by or before any court, governmental agency or public board or body pending or threatened against the Borrower which (i) affects or seeks to prohibit, restrain or enjoin the loaning of the amounts set forth herein to the Borrower or the execution and delivery of this Borrower Loan Agreement or the other Loan Documents, (ii) affects or questions the validity or enforceability of this Borrower Loan Agreement or the other Loan Documents, or (iii) questions the power or authority of the Borrower to carry out the transactions contemplated by, or to perform its obligations under, this Borrower Loan Agreement or the other Loan Documents to which it is a party, or the powers of the Borrower to own, acquire, rehabilitate or operate the Project; and no other event has occurred which may materially adversely affect the Borrower's financial condition or its properties.

(f) The Borrower is not in default (and no event has occurred and is continuing which with the giving of notice or the passage of time or both could constitute a default) under any document, instrument or commitment to which the Borrower is a party or to which it or any of its property is subject which default would or could affect the ability of the Borrower to carry out its obligations under this Borrower Loan Agreement or the other Loan Documents.

(g) Any certificate signed by a Borrower Representative and delivered pursuant to this Borrower Loan Agreement or the other Loan Documents shall be deemed a representation and warranty by the Borrower as to the statements made therein.

(h) The Project is located wholly within the City.

(i) The Borrower will obtain all necessary certificates, approvals, permits and authorizations with respect to the acquisition, rehabilitation and operation of the Project from applicable local governmental agencies and agencies of the State of California and the federal government.

(j) The Borrower shall make no changes to the Project or to the operation thereof which would affect the qualification of the Project under the Act or the Code, or impair the exclusion from gross income for federal income tax purposes of the interest on the Governmental Lender Note. The Borrower intends to utilize the Project as multifamily rental housing for a period ending on the later of the end of the Qualified Project Period or the expiration of the CDLAC Conditions (as defined in the Regulatory Agreement).

(k) Not in excess of two percent (2.00%) of the proceeds of the Borrower Note will be used to pay Costs of Issuance.

(l) The acquisition, rehabilitation and operation of the Project in the manner presently contemplated and as described herein and in the Regulatory Agreement will not conflict with any zoning, water or air pollution or other ordinance, order, law or regulation applicable

thereto. The Borrower will cause the Project to be operated in all material respects in accordance with all applicable federal, state and local laws or ordinances (including rules and regulations) relating to zoning, building, safety and environmental quality.

(m) The Borrower acknowledges, represents and warrants that it understands the nature and structure of the Project; that it is familiar with the provisions of all of the documents and instruments relating to the financing of the Project to which it or the Governmental Lender is a party or of which it is a beneficiary; and that it understands the risks inherent in such transactions, including without limitation the risk of loss of the Project; and that it has not relied on the Governmental Lender for any guidance or expertise in analyzing the financial or other consequences of the transactions contemplated by the Loan Documents or otherwise relied on the Governmental Lender for advice.

(n) The Borrower intends to hold the Project for its own account, has no current plans to sell and has not entered into any agreement to sell the Project, except in accordance with the terms of the Regulatory Agreement, the Deed of Trust, the Continuing Covenants Agreement, and a possible sale to the general partner of the Borrower or an affiliate thereof as reflected in the Borrower's partnership agreement or the exhibits thereto.

(o) Neither the Borrower nor any related person thereto will purchase the Governmental Lender Note in an amount related to the amount of the Borrower Loan.

(p) In the event the Governmental Lender Loan proceeds are not sufficient to complete the acquisition and rehabilitation of the Project, the Borrower will furnish any additional moneys necessary to complete the acquisition and rehabilitation of the Project.

(q) All of the proceeds from the Governmental Lender Note plus the income from the investment of the proceeds of the Governmental Lender Note will be used to pay or reimburse the Borrower for Project Costs, and at least 97% of the proceeds of the Governmental Lender Note will be used to pay or reimburse the Borrower for Good Costs and less than 25% of the proceeds of the Governmental Lender Note will be used to pay or reimburse the Borrower for the cost of land or any interest therein. The Borrower shall assure that the proceeds of the Governmental Lender Note are expended so as to cause the Governmental Lender Note to constitute a "qualified residential rental bond" within the meaning of Section 142(d) of the Code.

(r) The estimated total cost of the financing of the acquisition and rehabilitation of the Project is equal to or in excess of the maximum principal amount of the Governmental Lender Loan.

(s) The Borrower has not knowingly taken or permitted to be taken and will not knowingly take or permit to be taken any action which would have the effect, directly or indirectly, of causing interest on the Governmental Lender Note to be included in the gross income of the owner thereof for purposes of federal income taxation.

(t) The Borrower covenants that it shall not take, or permit or suffer to be taken by the Bank or otherwise, any action with respect to the proceeds of the Governmental Lender Note which, if such action had been reasonably expected to have been taken, or had been

deliberately and intentionally taken on the Closing Date, would have caused the Governmental Lender Note to be an “arbitrage bond” within the meaning of Section 148(a) of the Code.

(u) The Borrower has examined and is familiar with all the easements, covenants, conditions, restrictions, reservations, building laws, regulations, zoning ordinances, and federal, state, and local requirements affecting the Project. The Project will at all times and in all respects conform to and comply with the requirements of such easements, covenants, conditions, restrictions and reservations.

(v) Each financial statement of Borrower supplied to the Governmental Lender or the Bank truly and completely disclosed Borrower’s financial condition as of the date of the statement, and there has been no material adverse change in Borrower’s financial condition subsequent to the date of the most recent financial statement supplied to the Governmental Lender or the Bank except as disclosed on a subsequent financial statement. Borrower has no material contingent obligations except as disclosed in such financial statements.

(w) The Project Costs as set forth by the Borrower to the Governmental Lender, the Fiscal Agent and the Bank in writing prior to the date of the first disbursement of the Borrower Loan truly and accurately reflect the Borrower’s reasonable estimate of the costs necessary to complete the acquisition and rehabilitation of the Project.

(x) All utility services appropriate to the use of the Project are being provided to the Project.

(y) The Project is contiguous to publicly dedicated streets, roads, or highways providing access to the Project.

(z) The Borrower shall take all actions required under the Partnership Agreement to cause the funding of all capital contributions to the Borrower at the times and in the amounts set forth in the Partnership Agreement.

Section 2.3. Hazardous Waste Covenant. In addition to and without limitation of any other representations, warranties and covenants made by the Borrower under this Borrower Loan Agreement and under the Regulatory Agreement, the Continuing Covenants Agreement and the Deed of Trust, the Borrower further represents, warrants and covenants that (a) the Borrower will not use Hazardous Materials (as defined hereinafter) on, from, or affecting the Project (i) in any manner which violates federal, state or local laws, ordinances, rules, or regulations governing the use, storage, treatment, transportation, manufacture, refinement, handling, production or disposal of Hazardous Materials, or (ii) in a manner that would create a material adverse effect on the Project, and that, (b) to the best of the Borrower’s knowledge, no prior owner of the Project or any tenant, subtenant, prior tenant or prior subtenant has used Hazardous Materials on, from, or affecting the Project (i) in any manner which violates Federal, state or local laws, ordinances, rules, or regulations governing the use, storage, treatment, transportation, manufacture, refinement, handling, production or disposal of Hazardous Materials, or (ii) in a manner that would create a material adverse effect on the Project. Without limiting the foregoing, the Borrower shall not cause or knowingly permit the Project or any part thereof to be used to generate, manufacture,

refine, transport, treat, store, handle, dispose, transfer, produce or process Hazardous Materials, except in compliance with all applicable Federal, state and local laws or regulations, nor shall the Borrower cause or knowingly permit, as a result of any intentional or unintentional act or omission on the part of the Borrower or any tenant or subtenant, a release of Hazardous Materials on to the Project or on to any other property in a manner which violates Federal, State, or local laws, ordinances, rules or regulations or in a manner that would create a material adverse effect on the Project. The Borrower shall comply with and require compliance by all tenants and subtenants with all applicable Federal, state and local laws, ordinances, rules and regulations, and shall obtain and comply with, and require that all tenants and subtenants obtain and comply with, any and all approvals, registrations or permits required thereunder. The Borrower shall conduct and complete all investigations, studies, sampling, and testing, and all remedial, removal, and other action required by a governmental authority under an applicable statute or regulation to clean up and remove all Hazardous Materials, on, from, or affecting the Project in accordance with all applicable Federal, state, and local laws, ordinances, rules, and regulations. The Borrower shall defend, indemnify, and hold harmless the Governmental Lender from and against any claims, demands, penalties, fines, liabilities, settlements, damages, costs, or expenses of whatever kind or nature, known or unknown, contingent or otherwise, arising out of, or in any way related to, (a) the presence, disposal, release, or threatened release of any Hazardous Materials which are on or from the Project which affect, the soil, water, vegetation, buildings, personal property, persons, animals, or otherwise; (b) any personal injury (including wrongful death) or property damage (real or personal) arising out of or related to such Hazardous Materials on or from the Project, and/or (c) any violation of laws, orders, regulations, requirements or demands of government authorities, or written requirements of the Governmental Lender, which are based upon or in any way related to such Hazardous Materials including, without limitation, reasonable attorney and consultant fees, investigation and laboratory fees, court costs, and litigation expenses. In the event the Project is foreclosed upon, or a deed in lieu of foreclosure is tendered, or this Borrower Loan Agreement is terminated, the Borrower shall deliver the Project in a manner and condition that shall conform with all applicable Federal, state and local laws, ordinances, rules or regulations affecting the Project. For the purposes of this paragraph, "Hazardous Materials" includes, without limit, any flammable explosives, radioactive materials, hazardous materials, hazardous wastes, hazardous or toxic substances, or related materials defined in the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended (42 U.S.C. Sections 9601, et seq.), the Hazardous Materials Transportation Act, as amended (49 U.S.C. Sections 1801 et seq.), the Resource Conservation and Recovery Act, as amended (42 U.S.C. Sections 9601 et seq.), and in the regulations promulgated pursuant thereto, or any other federal, state or local environmental laws, ordinance, rule, or regulation. Notwithstanding the foregoing, "Hazardous Materials" shall not include substances typically used in the ordinary course of developing, operating and maintaining apartment complexes, provided that such substances are used in accordance with applicable laws and regulations. The provisions of this paragraph: (a) shall be in addition to any and all other obligations and liabilities the Borrower may have to the Governmental Lender at common law, and (b) with respect to any liability or cost arising as a result of acts or omissions of the Borrower during the term of this Borrower Loan Agreement, shall survive the termination of this Borrower Loan Agreement. This paragraph shall not obligate the Borrower in any way with respect to any acts or omissions of any entity to which the Project is sold or transferred in accordance with the provisions of Sections 12 of the Regulatory Agreement or which are

attributable solely to the willful misconduct of the Governmental Lender or the Bank or their agents or assigns.

The indemnifications and protections set forth in this Section 2.3 (i) shall be extended, with respect to the Governmental Lender, to its members, directors, officers, employees, agents and servants and persons under the Governmental Lender's control or supervision, and (ii) shall be for the full and equal benefit of the Bank, as assignee of the Governmental Lender under the Assignment Agreement.

Anything to the contrary in this Borrower Loan Agreement notwithstanding, the covenants of the Borrower contained in this Section 2.3 shall remain in full force and effect after the termination of this Borrower Loan Agreement until the later of (i) the expiration of the period stated in the applicable statute of limitations during which a claim or cause of action may be brought and (ii) payment in full or the satisfaction of such claim or cause of action and of all expenses and charges incurred by the Governmental Lender relating to the enforcement of the provisions herein specified.

For the purposes of this Section 2.3, the Borrower shall not be deemed an employee, agent or servant of the Governmental Lender or person under Authority's control or supervision.

Section 2.4. Additional Environmental Matters. (a) The Borrower shall require in any management agreement for the Project that the management company shall operate and maintain the Project in material compliance with all applicable federal, state, regional, county or local laws, statutes, rules, regulations or ordinances, concerning the environment, including, but not limited to, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986, 42 U.S.C. Section 9601 et seq., the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act of 1976, as amended by the Hazardous and Solid Waste Amendments of 1984, 42 U.S.C. Section 6901 et seq., the Emergency Planning and Community Right-to-Know Act of 1986, 42 U.S.C. Section 11001 et seq., and the Clean Air Act of 1975, 42 U.S.C. Section 4321, and all rules, regulations and guidance documents promulgated or published thereunder, and any state, regional, county or local statute, law, rule, regulation or ordinance relating (i) to releases, discharges, emissions or disposal to air, water, land or ground water, (ii) to the withdrawal or use of ground water, (iii) to the use, handling or disposal or polychlorinated biphenyls ("PCBs"), asbestos or urea formaldehyde, (iv) to the treatment, storage, disposal or management of hazardous substances (including, without limitation, petroleum, its derivatives, crude oil or any fraction thereof) and any other solid, liquid or gaseous substance, exposure to which is prohibited, limited or regulated, or may or could pose a hazard to the health and safety of the occupants of the Project or the property adjacent to or surrounding the Project, (v) to the exposure of persons to toxic, hazardous or other controlled, prohibited or regulated substances or (vi) to the transportation, storage, disposal, management or release of gaseous or liquid substances and any regulation, order, injunction, judgment, declaration, notice or demand issued thereunder.

(b) The Borrower shall make best efforts to prevent the imposition of any liens or encumbrances against the Project for the costs of any response, removal or remedial action or cleanup of Hazardous Materials.

(c) The Borrower covenants and agrees that it will not knowingly conduct or allow to be conducted any business, operations or activity on the Project, or employ or use the Project to manufacture, treat, store (except with respect to storage in the ordinary operation of the Project), or dispose of any Hazardous Materials (including, without limitation, petroleum, its derivatives, crude oil or any fraction thereof), or any other substance the disposal of which is prohibited, controlled or regulated under applicable law, or which poses a threat or nuisance to safety, health or the environment, including, without limitation, any business, operation or activity which would bring the Project within the ambit of, or otherwise violate, the Resource Conservation and Recovery Act of 1976, as amended by the Hazardous and Solid Waste Amendments of 1984, 42 U.S.C. Section 6901 et seq., or cause or knowingly allow to be caused, a release or threat of release, of a nondiminimis quantity of hazardous substances on the Project as defined by, and within the ambit of, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986, 42 U.S.C. Section 9601 et seq., or any similar state, county, regional or local statute providing for financial responsibility for cleanup for the release or threatened release of substances provided for thereunder.

(d) The Borrower covenants and agrees that it shall take all appropriate response action, including any removal and remedial action, in the event of a release, emission, discharge or disposal of Hazardous Materials in, on, under or about the Project for which the Borrower is liable under state, federal or local environmental rules or regulations.

(e) The Borrower shall, as soon as practical and in any event within 15 days, notify the Governmental Lender and the Bank of any notice, letter, citation, order, warning, complaint, claim or demand that (i) the Borrower or any tenant has violated, or is about to violate, any federal, state, regional, county or local environmental, health or safety statute, law, rule, regulation, ordinance, judgment or order; (ii) there has been a release, or there is a threat of release, of Hazardous Materials (including, without limitation, petroleum, its derivatives, crude oil or any fraction thereof) from the Project; (iii) the Borrower or any tenant may be or is liable, in whole or in part, for the costs of cleaning up, remediating, removing or responding to a release of Hazardous Materials (including, without limitation, petroleum, its derivatives, crude oil or any fraction thereof); or (iv) the Project is subject to a lien in favor of any governmental entity in respect of any environmental law, rule or regulation arising from or costs incurred by such governmental entity in response to a release of Hazardous Materials (including, without limitation, petroleum, its derivatives, crude oil or any fraction thereof).

(f) During the period in which the Borrower Loan Agreement is in effect, the Borrower hereby grants, and will cause any tenants to grant, to the Governmental Lender and the Bank, their respective agents, attorneys, employees, consultants and contractors an irrevocable license and authorization upon reasonable notice of not less than 24 hours and at all reasonable times to enter upon and inspect the Project and perform such tests, including, without limitation, subsurface testing, soils and ground water testing, and other tests which may physically invade the Project, as the Governmental Lender or the Bank, in its respective reasonable discretion, determines are necessary to protect the lien created by the Deed of Trust. The Governmental Lender and the Bank and their officers, employees and agents shall indemnify and hold harmless the Borrower, its partners, employees and agents from any and all claims for damages to persons or property arising

from any activity of the Governmental Lender, the Bank, their employees, officers, agents, representatives, contractors, subcontractors or consultants on the Property. The provisions of this Section 2.4 shall be for the full and equal benefit of the Governmental Lender, and of the Bank as assignee of the Governmental Lender under the Assignment Agreement.

(g) The Borrower agrees to protect, defend, hold harmless and indemnify the Governmental Lender and the Bank for, from, against and in respect of any and all claims, losses, liabilities, damages (whether special, consequential or otherwise), settlements, penalties, interest and expenses (including any professional fees and expenses) which may be suffered or incurred by it relating to, arising out of or resulting from or by reason of any and all present or future liabilities or obligations under any current federal, state or local law (including common law), and regulations, orders and decrees relating to pollution control, environmental protection, health, welfare, public safety, personal injury, property damage or any other type of claim relating to the Project, with respect to: (i) the handling, storage, use, transportation or disposal of any Hazardous Materials by the Borrower in or from the Project; (ii) the handling, storage, use, transportation or disposal (whether or not known to the Borrower) of any Hazardous Materials, which Hazardous Materials were products, byproducts or otherwise resulted from operations conducted on the Project; or (iii) any intentional or unintentional emission, discharge or release (whether or not known to the Borrower) of any Hazardous Materials into or upon the air, surface water, ground water or land or any manufacturing, processing, distribution, use, treatment, disposal, transport or handling of such Hazardous Materials. This paragraph shall not obligate the Borrower with respect to any acts or omissions of any entity to whom the Project or any portion thereof is sold or transferred in accordance with the provisions of Section 12 of the Regulatory Agreement, or which are attributable to the willful misconduct of the Governmental Lender or the Bank or their agents or assigns.

ARTICLE III

THE BORROWER LOAN

Section 3.1. Closing of the Borrower Loan. The closing of the Borrower Loan shall not occur until the following conditions are met:

(a) the Governmental Lender shall have received an original executed counterpart of this Borrower Loan Agreement, the Regulatory Agreement, the Borrower Assignments, the Disbursement Agreement, the Continuing Covenants Agreement and the Deed of Trust, and a copy of the Borrower Note (the original of Borrower Note to be endorsed by the Governmental Lender to the Bank without recourse, and is to be delivered to the Bank), as well as evidence satisfactory to the Governmental Lender and the Bank of (i) the recordation of the Regulatory Agreement, the Subordination Agreement and the Deed of Trust (the "Recording Documents") in the official records of the County Recorder of the County, which may be by telephonic notice from a title company, or (ii) an insured lien in the form of gap coverage from a title company, together with escrow instructions providing for the recording of the Recording Documents in the official records of the County Recorder of the County after the Closing Date;

(b) no Event of Default nor any event which with the passage of time and/or the giving of notice would constitute an Event of Default under this Borrower Loan Agreement shall have occurred as evidenced by a certificate received from the Borrower;

(c) the conditions to the initial advance set forth in the Disbursement Agreement and the Continuing Covenants Agreement have been satisfied in full;

(d) the Bank shall have received the original Governmental Lender Note, executed by the Governmental Lender;

(e) the Bank shall have received a certified copy of the resolution of the Governmental Lender authorizing the issuance of the Governmental Lender Note;

(f) the Bank shall have received an opinion of bond counsel in a form reasonably acceptable to the Bank with respect to the enforceability against the Governmental Lender of the Loan Documents to which the Governmental Lender is a party and as to the tax-exempt nature of the interest on the Governmental Lender Note;

(g) the delivery to the Fiscal Agent or into escrow of all amounts required to be paid in connection with the Governmental Lender Loan and the Borrower Loan on the Closing Date, including amounts related to the underlying real estate transaction to be paid on the Closing Date;

(h) the receipt by the Governmental Lender of the Required Transferee Representations executed by the Bank in the form set forth in Exhibit B to the Bank Loan Agreement;

(i) all legal matters incident to the transactions contemplated by this Borrower Loan Agreement shall be concluded to the reasonable satisfaction of the counsel to the Governmental Lender and counsel to the Bank;

(j) the Governmental Lender and the Bank shall have received an opinion of counsel to the Borrower addressed to the Governmental Lender and the Bank to the effect that the Loan Documents to which the Borrower is a party are valid and binding obligations of the Borrower, enforceable against the Borrower in accordance with their terms, subject to such exceptions and qualifications as are acceptable to the Governmental Lender and the Bank; and

(k) the Bank and the Governmental Lender shall have received such other documents or opinions as the Bank or the Governmental Lender may reasonably require.

Section 3.2. Commitment to Execute the Borrower Note. The Borrower agrees to execute and deliver the Borrower Note and the Deed of Trust simultaneously with the execution of this Borrower Loan Agreement.

Section 3.3. Amount and Source of Loan. The Governmental Lender hereby makes to the Borrower and agrees to fund, and the Borrower hereby accepts from the Governmental Lender, upon the terms and conditions set forth herein, the Borrower Loan and agrees to have the proceeds

of the Borrower Loan applied and disbursed in accordance with the provisions of this Borrower Loan Agreement.

Section 3.4. Disbursement of Borrower Loan Proceeds. (a) The Governmental Lender hereby authorizes and directs the funding and disbursement of the initial principal amount of the Borrower Loan on the Closing Date in the amount set forth in the Bank's Receipt of the Governmental Lender Note and Borrower Note and Acknowledgement of Funding of Loan, as executed and delivered by the Bank on the Closing Date, subject to the condition that (i) the Regulatory Agreement and the Deed of Trust shall have been executed and signed by the Borrower and duly recorded in the office records of the County Recorder of the County, and (ii) the Borrower has complied with the conditions to the initial funding set forth in the Disbursement Agreement and the Continuing Covenants Agreement. The Borrower hereby authorizes the Governmental Lender to disburse on the date of execution and delivery of the Borrower Note the amount representing the Initial Disbursement to Fidelity National Title Insurance Company, to be used to pay costs identified in the instructions to Fidelity National Title Insurance Company delivered in connection with the recordation of the Deed of Trust and the Regulatory Agreement.

(b) The Governmental Lender hereby authorizes and directs the funding and disbursement of the remaining principal amount of the Borrower Loan (not referenced in Section 3.4(a) above), subject to the conditions set forth in the Disbursement Agreement and the Continuing Covenants Agreement. Any disbursement of the remaining principal amount of the Borrower Loan shall be used to pay Project Costs. No further disbursements of the Borrower Loan shall be made after the date which is three (3) years after the Closing Date.

(c) The Borrower has advised the Governmental Lender of the Borrower's intent that the proceeds of the Governmental Lender Note be used exclusively to pay the Project Costs which are includable in the aggregate basis of the buildings and related land constituting the Project (the "Allowable Costs"), in order to comply with Section 42(h)(4)(B) of the Internal Revenue Code of 1986, as amended. The Borrower, in submitting requests for disbursement of the Borrower Loan under the Disbursement Agreement, shall maintain such accounting and other records as shall be necessary to carry out the Borrower's intent with respect to tracing the use of the Governmental Lender Loan proceeds, and the Governmental Lender shall have no responsibility whatsoever with respect thereto. The Borrower hereby covenants that each request for a disbursement of the Borrower Loan will identify the respective amounts of proceeds of the Governmental Lender Loan and the other sources of funds comprising each respective disbursement, and shall represent that proceeds of the amount requested will only be expended for Allowable Costs or will be deposited in a specially designated account which can be used only to pay Allowable Costs, and that the proceeds of any other sources of funds will be deposited into another, separate account.

ARTICLE IV

LIMITED LIABILITY

Section 4.1. Limited Liability. All obligations and any liability of the Governmental Lender incurred hereunder shall be limited, special obligations of the Governmental Lender, payable solely and only from amounts received from the Bank pursuant to the Bank Loan

Agreement. All obligations and any liability of the Governmental Lender shall be further limited as provided in Section 4.1 and 5.2 of the Bank Loan Agreement.

The Governmental Lender shall not be obligated to pay the principal (or prepayment price) of or interest on the Governmental Lender Note, except from the Security. Neither the faith and credit nor the taxing power of the State or any political subdivision thereof, nor the faith and credit of the Governmental Lender or any member is pledged to the payment of the principal (or prepayment price) or interest on the Governmental Lender Note. Neither the Governmental Lender nor its members, officers, directors, agents or employees or their successors and assigns shall be liable for any costs, expenses, losses, damages, claims or actions, of any conceivable kind on any conceivable theory, under, by reason of or in connection with this Borrower Loan Agreement, the Governmental Lender Note or the Bank Loan Agreement, except only to the extent amounts are received for the payment thereof from the Borrower under this Borrower Loan Agreement.

The Borrower hereby acknowledges that the Governmental Lender's sole source of moneys to repay the Governmental Lender Note will be provided by the Security, and hereby agrees that if the payments to be made hereunder shall ever prove insufficient to pay all principal (or prepayment price) and interest on the Governmental Lender Note as the same shall become due (whether by maturity, redemption, acceleration or otherwise), then upon notice from the Bank the Borrower shall pay such amounts as are required from time to time to prevent any deficiency or default in the payment of such principal (or prepayment price) or interest, including, but not limited to, any deficiency caused by acts, omissions, nonfeasance or malfeasance on the part of the Bank, the Borrower, the Governmental Lender or any third party, subject to any right of reimbursement from the Bank, the Governmental Lender or any such third party, as the case may be, therefor but solely, in the case of the Governmental Lender, from the Security, other than with respect to any deficiency caused by the willful misconduct of the Governmental Lender.

ARTICLE V

REPAYMENT OF THE BORROWER LOAN

Section 5.1. Borrower Loan Repayment. (a) The Borrower Loan shall be evidenced by the Borrower Note which shall be executed by the Borrower in the form attached hereto as Exhibit A. The Borrower agrees to pay to the Fiscal Agent, as agent of the Governmental Lender under the Assignment Agreement, principal of and interest on the Borrower Loan at the times, in the manner, in the amount and at the rate of interest provided in the Borrower Note and this Borrower Loan Agreement.

(b) The Borrower further agrees to pay all taxes and assessments, general or special, including, without limitation, all ad valorem taxes, concerning or in any way related to the Project, or any part thereof, and any other governmental charges and impositions whatsoever, foreseen or unforeseen, and all utility and other charges and assessments with respect thereto; provided, however, that the Borrower reserves the right to contest in good faith the legality of any tax or governmental charge concerning or in any way related to the Project. In addition, the Borrower agrees to pay any loan fee, processing fee and all title, escrow, recording and closing costs and expenses (including legal fees), any appraisal costs and all other reasonable fees and costs associated with or required in connection with the Governmental Lender Note, the Regulatory Agreement and Bank Loan Agreement; including but not limited to any such amounts described in Section 5.1(c) of the Bank Loan Agreement.

(c) The Borrower hereby acknowledges and consents to the assignment by the Governmental Lender to the Bank of its rights under this Borrower Loan Agreement (excepting only the Governmental Lender's rights under Section 6.7 hereof; and its retained rights under Sections 2.3, 2.4, 5.1(b), 5.1(d), 7.4, 8.7, 8.12 and 8.13 hereunder, together with its rights to receive notice and consent to amendments pursuant to the Loan Documents to which it is a party), and the appointment of the Bank as agent of the Governmental Lender to collect the payments on the Borrower Loan, all as set forth in the Assignment Agreement.

(d) In addition to such payments as provided in this Section 5.1, the Borrower shall also pay to the Governmental Lender, as the case may be, "Additional Payments," as follows:

(i) All taxes and assessments of any type or character charged to the Governmental Lender or the Bank affecting the amount available to the Governmental Lender or the Bank from payments to be received hereunder or in any way arising due to the transactions contemplated hereby (including taxes and assessments assessed or levied by any public agency or governmental authority of whatsoever character having power to levy taxes or assessments) but excluding franchise taxes based upon the capital and/or income of the Bank and taxes based upon or measured by the net income of the Bank; provided, however, that the Borrower shall have the right to protest any such taxes or assessments and to require the Governmental Lender or the Bank, at the Borrower's expense, to protest and contest any such taxes or assessments levied upon them and that the Borrower shall have the right to withhold payment of any such taxes or assessments pending disposition of any such protest or contest unless such withholding, protest or

contest would adversely affect the rights or interests of the Governmental Lender or the Bank;

(ii) The reasonable fees and expenses of such accountants, consultants, attorneys and other experts as may be engaged by the Governmental Lender to prepare audits, financial statements, reports, opinions or provide such other services required under the Bank Loan Documents; and

(iii) The Governmental Lender Issuance Fee, the Governmental Lender Annual Fee and the reasonable fees and expenses of the Governmental Lender or any agent or attorney selected by the Governmental Lender to act on its behalf in connection with the Bank Loan Documents, the Governmental Lender Note or the Bank Loan Agreement, including, without limitation, any and all reasonable expenses incurred in connection with the authorization, issuance, sale and delivery of any such Governmental Lender Note or in connection with any litigation, investigation or other proceeding which may at any time be instituted involving this Borrower Loan Agreement or the Bank Loan Documents or any of the other documents contemplated thereby, or in connection with the reasonable supervision or inspection of the Borrower, its properties, assets or operations or otherwise in connection with the administration of the Bank Loan Documents.

(iv) Any amounts due and payable by the Borrower as arbitrage rebate under Section 148 of the Code, pursuant to Borrower's covenants and agreements with respect thereto in this Borrower Loan Agreement and the Tax Certificate.

(v) To the Fiscal Agent, all fees, charges, costs, advances, indemnities and expenses including agent and counsel fees, of Fiscal Agent incurred under the Borrower Loan Documents or the Funding Loan Documents as and when the same become due.

Such Additional Payments shall be billed to the Borrower by the Governmental Lender from time to time, together with a statement certifying that the amount billed has been incurred or paid by the Governmental Lender for one or more of the above items. After such a demand, amounts so billed shall be paid by the Borrower within thirty (30) days after the date of invoice. Notwithstanding the foregoing, the Governmental Lender shall not be required to submit a bill to the Borrower for payment of the Governmental Lender Annual Fee or any amounts due with respect to arbitrage rebate under Section 148 of the Code, the calculation and payment for which is the responsibility of the Borrower.

The Governmental Lender Issuance Fee and the initial Governmental Lender Annual Fee shall be paid to the Governmental Lender by the Borrower on the Closing Date. Thereafter, the Governmental Lender Annual Fee shall be due and payable by the Borrower in advance on [July] 1 of each year commencing with the first such date following the Closing Date. The Borrower's obligation to pay the Governmental Lender Issuance Fee and the Governmental Lender Annual Fee shall in no way limit amounts payable by the Borrower to the Governmental Lender under the Bank Loan Documents, including for the enforcement thereof, but the Governmental Lender does agree to apply the Governmental Lender Annual Fee to the payment of any third party

administrator appointed by it to administer the Regulatory Agreement to the extent of its fees for ordinary duties as administrator thereunder.

These obligations in this Section 5.1(d) and those in Section 6.7 shall remain valid and in effect notwithstanding repayment of the loan hereunder or termination of this Borrower Loan Agreement or the Bank Loan Agreement.

Section 5.2. Nature of the Borrower's Obligations. The Borrower shall repay the Borrower Loan pursuant to the terms of the Borrower Note irrespective of any rights of set-off, recoupment or counterclaim the Borrower might otherwise have against the Governmental Lender, the Fiscal Agent, the Bank or any other person. The Borrower will not suspend, discontinue or reduce any such payment or (except as expressly provided herein) terminate this Borrower Loan Agreement for any cause, including, without limiting the generality of the foregoing, (i) any delay or interruption in the operation of the Project; (ii) the failure to obtain any permit, order or action of any kind from any governmental agency relating to the Borrower Loan or the Project; (iii) any event constituting Force Majeure; (iv) any acts or circumstances that may constitute commercial frustration of purpose; (v) any change in the laws of the United States of America, the State or any political subdivision thereof; or (vi) any failure of the Governmental Lender or the Borrower to perform or observe any covenant, whether expressed or implied, or to discharge any duty, liability or obligation arising out of or connected with the Borrower Note; it being the intention of the parties that, as long as the Borrower Note or any portion thereof remain outstanding and unpaid, the obligation of the Borrower to repay the Borrower Loan and provide such moneys shall continue in all events. This Section 5.2 shall not be construed to release the Borrower from any of its obligations hereunder, or, except as provided in this Section 5.2, to prevent or restrict the Borrower from asserting any rights which it may have against the Governmental Lender under the Borrower Note or the Deed of Trust or under any provision of law or to prevent or restrict the Borrower, at its own cost and expense, from prosecuting or defending any action or proceeding by or against the Governmental Lender or the Bank or taking any other action to protect or secure its rights.

Notwithstanding the foregoing, except for obligations under the Guaranty and the Environmental Indemnity Agreement, neither the general partner nor any limited partner of the Borrower shall be personally liable for the amounts owing under this Borrower Loan Agreement, the Borrower Note or the Deed of Trust; and the Governmental Lender's remedies in the event of a default under the Borrower Loan shall be limited to those remedies set forth in Section 7.3 hereof and the commencement of foreclosure under the Deed of Trust and the exercise of the power of sale or other rights granted thereunder. Notwithstanding the Assignment Agreement, no assignment by the Governmental Lender of its rights hereunder shall preclude the Governmental Lender from proceeding directly against the Borrower in connection with the obligation of the Borrower to indemnify the Governmental Lender under Section 6.7 hereof or Section 9 of the Regulatory Agreement or to make any payment to the Governmental Lender required to be paid by the Borrower pursuant to the provisions of Sections 2.3, 2.4, 5.1(b), 5.1(d), 7.4 or 8.12 hereof. Nothing in this Section 5.2 shall prohibit the Borrower from contesting in good faith any lien (other than the liens of the Deed of Trust).

Section 5.3. No Encumbrances. The Borrower shall not create, permit, file or record against the Project without the prior written consent of the Bank and the Governmental Lender any

deed of trust lien or other lien, inferior or superior to the lien of the Deed of Trust, other than (i) the Permitted Encumbrances, as defined in the Disbursement Agreement, and grants and loans which are being subordinated concurrently with the making of the Borrower Loan; (ii) the [Purchase Option]; and (iii) liens for taxes not yet due and payable.

Section 5.4. Exceptions to Non-Recourse Liability. Notwithstanding Section 5.2 or any other provision of this Borrower Loan Agreement, the Governmental Lender (and the Bank, as assignee of the Governmental Lender) shall have the right to recover from the Borrower the following:

(a) any loss, damage or cost (including, but not limited to, attorney's fees) resulting from fraud or intentional misrepresentation by the Borrower or the Borrower's agents or employees in connection with obtaining the Borrower Loan or in complying with any of Borrower's obligations under the Loan Documents;

(b) insurance proceeds, condemnation awards, security deposits from tenants or other sums or payments received by or on behalf of Borrower in its capacity as owner of the Project and not applied in accordance with the provisions of the Deed of Trust;

(c) all rents not applied, first, to the payment of the reasonable operating expenses as such operating expenses become due and payable, and then, to the payment of principal and interest then due and payable under this Borrower Loan Agreement, the Borrower Note and any other sums due under the Deed of Trust and all other Loan Documents (including but not limited to deposits or reserves payable under any Loan Document);

(d) transfer fees and charges due under the Deed of Trust;

(e) all rents and profits, and security deposits received by the Borrower after an Event of Default under this Borrower Loan Agreement;

(f) any loss, damage or cost (including but not limited to attorney's fees) resulting from the commission of material waste by the Borrower (or any officer, director or agent of the Borrower or any guarantor or owner of any collateral) or failure by the Borrower to perform its obligations to maintain the Project;

(g) any loss, damage or cost (including but not limited to attorney's fees) resulting from the presence or release of any "Hazardous Materials" (as defined in Section 2.3) on, in or under the Project;

(h) all sums owing by the Borrower under all indemnities contained in this Borrower Loan Agreement or the Regulatory Agreement; and

(i) any loss, damage or cost (including but not limited to attorneys' fees) resulting from failure by the Borrower to pay taxes and charges that may become a lien on the Project, to maintain and pay premiums for insurance required pursuant to this Borrower

Loan Agreement or the Deed of Trust, or to repay any sums advanced by the Governmental Lender or the Bank for any such purpose.

The exceptions to non-recourse liability contained in this Section 5.4 shall not limit the rights of the Governmental Lender (or the Bank, as assignee of the Governmental Lender) to:

- (i) name the Borrower as a party defendant in any action, proceeding or arbitration, subject to the limitations of this Section as to personal liability; or
- (ii) assert any unpaid amounts on the Borrower Loan as a defense or offset to or against any claim or cause of action made or alleged against the Governmental Lender or the Bank by the Borrower or any indemnitor with respect to the Borrower Loan; or
- (iii) exercise self-help remedies such as set-off or nonjudicial foreclosure against, or sale of, any real or personal property collateral security.

No provision of this Section shall (i) affect any guaranty or similar agreement executed in connection with the debt evidenced by the Borrower Note or this Borrower Loan Agreement, (ii) release or reduce the debt evidenced by the Borrower Note or this Borrower Loan Agreement, (iii) impair the right of the Bank to enforce any provisions of the Deed of Trust or any other collateral security for the repayment of the Borrower Loan, (iv) impair the lien of the Deed of Trust or any other collateral security for the repayment of the Borrower Loan, or (v) impair the right of the Bank to enforce the provisions of any Loan Document other than by collection of amounts owed on the Borrower Note. Nothing herein shall directly or indirectly limit the right of the Bank to collect or recover any collateral from Borrower or any person holding or receiving the same without the written consent of the Bank, including any affiliate who receives the rents and profits assigned to the Bank after the same become payable to the Bank or under circumstances where the same are recoverable by the Bank under applicable law or by contract. Furthermore, nothing in any other provision of the Borrower Note, this Borrower Loan Agreement or the other Loan Documents shall be deemed to limit the Bank's right to enforce collection from Borrower (or any other person liable therefor) of all reasonable attorneys' fees, costs, expenses, indemnity liabilities and other amounts payable to the Bank apart from principal or interest owing under the Borrower Note.

Nothing in this Section 5.4 shall be interpreted to subordinate any obligation or liability of Borrower to the Bank to any operating expenses, and upon an Event of Default the Bank may apply revenues derived from the Project to any secured or unsecured obligation owing to the Bank, in any order.

ARTICLE VI

FURTHER AGREEMENTS

Section 6.1. Successor to the Governmental Lender. The Governmental Lender will at all times use its best efforts to maintain the powers, functions, duties and obligations now reposed

in it pursuant to law or assure the assumptions of its obligations hereunder by any public trust or political subdivision succeeding to its powers.

Section 6.2. Borrower Not to Dispose of Assets; Conditions Under Which Exceptions Permitted. The Borrower agrees that during the term of this Borrower Loan Agreement it will not dispose of all or substantially all of its assets nor consolidate with nor merge into any entity unless (i) the Governmental Lender and the Bank shall consent to the disposition, consolidation or merger, (ii) the acquirer of its assets or the entity with which it shall consolidate or into which it shall merge shall be an individual or a corporation, partnership or other legal entity organized and existing under the laws of the United States of America or one of the states of the United States of America and shall be qualified and admitted to do business in the State; and (iii) such acquiring or remaining entity shall assume in writing all of the obligations of the Borrower under the Loan Documents. The consent of Bank and the Governmental Lender shall not be required for any transfers pursuant to the Partnership Agreement provided that the Borrower and any transferee comply with the requirements set forth in Section 12 of the Regulatory Agreement (other than any requirement in said Section 12 for the consent of the Governmental Lender or the Bank) and that they comply with any applicable requirements of the Continuing Covenants Agreement.

Section 6.3. Cooperation in Enforcement of Regulatory Agreement. The Borrower hereby covenants and agrees as follows:

- (a) to comply with all provisions of the Regulatory Agreement;
- (b) to advise the Governmental Lender in writing promptly upon learning of any default with respect to the covenants, obligations and agreements of the Borrower set forth in the Regulatory Agreement;
- (c) upon written direction by the Governmental Lender, to cooperate fully and promptly with the Governmental Lender in enforcing the terms and provisions of the Regulatory Agreement; and
- (d) to file in accordance with the time limits established by the Regulatory Agreement all reports and certificates required thereunder, and the Certification to the Secretary of the Treasury required by Section 4(f) of the Regulatory Agreement.

The Governmental Lender shall not incur any liability in the event of any breach or violation of the Regulatory Agreement by the Borrower, and the Borrower agrees to indemnify the Governmental Lender from any claim or liability for such breach pursuant to Section 6.7 hereof.

Section 6.4. Additional Instruments. The Borrower hereby covenants to execute and deliver such additional instruments and to perform such additional acts as may be necessary, in the opinion of the Governmental Lender, to carry out the intent of the Loan Documents or to perfect or give further assurances of any of the rights granted or provided for in the Borrower Loan, the Deed of Trust and the Borrower Note, provided, however, that no such additional instruments or acts shall change the economic terms of the transactions described herein or expand the liability of the parties hereunder.

Section 6.5. Books and Records. The Borrower hereby covenants to permit the Governmental Lender, the Fiscal Agent and the Bank or their duly authorized representatives access during normal business hours and upon reasonable notice to the books and records of the Borrower pertaining to the Borrower Loan and the Project, and to make such books and records available for audit and inspection, at reasonable times and under reasonable conditions to the Governmental Lender, the Fiscal Agent, the Bank and their duly authorized representatives and at the sole expense of the Borrower.

Section 6.6. Notice of Certain Events. The Borrower hereby covenants to advise the Governmental Lender, the Fiscal Agent and the Bank promptly in writing of the occurrence of any Event of Default hereunder or any event which, with the passage of time or service of notice, or both, would constitute an Event of Default hereunder, specifying the nature and period of existence of such event and the actions being taken or proposed to be taken with respect thereto. In addition, the Borrower hereby covenants to advise the Governmental Lender, the Fiscal Agent and the Bank promptly in writing of the occurrence of any Act of Bankruptcy.

Section 6.7. Indemnification of the Governmental Lender and Bank. (a) To the fullest extent permitted by law, the Borrower agrees to indemnify, hold harmless and defend (by counsel approved by the indemnitee in its reasonable discretion) the Governmental Lender, the Administrator (as defined in the Regulatory Agreement), if not the same as the Governmental Lender, the City of San Diego and the Bank and each of their respective officers, governing members, directors, officials, employees, attorneys and agents (collectively, the “Indemnified Parties”), against any and all losses, damages, claims, actions, liabilities, costs and expenses of any conceivable nature, kind or character (including, without limitation, reasonable attorneys’ fees, litigation and court costs, amounts paid in settlement and amounts paid to discharge judgments) to which the Indemnified Parties, or any of them, may become subject arising out of or based upon or in any way relating to:

(i) the Loan Documents or the execution or amendment thereof or in connection with transactions contemplated thereby, including the issuance and sale of the Governmental Lender Note;

(ii) any act or omission of the Borrower or any of its agents, contractors, servants, employees or licensees in connection with the Borrower Loan or the Project, the rehabilitation and operation of the Project, or the condition, environmental or otherwise, occupancy, use, possession, conduct or management of work done in or about, or from the planning, design, acquisition or rehabilitation of the Project or any part thereof;

(iii) any lien or charge upon payments by the Borrower to the Governmental Lender and/or the Bank hereunder, or any taxes (including, without limitation, all ad valorem taxes and sales taxes), assessments, impositions and other charges imposed on the Governmental Lender or the Bank in respect of any portion of the Project;

(iv) any violation of any environmental law, rule or regulation, including any Hazardous Substances Laws with respect to, or the release of any hazardous materials from, the Project or any part thereof;

(v) the payment or prepayment, in whole or in part, of the Borrower Note;

(vi) any untrue statement or misleading statement or alleged untrue statement or alleged misleading statement of a material fact by the Borrower contained in any closing certificate or disclosure document for the Borrower Note or any of the documents relating to the Borrower Loan to which the Borrower is a party, or any omission or alleged omission from any disclosure document for the Borrower Loan of any material fact necessary to be stated therein in order to make the statements made therein by the Borrower, in the light of the circumstances under which they were made, not misleading;

(vii) any declaration of taxability of interest on the Governmental Lender Note, or allegations (or regulatory inquiry) that interest on the Governmental Lender Note is taxable, for State or federal tax purposes; and

(viii) the Bank's acceptance of the assignment under the Assignment Agreement or administration of any of the Loan Documents, or the exercise or performance of any of its powers or duties thereunder or under any of the Loan Documents to which it is a party;

except (A) in the case of the foregoing indemnification of the Bank or any its respective officers, governing members, directors, officials, employees, attorneys and agents, to the extent such damages are caused by the gross negligence or willful misconduct of such Indemnified Party, or (B) in the case of the foregoing indemnification of the Governmental Lender, the City of San Diego or any of their respective officers, governing members, directors, officials, employees, attorneys and agents, to the extent such damages are caused by the willful misconduct of such Indemnified Party; and provided that this Section 6.7(a) is not intended to give rise to a right of the Governmental Lender or the Bank to claim payment of the principal and accrued interest with respect to the Borrower Loan as a result of an indemnified third party claim. In the event that any action or proceeding is brought against any Indemnified Party with respect to which indemnity may be sought hereunder, the Borrower, upon written notice from the Indemnified Party, shall assume the investigation and defense thereof, including the employment of counsel selected by the Indemnified Party, and shall assume the payment of all expenses related thereto, with full power to litigate, compromise or settle the same in its sole discretion; provided that the Indemnified Party shall have the right to review and approve or disapprove any such compromise or settlement. Each Indemnified Party shall have the right to employ separate counsel in any such action or proceeding and participate in the investigation and defense thereof, and the Borrower shall pay the reasonable fees and expenses of such separate counsel; provided, however, that such Indemnified Party may only employ separate counsel at the expense of the Borrower if in the judgment of such Indemnified Party a conflict of interest exists by reason of common representation or if all parties commonly represented do not agree as to the action (or inaction) of counsel.

Notwithstanding any transfer of the Project to another owner in accordance with the provisions of this Borrower Loan Agreement, the Borrower shall remain obligated to indemnify each Indemnified Party pursuant to this Section if such subsequent owner fails to indemnify any party entitled to be indemnified hereunder, unless the Bank and the Governmental Lender have

consented to such transfer and to the assignment of the rights and obligations of the Borrower hereunder.

(b) The rights of any persons to indemnity hereunder and rights to payment of fees and reimbursement of expenses pursuant to Sections 5.1 and 7.4 hereof shall survive the final payment or defeasance of the Governmental Lender Note and the Borrower Note. The provisions of this Section shall survive the termination of this Borrower Loan Agreement.

(c) In the event of any conflict between the provisions of this Section 6.7 and the provisions of Section 9 of the Regulatory Agreement, the provisions providing the most benefit and protection to the Indemnified Parties shall prevail. The provisions of this Section 6.7 shall in no way limit the indemnities set forth in the Deed of Trust and the Continuing Covenants Agreement.

Section 6.8. Consent to Assignment. The Governmental Lender has made an assignment to the Bank of all rights and interest of the Governmental Lender in and to this Borrower Loan Agreement (except the Governmental Lender's rights under Section 6.7 hereof and its retained rights under Sections 2.3, 2.4, 5.1(b), 5.1(d), 7.4, 8.7, 8.12 and 8.13 hereof, together with its rights to receive notice and consent to amendments pursuant to the Loan Documents), the Borrower Note and the Deed of Trust and has appointed the Bank as its agent to collect the payments by the Borrower on the Borrower Loan; and the Borrower hereby consents to all such assignments and such appointment.

Section 6.9. Compliance with Usury Laws. Notwithstanding any other provision of this Borrower Loan Agreement, it is agreed and understood that in no event shall this Borrower Loan Agreement, with respect to the Borrower Note or other instrument of indebtedness, be construed as requiring the Borrower or any other person to pay interest and other costs or considerations that constitute interest under any applicable law which are contracted for, charged or received pursuant to this Borrower Loan Agreement in an amount in excess of the maximum amount of interest allowed under any applicable law.

In the event of any acceleration of the payment of the principal amount of the Borrower Note or other evidence of indebtedness, that portion of any interest payment in excess of the maximum legal rate of interest, if any, provided for in this Borrower Loan Agreement or related documents shall be cancelled automatically as of the date of such acceleration, or if theretofore paid, credited to the principal amount.

The provisions of this Section prevail over any other provision of this Borrower Loan Agreement.

Section 6.10. Title to the Project. The Borrower shall concurrently with the closing of the Borrower Loan have a fee interest in the site on which the Project is located free and clear of any lien or encumbrance except for (i) liens for nondelinquent assessments and taxes not yet due or which are being contested in good faith by appropriate proceedings; (ii) the Deed of Trust; (iii) Permitted Encumbrances (as defined in the Disbursement Agreement); and (iv) any other encumbrances approved by the Bank. Concurrently with the closing of the Borrower Loan, the

Borrower shall cause to be delivered to the Bank one or more title policies, naming the Bank as the insured, as its interests may appear with endorsements specified in the Bank's escrow instructions, as required by the Bank.

Section 6.11. Payment of Taxes. The Borrower has filed or caused to be filed all federal, state and local tax returns or information returns which are required to be filed with respect to the Project and of which Borrower has knowledge, and has paid or caused to be paid all taxes as shown on said returns or on any assessment received by it, to the extent that such taxes have become due and payable other than those payable without penalty or interest.

Section 6.12. No Untrue Statements. Neither this Borrower Loan Agreement nor any other document, certificate or statement furnished to the Governmental Lender or the Bank by or on behalf of the Borrower, contains to the best of the Borrower's knowledge any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained herein and therein not misleading or incomplete as of the date hereof. It is specifically understood by Borrower that all such statements, representations and warranties shall be deemed to have been relied upon by the Governmental Lender as an inducement to make the Borrower Loan, and by the Bank as an inducement to make the Governmental Lender Loan, and that if any such statements, representations and warranties were materially incorrect at the time they were made, the Governmental Lender may consider any such misrepresentation or breach an Event of Default.

Section 6.13. Insurance. The Borrower shall provide policies of property damage (fire, extended coverage, vandalism and malicious mischief), loss of rent, public liability and worker's compensation insurance with respect to the Project and the operation thereof as more fully described in the Continuing Covenants Agreement and the Deed of Trust.

Section 6.14. Tax Exempt Status of the Governmental Lender Note.

(a) It is the intention of the Governmental Lender and the Borrower that interest on the Governmental Lender Note shall be and remain excludable from the gross income of the owner of the Governmental Lender Note for federal income taxation purposes, and to that end the covenants and agreements of the Borrower in this Section 6.14 are for the benefit of the Bank and the Governmental Lender.

(b) The Borrower covenants and agrees that it will not knowingly and willingly use or permit the use of any of the funds provided by the Governmental Lender hereunder or any other funds of the Borrower, directly or indirectly, in such manner as would, or enter into, or allow any "related person" (as defined in Section 147(a)(2) of the Code) to enter into, any arrangement, formal or informal, for the purchase of the Governmental Lender Note that would, or take or omit to take any other action that would cause the Governmental Lender Note to be an "arbitrage bond" within the meaning of Section 148 of the Code or "federally guaranteed" within the meaning of Section 149(b) of the Code and applicable regulations promulgated from time to time thereunder.

(c) In the event that at any time the Borrower is of the opinion or becomes otherwise aware that for purposes of this Section 6.14 it is necessary to restrict or to limit the yield

on the investment of any moneys held by the Bank, the Borrower shall determine the limitations and so instruct the Bank in writing and cause the Bank to comply with those limitations.

(d) The Borrower will take such action or actions as may be reasonably necessary in the opinion of Tax Counsel, or of which it otherwise becomes aware, to fully comply with all applicable rules, rulings, policies, procedures, regulations or other official statements promulgated or proposed by the United States Department of the Treasury or the Internal Revenue Service under Section 142 or Section 148 of the Code which are applicable to the Governmental Lender Note.

(e) The Borrower further agrees that it shall not discriminate on the basis of race, creed, color, sex, sexual preference, source of income (e.g. AFDC, SSI), physical disability, national origin or marital status in the lease, use or occupancy of the Project or in connection with the employment or application for employment of persons for the operation and management of the Project, to the extent required by applicable State or federal law.

(f) The Borrower further warrants and covenants that it has not executed and will not execute any other agreement, or any amendment or supplement to any other agreement, with provisions contradictory to, or in opposition to, the provisions of this Borrower Loan Agreement and of the Regulatory Agreement, and that in any event, the requirements of this Borrower Loan Agreement and the Regulatory Agreement are paramount and controlling as to the rights and obligations herein set forth and supersede any other requirements in conflict herewith and therewith.

(g) The Borrower shall not purchase, and shall use its best efforts to prevent any Guarantor from purchasing, pursuant to an arrangement, formal or informal, the Governmental Lender Note or any interest therein.

(h) The Borrower will use due diligence to complete the rehabilitation of the Project and reasonably expects to fully expend the full authorized principal of the Borrower Loan within three years of the date of execution of this Borrower Loan Agreement.

(i) The Borrower will take such action or actions as necessary to ensure compliance with the Tax Certificate and Sections 2.2(j), (n), (p), (r) and (s) hereof.

(j) The Borrower will make timely payment of any rebate amount due to the federal government by reason of any investment of the proceeds of the Borrower Note or any moneys pledged to the repayment of the Borrower Note or the Governmental Lender Note, at a yield in excess of the yield on the Governmental Lender Note, or otherwise as required under the Code.

(k) [The Borrower has retained or shall retain the services of a qualified rebate analyst to perform any and all calculations required to demonstrate compliance with its covenants herein with respect to the requirements of Section 148 of the Code as applicable to the Governmental Lender Note].

(l) In furtherance of the covenants in this Section 6.14, the Borrower shall execute, deliver and comply with the provisions of the Tax Certificate, which are by this reference incorporated into this Borrower Loan Agreement and made a part of this Borrower Loan Agreement as if set forth in this Borrower Loan Agreement in full. In the event of conflict between the terms of this Borrower Loan Agreement and the Tax Certificate, the terms of the Tax Certificate shall control.

Section 6.15. Regulatory Agreement. In order to maintain the exclusion from gross income under federal tax law of interest on the Governmental Lender Note and to assure compliance with the laws of the State and the Act, the Borrower hereby agrees that it shall, concurrently with or before the execution and delivery of the Governmental Lender Note, execute and deliver and cause to be recorded the Regulatory Agreement.

The Borrower shall comply with every term of the Regulatory Agreement, subject to all applicable notice and cure periods, and the Borrower hereby acknowledges that in the event of a default under the Regulatory Agreement the Borrower Loan may be accelerated. The Borrower agrees to cause any amendments to the Regulatory Agreement to be recorded in the appropriate official public records. The books and records of the Borrower pertaining to the incomes of Low-Income Tenants residing in the Project shall be open to inspection by any authorized representative of the Governmental Lender and the Bank.

Section 6.16. Useful Life. The Borrower hereby represents and warrants that, within the meaning of Section 147(a)(14) of the Code, the average maturity of the Governmental Lender Note does not exceed 120 percent of the average reasonably expected remaining economic life of the facilities being financed with the proceeds of the Governmental Lender Note.

Section 6.17. Federal Guarantee Prohibition. The Borrower shall take no action, nor permit nor suffer any action to be taken if the result of the same would be to cause the Governmental Lender Note to be “federally guaranteed” within the meaning of Section 149(b) of the Code.

Section 6.18. Prohibited Facilities. The Borrower represents and warrants that no portion of the proceeds of the Borrower Loan shall be used to provide any airplane, skybox or other private luxury box, health club facility, facility primarily used for gambling, or store the principal business of which is the sale of alcoholic beverages for consumption off premises, and no portion of the proceeds of the Borrower Loan shall be used for an office unless (i) the office is located on the premises of the facilities constituting the Project and (ii) not more than a de minimus amount of the functions to be performed at such office is not related to the day-to-day operations of the Project.

Section 6.19. Election of Applicable Income Limit. The Governmental Lender hereby elects to have the Project meet the requirements of Section 142(d)(1)(B) of the Code in that forty percent (40%) or more of the residential units in the Project shall be occupied by persons or families whose Gross Income is sixty percent (60%) or less of median income for the Area, adjusted for household size.

Section 6.20. Continuing Covenants Agreement. The Borrower agrees to comply with all of the covenants and agreements set forth in the Continuing Covenants Agreement.

Section 6.21. Removal of General Partner. Notwithstanding anything to the contrary contained in the Loan Documents, removal, or withdrawal in lieu of removal, of the Borrower's general partner(s) for cause in accordance with the Borrower's Partnership Agreement as in effect from time to time, and which comply with the applicable requirements of the Continuing Covenants Agreement, shall not require the consent of the Governmental Lender or the Bank and shall not constitute a default under any of the Loan Documents or accelerate the maturity of the Borrower Loan. If such general partner is removed, or withdraws in lieu of removal, the Bank shall not unreasonably withhold its consent (no consent of the Governmental Lender being needed in any event) to the admission of a substitute general partner; provided that if the Equity Investor designates itself, or an affiliate of the Equity Investor or of the Governmental Lender, as the substitute general partner, the Bank's consent to the admission of such substitute general partner shall not be required. Any amendment to the Partnership Agreement to effectuate such removal and/or withdrawal and such admission of the substitute general partner shall not require consent of the Governmental Lender or the Bank.

Section 6.22. Assignment of Equity Investor Interests. Notwithstanding anything to the contrary contained in the Loan Documents, the respective interests of any Equity Investor of the Borrower shall be freely transferable and any amendment to the Partnership Agreement to effectuate such transfers shall not require consent of the Governmental Lender, the Fiscal Agent or the Bank.

Section 6.23. Insurance and Condemnation Proceeds. Notwithstanding anything to the contrary contained in the Loan Documents, in the event of any fire or other casualty to the Project or any portion thereof or eminent domain proceedings resulting in condemnation of the Project or any portion thereof, the Borrower shall have the right to rebuild the respective portion of the Project, and to use all available insurance or condemnation proceeds therefor, provided that (a) such proceeds are sufficient to keep the Borrower Loan in balance and rebuild the respective portion of the Project in a manner that provides adequate security to the Governmental Lender (as determined by the Bank) for repayment of the Borrower Loan, or if such proceeds are insufficient, then the Borrower shall have funded any deficiency, (b) the Bank shall have the right to approve plans and specifications for any major rebuilding and the right to approve disbursements of insurance or condemnation proceeds for rebuilding under a construction escrow or similar arrangement, and (c) no continuing material default then exists by the Borrower under the Loan Documents. If the casualty or condemnation affects only part of the Project and total rebuilding is infeasible, then proceeds may be used for partial rebuilding and partial repayment of the Borrower Loan in a manner that provides adequate security to the Governmental Lender (as determined by the Bank) for repayment of the remaining balance of the Borrower Loan.

Section 6.24. Purchase Option/First Refusal Right. Notwithstanding anything to the contrary contained in the Loan Documents, the exercise of the Purchase Option or any right of first refusal provided for in the Partnership Agreement (a "First Refusal Right") shall not constitute a default under the Loan Documents or accelerate the maturity of the Borrower Loan thereunder.

The exercise of the Purchase Option or First Refusal Right and any rights related to either thereof shall not constitute a default or accelerate the maturity of the Borrower Loan.

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES

Section 7.1. Events of Default. Each of the following shall be an “Event of Default”:

(a) The Borrower shall fail to pay when due the amounts required to be paid under this Borrower Loan Agreement, the Continuing Covenants Agreement, the Deed of Trust, the Borrower Assignments or the Borrower Note when the same shall become due and payable in accordance with the terms of this Borrower Loan Agreement or the Borrower Note, including a failure to repay any amounts which have been previously paid but are recovered, attached or enjoined pursuant to any insolvency, receivership, liquidation or similar proceedings; or

(b) The Borrower shall fail to perform or observe any of its covenants or agreements contained in this Borrower Loan Agreement, the Regulatory Agreement, the Borrower Note, the Disbursement Agreement, the Continuing Covenants Agreement or the Deed of Trust, other than as specified in paragraph (a) above, and such failure shall continue during and after the period specified in Section 7.2; or

(c) Any representation or warranty of the Borrower hereunder shall be determined by the Bank or the Governmental Lender to have been false or misleading in any material respect when made; or

(d) If there is, in the reasonable determination of the Bank, any material or adverse change in the financial condition of the Borrower affecting the Borrower’s ability to repay the Borrower Loan or a filing of a complaint for receivership against the Borrower, or a filing of a voluntary or involuntary petition for bankruptcy or for a reorganization and, as to any involuntary petition, such proceeding is not terminated or dismissed within ninety (90) days of its commencement, or if the Borrower becomes insolvent or makes a general assignment for the benefit of creditors or consents to the appointment of a receiver of all or any of its assets, or voluntarily suspends its usual business; or

(e) [Reserved;]

(f) this Borrower Loan Agreement or any of the other Loan Documents ceases to be in full force and effect (including failure of any collateral document to create a valid and perfected security interest or lien) at any time and for any reason; or

(g) any of the preceding events occurs with respect to any general partner of the Borrower unless the general partner is replaced in accordance with the Partnership Agreement and the Continuing Covenants Agreement within the period provided in Section 7.2(b) below; or

(h) the resignation or expulsion of the general partner of the Borrower, unless the general partner is replaced in accordance with the Partnership Agreement within the period provided in Section 7.2(b) below; or

(i) prior to the completion of rehabilitation of the Project, the rehabilitation of the Project is abandoned or work thereon ceases for a period of more than fifteen (15) Business Days for any reason except delays caused by Force Majeure, or the rehabilitation of the Project is not completed prior to the completion date represented by the Borrower to the Bank unless such date has been extended with the written approval of the Bank, regardless of the reason for the delay except delays caused by Force Majeure; or

(j) other than as permitted by the Loan Documents, any sale, transfer, hypothecation, assignment or conveyance of the Project or any portion thereof or interest therein by the Borrower except in accordance with the requirements set forth in the Regulatory Agreement; or

(k) all or any material portion of the Project is condemned, seized, or appropriated without compensation, and the Borrower does not within thirty (30) days after such condemnation, seizure, or appropriation, initiate and diligently prosecute appropriate action to contest in good faith the validity of such condemnation, seizure, or appropriation; or

(l) the commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of Borrower or by any governmental agency against any collateral securing the Borrower Loan, including a garnishment of any of the Borrower's accounts, including deposit accounts, with the Bank; however, this Event of Default shall not apply if there is a good faith dispute by the Borrower as to the validity or reasonableness of the claim which is the basis of the creditor or forfeiture proceeding and if the Borrower gives the Bank written notice of the creditor or forfeiture proceeding and deposits with the Bank monies or a surety bond for the creditor or forfeiture proceeding, in an amount determined by the Bank, in its sole discretion, as being an adequate reserve or bond for the dispute; or

(m) a material adverse change occurs in the Borrower's financial condition, or the Bank believes the prospect of payment or performance of the Borrower Loan is impaired.

Section 7.2. Notice of Default; Opportunity to Cure. If the Borrower has not been given notice of a similar default within the past twelve (12) months, default under Section 7.1(b), (c), (e), (g), (h), (i), (j), (k), (l) or (m) hereof shall not constitute an Event of Default until:

(a) The Governmental Lender or the Bank, by registered or certified mail, shall give notice to the Borrower of such default specifying the same and stating that such notice is a "Notice of Default"; and

(b) The Borrower shall have had 30 days after receipt of such notice to correct the default and shall not have corrected it; provided, however, that if the default stated in the notice is of such a nature that it cannot be corrected within 30 days, such default shall not constitute an Event of Default hereunder so long as (i) the Borrower institutes corrective action within said 30

days and diligently pursues such action until the default is corrected, but in no event later than 60 days after the occurrence of such Event of Default, and (ii) in the opinion of Tax Counsel to the Governmental Lender, the failure to cure said default within 30 days will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Governmental Lender Note.

Notwithstanding anything to the contrary contained in the Loan Documents, if a monetary default or event of default occurs under the terms of any of the Loan Documents, prior to exercising any remedies thereunder, the Governmental Lender or the Bank shall give the Borrower and the Equity Investor of the Borrower under its Partnership Agreement simultaneous written notice of such default. The Borrower shall have a period of ten (10) days after receipt of such notice, or such longer period of time as may be set forth in the applicable Loan Documents, to cure the default prior to exercise of remedies by the Governmental Lender under the Loan Documents.

Notwithstanding anything to the contrary contained in the Loan Documents, the Governmental Lender, the Fiscal Agent and the Bank hereby agree that any cure of any default made or tendered by the one or more of the Borrower's limited partners shall be deemed to be a cure by the Borrower and shall be accepted or rejected on the same basis as if made or tendered by the Borrower.

Section 7.3. Remedies. Whenever any Event of Default under Section 7.1 hereof shall have happened and be continuing, the Governmental Lender, the Fiscal Agent and the Bank may take whatever remedial steps as may be allowed under the law, this Borrower Loan Agreement and the other Loan Documents.

Section 7.4. Attorneys' Fees and Expenses. If an Event of Default occurs and if the Governmental Lender or the Bank should employ attorneys or incur expenses for the enforcement of any obligation or agreement of the Borrower contained herein, the Borrower on demand will pay to the Governmental Lender and/or the Bank the reasonable fees of such attorneys and the reasonable expenses so incurred, including court appeals.

Section 7.5. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Governmental Lender or the Bank is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Borrower Loan Agreement or now or hereafter existing at law or in equity or by statute; provided, that the remedies are subject to the provisions of Section 5.2 of this Borrower Loan Agreement. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Governmental Lender or the Bank to exercise any remedy reserved to either of them in this Article VII, it shall not be necessary to give any notice, other than such notice as may be herein expressly required. Such rights and remedies as are given the Governmental Lender hereunder shall also extend to the Bank, as assignee of the Governmental Lender's interests in the Borrower Note, the Deed of Trust and this Borrower Loan Agreement, and the Bank, as assignee of the Governmental Lender's interests in the Borrower Note, the Deed

of Trust and this Borrower Loan Agreement shall be deemed a third party beneficiary of all covenants and agreements herein contained.

Section 7.6. No Additional Waiver Implied by One Waiver. In the event any agreement or covenant contained in this Borrower Loan Agreement should be breached by the Borrower and thereafter waived by the Governmental Lender, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder including any other breach of the same agreement or covenant.

ARTICLE VIII

MISCELLANEOUS

Section 8.1. Entire Agreement. This Borrower Loan Agreement, the Borrower Note, the Regulatory Agreement, the Deed of Trust and the other Loan Documents to which the Borrower is a party constitute the entire agreement and supersede all prior agreements and understandings, both written and oral, between the Governmental Lender and the Borrower with respect to the subject matter hereof.

Section 8.2. Notices. All notices, consents, approvals and requests required or permitted hereunder or under any other Borrower Loan Document or Bank Loan Document (a “notice”) shall be deemed to be given and made when delivered by hand, by recognized overnight delivery service, confirmed facsimile transmission (provided any telecopy or other electronic transmission received by any party after 4:00 p.m., local time, as evidenced by the time shown on such transmission, shall be deemed to have been received the following Business Day), or five (5) calendar days after deposited in the United States mail, registered or certified, postage prepaid, with return receipt requested, addressed as follows:

If to the Borrower:

Parkside SD Apartments, L.P.
9421 Haven Avenue
Rancho Cucamonga, CA 91730
Attention: EVP / CFO
Telephone: (909) 483-2444
E-mail: mruane@nationalcore.org

With a copy to:

Gubb & Barshay LLP
505 14th Street, Suite 450
Oakland, CA 94612
Attention: Lauren Fechter, Esq.

with a copy to:

[WNC Entity]
c/o WNC & Associates, Inc.
17782 Sky Park Circle
Irvine, CA 92614
Attention: Michael J. Gaber

And to:

Holland & Knight LLP
10 Saint James Avenue, 11th Floor
Boston, MA 02116
Attention: Jonathan Sirois
Facsimile: (617) 523-6850

If to the Governmental Lender:

Housing Authority of the City of San Diego
1122 Broadway, Suite 300
San Diego, California 92101

Attention: Executive Director
Phone: (619) 578-7575
Facsimile: (619) 578-7356

If to the Bank: Pacific Western Bank
1001 Marsh Street
San Luis Obispo, California 93401
Attention:
Email:

with a copy to: Pacific Western Bank
444 South Flower Street, 14th Floor
Los Angeles, California 90071
Attention: Holly A. Hayes
Telephone: (213) 330-2073
email: hhayes@pacificwesternbank.com

If to the Fiscal Agent: [To come.]
with a copy to: [To come.]

Any party may change such party's address for the notice or demands required under this Borrower Loan Agreement by providing written notice of such change of address to the other parties by written notice as provided herein.

Section 8.3. Assignments. This Borrower Loan Agreement may not be assigned by any party without the prior written consent of the other, except that the Governmental Lender shall assign to the Bank its rights under this Borrower Loan Agreement, the Bank may assign its rights hereunder to any transferee of the Governmental Lender Note subject to the requirements of the Bank Loan Agreement, and except also that the Borrower may assign to any transferee its rights under this Borrower Loan Agreement as provided by Section 6.2.

Section 8.4. Severability. If any provision of this Borrower Loan Agreement shall be held or deemed to be or shall, in fact, be illegal, inoperative or unenforceable, the same shall not affect any other provision or provisions herein contained or render the same invalid, inoperative, or unenforceable to any extent whatever.

Section 8.5. Execution of Counterparts. This Borrower Loan Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 8.6. Amendments, Changes and Modifications. Except as otherwise provided in this Borrower Loan Agreement, subsequent to the issuance of the Borrower Note and prior to their payment in full, this Borrower Loan Agreement may not be effectively amended, changed, modified, altered or terminated without the written consent of the parties hereto and the Bank.

Section 8.7. Governing Law and Venue. This Borrower Loan Agreement and the Governmental Lender Note are contracts made under the laws of the State of California and shall be governed by and construed in accordance with the Constitution and laws applicable to contracts made and performed in the State of California. This Borrower Loan Agreement and the Governmental Lender Note shall be enforceable in the State of California, and any action arising out of this Borrower Loan Agreement or the Governmental Lender Note shall be filed and maintained in San Diego County, California, unless the Governmental Lender waives this requirement.

Section 8.8. Waiver of Jury Trial. TO THE MAXIMUM EXTENT PERMITTED UNDER APPLICABLE LAW, EACH OF BORROWER AND THE GOVERNMENTAL LENDER (A) COVENANTS AND AGREES NOT TO ELECT A TRIAL BY JURY WITH RESPECT TO ANY ISSUE ARISING OUT OF THIS AUTHORITY LOAN AGREEMENT OR THE RELATIONSHIP BETWEEN THE PARTIES THAT IS TRIABLE OF RIGHT BY A JURY, AND (B) WAIVES ANY RIGHT TO TRIAL BY JURY WITH RESPECT TO SUCH ISSUE TO THE EXTENT THAT ANY SUCH RIGHT EXISTS NOW OR IN THE FUTURE. THIS WAIVER OF RIGHT TO TRIAL BY JURY IS SEPARATELY GIVEN BY EACH PARTY, KNOWINGLY AND VOLUNTARILY WITH THE BENEFIT OF COMPETENT LEGAL COUNSEL. IF, FOR ANY REASON, THIS PROVISION IS DETERMINED TO BE UNENFORCEABLE, ALL MATTERS OTHERWISE SUBJECT TO JURY TRIAL SHALL BE SUBJECT TO THE JUDICIAL REFERENCE PROCEDURES SET FORTH IN THE FOLLOWING SECTION 8.9 OF THIS AUTHORITY LOAN AGREEMENT.

Section 8.9. Judicial Reference. The Governmental Lender and the Borrower hereby covenant the following:

(a) The parties prefer that any dispute between them be resolved in litigation subject to a jury trial waiver as set forth in this Borrower Loan Agreement, but the California Supreme Court has held that such pre-dispute jury trial waivers are unenforceable. This Section will be applicable until: (i) the California Supreme Court holds that a pre-dispute jury trial waiver provision similar to that contained in Section 8.8 of this Borrower Loan Agreement is valid or enforceable; or (ii) the California Legislature passes legislation and the governor of the State signs into law a statute authorizing pre-dispute jury trial waivers and as a result such waivers become enforceable.

(b) Other than the exercise of provisional remedies (any of which may be initiated pursuant to applicable law), any controversy, dispute or claim (each, a "Claim") between the parties arising out of or relating to this Borrower Loan Agreement will be resolved by a reference proceeding in California in accordance with the provisions of Section 638 et seq. of the California Code of Civil Procedure ("CCP"), or their successor sections, which shall constitute the exclusive remedy for the resolution of any Claim, including whether the Claim is subject to the reference proceeding. Venue for the reference proceeding will be in the Superior Court or Federal District Court in San Diego County, California (the "Court") unless waived by the Governmental Lender in writing.

(c) The referee shall be a retired Judge or Justice selected by mutual written agreement of the parties. If the parties do not agree, the referee shall be selected by the Presiding Judge of the Court (or his or her representative). A request for appointment of a referee may be heard on an ex parte or expedited basis, and the parties agree that irreparable harm would result if ex parte relief is not granted. The referee shall be appointed to sit with all the powers provided by law. Pending appointment of the referee, the Court has power to issue temporary or provisional remedies.

(d) The parties agree that time is of the essence in conducting the reference proceedings. Accordingly, the referee shall be requested, subject to change in the time periods specified herein for good cause shown, to (i) set the matter for a status and trial-setting conference within fifteen (15) days after the date of selection of the referee, (ii) if practicable, try all issues of law or fact within ninety (90) days after the date of the conference, and (iii) report a statement of decision within twenty (20) days after the matter has been submitted for decision.

(e) The referee will have power to expand or limit the amount and duration of discovery. The referee may set or extend discovery deadlines or cutoffs for good cause, including a party's failure to provide requested discovery for any reason whatsoever. Unless otherwise ordered based upon good cause shown, no party shall be entitled to "priority" in conducting discovery, depositions may be taken by either party upon seven (7) days written notice, and all other discovery shall be responded to within fifteen (15) days after service. All disputes relating to discovery which cannot be resolved by the parties shall be submitted to the referee whose decision shall be final and binding.

(f) Except as expressly set forth in this Borrower Loan Agreement, the referee shall determine the manner in which the reference proceeding is conducted including the time and place of hearings, the order of presentation of evidence, and all other questions that arise with respect to the course of the reference proceeding. All proceedings and hearings conducted before the referee, except for trial, shall be conducted without a court reporter, except that when either party so requests, a court reporter will be used at any hearing conducted before the referee, and the referee will be provided a courtesy copy of the transcript. The party making such a request shall have the obligation to arrange for and pay the court reporter. Subject to the referee's power to award costs to the prevailing party, the parties will equally share the cost of the referee and the court reporter at trial.

(g) The referee shall be required to determine all issues in accordance with existing case law and the statutory laws of the State. The rules of evidence applicable to proceedings at law in the State will be applicable to the reference proceeding. The referee shall be empowered to enter equitable as well as legal relief, provide all temporary or provisional remedies, enter equitable orders that will be binding on the parties and rule on any motion which would be authorized in a trial, including without limitation motions for summary judgment or summary adjudication. The referee shall issue a decision, and pursuant to CCP Section 644 the referee's decision shall be entered by the Court as a judgment or an order in the same manner as if the action had been tried by the Court. The final judgment or order or from any appealable decision or order entered by the referee shall be fully appealable as provided by law. The parties reserve the right to findings of fact, conclusions of laws, a written statement of decision, and the right to

move for a new trial or a different judgment, which new trial, if granted, is also to be a reference proceeding under this provision.

(h) If the enabling legislation which provides for appointment of a referee is repealed (and no successor statute is enacted), any dispute between the parties that would otherwise be determined by reference procedure will be resolved and determined by arbitration. The arbitration will be conducted by a retired Judge or Justice, in accordance with the California Arbitration Act Section 1280 through Section 1294.2 of the CCP as amended from time to time. The limitations with respect to discovery set forth above shall apply to any such arbitration proceeding.

(i) THE PARTIES RECOGNIZE AND AGREE THAT ALL DISPUTES RESOLVED UNDER THIS REFERENCE PROVISION WILL BE DECIDED BY A REFEREE AND NOT BY A JURY. AFTER CONSULTING (OR HAVING HAD THE OPPORTUNITY TO CONSULT) WITH COUNSEL OF THEIR OWN CHOICE, EACH PARTY KNOWINGLY AND VOLUNTARILY AND FOR THEIR MUTUAL BENEFIT AGREES THAT THIS REFERENCE PROVISION WILL APPLY TO ANY DISPUTE BETWEEN THEM WHICH ARISES OUT OF OR IS RELATED TO THIS BORROWER LOAN AGREEMENT.

Section 8.10. Term of Agreement. This Borrower Loan Agreement shall be in full force and effect from the date hereof until such time as the Borrower Note shall have been fully paid or provision made for such payment. Time is of the essence in this Borrower Loan Agreement.

Section 8.11. Survival of Agreement. All agreements, representations and warranties made herein shall survive the making of the Borrower Loan.

Section 8.12. Expenses. The Borrower shall pay and indemnify the Governmental Lender, the Fiscal Agent and the Bank against all reasonable fees, costs and charges, including reasonable fees and expenses of attorneys, accountants, consultants and other experts, incurred in good faith (and with respect to the Bank, without gross negligence) and arising out of or in connection with the Loan Documents. These obligations and those in Section 6.7 shall remain valid and in effect notwithstanding repayment of the loan hereunder or the Governmental Lender Note or termination of this Borrower Loan Agreement or the Bank Loan Agreement.

Section 8.13. Waiver of Personal Liability. No director, member, officer, agent or employee of the Governmental Lender shall be individually or personally liable for the payment of any principal (or prepayment price) or interest on the Governmental Lender Note or any other sum hereunder or be subject to any personal liability or accountability by reason of the execution and delivery of this Borrower Loan Agreement, but nothing herein contained shall relieve any such member, director, officer, agent or employee from the performance of any official duty provided by law or by this Borrower Loan Agreement.

Section 8.14. Binding Effect; Third Party Beneficiary. This Borrower Loan Agreement shall inure to the benefit of and shall be binding upon the Governmental Lender, the Borrower and their respective successors and assigns. The Bank is intended to be a third party beneficiary of this Borrower Loan Agreement.

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

HOUSING AUTHORITY OF THE CITY OF SAN
DIEGO

By: _____
Authorized Signatory

Parkside SD Apartments, L.P.,
a California limited partnership

By: Parkside GP LLC,
a California limited liability company,
its general partner

By: National Community Renaissance of California,
a California nonprofit public benefit corporation,
the manager and member

By: _____
Michael Finn
Chief Financial Officer

[Signature Page to Borrower Loan Agreement – Parkside Apartments]

EXHIBIT A

BORROWER NOTE

[July __, 2018]

Parkside SD Apartments, L.P., a California limited partnership (the “Borrower”), for value received hereby promises to pay to the order of the Housing Authority of the City of San Diego (the “Governmental Lender”), or its successors and assigns, the sum of [PAR SPELLED OUT] (\$[5,500,000]), or so much thereof as may be advanced from time to time, together with interest on the advanced and unpaid amount of this Borrower Note at the applicable interest rate referred to below from [July __, 2018] (the “Closing Date”) until the Borrower’s obligation to pay the Outstanding Balance (as hereinafter defined) shall be discharged. The Outstanding Balance shall mean the principal balance of the portion of the Borrower Loan evidenced by this Borrower Note which has been advanced by or on behalf of the Governmental Lender under Section 3.4 of the Borrower Loan Agreement described below, and has not been repaid by the Borrower to the Governmental Lender as of the date of calculation of the Outstanding Balance.

This Borrower Note is issued to evidence the Borrower Loan by the Governmental Lender to the Borrower and the obligation of the Borrower to repay the same and shall be governed by and be payable in accordance with the terms and conditions (including the provisions of Section 5.2) of a Loan Agreement (the “Borrower Loan Agreement”), dated as of July 1, 2018, between the Governmental Lender and the Borrower pursuant to which Authority has made the Borrower Loan. This Borrower Note, together with the Borrower Loan Agreement, have been assigned to Pacific Western Bank (the “Bank”) pursuant to an Assignment Agreement, dated as of July 1, 2018, by and between the Governmental Lender and the Bank. All payments on this Borrower Note shall be made by the Borrower to the Bank, as assignee of the Governmental Lender under said Assignment Agreement.

The Outstanding Balance of this Borrower Note shall be due and payable in its entirety [Maturity Date].

Interest on this Borrower Note shall be payable to the Bank, as assignee of the Governmental Lender, in immediately available funds on the first day of each month, commencing July 1, 2018. This Borrower Note shall bear interest at a rate of [PERCENTAGE SPELLED OUT] PERCENT ([RATE]%) per annum from the Closing Date to (but not including) [____], and at a rate of [PERCENTAGE SPELLED OUT] PERCENT ([RATE]%) per annum on and after [____]. Interest on this Borrower Note shall be computed on a 365/360 basis; that is, by applying the ratio of the interest rate over a year of 360 days, multiplied by the outstanding principal balance, multiplied by the actual number of days the principal balance is outstanding. All interest payable under this Borrower Note shall be computed using this method. Principal of this Borrower Note shall be paid in part on the Conversion Date, as required by Section 2.01(e)(i) of the Continuing Covenants Agreement, and thereafter on the first day of the month based upon a schedule provided by the Bank computed upon a thirty-five year amortization schedule.

On and after a Determination of Taxability (as defined in the Continuing Covenants Agreement), this Borrower Note shall bear interest at the Taxable Interest Rate (as defined in the Continuing Covenants Agreement).

In the event the Borrower fails to make the timely payment of any monthly payment, and such payment remains unpaid for a period of ten (10) days subsequent to the established payment date, the Borrower shall pay to the Bank a late charge in the amount of five percent (5.0%) of the monthly payment so due and payable. Upon the occurrence and during the continuance of an Event of Default (as defined in the Borrower Loan Agreement), the interest rate on this Borrower Note shall immediately increase to an interest rate equal to the interest rate that would otherwise be in effect plus five percent (5.0%) (the "Default Rate").

The Borrower agrees that all loan fees and other prepaid finance charges are earned fully as of the date of the Borrower Loan and will not be subject to refund upon early payment (whether voluntary or as a result of default), except as otherwise required by law.

The principal of the portion of the Borrower Loan evidenced by this Borrower Note may be prepaid on any date, in whole or in part, upon 15 days prior written notice to the Bank.

THIS BORROWER NOTE SHALL BE SECURED BY THE DEED OF TRUST, SECURITY AGREEMENT, ABSOLUTE ASSIGNMENT OF RENTS AND FIXTURE FILING (THE "DEED OF TRUST") MADE BY THE BORROWER, AS TRUSTOR, FOR THE BENEFIT OF THE GOVERNMENTAL LENDER, AS BENEFICIARY, NAMING FIDELITY NATIONAL TITLE INSURANCE COMPANY AS TRUSTEE THEREUNDER, AND DATED AS OF JULY 1, 2018. THE GOVERNMENTAL LENDER HAS ASSIGNED ITS INTERESTS UNDER SAID DEED OF TRUST TO THE BANK.

Upon the occurrence of an Event of Default under and as defined in the Borrower Loan Agreement and the decision by the Bank to accelerate the Borrower Loan, then all obligations secured by this Borrower Note may be declared due and payable, as provided in the Borrower Loan Agreement.

All sums due hereunder shall be paid in lawful money of the United States of America. All payments made hereunder shall be credited first against accrued and previously unpaid interest, against principal, with the balance applied against unpaid late charges.

The Borrower, for itself and its legal representatives, successors, and assigns expressly waives demand, notice of nonpayment, presentment for demand, presentment for the purpose of accelerating maturity, dishonor, notice of dishonor, protest, notice of protest, notice, notice of maturity, and diligence in collection. The Borrower agrees to pay all court costs and reasonable attorneys' fees if counsel is engaged to assist in the collection of this Borrower Note after an Event of Default hereunder if any action is commenced to construe or enforce the terms of this Borrower Note.

From and after the Conversion Date, this Borrower Note and the Borrower Loan shall be nonrecourse obligations of the Borrower. From and after the Conversion Date, neither the Borrower or its partners, nor any director or employee of the Borrower or its partners, shall have

any personal liability for repaying the principal of or interest on the Borrower Loan. From and after the Conversion Date, the sole recourse of the Governmental Lender or its assignee for repayment of the principal of and interest on the Borrower Loan shall be the exercise of rights under the Loan Documents (as defined in the Borrower Loan Agreement) and against such other property pledged or held thereunder for the benefit of the Governmental Lender or its assignee.

This Borrower Note is a contract made under the laws of the State of California and shall be governed by and construed in accordance with the Constitution and laws applicable to contracts made and performed in the State of California. This Borrower Note shall be enforceable in the State of California, and any action arising out of this Borrower Note shall be filed and maintained in San Diego County, California, unless the Governmental Lender waives this requirement.

IN WITNESS WHEREOF, Parkside SD Apartments, L.P., a California limited partnership, has caused this Borrower Note to be executed in its name and on its behalf all as of the date set forth above.

Parkside SD Apartments, L.P.,
a California limited partnership

By: Parkside GP LLC,
a California limited liability company,
its general partner

By: National Community Renaissance of California,
a California nonprofit public benefit corporation,
the manager and member

By: _____
Michael Finn
Chief Financial Officer

[Signature Page to Borrower Note – Parkside Apartments]

Endorsement to Bank

Pay to the order of Pacific Western Bank, without recourse.

Dated: [July __, 2018]

HOUSING AUTHORITY OF THE CITY OF SAN
DIEGO

By: _____
Authorized Signatory

[Signature Page to Endorsement to Bank for Borrower Note – Parkside Apartments]

RECORDING REQUESTED BY AND
WHEN RECORDED RETURN TO:
Orrick, Herrington & Sutcliffe LLP
405 Howard Street
San Francisco, CA 94105-2669
Attention: Meagan Singer

REGULATORY AGREEMENT AND
DECLARATION OF RESTRICTIVE COVENANTS

By and Among

HOUSING AUTHORITY OF THE CITY OF SAN DIEGO,

U.S. BANK NATIONAL ASSOCIATION,
as Fiscal Agent,

and

PARKSIDE SD APARTMENTS, L.P.

Dated as of July 1, 2018

Relating to

HOUSING AUTHORITY OF THE CITY OF SAN DIEGO

MULTIFAMILY HOUSING REVENUE NOTE
(PARKSIDE APARTMENTS)
2018 SERIES E

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REGULATORY AGREEMENT AND DECLARATION OF RESTRICTIVE COVENANTS

THIS REGULATORY AGREEMENT AND DECLARATION OF RESTRICTIVE COVENANTS (as supplemented and amended from time to time, this “Regulatory Agreement”) is made and entered into as of July 1, 2018, by and among the HOUSING AUTHORITY OF THE CITY OF SAN DIEGO, a public body, corporate and politic, duly organized and existing under the laws of the State of California (together with any successor to its rights, duties and obligations, the “Governmental Lender”), U.S. BANK NATIONAL ASSOCIATION, a national banking association organized and existing under and by virtue of the laws of the United States of America, as fiscal agent for the Governmental Lender Note, as defined herein (the “Fiscal Agent”), and PARKSIDE SD APARTMENTS, L.P., a California limited partnership, duly organized, validly existing and in good standing under the laws of the State of California (together with any successor to its rights, duties and obligations hereunder and as owner of the Project identified herein, the “Owner”).

WITNESSETH:

WHEREAS, pursuant to Chapter 1 of Part 2 of Division 24 of the California Health and Safety Code (as amended, the “Housing Law”), and the hereinafter defined Bank Loan Agreement, the Governmental Lender has agreed to execute and deliver its Housing Authority of the City of San Diego Multifamily Housing Revenue Note (Parkside Apartments) 2018 Series E in the principal amount of \$[PAR] (the “Governmental Lender Note”);

WHEREAS, the Governmental Lender Note will be executed and delivered pursuant to a Loan Agreement, dated as of July 1, 2018 (the “Bank Loan Agreement”), among the Governmental Lender, Pacific Western Bank (the “Bank”) and the Fiscal Agent;

WHEREAS, the proceeds of the Governmental Lender Note will be used to fund a loan (the “Loan”) to the Owner to finance the acquisition, rehabilitation and development of the multifamily rental housing development known as Parkside Apartments, located on the real property site described in Exhibit A hereto (as more particularly described herein, the “Project”);

WHEREAS, to assure the Governmental Lender and the owners of the Governmental Lender Note that interest on the Governmental Lender Note will be excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”), and to satisfy the public purposes for which the Governmental Lender Note is authorized to be executed and delivered under the Housing Law, and to satisfy the purposes of the Governmental Lender in determining to execute and deliver the Governmental Lender Note, certain limits on the occupancy of units in the Project need to be established and certain other requirements need to be met;

NOW, THEREFORE, in consideration of the execution and delivery of the Governmental Lender Note by the Governmental Lender and the mutual covenants and undertakings set forth herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Governmental Lender, the Fiscal Agent and the Owner hereby agree as follows:

Section 1. Definitions and Interpretation. Unless the context otherwise requires, the capitalized terms used herein shall have the respective meanings assigned to them in the recitals hereto, in this Section 1, or in the Bank Loan Agreement.

“Administrator” means the Governmental Lender or any administrator or program monitor appointed by the Governmental Lender to administer this Regulatory Agreement, and any successor administrator appointed by the Governmental Lender.

“Area” means the Metropolitan Statistical Area or County, as applicable, in which the Project is located as defined by the United States Department of Housing and Urban Development.

“Available Units” means residential units in the Project that are actually occupied and residential units in the Project that are vacant and have been occupied at least once after becoming available for occupancy, provided that (a) a residential unit that is vacant on the later of (i) the date the Project is acquired or (ii) the Closing Date is not an Available Unit and does not become an Available Unit until it has been occupied for the first time after such date, and (b) a residential unit that is not available for occupancy due to renovations is not an Available Unit and does not become an Available Unit until it has been occupied for the first time after the renovations are completed.

“CDLAC” means the California Debt Limit Allocation Committee or its successors.

“CDLAC Conditions” has the meaning given such term in Section 29.

“CDLAC Resolution” means CDLAC Resolution No. 18-042 attached hereto as Exhibit D, adopted on May 16, 2018 and relating to the Project, as such resolution may be modified or amended from time to time.

“Certificate of Continuing Program Compliance” means the Certificate to be filed by the Owner with the Administrator, on behalf of the Governmental Lender, and the Fiscal Agent pursuant to Section 4(f) hereof, which shall be substantially in the form attached as Exhibit C hereto or in such other comparable form as may be provided by the Governmental Lender to the Owner, or as otherwise approved by the Governmental Lender.

“City” means the City of San Diego, California.

“Closing Date” means the date the Governmental Lender Note is originally executed and delivered.

“Compliance Period” means the period beginning on the first day of the Qualified Project Period and ending on the later of the end of the Qualified Project Period or such later date as set forth in Section 29(c) of this Regulatory Agreement.

“Conversion Date” means the date, if any, upon which the Loan converts from the construction phase to the permanent phase in accordance with the terms of the Loan Agreement.

“County” means the County of San Diego, California.

“Deed of Trust” means the “Security Instrument” as defined in the Bank Loan Agreement, as the same may be modified, amended or supplemented from time to time, or any deed of trust (or similar security instrument) containing a power of sale clause reflecting a valid, perfected first priority lien on the fee interest in the Project delivered by the Owner to secure the Owner’s obligations to a third-party lender.

“Gross Income” means the gross income of a person (together with the gross income of all persons who intend to reside with such person in one residential unit) as calculated in the manner prescribed in under Section 8 of the Housing Act.

“Housing Act” means the United States Housing Act of 1937, as amended, or its successor.

“Housing Law” means Chapter 1 of Part 2 of Division 24 of the California Health and Safety Code, as amended.

“Income Certification” means a Tenant Income Certification and a Tenant Income Certification Questionnaire in the form attached as Exhibit B hereto or in such other comparable form as may be provided by the Governmental Lender to the Owner, or as otherwise approved by the Governmental Lender.

“Loan Agreement” means the “Borrower Loan Agreement” as defined in the Bank Loan Agreement, as the same may be modified, amended or supplemented from time to time.

“Low Income Tenant” means a tenant occupying a Low Income Unit.

“Low Income Unit” means any Available Unit if the aggregate Gross Income of all tenants therein does not exceed limits determined in a manner consistent with determinations of “low-income families” under Section 8 of the Housing Act, provided that the percentage of median gross income that qualifies as low income hereunder shall be sixty percent (60%) of median gross income for the Area, with adjustments for family size. A unit occupied by one or more students shall only constitute a Low Income Unit if such students meet the requirements of Section 142(d)(2)(C) of the Code. The determination of an Available Unit’s status as a Low Income Unit shall be made by the Owner upon commencement of each lease term with respect to such unit, and annually thereafter, on the basis of an Income Certification executed by each tenant.

“Manager” means a property manager meeting the requirements of Section 27 hereof. National Community Renaissance of California, a California nonprofit public benefit corporation, is approved as the initial Manager.

“Noteowner Representative” or “Noteowner” means during any period in which any Notes are outstanding, the “Noteowner” under and as such term is defined in the Bank Loan Agreement. If at any time no Notes are outstanding then there is no Noteowner Representative and references herein to the Noteowner Representative are void and inapplicable and shall be disregarded.

“Project” means the 40-unit multifamily rental housing development (including one manager’s unit) located at 4035 Park Haven Ct. in the City of San Diego, San Diego County on the real property site described in Exhibit A hereto, consisting of those facilities, including real property, structures, buildings, fixtures or equipment situated thereon, as it may at any time exist, the acquisition, rehabilitation and development of which facilities are to be financed, in whole or in part, from the proceeds of the sale of the Governmental Lender Note or the proceeds of any payment by the Owner pursuant to the Loan Agreement, and any real property, structures, buildings, fixtures or equipment acquired in substitution for, as a renewal or replacement of, or a modification or improvement to, all or any part of the facilities described in the Loan Agreement.

“Qualified Project Period” means the period beginning on the Closing Date and ending on the later of the following:

(A) the date that is fifteen (15) years after the date on which at least fifty percent (50%) of the units in the Project are first occupied;

(B) the first date on which no Tax-Exempt private activity bonds with respect to the Project are outstanding; or

(C) the date on which any assistance provided with respect to the Project under Section 8 of the Housing Act terminates;

provided, that if at least 10% of the residential units in the Project are Available Units at all times within 60 days after the later of (1) the date the Project is acquired by the Owner, or (2) the issue date of the Governmental Lender Note, then the Qualified Project Period shall begin on the date one year after the issue date of the Governmental Lender Note and end on the later of (i) the date that is fifteen (15) years after such date or (ii) the later of the dates specified in sub-paragraphs (A), (B) and (C) above.

“Regulations” means the Income Tax Regulations of the Department of the Treasury applicable under the Code from time to time.

“Regulatory Agreement” means this Regulatory Agreement and Declaration of Restrictive Covenants, as it may be supplemented and amended from time to time.

“Rental Payments” means the rental payments paid by the occupant of a unit, excluding any supplemental rental assistance to the occupant from the State, the federal government, or any other public agency, but including any mandatory fees or charges imposed on the occupant by the Owner as a condition of occupancy of the unit.

“Tax Certificate” means the Tax Certificate and Agreement, dated the Closing Date, between the Governmental Lender and the Owner, as the same may be amended from time to time.

“Tax-Exempt” means with respect to interest on any obligations of a state or local government, including the Governmental Lender Note, that such interest is excluded from gross income for federal income tax purposes; provided, however, that such interest may be includable as an item of tax preference or otherwise includable directly or indirectly for purposes of

calculating other tax liabilities, including any alternative minimum tax or environmental tax, under the Code.

“Transfer” means the conveyance, assignment, sale or other disposition of all or any portion of the Project; and shall also include, without limitation to the foregoing, the following: (1) an installment sales agreement wherein Owner agrees to sell the Project or any part thereof for a price to be paid in installments; and (2) an agreement by the Owner leasing all or a substantial part of the Project to one or more persons or entities pursuant to a single or related transactions.

“Very Low Income Tenant” means a tenant occupying a Very Low Income Unit.

“Very Low Income Unit” means any Available Unit if the aggregate Gross Income of all tenants therein does not exceed limits determined in a manner consistent with determinations of “very low-income families” under Section 8 of the Housing Act, provided that the percentage of median gross income that qualifies as very low income hereunder shall be fifty percent (50%) of median gross income for the Area, with adjustments for family size. A unit occupied by one or more students shall only constitute a Very Low Income Unit if such students meet the requirements of Section 142(d)(2)(C) of the Code. The determination of an Available Unit’s status as a Very Low Income Unit shall be made by the Owner upon commencement of each lease term with respect to such unit, and annually thereafter, on the basis of an Income Certification executed by each tenant.

Unless the context clearly requires otherwise, as used in this Regulatory Agreement, words of any gender shall be construed to include each other gender when appropriate and words of the singular number shall be construed to include the plural number, and vice versa, when appropriate. This Regulatory Agreement and all the terms and provisions hereof shall be construed to effectuate the purposes set forth herein and to sustain the validity hereof.

The titles and headings of the sections of this Regulatory Agreement have been inserted for convenience of reference only, and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof or be considered or given any effect in construing this Regulatory Agreement or any provisions hereof or in ascertaining intent, if any question of intent shall arise.

The parties to this Regulatory Agreement acknowledge that each party and their respective counsel have participated in the drafting and revision of this Regulatory Agreement. Accordingly, the parties agree that any rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not apply in the interpretation of this Regulatory Agreement or any supplement or exhibit hereto.

Section 2. Representations, Covenants and Warranties of the Owner

(a) The Owner hereby incorporates herein, as if set forth in full herein, each of the representations, covenants and warranties of the Owner contained in the Tax Certificate and the Loan Agreement relating to the Project.

(b) The Owner hereby represents and warrants that the Project is located entirely within the City.

(c) The Owner acknowledges, represents and warrants that it understands the nature and structure of the transactions contemplated by this Regulatory Agreement; that it is familiar with the provisions of all of the documents and instruments relating to the Governmental Lender Note to which it is a party or of which it is a beneficiary; that it understands the financial and legal risks inherent in such transactions; and that it has not relied on the Governmental Lender for any guidance or expertise in analyzing the financial or other consequences of such financing transactions or otherwise relied on the Governmental Lender in any manner except to execute and deliver the Governmental Lender Note in order to provide funds to assist the Owner in acquiring, rehabilitating and developing the Project.

Section 3. Qualified Residential Rental Project. The Owner hereby acknowledges and agrees that the Project is to be owned, managed and operated as a “residential rental project” (within the meaning of Section 142(d) of the Code) for a term equal to the Compliance Period. To that end, and for the term of this Regulatory Agreement, the Owner hereby represents, covenants, warrants and agrees as follows:

(a) The Project will be acquired, rehabilitated, developed and operated for the purpose of providing multifamily residential rental property. The Owner will own, manage and operate the Project as a project to provide multifamily residential rental property comprised of a building or structure or several interrelated buildings or structures, together with any functionally related and subordinate facilities, and no other facilities, in accordance with Section 142(d) of the Code, Section 1.103-8(b) of the Regulations and the provisions of the Housing Law, and in accordance with such requirements as may be imposed thereby on the Project from time to time.

(b) All of the dwelling units in the Project (except for not more than one unit set aside for a resident manager or other administrative use) will be similarly constructed units, and each dwelling unit in the Project will contain complete separate and distinct facilities for living, sleeping, eating, cooking and sanitation for a single person or a family, including a sleeping area, bathing and sanitation facilities and cooking facilities equipped with a cooking range, refrigerator and sink.

(c) None of the dwelling units in the Project will at any time be utilized on a transient basis or rented for a period of less than 30 consecutive days, or will ever be used as a hotel, motel, dormitory, fraternity house, sorority house, rooming house, nursing home, hospital, sanitarium, rest home or trailer court or park; provided that the use of certain units for tenant guests on an intermittent basis shall not be considered transient use for purposes of this Regulatory Agreement.

(d) No part of the Project will at any time during the Compliance Period be owned by a cooperative housing corporation, nor shall the Owner take any steps in connection with a conversion to such ownership or use, and the Owner will not take any steps in connection with a conversion of the Project to condominium ownership during the Compliance (except that the Owner may obtain final map approval and the Final Subdivision Public Report from the California Department of Real Estate and may file a condominium plan with the City).

(e) All of the Available Units in the Project (except for not more than one unit set aside for a resident manager or other administrative use) will be available for rental during the period beginning on the date hereof and ending on the termination of the Compliance Period on a continuous, "first-come, first-served" basis to members of the general public, and the Owner will not give preference to any particular class or group in renting the dwelling units in the Project, except to the extent that dwelling units are required to be leased or rented in such a manner that they constitute Low Income Units or Very Low Income Units.

(f) The Project consists of a parcel or parcels that are contiguous except for the interposition of a road, street or stream, and all of the facilities of the Project comprise a single geographically and functionally integrated project for residential rental property, as evidenced by the ownership, management, accounting and operation of the Project.

(g) No dwelling unit in the Project shall be occupied by the Owner; provided, however, that if the Project contains five or more dwelling units, this provision shall not be construed to prohibit occupancy of not more than one dwelling unit by a resident manager or maintenance personnel, any of whom may be the Owner.

(h) The Owner hereby represents that, as of the Closing Date, not less than 50% of the dwelling units in the Project are occupied and at least 10% of the residential units in the Project are expected to be Available Units at all times within 60 days after the Closing Date.

Section 4. Low Income Tenants and Very Low Income Tenants; Reporting Requirements. Pursuant to the requirements of the Code and the Housing Law, the Owner hereby represents, warrants and covenants as follows:

(a) During the Compliance Period, no less than 30% of the total number of completed units in the Project shall at all times be Low Income Units and no less than 10% of the total number of completed units in the Project shall at all times be Very Low Income Units. For the purposes of this paragraph (a), a vacant unit that was most recently a Low Income Unit or Very Low Income Unit is treated as a Low Income Unit or Very Low Income Unit, respectively, until reoccupied, other than for a temporary period of not more than 31 days, at which time the character of such unit shall be redetermined.

(b) No tenant qualifying as a Low Income Tenant or Very Low Income Tenant upon initial occupancy shall be denied continued occupancy of a unit in the Project because, after admission, the aggregate Gross Income of all tenants in the unit occupied by such Low Income Tenant or Very Low Income Tenant, respectively, increases to exceed the qualifying limit for a Low Income Unit or Very Low Income Unit, respectively. However, should the aggregate Gross Income of tenants in a Low Income Unit or Very Low Income Unit as of the most recent determination thereof, exceed one hundred forty percent (140%) of the applicable income limit for a Low Income Unit or Very Low Income Unit, respectively, occupied by the same number of tenants, the next available unit of comparable or smaller size must be rented to (or held vacant and available for immediate occupancy by) Low Income Tenant(s) or Very Low Income Tenant(s), respectively. The unit occupied by such tenants whose aggregate Gross Income exceeds such applicable income limit shall continue to be treated as a Low Income Unit or Very Low Income Unit for purposes of the 30% or 10%, respectively, requirement of Section 4(a)

hereof unless and until an Available Unit of comparable or smaller size is rented to persons other than Low Income Tenants or Very Low Income Tenants, respectively.

(c) For the Compliance Period, the Owner will obtain, complete and maintain on file Income Certifications for each Low Income Tenant and Very Low Income Tenant, including (i) an Income Certification dated immediately prior to the initial occupancy of such Low Income Tenant or Very Low Income Tenant, respectively, in the unit and (ii) thereafter, an annual Income Certification with respect to each Low Income Tenant or Very Low Income Tenant, respectively. The Owner will provide such additional information as may be required in the future by the Code, the State or the Governmental Lender, as the same may be amended from time to time, or in such other form and manner as may be required by applicable rules, rulings, policies, procedures, Regulations or other official statements now or hereafter promulgated, proposed or made by the Department of the Treasury or the Internal Revenue Service with respect to Tax-Exempt obligations. Upon request of the Administrator or the Governmental Lender, copies of Income Certifications for Low Income Tenants and/or Very Low Income Tenants commencing or continuing occupation of a Low Income Unit or Very Low Income Unit, respectively, shall be submitted to the Administrator or the Governmental Lender, as requested.

(d) The Owner shall make a good faith effort to verify that the income information provided by an applicant in an Income Certification is accurate by taking one or more of the following steps as a part of the verification process: (1) obtain pay stubs for the three most recent pay periods, (2) obtain an income tax return for the most recent tax year, (3) obtain a credit report or conduct a similar type credit search, (4) obtain an income verification from the applicant's current employer, (5) obtain an income verification from the Social Security Administration and/or the California Department of Social Services if the applicant receives assistance from either of such agencies, or (6) if the applicant is unemployed and does not have an income tax return, obtain another form of independent verification reasonably acceptable to the Governmental Lender.

(e) The Owner will maintain complete and accurate records pertaining to the Low Income Units and Very Low Income Units, and will permit any duly authorized representative of the Governmental Lender, the Fiscal Agent, the Department of the Treasury or the Internal Revenue Service to inspect during normal business hours the books and records of the Owner pertaining to the Project upon reasonable written notice, including those records pertaining to the occupancy of the Low Income Units and the Very Low Income Units.

(f) The Owner will prepare and submit to the Administrator, on behalf of the Governmental Lender, not less than annually, commencing the first anniversary of the Closing Date and each anniversary thereafter, a Certificate of Continuing Program Compliance executed by the Owner in substantially the form attached hereto as Exhibit C. During the Compliance Period, the Owner shall submit a completed Internal Revenue Code Form 8703 or such other annual certification as required by the Code with respect to the Project, to the Secretary of the Treasury on or before March 31 of each year (or such other date as may be required by the Code).

(g) For the Compliance Period, all tenant leases or rental agreements shall be subordinate to this Regulatory Agreement and the Deed of Trust. All leases pertaining to Low Income Units or Very Low Income Units shall contain clauses, among others, wherein each

tenant who occupies a Low Income Unit or a Very Low Income Unit, respectively: (i) certifies the accuracy of the statements made by such tenant in the Income Certification; (ii) agrees that the family income and other eligibility requirements shall be deemed substantial and material obligations of the tenancy of such tenant, that such tenant will comply promptly with all requests for information with respect thereto from the Owner, the Fiscal Agent, the Governmental Lender or the Administrator on behalf of the Governmental Lender, and that the failure to provide accurate information in the Income Certification or refusal to comply with a request for information with respect thereto shall be deemed a violation of a substantial obligation of the tenancy of such tenant; (iii) acknowledges that the Owner has relied on the statements made by such tenant in the Income Certification and supporting information supplied by the Low Income Tenant or the Very Low Income Tenant, respectively, in determining qualification for occupancy of a Low Income Unit or the Very Low Income Unit, respectively, and that any material misstatement in such certification (whether or not intentional) will be cause for immediate termination of such lease or rental agreement; and (iv) agrees that the tenant's income is subject to annual certification in accordance with Section 4(c) and that if upon any such certification the aggregate Gross Income of tenants in such unit exceeds the applicable income limit under Section 4(b), the unit occupied by such tenant may cease to qualify as a Low Income Unit or Very Low Income Unit, respectively, and such unit's rent may be subject to increase.

For purposes of this Section 4, no unit occupied by a residential manager shall be treated as a rental unit during the time of such occupation.

Section 5. Tax-Exempt Status of Notes. The Owner and the Governmental Lender, as applicable, each hereby represents, warrants and agrees as follows:

(a) The Owner and the Governmental Lender will not knowingly take or permit, or omit to take or cause to be taken, as is appropriate, any action that would adversely affect the Tax-Exempt nature of the interest on the Governmental Lender Note and, if either of them should take or permit, or omit to take or cause to be taken, any such action, it will take all lawful actions necessary to rescind or correct such actions or omissions promptly upon obtaining knowledge thereof.

(b) The Owner and the Governmental Lender will file of record such documents and take such other steps as are necessary, in the written opinion of Tax Counsel filed with the Governmental Lender and the Fiscal Agent (with a copy to the Owner), in order to ensure that the requirements and restrictions of this Regulatory Agreement will be binding upon all owners of the Project, including, but not limited to, the execution and recordation of this Regulatory Agreement in the real property records of the County.

Section 6. Requirements of the Housing Law. In addition to the other requirements set forth herein, pursuant to the requirements of Section 34312.3 of the Housing Law, the Owner agrees that it shall comply with the following:

(a) Not less than 30% of the total number of units in the Project shall be Low Income Units and not less than 10% of the total number of units in the Project shall be Very Low Income Units. The units made available to meet this requirement shall be of comparable quality

and offer a range of sizes and numbers of bedrooms comparable to the units that are available to other tenants in the Project.

(b) The Rental Payments for the Low Income Units paid by the tenants thereof (excluding any supplemental rental assistance from the State, the federal government or any other public agency to those tenants or on behalf of those units) shall not exceed 30% of an amount equal to 60% of the median adjusted gross income for the Area. The Rental Payments for the Very Low Income Units paid by the tenants thereof (excluding any supplemental rental assistance from the State, the federal government or any other public agency to those tenants or on behalf of those units) shall not exceed 30% of an amount equal to 50% of the median adjusted gross income for the Area, based upon an assumed household size of one person in the case of a studio unit, two persons in the case of a one-bedroom unit, three persons in the case of a two-bedroom unit, four persons in the case of a three-bedroom unit, and five persons in the case of a four-bedroom unit, or as otherwise required by the Housing Law.

(c) The Owner shall accept as tenants, on the same basis as all other prospective tenants, low-income persons who are recipients of federal certificates or vouchers for rent subsidies pursuant to the existing program under Section 8 of the Housing Act. The Owner shall not permit any selection criteria to be applied to Section 8 certificate or voucher holders that is more burdensome than the criteria applied to all other prospective tenants.

(d) The units reserved for occupancy as required by Section 4(a) shall remain available on a priority basis for occupancy at all times on and after the Closing Date and continuing through the Compliance Period.

(e) During the three (3) years prior to the expiration of the Compliance Period, the Owner shall continue to make available to eligible households Low Income Units and Very Low Income Units that have been vacated to the same extent that nonreserved units are made available to noneligible households.

(f) Except as set forth in Section 13 hereof, the covenants and conditions of this Regulatory Agreement shall be binding upon successors in interest of the Owner.

(g) This Regulatory Agreement shall be recorded in the office of the County recorder, and shall be recorded in the grantor-grantee index under the name of the Owner as grantor and under the name of the Governmental Lender as grantee.

Section 7. Requirements of the Governmental Lender. In addition to other requirements set forth herein and to the extent not prohibited by the requirements set forth in Sections 4 through 6 hereof, the Owner hereby agrees to comply with each of the requirements of the Governmental Lender set forth in this Section 7, as follows:

(a) For the duration of the Compliance Period, notwithstanding any retirement of the Governmental Lender Note or termination of the Loan Agreement, the Owner will pay to the Governmental Lender all of the amounts required to be paid by the Owner under the Loan Agreement and will indemnify the Governmental Lender and the Fiscal Agent as provided in Section 9 and, with respect to the Fiscal Agent, Section 18 of this Regulatory Agreement.

(b) All tenant lists, applications and waiting lists relating to the Project shall at all times be kept separate and identifiable from any other business of the Owner and shall be maintained as required by the Governmental Lender, in a reasonable condition for proper audit and subject to examination during business hours by representatives of the Governmental Lender upon reasonable advance notice to the Owner.

(c) The Owner acknowledges that the Governmental Lender has appointed the Administrator to administer this Regulatory Agreement and to monitor performance by the Owner of the terms, provisions and requirements hereof. The Owner shall comply with any reasonable request made by the Administrator or the Governmental Lender to deliver to any such Administrator, in addition to or instead of the Governmental Lender, any reports, notices or other documents required to be delivered pursuant hereto, and to make the Project and the books and records with respect thereto available for inspection by the Administrator as an agent of the Governmental Lender. The fees and expenses of the Administrator shall be paid by the Governmental Lender.

(d) For purposes of Section 6(b), the base rents shall be adjusted for household size appropriate for the unit, to the extent permitted by law.

(e) Following the expiration or termination of the Compliance Period, except in the event of foreclosure and redemption of the Governmental Lender Note, deed in lieu of foreclosure, eminent domain, or action of a federal agency preventing enforcement, units reserved for occupancy as required by subsection (a) of this Section shall remain available to any eligible tenant occupying a reserved unit at the date of such expiration or termination, at the rent determined by subsection (b) of this Section, until the earliest of (1) the household's income exceeds 140% of the maximum eligible income specified above, (2) the household voluntarily moves or is evicted for good cause (as defined in the Housing Law), (3) 30 years after the date of the commencement of the Compliance Period, or (4) the Owner pays the relocation assistance and benefits to households as provided in Section 7264(b) of the California Government Code.

(f) Throughout the Compliance Period, the Owner shall maintain at least 21 units as Very Low Income Units (including ~~one~~ studios and ~~one~~ 3 two-bedroom units and 1 three-bedroom unit); and 18 units as Low Income Units ~~(including one studios and one one-bedroom units)~~.

Any of the foregoing requirements of the Governmental Lender contained in this Section 7 may be expressly waived by the Governmental Lender, in its sole discretion, in writing, but (i) no waiver by the Governmental Lender of any requirement of this Section 7 shall, or shall be deemed to, extend to or affect any other provision of this Regulatory Agreement except to the extent the Governmental Lender has received an opinion of Tax Counsel that any such provision is not required by the Act and the Housing Law and may be waived without adversely affecting the exclusion from gross income of interest on the Governmental Lender Note for federal income tax purposes; and (ii) any requirement of this Section 7 shall be void and of no force and effect if the Governmental Lender and the Owner receive a written opinion of Tax Counsel to the effect that compliance with any such requirement would cause interest on the Governmental Lender Note to cease to be Tax-Exempt or to the effect that compliance with such requirement would be in conflict with the Housing Law or any other state or federal law.

Section 8. Modification of Covenants. The Owner, the Fiscal Agent and the Governmental Lender hereby agree as follows:

(a) To the extent any amendments to the Housing Law, the Regulations or the Code shall, in the written opinion of Tax Counsel filed with the Governmental Lender, the Fiscal Agent and the Owner, retroactively impose requirements upon the ownership or operation of the Project more restrictive than those imposed by this Regulatory Agreement, and if such requirements are applicable to the Project and compliance therewith is necessary to maintain the validity of, or the Tax-Exempt status of interest on the Governmental Lender Note, this Regulatory Agreement shall be deemed to be automatically amended to impose such additional or more restrictive requirements.

(b) To the extent that the Housing Law, the Regulations or the Code, or any amendments thereto, shall, in the written opinion of Tax Counsel filed with the Governmental Lender, the Fiscal Agent and the Owner, impose requirements upon the ownership or operation of the Project less restrictive than imposed by this Regulatory Agreement, this Regulatory Agreement may be amended or modified to provide such less restrictive requirements but only by written amendment signed by the Governmental Lender, at its sole discretion, the Fiscal Agent and the Owner, with the consent of the Noteowner Representative, and only upon receipt by the Governmental Lender and the Fiscal Agent of the written opinion of Tax Counsel to the effect that such amendment will not affect the Tax-Exempt status of interest on the Governmental Lender Note or violate the requirements of the Housing Law, and otherwise in accordance with Section 22 hereof.

(c) The Owner, the Governmental Lender and, if applicable, the Fiscal Agent, shall execute, deliver and, if applicable, the Owner or the Governmental Lender shall file of record any and all documents and instruments necessary to effectuate the intent of this Section 8, and each of the Owner and the Governmental Lender hereby appoints the Fiscal Agent as its true and lawful attorney-in-fact to execute, deliver and, if applicable, file of record (it being understood that the Fiscal Agent has no duty or obligation to take such action) on behalf of the Owner or the Governmental Lender, as is applicable, any such document or instrument (in such form as may be approved in writing by Tax Counsel) if either the Owner or the Governmental Lender defaults in the performance of its obligations under this subsection (c); provided, however, that unless directed in writing by the Governmental Lender or the Owner, the Fiscal Agent shall take no action under this subsection without first notifying the Owner or the Governmental Lender, or both of them, as is applicable, and without first providing the Owner or the Governmental Lender, or both of them, as is applicable, an opportunity to comply with the requirements of this Section 8. Nothing in this subsection (c) shall be construed to allow the Fiscal Agent to execute an amendment to this Regulatory Agreement on behalf of the Governmental Lender or the Owner.

Section 9. Indemnification; Other Payments. To the fullest extent permitted by law, the Owner agrees to indemnify, hold harmless and defend the Governmental Lender, the City, the Fiscal Agent and each of its officers, governing members, directors, officials, employees, attorneys, agents, and program participants (collectively, the "Indemnified Parties"), against any and all losses, damages, claims, actions, liabilities, costs and expenses of any conceivable nature, kind or character (including, without limitation, reasonable attorneys' fees and expenses,

litigation and court costs, amounts paid in settlement and amounts paid to discharge judgments) to which the Indemnified Parties, or any of them, may become subject under or any statutory law (including federal or state securities laws) or at common law or otherwise, arising out of or based upon or in any way relating to:

(i) the Governmental Lender Note, the Bank Loan Agreement, the Loan Agreement, this Regulatory Agreement or the Tax Certificate and all documents related thereto, or the execution or amendment hereof or thereof or in connection with transactions contemplated hereby or thereby, including, as applicable, the execution and delivery or transfer of interests in the Governmental Lender Note;

(ii) any act or omission of the Owner or any of its agents, contractors, servants, employees or licensees in connection with the Loan or the Project, the operation of the Project, or the condition, environmental or otherwise, occupancy, use, possession, conduct or management of work done in or about, or from the planning, design, acquisition, installation, construction or rehabilitation of, the Project or any part thereof;

(iii) any lien or charge upon payments by the Owner to the Governmental Lender or any taxes (including, without limitation, all ad valorem taxes and sales taxes), assessments, impositions and other charges imposed on the Governmental Lender in respect of any portion of the Project;

(iv) any violation of any environmental law, rule or regulation with respect to, or the release of any toxic substance from, the Project or any part thereof;

(v) the defeasance and/or redemption, in whole or in part, of the Governmental Lender Note;

(vi) any untrue statement or misleading statement or alleged untrue statement or alleged misleading statement of a material fact contained in any offering statement or disclosure document for the Governmental Lender Note or any of the documents relating to the Governmental Lender Note, or any omission or alleged omission from any offering statement or disclosure document for the Governmental Lender Note of any material fact necessary to be stated therein in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading; or

(vii) any declaration of taxability of interest on the Governmental Lender Note, or allegations (or regulatory inquiry) that interest on the Governmental Lender Note is taxable, for federal tax purposes;

except to the extent such damages are caused by the willful misconduct of such Indemnified Party. In the event that any action or proceeding is brought against any Indemnified Party with respect to which indemnity may be sought hereunder, the Owner, upon written notice from the Indemnified Party, shall assume the investigation and defense thereof, including the employment of counsel selected by the Indemnified Party, and shall assume the payment of all expenses related thereto, with full power to litigate, compromise or settle the same in its sole discretion; provided that the Indemnified Party shall have the right to review and approve or disapprove any such compromise or settlement. Each Indemnified Party shall have the right to employ separate

counsel in any such action or proceeding and participate in the investigation and defense thereof, and the Owner shall pay the reasonable fees and expenses of such separate counsel; provided, however, that such Indemnified Party may only employ separate counsel at the expense of the Owner if in the judgment of such Indemnified Party a conflict of interest exists by reason of common representation or if all parties commonly represented do not agree as to the action (or inaction) of counsel.

In addition to the foregoing, the Owner will pay upon demand all of the fees and expenses paid or incurred by the Fiscal Agent and/or the Governmental Lender in enforcing the provisions hereof, as more fully set forth in the Loan Agreement.

The provisions of this Section 9 shall survive the final payment or defeasance of the Governmental Lender Note and this Regulatory Agreement; provided, however, the provisions of this Section shall, in the case of the Fiscal Agent, survive the term of this Regulatory Agreement or the resignation or removal of the Fiscal Agent, but only as to claims arising from events occurring during the term of this Regulatory Agreement or the Fiscal Agent's tenure as Fiscal Agent under the Bank Loan Agreement, and shall, in the case of the Governmental Lender, survive the term of this Regulatory Agreement, but only as to claims arising from events occurring during the term of this Regulatory Agreement.

Section 10. Consideration. The Governmental Lender has agreed to execute and deliver the Governmental Lender Note to provide funds to lend to the Owner to finance the Project, all for the purpose, among others, of inducing the Owner to acquire, rehabilitate, develop and operate the Project. In consideration of the execution and delivery of the Governmental Lender Note by the Governmental Lender, the Owner has entered into this Regulatory Agreement and has agreed to restrict the uses to which this Project can be put on the terms and conditions set forth herein.

Section 11. Reliance. The Governmental Lender and the Owner hereby recognize and agree that the representations and covenants set forth herein may be relied upon by all persons, including but not limited to the Administrator and Fiscal Agent, interested in the legality and validity of the Governmental Lender Note, in the exemption from California personal income taxation of interest on the Governmental Lender Note and in the Tax-Exempt status of the interest on the Governmental Lender Note. In performing their duties and obligations hereunder, the Governmental Lender, the Administrator and the Fiscal Agent may rely upon statements and certificates of the Low Income Tenants and the Very Low Income Tenants, and upon audits of the books and records of the Owner pertaining to the Project. In addition, the Governmental Lender and the Fiscal Agent may consult with counsel, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by the Governmental Lender or the Fiscal Agent hereunder in good faith and in conformity with such opinion. In determining whether any default or lack of compliance by the Owner exists under this Regulatory Agreement, the Fiscal Agent shall not be required to conduct any investigation into or review of the operations or records of the Owner and may rely solely on any written notice or certificate delivered to the Fiscal Agent by the Owner or the Governmental Lender with respect to the occurrence of a default, and in the absence of such certificate, may assume that no default or lack of compliance exists.

Section 12. Transfer of the Project. For the Compliance Period, the Owner shall not Transfer the Project, in whole or in part, without the prior written consent of the Governmental Lender, which consent shall not be unreasonably withheld or delayed if the following conditions are satisfied: (A) the receipt by the Governmental Lender of evidence acceptable to the Governmental Lender that (1) the Owner shall not be in default hereunder or under the Loan Agreement, if in effect (which may be evidenced by a Certificate of Continuing Program Compliance), or the transferee undertakes to cure any defaults of the Owner to the reasonable satisfaction of the Governmental Lender; (2) the continued operation of the Project shall comply with the provisions of this Regulatory Agreement; (3) either (a) the transferee, or its general partner or member, or its Manager has at least three years' experience in the ownership, operation and management of similar size rental housing projects, and at least one year's experience in the ownership, operation and management of rental housing projects containing below-market-rate units, without any record of material violations of discrimination restrictions or other state or federal laws or regulations or local governmental requirements applicable to such projects, or (b) the transferee agrees to retain a Manager with the experience and record described in subclause (a) above, or (c) the transferring Owner or its management company will continue to manage the Project, or another management company reasonably acceptable to the Governmental Lender will manage, for at least one year following such Transfer and, if applicable, during such period the transferring Owner or its management company will provide training to the transferee and its manager in the responsibilities relating to the Low Income Units and the Very Low Income Units; and (4) the person or entity that is to acquire the Project does not have pending against it, and does not have a history of significant and material building code violations or complaints concerning the maintenance, upkeep, operation, and regulatory agreement compliance of any of its projects as identified by any local, state or federal regulatory agencies; (B) the execution by the transferee of any document reasonably requested by the Governmental Lender with respect to the assumption of the Owner's obligations under this Regulatory Agreement and the Loan Agreement (if then in effect), including without limitation an instrument of assumption hereof and thereof, and delivery to the Governmental Lender and the Fiscal Agent of an opinion of such transferee's counsel to the effect that each such document and this Regulatory Agreement are valid, binding and enforceable obligations of such transferee, subject to bankruptcy and other standard limitations affecting creditor's rights; (C) receipt by the Governmental Lender and the Fiscal Agent of an opinion of Tax Counsel to the effect that any such Transfer will not adversely affect the Tax-Exempt status of interest on the Governmental Lender Note; (D) receipt by the Governmental Lender of all fees and/or expenses then currently due and payable to the Governmental Lender by the Owner and (E) receipt by the Issuer of evidence of satisfaction of compliance with the provisions of Section 29(d)(i) related to notice to CDLAC of transfer of the Project..

It is hereby expressly stipulated and agreed that any Transfer of the Project in violation of this Section 12 shall be null, void and without effect, shall cause a reversion of title to the Owner, and shall be ineffective to relieve the Owner of its obligations under this Regulatory Agreement. The written consent of the Governmental Lender to any Transfer of the Project shall constitute conclusive evidence that the Transfer is not in violation of this Section 12. Nothing in this Section shall affect any provision of any other document or instrument between the Owner and any other party which requires the Owner to satisfy certain conditions or obtain the prior written consent of such other party in order to Transfer the Project. Upon any Transfer that complies

with this Regulatory Agreement, the Owner shall be fully released from its obligations hereunder to the extent such obligations have been fully assumed in writing by the transferee of the Project.

The foregoing notwithstanding, the Project may be transferred pursuant to a foreclosure, exercise of power of sale or deed in lieu of foreclosure or comparable conversion under the Deed of Trust without the consent of the Governmental Lender or compliance with the provisions of this Section 12.

For the Compliance Period, the Owner shall not: (1) encumber any of the Project or grant commercial leases of any part thereof, or permit the conveyance, transfer or encumbrance of any part of the Project, except for (A) the Deed of Trust and Permitted Encumbrances (as defined in the Deed of Trust), or (B) a Transfer in accordance with the terms of this Regulatory Agreement, in each case upon receipt by the Governmental Lender and the Fiscal Agent of an opinion of Tax Counsel to the effect that such action will not adversely affect the Tax-Exempt status of interest on the Governmental Lender Note (provided that such opinion will not be required with respect to any encumbrance, lease or transfer relating to a commercial operation or ancillary facility that will be available for tenant use and is customary to the operation of multifamily housing developments similar to the Project, as certified in writing by the Owner to the Governmental Lender and the Fiscal Agent); (2) demolish any part of the Project or substantially subtract from any real or personal property of the Project, except to the extent that what is demolished or removed is replaced with comparable property or such demolition or removal is otherwise permitted by the Loan Agreement or the Deed of Trust; or (3) permit the use of the dwelling accommodations of the Project for any purpose except rental residences.

Section 13. Term. This Regulatory Agreement and all and several of the terms hereof shall become effective upon its execution and delivery, and shall remain in full force and effect for the period provided herein and shall terminate as to any provision not otherwise provided with a specific termination date and shall terminate in its entirety at the end of the Compliance Period, it being expressly agreed and understood that the provisions hereof are intended to survive the retirement of the Governmental Lender Note and discharge of the Bank Loan Agreement and the Loan Agreement; provided, however, the Fiscal Agent shall no longer be deemed a party hereto, as set forth in the last paragraph of Section 18 hereof.

The terms of this Regulatory Agreement to the contrary notwithstanding, the requirements of this Regulatory Agreement shall terminate and be of no further force and effect in the event of involuntary noncompliance with the provisions of this Regulatory Agreement caused by fire or other casualty, seizure, requisition, foreclosure, transfer of title by deed in lieu of foreclosure, change in a federal law or an action of a federal agency after the Closing Date, which prevents the Governmental Lender and the Fiscal Agent from enforcing such provisions, or condemnation or a similar event, but only if, within a reasonable period, either the Governmental Lender Note is retired or amounts received as a consequence of such event are used to provide a project that meets the requirements hereof; provided, however, that the preceding provisions of this sentence shall cease to apply and the restrictions contained herein shall be reinstated if, at any time subsequent to the termination of such provisions as the result of the foreclosure or the delivery of a deed in lieu of foreclosure or a similar event, the Owner or any related person (within the meaning of Section 1.103-10(e) of the Regulations) obtains an ownership interest in the Project for federal income tax purposes. The Owner hereby agrees that,

following any foreclosure, transfer of title by deed in lieu of foreclosure or similar event, neither the Owner nor any such related person as described above will obtain an ownership interest in the Project for federal tax purposes. Notwithstanding any other provision of this Regulatory Agreement, this Regulatory Agreement may be terminated upon agreement by the Governmental Lender, the Fiscal Agent and the Owner upon receipt by the Governmental Lender and the Fiscal Agent of an opinion of Tax Counsel to the effect that such termination will not adversely affect the exclusion from gross income of interest on the Governmental Lender Note for federal income tax purposes. Upon the termination of the terms of this Regulatory Agreement, the parties hereto agree to execute, deliver and (in the case of the Governmental Lender and the Owner) record appropriate instruments of release and discharge of the terms hereof prepared by or on behalf of the Owner or the Governmental Lender; provided, however, that the execution and delivery of such instruments shall not be necessary or a prerequisite to the termination of this Regulatory Agreement in accordance with its terms.

Section 14. Covenants to Run With the Land. Notwithstanding Section 1461 of the California Civil Code, the Owner hereby subjects the Project to the covenants, reservations and restrictions set forth in this Regulatory Agreement. The Governmental Lender and the Owner hereby declare their express intent that the covenants, reservations and restrictions set forth herein shall be deemed covenants running with the land and shall pass to and be binding upon the Owner's successors in title to the Project; provided, however, that on the termination of this Regulatory Agreement said covenants, reservations and restrictions shall expire. Each and every contract, deed or other instrument hereafter executed covering or conveying the Project or any portion thereof shall conclusively be held to have been executed, delivered and accepted subject to such covenants, reservations and restrictions, regardless of whether such covenants, reservations and restrictions are set forth in such contract, deed or other instruments.

Section 15. Burden and Benefit. The Governmental Lender and the Owner hereby declare their understanding and intent that the burdens of the covenants set forth herein touch and concern the land in that the Owner's legal interest in the Project is rendered less valuable thereby. The Governmental Lender and the Owner hereby further declare their understanding and intent that the benefits of such covenants touch and concern the land by enhancing and increasing the enjoyment and use of the Project by Low Income Tenants and Very Low Income Tenants, the intended beneficiaries of such covenants, reservations and restrictions, and by furthering the public purposes for which the Governmental Lender Note were executed and delivered.

Section 16. Uniformity; Common Plan. The covenants, reservations and restrictions hereof shall apply uniformly to the entire Project in order to establish and carry out a common plan for the use of the site on which the Project is located.

Section 17. Default; Enforcement. If the Owner defaults in the performance or observance of any covenant, agreement or obligation of the Owner set forth in this Regulatory Agreement, and if such default remains uncured for a period of 60 days after written notice thereof shall have been given by the Governmental Lender, Noteowner Representative or the Fiscal Agent to the Owner (with a copy to the Equity Investor), or for a period of 60 days from the date the Owner should, with reasonable diligence, have discovered such default, then the Governmental Lender or the Fiscal Agent shall declare an "Event of Default" to have occurred hereunder; provided, however, that if the default is of such a nature that it cannot be corrected

within 60 days, such default shall not constitute an Event of Default hereunder so long as (i) the Owner institutes corrective action within said 60 days and diligently pursues such action (to the satisfaction of the Governmental Lender) until the default is corrected, and (ii) in the opinion of Tax Counsel, the failure to cure said default within 60 days will not adversely affect the Tax-Exempt status of interest on the Governmental Lender Note. The Governmental Lender and the Fiscal Agent shall have the right to enforce the obligations of the Owner under this Regulatory Agreement within shorter periods of time than are otherwise provided herein if necessary to insure compliance with the Housing Law or the Code. The Equity Investor shall have the right but not the obligation to cure defaults hereunder in the same manner as the Owner.

Following the declaration of an Event of Default hereunder, the Governmental Lender or the Fiscal Agent, at the written direction of Governmental Lender, subject to the terms of the Bank Loan Agreement, may take any one or more of the following steps, in addition to all other remedies provided by law or equity:

(i) by mandamus or other suit, action or proceeding at law or in equity, including injunctive relief, require the Owner to perform its obligations and covenants hereunder or enjoin any acts or things that may be unlawful or in violation of the rights of the Governmental Lender or the Fiscal Agent hereunder;

(ii) have access to and inspect, examine and make copies of all of the books and records of the Owner pertaining to the Project;

(iii) take such other action at law or in equity as may appear necessary or desirable to enforce the obligations, covenants and agreements of the Owner hereunder; and

(iv) with the consent of the Noteowner Representative, which consent shall not be unreasonably withheld, declare a default under the Loan Agreement and proceed with any remedies provided therein.

The Owner hereby agrees that specific enforcement of the Owner's agreements contained herein is the only means by which the Governmental Lender may fully obtain the benefits of this Regulatory Agreement made by the Owner herein, and the Owner therefore agrees to the imposition of the remedy of specific performance against it in the case of any Event of Default by the Owner hereunder.

The Fiscal Agent shall have the right, in accordance with this Section and the provisions of the Bank Loan Agreement, without the consent or approval of the Governmental Lender, but with the consent of the Noteowner Representative, which consent shall not be unreasonably withheld, to exercise any or all of the rights or remedies of the Governmental Lender hereunder; provided that prior to taking any such action the Fiscal Agent shall give the Governmental Lender written notice of its intended action. After the Bank Loan Agreement has been discharged, the Governmental Lender may act on its own behalf to declare an "Event of Default" to have occurred and to take any one or more of the steps specified hereinabove to the same extent and with the same effect as if taken by the Fiscal Agent.

The Governmental Lender and the Fiscal Agent hereby agree that cure of any Event of Default made or tendered by any partner of the Owner shall be deemed to be a cure by

the Owner and shall be accepted or rejected on the same basis as if made or tendered by the Owner.

All reasonable fees, costs and expenses (including reasonable attorney's fees and expenses) of the Fiscal Agent and the Governmental Lender incurred in taking any action pursuant to this Section shall be the sole responsibility of the Owner; provided, however, that in the event that any action arises hereunder in which the Owner and the Fiscal Agent are adversaries, the prevailing party, if any, shall be entitled to recover legal fees and costs from the other party; provided, further, if the prevailing party is not the Fiscal Agent, the Fiscal Agent shall remain entitled to any indemnity applicable to it hereunder, or under the Bank Loan Agreement or Loan Agreement, for the payment of such legal fees and costs.

Section 18. The Fiscal Agent. The Fiscal Agent shall act as specifically provided herein and in the Bank Loan Agreement and may exercise such additional powers as are reasonably incidental hereto and thereto. The Fiscal Agent shall have no duty to act with respect to enforcement of the Owner's performance hereunder as described in Section 17 unless it shall have actual knowledge of any such default as provided in Section 17 and the Fiscal Agent has received written direction from the Noteowner Representative and has been indemnified to its satisfaction. The Fiscal Agent may act as the agent of and on behalf of the Governmental Lender, and any act required to be performed by the Governmental Lender as herein provided shall be deemed taken if such act is performed by the Fiscal Agent. In connection with any such performance, the Fiscal Agent is acting solely as Fiscal Agent under the Bank Loan Agreement and not in its individual capacity, and, except as expressly provided herein, all provisions of the Bank Loan Agreement relating to the rights, privileges, powers and protections of the Fiscal Agent shall apply with equal force and effect to all actions taken (or omitted to be taken) by the Fiscal Agent in connection with this Regulatory Agreement. Neither the Fiscal Agent nor any of its officers, directors or employees shall be liable for any action taken or omitted to be taken by it or them hereunder or in connection herewith except for its or their own gross negligence or willful misconduct.

No provision of this Regulatory Agreement shall require the Fiscal Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or indemnity satisfactory to it against such risk or liability is not reasonably assured to it.

The Governmental Lender shall be (or shall cause the Administrator to be) responsible for the monitoring of the Owner's compliance with the terms of this Regulatory Agreement. The Fiscal Agent shall not be responsible for such monitoring.

After the date on which no Notes remain Outstanding, as provided in the Bank Loan Agreement, the Fiscal Agent shall no longer have any duties or responsibilities under this Regulatory Agreement and all references to the Fiscal Agent in this Regulatory Agreement shall be deemed references to the Governmental Lender.

Section 19. Recording and Filing. (a) The Owner shall cause this Regulatory Agreement and all amendments and supplements hereto and thereto, to be recorded and filed in

the real property records of the County, and in such other places as the Governmental Lender may reasonably request. The Owner shall pay all fees and charges incurred in connection with any such recording.

(b) The Owner and the Governmental Lender will file of record such other documents and take such other steps as are reasonably necessary, in the opinion of Tax Counsel, in order to insure that the requirements and restrictions of this Regulatory Agreement will be binding upon all owners of the Project.

(c) The Owner hereby covenants to include or reference the requirements and restrictions contained in this Regulatory Agreement in any documents transferring any interest in the Project to another person to the end that such transferee has notice of, and is bound by, such restrictions, and to obtain the agreement from any transferee to abide by all requirements and restrictions of this Regulatory Agreement.

Section 20. Payment of Fees. Notwithstanding any prepayment of the Loan and discharge of the Bank Loan Agreement, the Owner shall continue to pay the fees of the Governmental Lender as provided in Section 9 hereof, unless such prepayment is made in connection with a refunding of the Governmental Lender Note.

The Owner agrees to pay to the Governmental Lender:

(i) on the Closing Date, the Governmental Lender's up-front administrative fee in the amount of \$[____], which amount is equal to 0.25% of the maximum principal amount of the Governmental Lender Note (\$[PAR]), and

(ii) on each anniversary of the Closing Date:

(A) prior to the Conversion Date, the amount of \$[____], which is equal to 0.25% per annum of the maximum aggregate principal amount of the Governmental Lender Note (\$[PAR]), and

(B) commencing with the first anniversary of the Closing Date occurring after the Conversion Date, and thereafter on each subsequent anniversary of the Closing Date, in an amount equal to the greater of \$[____] or 0.125% of the principal amount of the Governmental Lender Note outstanding following any partial redemption of the Governmental Lender Note on (or in connection with) the Conversion Date. No further reduction in the annual fee shall be made following the adjustment of the annual fee to reflect the reduction in the outstanding principal of the Governmental Lender Note on (or in connection with) the Conversion Date.

Section 21. Governing Law. This Regulatory Agreement shall be governed by the laws of the State of California.

Section 22. Amendments; Waivers. (a) Except as provided in Section 8(a) hereof, this Regulatory Agreement may be amended only by a written instrument executed by the parties hereto or their successors in title, and duly recorded in the real property records of the County, and only upon (i) receipt by the Governmental Lender and the Fiscal Agent of an opinion from

Tax Counsel that such amendment will not adversely affect the Tax-Exempt status of interest on the Governmental Lender Note and is not contrary to the provisions of the Housing Law and (ii) the written consent of the Noteowner Representative, who shall receive a copy of any such amendment.

(b) Anything to the contrary contained herein notwithstanding, the Governmental Lender, the Fiscal Agent and the Owner hereby agree to amend this Regulatory Agreement to the extent required, in the opinion of Tax Counsel, in order that interest on the Governmental Lender Note remains Tax-Exempt. The parties requesting such amendment shall notify the other parties to this Regulatory Agreement of the proposed amendment, with a copy of such proposed amendment to Tax Counsel and a request that Tax Counsel render to the Governmental Lender and the Fiscal Agent an opinion as to the effect of such proposed amendment upon the Tax-Exempt status of interest on the Governmental Lender Note. This provision shall not be subject to any provision of any other agreement requiring any party hereto to obtain the consent of any other person in order to amend this Regulatory Agreement.

(c) Any waiver of, or consent to, any condition under this Regulatory Agreement must be expressly made in writing.

Section 23. Notices. Any notice required to be given hereunder shall be made in writing and shall be given by personal delivery, overnight delivery, certified or registered mail, postage prepaid, return receipt requested, or by telecopy, in each case at the respective addresses specified in the Bank Loan Agreement, or at such other addresses as may be specified in writing by the parties hereto. Unless otherwise specified by the Administrator, the address of the Administrator is:

San Diego Housing Commission
1122 Broadway, Suite 300
San Diego, CA 92101
Attention: Bond Project Manager-Real Estate Department
Telephone: (619) 578-7582
Facsimile: (619) 578-7356

Unless otherwise specified by CDLAC, the address of CDLAC is:

California Debt Limit Allocation Committee
915 Capitol Mall, Room 311
Sacramento, CA 95814
Attention: Executive Director

The Governmental Lender, the Administrator, the Fiscal Agent, CDLAC and the Owner may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent. Notice shall be deemed given on the date evidenced by the postal or courier receipt or other written evidence of delivery or electronic transmission; provided that any telecopy or other electronic transmission received by any party after 4:00 p.m., local time of the receiving party, as evidenced by the time shown on such transmission, shall be deemed to have been received the following Business Day. A copy of each

notice of default provided to the Owner hereunder shall also be provided to the Equity Investor and the Noteowner Representative at the addresses set forth in the Bank Loan Agreement.

A copy of each notice sent by or to the Owner shall also be sent to the Manager at the address of the Manager provided by the Owner to the Administrator; but such copies shall not constitute notice to the Owner, nor shall any failure to send such copies constitute a breach of this Regulatory Agreement or a failure of or defect in notice to the Owner.

The Owner shall notify the Governmental Lender and the Administrator in writing of any change to the name of the Project or any change of name or address for the Owner or the Manager.

Section 24. Severability. If any provision of this Regulatory Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining portions hereof shall not in any way be affected or impaired thereby.

Section 25. Multiple Counterparts. This Regulatory Agreement may be simultaneously executed in multiple counterparts, all of which shall constitute one and the same instrument, and each of which shall be deemed to be an original.

Section 26. Limitation on Liability. Notwithstanding the foregoing or any other provision or obligation to the contrary contained in this Regulatory Agreement, (i) the liability of the Owner under this Regulatory Agreement to any person or entity, including, but not limited to, the Noteowner Representative, the Fiscal Agent or the Governmental Lender and their successors and assigns, is limited to the Owner's interest in the Project, the Pledged Revenues and the amounts held in the funds and accounts created under the Bank Loan Agreement, or any rights of the Owner under any guarantees relating to the Project, and such persons and entities shall look exclusively thereto, or to such other security as may from time to time be given for the payment of obligations arising out of this Regulatory Agreement or any other agreement securing the obligations of the Owner under this Regulatory Agreement; and (ii) from and after the date of this Regulatory Agreement, no deficiency or other personal judgment, nor any order or decree of specific performance (other than pertaining to this Regulatory Agreement, any agreement pertaining to any Project or any other agreement securing the Owner's obligations under this Regulatory Agreement), shall be rendered against the Owner, the assets of the Owner (other than the Owner's interest in the Project, this Regulatory Agreement, amounts held in the funds and accounts created under the Bank Loan Agreement, or any rights of the Owner under the Bank Loan Agreement or any other documents relating to the Governmental Lender Note or any rights of the Owner under any guarantees relating to the Project), its partners, members, successors, transferees or assigns and each of their respective officers, directors, employees, partners, agents, heirs and personal representatives, as the case may be, in any action or proceeding arising out of this Regulatory Agreement, the Bank Loan Agreement or any agreement securing the obligations of the Owner under this Regulatory Agreement, or any judgment, order or decree rendered pursuant to any such action or proceeding, except to the extent provided in the Loan Agreement.

Section 27. Property Management. The Owner agrees that at all times the Project shall be managed by a property manager (i) approved by the Governmental Lender in its reasonable discretion and (ii) who has at least three years' experience in the ownership, operation and

management of similar size rental housing projects, and at least one year's experience in the ownership, operation and management of rental housing projects containing below-market-rate units, without any record of material violations of discrimination restrictions or other state or federal laws or regulations or local governmental requirements applicable to such projects (the "Manager"). The Governmental Lender has approved National Community Renaissance of California as the initial Manager. The Owner shall submit to the Governmental Lender from time to time such information about the background, experience and financial condition of any existing or proposed Manager as the Governmental Lender may reasonably require to determine whether such Manager meets the requirements for a Manager set forth herein. The Governmental Lender reserves the right to conduct periodic reviews of the management practices and of the Manager to determine if the Project is being operated and managed in accordance with the requirements and standards of this Regulatory Agreement. The Owner agrees to cooperate with the Governmental Lender in such reviews.

Replacement of Manager. If the Governmental Lender determines in its reasonable judgment that the Project is not being operated and managed in accordance with one or more of the material requirements or standards of this Regulatory Agreement, the Governmental Lender may deliver written notice to the Owner, the Fiscal Agent and the Noteowner Representative requesting replacement of the Manager, which notice shall state clearly the reasons for such request. The Owner agrees that, upon receipt of such notice, it shall within 60 days submit to the Governmental Lender, with copies to the Fiscal Agent and the Noteowner Representative, a proposal to engage a new Manager meeting the requirements of this Section 27. Each of the Governmental Lender and the Noteowner Representative shall respond within 30 days to such proposal or such approval shall be deemed given. Upon receipt of such consent or deemed consent, the Owner shall within 60 days terminate the existing Manager's engagement and engage the new Manager.

Notwithstanding any other provision of this Section 27 to the contrary, the Noteowner Representative may at any time by written instruction to the Governmental Lender, the Fiscal Agent and the Owner deny the Governmental Lender's request for a replacement Manager and direct that the existing Manager be retained.

Section 28. Third-Party Beneficiary. CDLAC is intended to be and shall be a third-party beneficiary of this Regulatory Agreement. CDLAC shall have the right (but not the obligation) to enforce the CDLAC Conditions and to pursue an action for specific performance or other available remedy at law or in equity in accordance with Section 17 hereof, provided that any such action or remedy shall not materially adversely affect the interests and rights of the Holders of the Governmental Lender Note.

Section 29. Requirements of CDLAC. In addition to other requirements set forth herein and to the extent not prohibited by the requirements set forth in Sections 4 through 6 hereof, the Owner hereby agrees to comply with each of the requirements of CDLAC set forth in this Section 29, as follows:

(a) The Owner shall comply with the CDLAC Resolution attached hereto as Exhibit D and the CDLAC Conditions set forth in Exhibit A thereto (collectively, the "CDLAC Conditions"), which conditions are incorporated herein by reference and made a part hereof. The

Owner will prepare and submit to the Governmental Lender, not later than February 1 of each year, until the Project is completed, and on February 1 every three years thereafter until the end of the Compliance Period, a Certificate of Compliance II for Qualified Residential Rental Projects, in substantially the form attached to the CDLAC Conditions, executed by an authorized representative of the Owner. Such Certificate of Compliance II for Qualified Residential Rental Projects shall be prepared pursuant to the terms of the CDLAC Conditions. Additionally, the Owner will prepare and submit to the Governmental Lender, a Certificate of Completion, in substantially the form attached to the CDLAC Conditions, executed by an authorized representative of the Owner certifying among other things to the substantial completion of the Project. Compliance with the terms of the CDLAC Conditions not contained within this Regulatory Agreement, but referred to in the CDLAC Conditions are the responsibility of the Owner to report to the Governmental Lender.

(b) The Owner acknowledges that the Governmental Lender shall monitor the Owner's compliance with the terms of the CDLAC Conditions. The Owner acknowledges that the Governmental Lender will prepare and submit to CDLAC, not later than March 1 of each year, until the Project is completed, and on March 1 every three years thereafter until the end of the Compliance Period, a Self-Certification Certificate in the form provided by CDLAC. The Owner will cooperate fully with the Governmental Lender in connection with such monitoring and reporting requirements.

(c) Except as otherwise provided in Section 13 of this Regulatory Agreement, this Regulatory Agreement shall terminate on the date 55 years after the date on which at least fifty percent (50%) of the units in the Project are first occupied or otherwise after the commencement of the Qualified Project Period.

(d) The Owner shall notify CDLAC in writing of: (i) any change in ownership of the Project, (ii) any change in the Governmental Lender, (iii) any change in the name of the Project or the Manager; (iv) any material default under the Indenture, the Loan Agreement or this Regulatory Agreement, including, but not limited to, such defaults associated with the Tax-Exempt status of the Governmental Lender Note, and the income and rental requirements as provided in Sections 4 and 6 hereof and the CDLAC Conditions; or (v) termination of this Regulatory Agreement.

(e) CDLAC shall have the right, but not the obligation, to deliver revised CDLAC Conditions to the Owner after the Closing Date at any time; provided however, that: (i) any changes in the terms and conditions of such revised CDLAC Conditions prior to the recordation against the Project in the real property records of the County of a regulatory agreement between Owner and the California Tax Credit Allocation Committee ("TCAC Regulatory Agreement") shall be limited to such changes as are necessary to correct any factual errors or to otherwise conform the CDLAC Conditions to any change in facts or circumstances applicable to the Owner or the Project; and (ii) after recordation of the TCAC Regulatory Agreement, any changes in the terms and conditions of such revised CDLAC Conditions shall be limited to such changes as are necessary to conform Items 1, 6, 7, 10, 11, 12, 14, 15, 16, 18, 19, 20, 21, 22, 23, 24, 25, 26 and/or 37 of Exhibit A to the CDLAC Conditions to any change in terms and conditions requested by Owner and approved by CDLAC. The Owner shall record or cause to be recorded in the real property records of the County an amendment to this Regulatory

Agreement containing such revised CDLAC Conditions, executed by the parties hereto or their successor in title and pay any expenses in connection therewith. The Owner shall provide CDLAC with a copy of that recorded amendment reflecting the revised CDLAC Conditions.

Any of the foregoing requirements of the CDLAC contained in this Section 29 may be expressly waived by CDLAC, in its sole discretion, in writing, but (i) no waiver by CDLAC of any requirement of this Section 29 shall, or shall be deemed to, extend to or affect any other provision of this Regulatory Agreement except to the extent the Governmental Lender has received an opinion of Bond Counsel that any such provision is not required by the Housing Law and may be waived without adversely affecting the exclusion from gross income of interest on the Bonds for federal income tax purposes; and (ii) any requirement of this Section 29 shall be void and of no force and effect if the Governmental Lender and the Owner receive a written opinion of Bond Counsel to the effect that compliance with any such requirement would cause interest on the Bonds to cease to be Tax-Exempt or to the effect that compliance with such requirement would be in conflict with the Housing Law or any other state or federal law.

Section 30. Annual Reporting Covenant. No later than January 31 of each calendar year (commencing January 31, 2019), the Owner, on behalf of the Governmental Lender, agrees to provide to the California Debt and Investment Advisory Commission, by any method approved by the California Debt and Investment Advisory Commission, with a copy to the Governmental Lender, the annual report information required by Section 8855(k)(1) of the California Government Code. This covenant shall remain in effect until the later of the date (i) the Governmental Lender Note is no longer outstanding or (ii) the proceeds of the Governmental Lender Note and the Loan have been fully spent.

IN WITNESS WHEREOF, the Governmental Lender, the Fiscal Agent and the Owner have executed this Regulatory Agreement by duly authorized representatives, all as of the date first above written.

**HOUSING AUTHORITY OF THE
CITY OF SAN DIEGO**

By: _____
Jeff Davis – Executive Vice President and
Chief of Staff

[Signature Page – Parkside Apartments Regulatory Agreement]

U.S. BANK NATIONAL ASSOCIATION,
as Fiscal Agent

By: _____
Authorized Signatory

[Signature page – Parkside Apartments Regulatory Agreement]

Parkside SD Apartments, L.P.,
a California limited partnership

By: Parkside GP LLC,
a California limited liability company,
its general partner

By: National Community Renaissance of California,
a California nonprofit public benefit corporation,
the manager and member

By: _____
Michael Finn
Chief Financial Officer

[Signature page – Parkside Apartments Regulatory Agreement]

EXHIBIT A

DESCRIPTION OF REAL PROPERTY

All that certain land situated in the City of San Diego, County of San Diego, State of California, described as follows:

EXHIBIT B
FORM OF INCOME CERTIFICATION
[ATTACHED]

TENANT INCOME CERTIFICATION

☐ Initial Certification

☐ 1st Recertification

☐ Other:

Effective Date:
Move-in Date:
(YYYY-MM-DD)

PART I - DEVELOPMENT DATA

Property Name: County: BIN #:
Address: Unit Number: # Bedrooms:

PART II. HOUSEHOLD COMPOSITION

☐ Vacant

HH Mbr #	Last Name	First Name	Middle Initial	Relationship to Head of Household	Date of Birth (YYYY/MM/DD)	F/T Student (Y or N)	Last 4 digits of Social Security #
1				HEAD			
2							
3							
4							
5							
6							
7							

PART III. GROSS ANNUAL INCOME (USE ANNUAL AMOUNTS)

HH Mbr #	(A) Employment or Wages	(B) Soc. Security/ Pensions	(C) Public Assistance	(D) Other Income
TOTALS	\$	\$	\$	\$
Add totals from (A) through (D), above			TOTAL INCOME (E):	\$

PART IV. INCOME FROM ASSETS

Hshld Mbr #	(F) Type of Asset	(G) C/I	(H) Cash Value of Asset	(I) Annual Income from Asset
TOTALS:			\$	\$
Enter Column (H) Total				
If over \$5000 \$ X 2.00% = (J) Imputed Income				\$
Enter the greater of the total of column I, or J: imputed income TOTAL INCOME FROM ASSETS (K)				\$
(L) Total Annual Household Income from all Sources [Add (E) + (K)]				\$

Effective Date of Move-in Income Certification:

Household Size at Move-in Certification:

HOUSEHOLD CERTIFICATION & SIGNATURES

The information on this form will be used to determine maximum income eligibility. I/we have provided for each person(s) set forth in Part II acceptable verification of current anticipated annual income. I/we agree to notify the landlord immediately upon any member of the household moving out of the unit or any new member moving in. I/we agree to notify the landlord immediately upon any member becoming a full time student.

Under penalties of perjury, I/we certify that the information presented in this Certification is true and accurate to the best of my/our knowledge and belief. The undersigned further understands that providing false representations herein constitutes an act of fraud. False, misleading or incomplete information may result in the termination of the lease agreement.

_____ Signature	_____ (Date)	_____ Signature	_____ (Date)
_____ Signature	_____ (Date)	_____ Signature	_____ (Date)

PART V. DETERMINATION OF INCOME ELIGIBILITY**RECERTIFICATION ONLY:**

TOTAL ANNUAL HOUSEHOLD INCOME
FROM ALL SOURCES:
From item (L) on page 1

\$

Current Income Limit x 140%:

Unit Meets Income Restriction

at

☐ 60%☐ 50%

\$

☐ 40%☐ 30%

Household Income exceeds 140%
at recertification:
Yes ☐ No ☐

☐ %

Current Income Limit per Family Size:

\$

Household Income at Move-in:

\$

Household Size at Move-in: _____

PART VI. RENT

Tenant Paid Rent

\$

Rent Assistance:

\$

Utility Allowance

\$

Other non-optional charges:

\$

GROSS RENT FOR UNIT:

(Tenant paid rent plus Utility Allowance &
other non-optional charges)

\$

Unit Meets Rent Restriction at:

☐ 60%☐ 50%☐ 40%☐ 30%☐ %

Maximum Rent Limit for this unit:

\$

PART VII. STUDENT STATUS

ARE ALL OCCUPANTS FULL TIME
STUDENTS?

☐ yes☐ no

If yes, Enter student explanation*
(also attach documentation)

Enter 1-5

1

2

3

4

5

*Student Explanation:

AFDC / TANF Assistance

Job Training Program

Single Parent/ Dependent Child

Married/Joint Return

Former Foster Care

PART VIII. PROGRAM TYPE

Mark the program(s) listed below (a. through e.) for which this household's unit will be counted toward the property's occupancy requirements. Under each program marked, indicate the household's income status as established by this certification/recertification.

a. Tax Credit ☐b. HOME ☐c. Tax Exempt ☐d. AHDF ☐e. ☐

(Name of Program)

See Part V above.

Income Status

☐ ≤50% AMGI☐ ≤60% AMGI☐ ≤80% AMGI☐ OI**

Section 1. Income Status

☐ 50% AMGI☐ 60% AMGI☐ 80% AMGI☐ OI**

Income Status

☐ 50% AMGI☐ 80% AMGI☐ OI**

Income Status

☐ _____☐ _____☐ OI**

** Upon recertification, household was determined over-income (OI) according to eligibility requirements of the program(s) marked above.

SIGNATURE OF OWNER/REPRESENTATIVE

Based on the representations herein and upon the proof and documentation required to be submitted, the individual(s) named in Part II of this Tenant Income Certification is/are eligible under the provisions of Section 42 of the Internal Revenue Code, as amended, and the Land Use Restriction Agreement (if applicable), to live in a unit in this Project.

SIGNATURE OF OWNER/REPRESENTATIVE

DATE

INSTRUCTIONS FOR COMPLETING TENANT INCOME CERTIFICATION

This form is to be completed by the owner or an authorized representative.

Part I - Development Data

Check the appropriate box for Initial Certification (move-in), Recertification (annual recertification), or Other. If Other, designate the purpose of the recertification (i.e., a unit transfer, a change in household composition, or other state-required recertification).

- *Move-in Date Enter the date the tenant has or will take occupancy of the unit. (YYYY-MM-DD)
- *Effective Date Enter the effective date of the certification. For move-in, this should be the move-in date. For annual recertification, this effective date should be no later than one year from the effective date of the previous (re)certification. (YYYY-MM-DD)
- Property Name Enter the name of the development.
- County Enter the county (or equivalent) in which the building is located.
- BIN # Enter the Building Identification Number (BIN) assigned to the building (from IRS Form 8609).
- Address Enter the address of the building.
- Unit Number Enter the unit number.
- # Bedrooms Enter the number of bedrooms in the unit.
- *Vacant Unit Check if unit was vacant on December 31 of requesting year.

Part II - Household Composition

List all occupants of the unit. State each household member's relationship to the head of household by using one of the following coded definitions:

H	-	Head of Household	S	-	Spouse
A	-	Adult co-tenant	O	-	Other family member
C	-	Child	F	-	Foster child(ren)/adult(s)
L	-	Live-in caretaker	N	-	None of the above

Enter the date of birth, student status, and last four digits of social security number or alien registration number for each occupant. If tenant does not have a Social Security Number (SSN) or alien registration number, please enter the numerical birth month and last two digits of birth year (e.g. birthday January 1, 1970, enter "0170"). If tenant has no SSN number or date of birth, please enter the last 4 digits of the BIN.

If there are more than 7 occupants, use an additional sheet of paper to list the remaining household members and attach it to the certification.

Part III - Annual Income

See HUD Handbook 4350.3 for complete instructions on verifying and calculating income, including acceptable forms of verification.

From the third party verification forms obtained from each income source, enter the gross amount anticipated to be received for the twelve months from the effective date of the (re)certification. Complete a separate line for each income-earning member. List **each** respective household member number from Part II. Include anticipated income only if documentation exists verifying pending employment. If any adult states zero-income, please enter "zero" in the columns of Part III.

Column (A)	Enter the annual amount of wages, salaries, tips, commissions, bonuses, and other income from employment; distributed profits and/or net income from a business.
Column (B)	Enter the annual amount of Social Security, Supplemental Security Income, pensions, military retirement, etc.
Column (C)	Enter the annual amount of income received from public assistance (i.e., TANF, general assistance, disability, etc.).
Column (D)	Enter the annual amount of alimony, child support, unemployment benefits, or any other income regularly received by the household.
Row (E)	Add the totals from columns (A) through (D), above. Enter this amount.

Part IV - Income from Assets

See HUD Handbook 4350.3 for complete instructions on verifying and calculating income from assets, including acceptable forms of verification.

From the third party verification forms obtained from each asset source, list the gross amount anticipated to be received during the twelve months from the effective date of the certification. List the respective household member number from Part II and complete a separate line for each member.

Column (F)	List the type of asset (i.e., checking account, savings account, etc.)
Column (G)	Enter C (for current, if the family currently owns or holds the asset), or I (for imputed, if the family has disposed of the asset for less than fair market value within two years of the effective date of (re)certification).
Column (H)	Enter the cash value of the respective asset.
Column (I)	Enter the anticipated annual income from the asset (i.e., savings account balance multiplied by the annual interest rate).
TOTALS	Add the total of Column (H) and Column (I), respectively.

If the total in Column (H) is greater than \$5,000, you must do an imputed calculation of asset income. Enter the Total Cash Value, multiply by 2% and enter the amount in (J), Imputed Income.

Row (K)	Enter the greater of the total in Column (I) or (J)	
Row (L)	Total Annual Household Income From all Sources	Add (E) and (K) and enter the total
*Effective Date of Income Certification	Enter the effective date of the income certification corresponding to the total annual household income entered in Box L. If annual income certification is not required, this may be different from the effective date listed in Part I.	
*Household Size at Certification	Enter the number of tenants corresponding to the total annual household income entered in Box L. If annual income certification is not required, this may be different from the number of tenants listed in Part II.	

HOUSEHOLD CERTIFICATION AND SIGNATURES

After all verifications of income and/or assets have been received and calculated, each household member age 18 or older must sign and date the Tenant Income Certification. For move-in, it is recommended that the Tenant Income Certification be signed no earlier than 5 days prior to the effective date of the certification.

Part V – Determination of Income Eligibility

Total Annual Household Income from all Sources	Enter the number from item (L).
Current Income Limit per Family Size	Enter the Current Move-in Income Limit for the household size.
Household income at move-in Household size at move-in	For recertifications, only. Enter the household income from the move-in certification. On the adjacent line, enter the number of household members from the move-in certification.

Current Income Limit x 140% For recertifications only. Multiply the Current Maximum Move-in Income Limit by 140% and enter the total. **140% is based on the Federal Set-Aside of 20/50 or 40/60, as elected by the owner for the property, not deeper targeting elections of 30%, 40%, 45%, 50%, etc.** Below, indicate whether the household income exceeds that total. If the Gross Annual Income at recertification is greater than

140% of the current income limit, then the available unit rule must be followed.

*Units Meets Income Restriction at Check the appropriate box for the income restriction that the household meets according to what is required by the set-aside(s) for the project.

Part VI - Rent

Tenant Paid Rent Enter the amount the tenant pays toward rent (not including rent assistance payments such as Section 8).

Rent Assistance Enter the amount of rent assistance, if any.

Utility Allowance Enter the utility allowance. If the owner pays all utilities, enter zero.

Other non-optional charges Enter the amount of non-optional charges, such as mandatory garage rent, storage lockers, charges for services provided by the development, etc.

Gross Rent for Unit Enter the total of Tenant Paid Rent plus Utility Allowance and other non-optional charges.

Maximum Rent Limit for this unit Enter the maximum allowable gross rent for the unit.

Unit Meets Rent Restriction at Check the appropriate rent restriction that the unit meets according to what is required by the set-aside(s) for the project.

Part VII - Student Status

If all household members are full time* students, check “yes”. If at least one household member is not a full time student, check “no”.

If “yes” is checked, the appropriate exemption must be listed in the box to the right. If none of the exemptions apply, the household is ineligible to rent the unit.

Full time is determined by the school the student attends.

Part VIII – Program Type

Mark the program(s) for which this household’s unit will be counted toward the property’s occupancy requirements. Under each program marked, indicate the household’s income status as established by this certification/recertification. If the property does not participate in the HOME, Tax-Exempt Bond, Affordable Housing Disposition, or other housing program, leave those sections blank.

Tax Credit See Part V above.

HOME If the property participates in the HOME program and the unit this household will occupy will count towards the HOME program set-asides, mark the appropriate box indicating the household’s designation.

Tax Exempt If the property participates in the Tax Exempt Bond program; mark the appropriate box indicating the household’s designation.

AHDP If the property participates in the Affordable Housing Disposition Program (AHDP), and this household’s unit will count towards the set-aside requirements, mark the appropriate box indicating the household’s designation.

Other
appropriate.

If the property participates in any other affordable housing program, complete the information as

SIGNATURE OF OWNER/REPRESENTATIVE

It is the responsibility of the owner or the owner's representative to sign and date this document immediately following execution by the resident(s).

The responsibility of documenting and determining eligibility (including completing and signing the Tenant Income Certification form) and ensuring such documentation is kept in the tenant file is extremely important and should be conducted by someone well trained in tax credit compliance.

These instructions should not be considered a complete guide on tax credit compliance. The responsibility for compliance with federal program regulations lies with the owner of the building(s) for which the credit is allowable.

PART IX. SUPPLEMENTAL INFORMATION

Tenant Demographic Profile	Complete for each member of the household, including minors, for move-in. Use codes listed on supplemental form for Race, Ethnicity, and Disability Status.
Resident/Applicant Initials	All tenants who wish not to furnish supplemental information should initial this section. Parent/guardian may complete and initial for minor child(ren).

**Please Note areas with asterisks are new or have been modified. Please ensure to Note the changes or formats now being requested.*

TENANT INCOME CERTIFICATION QUESTIONNAIRE

(a)		NAME: _____	TELEPHONE NUMBER: _____
(b)			()
<input type="checkbox"/>	<input type="checkbox"/>	Initial Certification	BIN # _____
<input type="checkbox"/>	<input type="checkbox"/>	Re-certification	
<input type="checkbox"/>	<input type="checkbox"/>	Other	Unit # _____

(A) INCOME INFORMATION		
a.	YES	NO MONTHLY GROSS INCOME
<input type="checkbox"/>	<input type="checkbox"/>	I am self employed. (List nature of self employment) (use <u>net</u> income from business) \$ _____
<input type="checkbox"/>	<input type="checkbox"/>	I have a job and receive wages, salary, overtime pay, commissions, fees, tips, bonuses, and/or other compensation: List the businesses and/or companies that pay you: <div style="text-align: center;"> <u>Name of Employer</u> 1) _____ 2) _____ 3) _____ </div> <div style="display: flex; justify-content: space-between;"> <div></div> <div>\$ _____</div> </div> <div style="display: flex; justify-content: space-between;"> <div></div> <div>\$ _____</div> </div> <div style="display: flex; justify-content: space-between;"> <div></div> <div>\$ _____</div> </div>
<input type="checkbox"/>	<input type="checkbox"/>	I receive cash contributions of gifts including rent or utility payments, on an ongoing basis from persons not living with me. i. \$ _____
<input type="checkbox"/>	<input type="checkbox"/>	I receive unemployment benefits. ii. \$ _____
<input type="checkbox"/>	<input type="checkbox"/>	I receive Veteran's Administration, GI Bill, or National Guard/Military benefits/income. iii. \$ _____
<input type="checkbox"/>	<input type="checkbox"/>	I receive periodic social security payments. iv. \$ _____
<input type="checkbox"/>	<input type="checkbox"/>	The household receives <u>unearned</u> income from family members age 17 or under (example: Social Security, Trust Fund disbursements, etc.). v. \$ _____
<input type="checkbox"/>	<input type="checkbox"/>	I receive Supplemental Security Income (SSI). vi. \$ _____
<input type="checkbox"/>	<input type="checkbox"/>	I receive disability or death benefits other than Social Security. vii. \$ _____
<input type="checkbox"/>	<input type="checkbox"/>	I receive Public Assistance Income (examples: TANF, AFDC) viii. \$ _____
<input type="checkbox"/>	<input type="checkbox"/>	I am entitled to receive child support payments. I am currently receiving child support payments. If yes, from how many persons do you receive support? _____ I am currently making efforts to collect child support owed to me. List efforts being made to collect child support: <div style="border-bottom: 1px solid black; margin-bottom: 5px; width: 80%;"></div> <div style="border-bottom: 1px solid black; margin-bottom: 5px; width: 80%;"></div>
<input type="checkbox"/>	<input type="checkbox"/>	I receive alimony/spousal support payments ix. \$ _____
<input type="checkbox"/>	<input type="checkbox"/>	I receive periodic payments from trusts, annuities, inheritance, retirement funds or pensions, insurance policies, or lottery winnings. If yes, list sources: 1) _____ 2) _____
<input type="checkbox"/>	<input type="checkbox"/>	I receive income from real or personal property. (use <u>net</u> earned income) \$ _____
<input type="checkbox"/>	<input type="checkbox"/>	Student financial aid (public or private, not including student loans) Subtract cost of tuition from Aid received xii. \$ _____

2. Asset information			INTEREST RATE	CASH VALUE
YES	NO			
<input type="checkbox"/>	<input type="checkbox"/>	I have a checking account(s). If yes, list bank(s) 1) 2)	i. % %	ii. \$ \$
<input type="checkbox"/>	<input type="checkbox"/>	I have a savings account(s) If yes, list bank(s) 1) 2)	iii. iv. % %	v. vi. \$ \$
<input type="checkbox"/>	<input type="checkbox"/>	I have a revocable trust(s) If yes, list bank(s) 1)	vii. %	viii. \$
<input type="checkbox"/>	<input type="checkbox"/>	I own real estate. If yes, provide description:		ix. \$
<input type="checkbox"/>	<input type="checkbox"/>	I own stocks, bonds, or Treasury Bills If yes, list sources/bank names 1) 2) 3)	x. % % %	xi. \$ \$ \$
<input type="checkbox"/>	<input type="checkbox"/>	I have Certificates of Deposit (CD) or Money Market Account(s). If yes, list sources/bank names 1) 2) 3)	xii. % % %	xiii. \$ \$ \$
<input type="checkbox"/>	<input type="checkbox"/>	I have an IRA/Lump Sum Pension/Keogh Account/401K. If yes, list bank(s) 1) 2)	xiv. % %	xv. \$ \$
<input type="checkbox"/>	<input type="checkbox"/>	I have a whole life insurance policy. If yes, how many policies		xvi. \$
<input type="checkbox"/>	<input type="checkbox"/>	I have cash on hand.		xvii. \$
<input type="checkbox"/>	<input type="checkbox"/>	I have disposed of assets (i.e. gave away money/assets) for less than the fair market value in the past 2 years. xviii. If yes, list items and date disposed: 1) 2)		xix. \$ \$

(B)

(C) **STUDENT STATUS**

1.	YES	NO	
	<input type="checkbox"/>	<input type="checkbox"/>	Does the household consist of all persons who are <u>full-time</u> students (Examples: College/University, trade school, etc.)? Does the household consist of all persons who have been a <u>full-time</u> student in the previous 5 months? Does your household anticipate becoming an all full-time student household in the next 12 months?
	<input type="checkbox"/>	<input type="checkbox"/>	If you answered yes to any of the previous three questions are you: <ul style="list-style-type: none">● Receiving assistance under Title IV of the Social Security Act (AFDC/TANF/Cal Works - not SSA/SSI)● Enrolled in a job training program receiving assistance through the Job Training Participation Act (JTPA) or other similar program● Married and filing (or are entitled to file) a joint tax return● Single parent with a dependant child or children and neither you nor your child(ren) are dependent of another individual● Previously enrolled in the Foster Care program (age 18-24)
	<input type="checkbox"/>	<input type="checkbox"/>	
	<input type="checkbox"/>	<input type="checkbox"/>	

(ii) UNDER PENALTIES OF PERJURY, I CERTIFY THAT THE INFORMATION PRESENTED ON THIS FORM IS TRUE AND ACCURATE TO THE BEST OF MY/OUR KNOWLEDGE. THE UNDERSIGNED FURTHER UNDERSTANDS THAT PROVIDING FALSE REPRESENTATIONS HEREIN CONSTITUTES AN ACT OF FRAUD. FALSE, MISLEADING OR INCOMPLETE INFORMATION WILL RESULT IN THE DENIAL OF APPLICATION OR TERMINATION OF THE LEASE AGREEMENT.

PRINTED NAME OF APPLICANT/TENANT

SIGNATURE OF APPLICANT/TENANT

DATE

WITNESSED BY (SIGNATURE OF OWNER/REPRESENTATIVE)

DATE

EXHIBIT C

FORM OF CERTIFICATE OF CONTINUING PROGRAM COMPLIANCE

[ATTACHED]

[FORM OF CERTIFICATE OF CONTINUING PROGRAM COMPLIANCE]

CERTIFICATE OF CONTINUING PROGRAM COMPLIANCE

Witnesseth that on this ___ day of _____, 20___, the undersigned, having borrowed certain funds from the HOUSING AUTHORITY OF THE CITY OF SAN DIEGO (the “Governmental Lender”) for the purpose of financing a multifamily rental housing development (the “Project”), does hereby certify that:

A. During the preceding year (i) such Project was continually in compliance with the Regulatory Agreement executed in connection with such loan from the Governmental Lender, (ii) ___% of the units in the Project were at all times Low Income Units (minimum of 30%) and ___% of the units in the Project were at all times Very Low Income Units (minimum of 10%).

B. Set forth below is certain information regarding occupancy of the Project as of the date hereof.

1. Total Units: _____
2. Total Units Occupied: _____
3. Total Units Held Vacant
and Available for Rent to Very Low Income Tenants _____
and Available for Rent to Low Income Tenants _____
4. Total Very Low Income Units Occupied: _____
Total Low Income Units Occupied: _____
5. % of Very Low Income Units to Total Units _____ %
% of Low Income Units to Total Units _____ %
(equals the Total of Lines 3 and 4, divided by the lesser of Line 1 or Line 2)

C. Set forth below are the names of Very Low Income Tenants or Low Income Tenants who commenced or terminated occupancy during the preceding year.

Commenced Occupancy

1.

2.

3.

Terminated Occupancy

1.

2.

3.

D. Set forth below is the unit number and name of the head of household of each unit that was a Very Low Income Unit or a Low Income Unit as of the beginning of the previous year, but has ceased to be a Very Low Income Unit or a Low Income Unit because (a) the gross income of the tenants of such unit, as of the most recent determination thereof, exceeds one hundred forty percent (140%) of the applicable income limit for a Very Low Income Tenant or a Low Income Tenant, adjusted for family size, or (b) all the individuals in such unit are currently students (as defined under Section 151(c)(4) of the Code), no one of whom is entitled to file a joint return under Section 6013 of the Code:

Unit Number

1.

2.

3.

Name (Head of Household)

1.

2.

3.

E. The Very Low Income Units or Low Income Units are of similar size and quality to other units and are dispersed throughout the Project.

F. *Select appropriate certification:* [No unremedied default has occurred under this Regulatory Agreement, the Loan Agreement or the Deed of Trust.] [A default has occurred under the _____. The nature of the default and the measures being taken to remedy such default are as follows: _____.]

G. The representations set forth herein are true and correct to the best of the undersigned's knowledge and belief.

Date: _____
Owner

EXHIBIT D
CDLAC RESOLUTION
[ATTACHED – SEE FOLLOWING PAGES]

Document comparison by Workshare Compare on Thursday, June 14, 2018
4:58:27 PM

Input:	
Document 1 ID	netdocuments://4137-9841-5123/3
Description	Regulatory Agreement - SDHC Parkside
Document 2 ID	netdocuments://4137-9841-5123/4
Description	Regulatory Agreement - SDHC Parkside
Rendering set	standard

Legend:	
<u>Insertion</u>	
Deletion	
Moved from	
<u>Moved to</u>	
Style change	
Format change	
Moved deletion	
Inserted cell	
Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

Statistics:	
	Count
Insertions	26
Deletions	25
Moved from	0
Moved to	0
Style change	0
Format changed	0
Total changes	51