



## EXECUTIVE SUMMARY

### HOUSING COMMISSION EXECUTIVE SUMMARY SHEET

DATE: June 6, 2018

HCR18-061

COUNCIL DISTRICT(S): 3

ORIGINATING DEPARTMENT: Real Estate Division

CONTACT/PHONE NUMBER: Tina Kessler (619) 578-7569

#### REQUESTED ACTION:

Approve a residual receipts loan, an amendment to the ground lease, and take the initial steps to issue Housing Authority of the City of San Diego tax-exempt Multifamily Housing Revenue Bonds to facilitate the acquisition with rehabilitation of West Park, a 47-unit existing development, located at 1830 4<sup>th</sup> Avenue, San Diego 92101, which will include 46 units for seniors and adults with mental disabilities that will remain affordable for 55 years.

#### EXECUTIVE SUMMARY OF KEY FACTORS:

- The proposed affordable housing development is a four story, 10,309-square-foot existing building, composed of 47 units located at 1830 4<sup>th</sup> Avenue. The unit mix would consist of 4 studio units, 42 single room occupancy (SRO) units, and a SRO manager's unit. On average the units are approximately 217 square feet.
- The developer is seeking a residual receipts loan of up to \$3,593,274, four percent tax credit equity of \$4,960,562, permanent loan of \$1,819,438 and a seller note of \$5,220,000.
- In addition to the loan, the developer is seeking an amendment to the ground lease, adjusting the payment to be consistent with other tax credit transactions. Along with approvals for the preliminary steps to issue up to \$9,000,000 in tax-exempt Multifamily Housing Revenue Bonds.
- The developer is Housing Development Partners (HDP), an affiliate of the Housing Commission. HDP is an experienced developer who has successfully participated in affordable housing developments throughout San Diego, contributing to the affordable housing inventory.
- Total development cost of the development is \$15,953,274
- Total development cost per residential units is \$331,772
- Housing Commission subsidy per unit is \$76,453
- The Housing Commission previously approved an award of 46 federal project based housing vouchers for this development. Units will be set aside for homeless seniors and adults with mental disabilities, filled through the coordinated entry system.
- If approved, the developer could commence construction in December 2018 and complete construction by December 2019.



## REPORT

**DATE ISSUED:** June 7, 2018

**REPORT NO:** HCR18-061

**ATTENTION:** Chair and Members of the San Diego Housing Commission  
For the Agenda of June 15, 2018

**SUBJECT:** Loan Recommendation and Preliminary Bond Authorization for West Park

**COUNCIL DISTRICT:** 3

### **REQUESTED ACTION**

*The seven day advance notice of San Diego Housing Commission's Hearing of this matter is being provided to the Housing Authority Members pursuant to the provisions of San Diego Municipal Code Section 98.0301(e)(4)(A) and (B) concerning staff recommendation No. 1 only.*

Approve a residual receipts loan, an amendment to the ground lease, and take the initial steps to issue Housing Authority of the City of San Diego tax-exempt Multifamily Housing Revenue Bonds to facilitate the acquisition with rehabilitation of West Park, a 47-unit existing development, located at 1830 Fourth Avenue, San Diego 92101, which will include 46 units for seniors and adults with mental disabilities who are experiencing homelessness that will remain affordable for 55 years.

### **STAFF RECOMMENDATION**

That the San Diego Housing Commission (Housing Commission) take the following actions and recommend that the Housing Authority of the City of San Diego (Housing Authority) and San Diego City Council (City Council) take the following actions, as described in this report.

### **Housing Commission:**

- 1) The Housing Commission's proposed loan will be contingent upon the developer receiving all necessary third-party funding commitments, including a California Tax Credit Allocation Committee (TCAC) award of approximately \$4,535,051 of 4 percent tax credits, an approximate \$9,000,000 tax-exempt bonds financed loan, and a seller loan described in this report. Such third-party funding commitments will be subject to the Housing Commission's General Counsel's approval.
- 2) Adjust the terms of the 65-year ground lease from the Housing Commission to HDP West Park L.P. so that the annual ground rent will equal the lesser of: (i) 4.5 percent of HDP West Park, L.P.'s gross annual income; or (ii) 100 percent of HDP West Park, L.P.'s cash flow.
- 3) Authorize the Executive Vice President and Chief of Staff (Executive Vice President), or designee:

- a. To adjust financing terms/conditions as necessary for consistency with requirements of other funding sources or to accommodate market changes that may occur, provided that the proposed \$3,593,274 maximum loan amount may not increase.
- b. To substitute approved funding sources with any other available funds as deemed appropriate, contingent upon budget availability, and further authorize the Executive Vice President, or designee, to take such actions as are necessary, convenient and/or appropriate to implement this approval and delegation of authority by the Housing Commission upon advice of General Counsel.

**Housing Authority:**

- 1) Approve the following steps to issue Housing Authority tax-exempt Multifamily Housing Revenue Bonds for West Park:
  - a. Issue a bond inducement resolution (Declaration of Official Intent) for up to \$9,000,000 in tax exempt Multifamily Housing Revenue Bonds for the rehabilitation of West Park;
  - b. Authorize an application (and subsequent applications if necessary) to the California Debt Limit Allocation Committee (CDLAC) for an allocation of authority to issue tax-exempt private activity bonds in an amount of up to \$9,000,000 for West Park;
  - c. Approve a bond financing team of Jones Hall as bond counsel, and Ross Financial as bond financial advisor;
- 2) Authorize the Executive Vice President, or designee to execute any and all documents that are necessary to effectuate the transaction and implement these approvals in a form approved by General Counsel and Bond Counsel, and to take such actions as are necessary, convenient, and/or appropriate to implement these approvals upon advice of General Counsel and/or Bond Counsel.

**City Council:**

Hold a Tax Equity and Fiscal Responsibility Act (TEFRA) public hearing, and adopt a resolution approving the Housing Authority's issuance of tax-exempt Multifamily Housing Revenue Bonds in an amount of up to \$9,000,000.

## **SUMMARY**

A development summary is at Attachment 1.

**Table 1 –Development Details**

Address	1830 Fourth Avenue
Council District	3
Community Plan Area	Bankers Hill/Park West neighborhood of Uptown Community Planning Area
Developer	Housing Development Partners (HDP)
Development Type	Acquisition with rehabilitation
Construction Type	Type V, wood frame, stucco construction
Parking Type	No parking on-site
Housing Type	Multifamily (four-story structure)
Lot Size	9,787 square feet (rectangular in shape) (0.225 acres)
Units	47 (46 units affordable)
Density	209 dwelling units per acre (47 units ÷ 0.225 acres)
Unit Mix	4 studio units, 42 single-room occupancy (SRO) units, and one manager's SRO unit
Gross Building Area	10,309 square feet
Net Rentable Area	10,120 square feet (residential total)

### **The Development**

West Park is a 47-unit existing building constructed in 1989. It is located at 1830 Fourth Avenue, (between Elm Street and Fir Street) (Attachment 2 - site maps). An appraisal, completed by MDS Realty Advisors, an MAI-designated appraiser, provided an “as-is” market value at \$5,220,000. West Park is one building with four stories. There is elevator service. There is no on-site parking. HDP intends to convert four of the existing Single-Room Occupancy (SRO) units into four rehabilitated affordable studios. Site amenities include: a courtyard with fountain in the center of the building; a small, exterior laundry area; on-site management office; and secure entry. Bus service is available nearby on Fourth and Fifth Avenues. The property is a 9,787 square foot lot. Adjacent to the north is multifamily residential and a restaurant. To the south are Elm Street, multifamily residential and office buildings. Located to the east are Fourth Avenue, a newly constructed CVS, parking lot, and a hotel. To the west are Third Avenue, a parking lot, and multifamily residential and religious uses.

### **Prior Actions**

On December 14, 2017, the Housing Commission acquired West Park and a separate property for a total purchase price of \$15,190,000.00. Additionally, on December 14, 2017, the Housing Commission leased the properties to HDP West Park, LLC under the terms as outlined in document number 2017-0585952 recorded on December 14, 2017 included as Attachment 3 to this report.

West Park supports the creation of permanent housing opportunities for homeless San Diegans through HOUSING FIRST – SAN DIEGO, the Housing Commission’s homelessness action plan. The current phase of HOUSING FIRST – SAN DIEGO, which launched on July 1, 2017, will create permanent housing opportunities for at least 3,000 homeless San Diegans over the next three fiscal years (2018-2020). This phase builds upon the accomplishments of the programs in the first three years of

HOUSING FIRST – SAN DIEGO (2014-2017), which are on track to impact the lives of close to 3,000 homeless San Diegans.

#### Ground Lease

The Housing Commission and HDP West Park Inn, LLC, previously entered into a 65-year ground lease of the property, which required annual ground rent payments equal to 4.5 percent of all gross income. As part of the rehabilitation of the property, the ground lease will be assumed by HDP West Park L.P. To obtain funding for the rehabilitation and permanent financing of the property, the ground lease terms must be adjusted to match the Housing Commission's standard tax credit ground lease rent structure, which requires rents at 4.5 percent of annual gross income, up to 100 percent of the project's cash flow.

#### Developer's Request

HDP submitted a request for a Housing Commission residual receipts loan of \$3,593,274 and Housing Authority issuance of up to \$9,000,000 of tax-exempt Multifamily Mortgage Revenue Bonds.

#### Building Conditions/Proposed Rehabilitation Work

HDP intends to complete a comprehensive/substantial renovation of West Park. An estimated rehabilitation summary is included as Attachment 4. A Physical Needs Assessment (PNA) was conducted by Building Consultants, Inc., which identified and assisted in scope refinement.

The current estimate of rehabilitation costs is \$4,715,040 (\$100,320/unit). This amount includes estimated costs to: add kitchenettes to four of the units to convert the SROs into studios; upgrade existing building systems to extend useful life; add new bathroom fixtures; update fire/life safety components; provide full roof replacement; and paint the interior and exterior of the building. West Park will be rehabilitated in conformance with TCAC minimum energy efficiency standards for rehabilitation projects, which require demonstrating at least 10 percent post-rehabilitation improvement in energy efficiency over existing conditions. A General Contractor has not yet been selected.

#### Prevailing Wages

HDP's use of Project Based Section 8 vouchers and a potential allocation of U.S. Department of Housing and Urban Development (HUD) Community Development Block Grant funds will require payment of Federal Prevailing wages. The ground lease for the property with the Housing Commission will require the payment of State Prevailing wages.

#### Relocation

At present, four of the 47 units are occupied. HDP has issued all required relocation notices to existing occupants. HDP does not anticipate any permanent relocation of tenants. However, HDP will comply with any and all applicable relocation requirements.

#### Accessibility

TCAC requires wheelchair accessibility in 10 percent of the units, with an additional 4 percent of the units accessible to residents with visual and/or hearing impairment. In the event that existing building conditions prove to be financially infeasible to correct, to comply with the 10 percent TCAC requirement, HDP West Park L.P. and the project architect will work to obtain a waiver from TCAC.

#### Development Team

HDP is a California 501(c)(3) nonprofit public benefit corporation that was incorporated in April 1990 and is an affiliate of the Housing Commission. HDP is a separate legal entity established by the Housing Commission to acquire and develop low- and moderate-income housing and to provide services

related to housing. HDP is an experienced developer and has successfully participated in affordable housing developments throughout San Diego. HDP has developed 1,253 units of affordable housing with 284 more units in process, including multiple affordable developments utilizing Housing Commission loans. Recent developments are:

- New Palace Hotel, at 1814 Fifth Avenue, an 80-unit rehabilitation development, currently in construction, with a \$3,040,000 Housing Commission loan and a \$10,500,000 tax-exempt bond issuance.
- San Diego Square, at 1055 Ninth Avenue, a 156-unit rehabilitation development, completed in 2016, with a \$17,825,000 tax-exempt bond issuance.
- Hotel Churchill, at 827 C Street, a 73-unit rehabilitation development, completed in 2016, with a \$6,106,609 Housing Commission loan and a \$13,047,455 Moving-to-Work grant.

HDP's previous Housing Commission loans are in full compliance. Based upon the developer's past experience and past performance, staff has determined that the developer has the requisite capacity to successfully complete the proposed West Park rehabilitation. HDP West Park Management, LLC, a California limited liability company, will act as the borrower's Managing General Partner (Attachment 5 – organization chart).

#### Property Management and Supportive Services

West Park is managed by SK Management (SK). SK has substantial experience as a manager of affordable housing, including properties for seniors and special needs tenants, with Project-Based Section 8 vouchers and with tax credits.

HDP anticipates that resident supportive services will be provided by County of San Diego Behavioral Health Services, St. Paul's PACE, and Serving Seniors. Units will be set aside for seniors and adults with disabilities who are experiencing homelessness. On-site and off-site supportive services may include: medical support, daily living support, nutrition and transportation support, in addition to other services as needed on a case-by-case basis for tenants.

**Table 2 Development Team Summary**

<b>Role</b>	<b>Firm</b>
Owner	San Diego Housing Commission
Leasehold	HDP West Park, L.P.
Managing Partner	HDP West Park Management LLC
Tax Credit Investor	To be selected
Architect	BASIS Architecture & Consulting
Civil Engineer	Kettler Leweck Engineering
General Contractor	To be selected
Property Manager	SK Management
Relocation Consultant	Clark Land Resources, LLC
Service Provider	County of San Diego Behavioral Health Services, St. Paul's PACE, and Serving Seniors
Construction & Perm Lender	To be selected

#### **STATEMENT for PUBLIC DISCLOSURE**

The developer's Disclosure Statement is at Attachment 6.

## **FINANCING STRUCTURE**

### **Permanent Sources and Uses of Financing**

The estimated total development costs and sources and uses of funds are detailed in the pro forma attached to this report (Attachment 7) and summarized below.

**Table 3 – West Park Estimated Permanent Sources and Uses**

<b>Financing Sources</b>	<b>Amounts</b>	<b>Financing Uses</b>	<b>Amounts</b>	<b>Per Unit</b>
Permanent loan (multifamily mortgage revenue bonds)	\$1,819,438	Acquisition:	\$5,220,000	\$111,064
Housing Commission proposed loan	\$3,593,274	Hard costs	\$4,715,040	\$100,320
		Architect/Engineering - \$ 625,000		
		Permits & fees - \$120,000		
		Third party reports - \$160,305		
		Other soft costs - + \$1,427,106		
Seller's Note	\$5,220,000	Subtotal - 2,332,411	\$2,332,411	\$49,625
Four percent tax credit equity	\$4,960,562	Financing	\$905,754	\$19,271
		Bonds and tax credit costs	\$227,147	\$4,833
		Reserves	\$416,017	\$8,851
		Developer fee	\$1,776,905	\$37,806
<b>Total Development Cost</b>	<b>\$15,593,274</b>	<b>Total Development Cost (TDC)</b>	<b>\$15,593,274</b>	<b>\$331,772</b>

The proposed Housing Commission residual receipts loan will be funded with up to \$3,593,274 with a combination of funds from the City Affordable Housing Fund (Inclusionary Housing and Housing Trust Fund, also known as Commercial Linkage funds) and HUD Community Development Block Grant (CDBG) funds granted to the City of San Diego and administered by the Housing Commission in the CDBG Affordable Housing Revolving Loan Fund. A final determination of Housing Commission funding sources will be made by the Housing Commission's Executive Vice President, or designee, contingent upon budget availability. The Housing Commission's proposed loan terms are summarized at Attachment 8.

### **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 listed in Table 4 are commonly used by real estate industry professionals and affordable housing developers.

**Table 4 - Key Performance Indicators**

Development Cost Per Unit	\$15,593,274 ÷ 47 units =	\$331,772
Housing Commission Subsidy Per Unit	\$3,593,274 ÷ 47 units =	\$76,453
Acquisition Cost Per Unit	\$5,220,000 ÷ 47 units =	\$111,064
Gross Building Square Foot Hard Cost	\$4,715,040 ÷ 10,309 sq. ft. =	\$457
Net Rentable Square Foot Hard Cost	\$4,715,040 ÷ 10,120 sq. ft. =	\$466

### **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.

**Table 5 – Comparable Development Projects**

Project Name	Year	Construction Type	Units	Total Development Cost	Cost Per Unit	HC Subsidy Per Unit	Gross Hard Cost Per Sq. Ft.
West Park	2018	V	47	\$15,593,274	\$331,772	\$76,453	\$457
New Palace	2017	V	80	\$21,804,349	\$272,555	\$38,750	\$230
Zephyr	2017	V	85	\$27,225,500	\$320,300	\$35,294	\$180
Hotel Churchill	2015	V	73	\$20,709,984	\$287,891	\$210,910	\$539

#### Developer Fee

HDP is proposing a developer fee of \$1,776,905 (\$37,806/unit). The fee proposed is consistent with the Request for Approval of Updated Developer Fees (HAR17-011) approved by the Housing Authority on April 25, 2017.

#### 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 CDLAC for a bond allocation. Prior to submitting applications to CDLAC, developments are brought before the Housing Commission, Housing Authority and City Council. Housing Authority bond inducement resolutions must be obtained prior to application submittal, and City Council TEFRA resolutions must be secured no later than 30 days after application submittal. These actions do not obligate the Housing Authority to issue bonds. The developer plans to submit a bond allocation application to CDLAC on July 20, 2018, for a September 19, 2018, bond allocation meeting; however, if necessary, staff will submit additional applications to CDLAC to secure a bond allocation for the development. The developer will be seeking a CDLAC bond allocation of up to \$9,000,000. 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 up to \$9,000,000 bond allocation that will be sought from CDLAC is the amount for which the development is being underwritten.

The developer proposes that the bond proceeds will be used for acquisition, rehabilitation and permanent financing. The Housing Commission staff will later return to both the Housing Commission and Housing Authority for approval of the final bond amount. A general description of the Multifamily Housing Revenue Bond Program and the actions that must be taken by the Housing Authority and by the City Council to initiate and finalize proposed financings are described in Attachment 9. Staff recommends assigning Jones Hall as bond counsel and Ross Financial as bond financial advisor. These proposed financing team members have been selected in accordance with the existing policy for the bonds issuance. Bond counsels and bond financial advisors are designated on a rotating basis from firms selected under the program through a competitive Request for Proposal process.

#### **AFFORDABLE HOUSING IMPACT**

On December 12, 2017, Housing Commission staff approved a commitment for 46 Section 8 Project-Based Vouchers for West Park. Under this program, the tenant's rent portion is determined by using the applicable minimum rent or a calculated amount based on their income level, whichever is higher, with the remainder federally subsidized up to a gross rent level approved by the Housing Commission. The



Housing Assistance Payment provides a rental subsidy for the project's residents. Under the proposed loan, the development will be subject to a Housing Commission Declaration of Covenants and Restrictions in addition to applicable tax credit and bond regulatory agreements that will restrict the affordability of 46 units for 55 years. The project's 46 units will be affordable to tenants with income levels ranging from 50 percent of Area Median Income (AMI), \$34,100/year for a one-person household, to 60 percent of AMI, \$40,920/year for a studio one-person household.

**Table 6 West Park Affordability and Monthly Estimated Rent Table**

<b>Affordability Mix</b>	<b>Studios</b>	<b>SRO Units</b>	<b>Estimated Rent *</b>
50% AMI tax credit units	4	0	\$1,085
50% AMI tax credit units	0	8	\$815
60% AMI tax credit units		34	\$815
Manager's unrestricted unit	--	1	--
Subtotal	4	43	
<b>Combined Total Units</b>	<b>47</b>		

\* Based on Section 8 Project-Based Rent.

## **FISCAL CONSIDERATIONS**

The funding sources and uses proposed for approval by this action are included in the Fiscal Year 2019 Budget. Approving this action will result in the rehabilitation of a 47-unit development.

Funding sources approved by this action will be as follows:

CDBG AHRLF - up to \$3,593,274  
Bond Issuance Fees - \$22,500  
Total Funding Sources - up to \$3,615,774

Funding uses approved by this action will be as follows:

Loans - up to \$3,593,274  
Administrative Costs - \$22,500  
Total Funding Uses - up to \$3,615,774

Approving these actions will further grant the Executive Vice President, or designee, the authority to substitute the above funding sources with other available funding sources so long as the total Housing Commission loan amount does not exceed the approved total loan amount, should the operational need arise or should such actions be to the benefit of the Housing Commission. There are no fiscal impacts to the Housing Commission, the City of San Diego, or the Housing Authority associated with the requested bond actions. Approval of the bond inducement and TEFRA resolutions does 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 project, 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. 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 \$22,500 with a \$9,000,000 bond issue) and the Housing Commission's annual administrative fee (estimated at \$10,000) with an estimated \$1,819,438 outstanding bonds amount at permanent financing conversion.

### Development Schedule

The estimated development timeline is as follows:

<b>Milestones</b>	<b>Estimated Dates</b>
• Housing Authority for preliminary approval	• June 26, 2018
• City Council IRS-required TEFRA hearing	• June 26, 2018
• CDLAC bond allocation application	• July 20, 2018
• TCAC 4 percent tax credit application	• July 20, 2018
• CDLAC allocation meeting	• September 19, 2018
• TCAC allocation meeting	• October 17, 2018
• Housing Commission final bond authorization	• November 16, 2018
• Housing Authority final bond authorization	• December 11, 2018
• Bond issuance and escrow closing	• Estimated December 2018
• Start of construction work	• Estimated December 2018
• Completion of construction work	• Estimated December 2019

### **COMMUNITY PARTICIPATION and PUBLIC OUTREACH EFFORTS**

HDP presented the project to the Uptown Community Planning Group on June 5, 2018. A presentation to the Bankers Hill Community Group is planned for July 16, 2018.

### **KEY STAKEHOLDERS and PROJECTED IMPACTS**

Stakeholders for this project include the residents of West Park, HDP as developer and managing member of the borrower HDP West Park L.P., the residents of the Bankers Hill/Park West neighborhood, service providers, and the Housing Commission as the property owner. The property rehabilitation is expected to have a positive impact on the community because it will preserve existing affordable housing for downtown seniors.

### **ENVIRONMENTAL REVIEW**

This project's 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 the project is an existing facility and the proposed actions do not involve expansion of the existing use.

This project may be partially funded with federal HOME Investment Partnership program (HOME) and/or Community Development Block Grant (CDBG) funds. The activities described herein are Categorically Excluded subject to Section 58.5 from the National Environmental Policy Act (NEPA) pursuant to Section 58.35(a)(3) of Title 24 of the Code of Federal Regulations. The City of San Diego and San Diego Housing Commission have conducted a limited Environmental Review of this project as required under Section 58.35(a), and have determined that this project converts to exempt status per Section 58.34(a)(12). A copy of the Environmental Review is on file in the Environmental Review Record.

### **HDP Conflict Disclosure Statement:**

HDP's Board of Directors includes the President and CEO of the Housing Commission, Commissioners Dorothy Surdi and Ben Moraga, and community members. The current HDP Board consists of five members. Commissioners Surdi and Moraga, and President and CEO of the Housing Commission, Richard Gentry, are each directors and officers of Housing Development Partners, a California nonprofit public benefit corporation qualified as an Internal Revenue Code Section 501(c)(3) corporation. Commissioner Surdi, Commissioner Moraga, and CEO Gentry receive no compensation for their service

on the Housing Development Partners Board of Directors. Pursuant to the provisions of Government Code Sections 1091.5(a)(7) and 1091.5(a)(8), Commissioner Surdi, Commissioner Moraga, and CEO Gentry each have a “non-interest” as described in Government Code Section 1091.5. Furthermore, none of HDP’s board members has a financial interest in this development that would legally preclude their participation under the provisions of Government Code Sections 1090 and/or 87100, et. seq. because a 501(c)(3) nonprofit corporation is not a business entity for the purposes of state law and because HDP has been determined to be a public agency by the Ethics Commission for local conflict law purposes and/or the Housing Commission’s Conflict of Interest Code. As members of the Board of Commissioners of the Housing Commission, Ms. Surdi and Mr. Moraga are legally entitled to vote and be counted for quorum purposes. This disclosure shall be and is hereby documented in the official records of the Housing Commission. Further, HDP may form an affiliated limited partnership or LLC and under such a scenario, HDP will be the managing general partner for its affiliated limited partnership or LLC. The borrower HDP West Park L.P.’s affiliated managing general partner is planned to have the same makeup as the HDP Board and Commissioners Surdi, Moraga and CEO Gentry will all have non-interests with any affiliated limited partnership or LLC. This disclosure shall be and is hereby documented in the official records of the Housing Commission.

Respectfully submitted,

Approved by,

*Tina Kessler*

*Deborah N. Ruane*

Tina Kessler  
Housing Programs Manager  
Real Estate Division

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

Attachments:

1. Development Summary
2. Site Maps
3. Ground Lease
4. Rehabilitation Summary
5. Organization Chart
6. Developer Disclosure Statement
7. Developer’s Pro Forma
8. Proposed Loan Terms
9. Multifamily Bond Program Summary

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](http://www.sdhc.org).

## Attachment 1

**Table 1 - Development Details**

Address	1830 4 <sup>th</sup> Avenue
Council District	3
Community Plan Area	Bankers Hill/Park West neighborhood of Uptown
Development Type	Acquisition with rehabilitation
Construction Type	Type V, wood frame, stucco construction
Parking Type	No parking on site
Housing Type	Multifamily (four-story structure
Lot Size	9,787 square feet (0.225 acres)
Units	47 (46 affordable)
Density	209 dwelling units per acre (47 units ÷ 0.225 acres)
Unit Mix	4 studio units, 42 single room occupancy (SRO) units , and one manager's SRO unit
Gross Building Area	10,309 square feet
Net Rentable Area	10,120 square feet (residential total)
Developer	Housing Development Partners (HDP)
Prevailing Wages	Subject to State & Federal Prevailing Wage rates
Rental Subsidy	46 project based vouchers

**Table 2 - Development Team Summary**

Owner	San Diego Housing Commission
Developer	Housing Development Partners
Limited Partnership	HDP West Park, L.P.
Managing Partner	HDP West Park Management, LLC
Tax Credit Investor	To be selected
General Contractor	To be selected
Architect	BASIS Architecture & Consulting
Civil Engineer	Kettler Leweck Engineering
Property Manager	SK Management
Relocation Consultant	Clark Land Resources, LLC
Service Providers	County of San Diego Behavioral Health Services St. Paul's PACE Serving Seniors

**Table 3 - Permanent Sources & Uses**

Sources of Financing		Uses of Financing	
Permanent Loan (multifamily mortgage revenue bonds)	\$1,819,438	Acquisition	\$5,220,000
Housing Commission loan	3,593,274	Hard Costs	4,715,040
Seller's Note	5,220,000	Soft Costs	2,332,411
Four percent tax credit equity	4,960,562	Financing Costs	1,132,901
		Reserves	416,017
		Developer Fee	1,776,905
Total Development Costs	\$ 15,593,274	Total Development Costs	\$ 15,593,274

**Table 4 - Funding Request**

Housing Commission Total Subsidy	\$3,593,274
Housing Commission Subsidy Per Unit	\$ 76,453

**Table 5 – Performance Indicators**

Development Cost Per Unit	$\$15,593,274 \div 47 \text{ units} = \$ 331,772$
Housing Commission Subsidy Per Unit	$\$ 3,593,274 \div 47 \text{ units} = \$ 76,453$
Net Rentable Square Foot Hard Cost	$\$ 4,715,040 \div 10,309 \text{ sf} = \$ 457$
Gross Building Square Foot Hard Cost	$\$ 4,715,040 \div 10,120 \text{ sf} = \$ 466$

**Table 6 - Project Cost Comparison Chart**

Project Name	Year Funded	Construction Type	Units	Total Development Cost	Per Unit Cost	Commission Subsidy Per Unit	Gross Hard Cost Sq.
Subject	2018	V	47	\$15,593,274	\$331,772	\$76,453	\$457
New	2017	V	79	\$21,804,349	\$272,555	\$38,750	\$230
Zephyr	2017	V	85	\$27,225,500	\$320,300	\$35,294	\$180
Hotel	2015	V	73	\$20,709,984	\$287,891	\$210,910	\$539

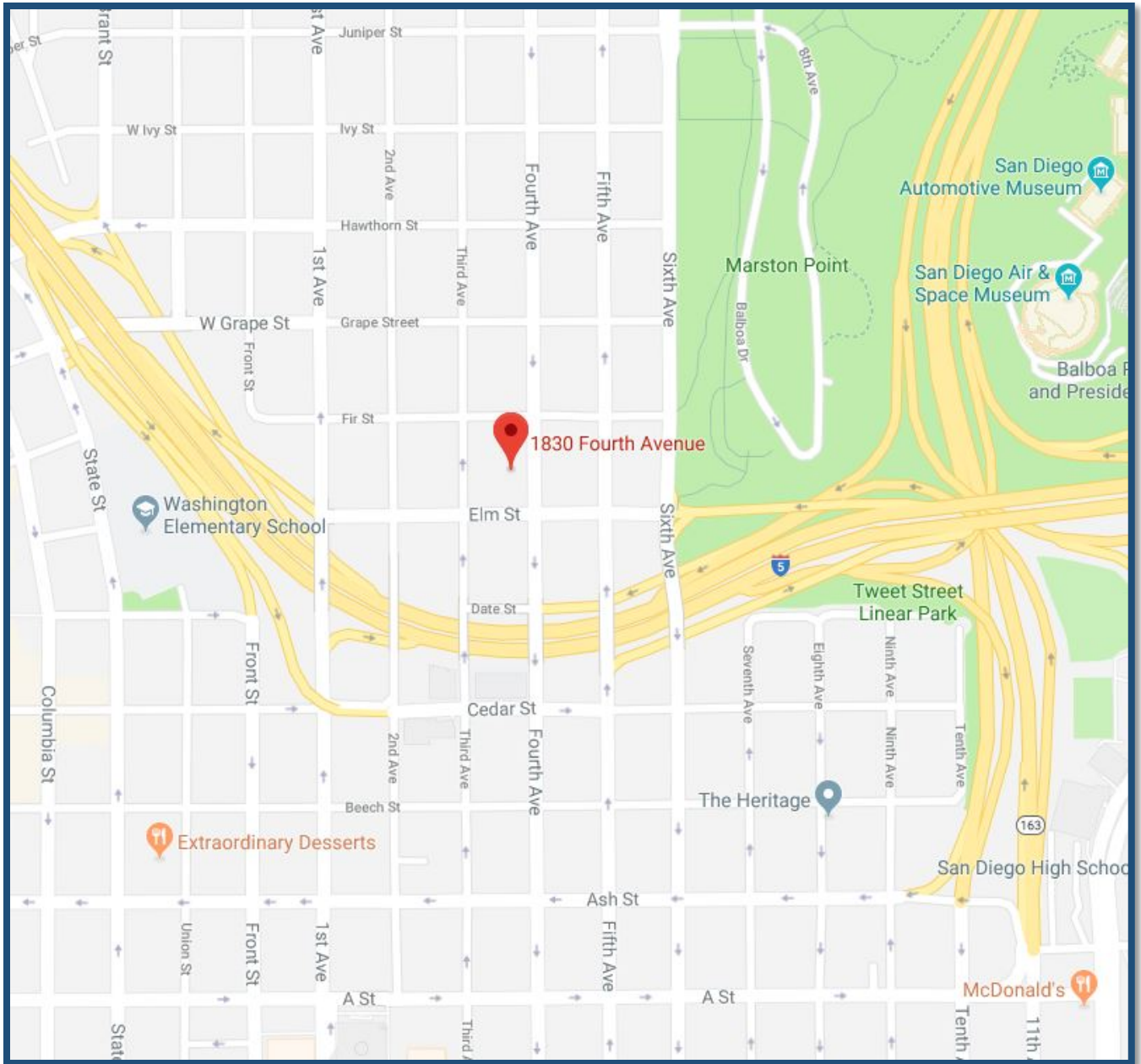
**Table 7 - Proposed Rents**

Affordability Mix	Studios	SRO Units	Estimated Rents
50% AMI Units	4	0	\$1,085
50% AMI Units	0	8	\$ 815
60% AMI Units	0	34	\$ 815
Manager's Unit	-	1	-
TOTAL	47		

\*Owner paid utilities

## Attachment 2

### Site Map



*Recording Requested by:*  
**CHICAGO TITLE COMPANY**  
**COMMERCIAL DIVISION**

**DOC# 2017-0585952**



Dec 14, 2017 04:54 PM

OFFICIAL RECORDS  
 Ernest J. Dronenburg, Jr.,  
 SAN DIEGO COUNTY RECORDER  
 FEES: \$5,879.00  
 PCOR: AFNF  
 PAGES: 41

**NO CHARGE ON THIS DOCUMENT  
 FOR THE BENEFIT OF A STATE  
 AGENCY FORMED BY THE CITY OF  
 SAN DIEGO**

**Recording Requested By  
 And When Recorded Mail To:**

Christensen & Spath LLP  
 550 West C Street, Suite 1660  
 San Diego, CA 92101

**00069356-050**

**GROUND LEASE AND OPTION AGREEMENT  
 (West Park Inn)**

**Transfer Tax: \$ 5,709.00**

THIS GROUND LEASE AND OPTION AGREEMENT ("Ground Lease") is dated as of the 14<sup>th</sup> day of December, 2017, by and between the San Diego Housing Commission ("Commission") and HDP West Park Inn, LLC, a California limited liability company ("Tenant").

**RECITALS**

A. The Commission is the owner of that certain approximately 10,000 square foot, rectangular parcel of real property generally located at 1830 4<sup>th</sup> Avenue, in the City of San Diego, California, as more particularly described on Exhibit A attached hereto. Commission and Tenant desire for Tenant to lease the Property from the Commission upon the terms and conditions set forth herein. This Ground Lease creates a leasehold estate ("Leasehold") in the Property, as defined in more detail below.

B. Tenant intends to rehabilitate the existing structure on the Property, which upon completion of the rehabilitation will provide forty-six (46) affordable residential dwelling units ("Affordable Units"), plus one (1) manager's unit, as well as the common areas, on the Leasehold (collectively the "Project"). The actual rehabilitation to be performed, the scope of work and all construction contracts shall be subject to approval by the Commission. In consideration for this Ground Lease, Tenant has agreed to restrict the rent and occupancy of all forty-six (46) of the Affordable Units to residents with incomes at or below eighty percent (80%) of AMI, as defined below.

NOW, THEREFORE, for and in consideration of the rent, covenants and agreements contained in this Ground Lease, Commission hereby leases the Property to Tenant and Tenant hereby leases the Property from Commission, and Commission and Tenant hereby covenant and agree as follows:

1. Definitions. For all purposes of this Ground Lease, unless the context otherwise requires, the following words and phrases shall have the following meanings:

(a) Affordable Units. "Affordable Units" means the forty-six (46) dwelling units located on the Leasehold, the rent and occupancy of which are restricted to Eligible Residents, as provided herein.

(b) Affordability Provisions. "Affordability Provisions" has that meaning ascribed to it in Section 4 of this Ground Lease.

(c) Annual Rent. "Annual Rent" has that meaning ascribed to it in Section 3 of this Ground Lease.

(d) Area Median Income. "Area Median Income" or "AMI" means the then current annual area median income for families in the County of San Diego, established by the Department of Housing and Urban Development ("HUD") as the then current median income for the San Diego-Carlsbad Metropolitan Statistical Area, established periodically by HUD and published in the Federal Register, as adjusted for family size. The Area Median Income shall be deemed adjusted, from time to time, in accordance with any adjustments that are authorized by HUD or any successor agency, as determined by the Commission in accordance with its policies and procedures in effect at the time of such determination and as adjusted for family size. In the event HUD ceases to establish median income as aforesaid, the Commission may, in its discretion, use any other reasonably comparable method of computing adjustments in Area Median Income.

(e) City. "City" means the City of San Diego.

(f) Commission. "Commission" means the San Diego Housing Commission.

(g) Eligible Residents. "Eligible Residents" has that meaning ascribed to it in Section 4(b) of this Ground Lease.

(h) Event of Default. "Event of Default" has that meaning ascribed to it in Section 21 of this Ground Lease.

(i) Fee Mortgage. "Fee Mortgage" means any Mortgage constituting a lien upon the fee estate in the Property.

(j) Governmental Requirements. "Governmental Requirements" means all laws, ordinances, statutes, codes, rules, regulations, orders and decrees of the United States, the State of California, the County of San Diego, the City, or any other political subdivision in which the Property is located, and of any other political subdivision, agency or instrumentality exercising jurisdiction over the Commission, Tenant, Leasehold, Improvements or Property.



(k) Hazardous Materials. "Hazardous Materials" means any hazardous or toxic substance, material or waste which is or becomes regulated by any local governmental authority, the State of California or the United State Government. Provided, however, the term "Hazardous Materials" shall not include substances typically used in the ordinary course of developing, operating and maintaining apartment complexes in California or small amounts of chemicals, cleaning agents and the like commonly employed in routine household uses in a manner typical of occupants in other similar properties, provided that such substances are used in compliance with applicable laws.

(l) Housing Authority. "Housing Authority" means the Housing Authority of the City of San Diego.

(m) Improvements. "Improvements" means the forty-six (46) Affordable Units, the manager's unit, and all other structures and improvements now or hereafter erected or situated on the Leasehold, including without limitation, the common areas, foundations, footings, and any and all fixtures, equipment and machinery of every kind and nature whatsoever now or hereafter affixed or attached thereto, or now or hereafter used or procured for use in connection with the operation, use or occupancy thereof, and the appurtenances thereto, but excluding from the foregoing all fixtures and articles of personal property, title of which, pursuant to any lease of space in the Improvements shall be vested in the resident under such lease. Fee title to the Improvements shall be vested in Tenant and shall remain vested in Tenant during the Term of this Ground Lease.

(n) Imposition. "Imposition" has that meaning ascribed to it in 9(a) of this Ground Lease.

(o) Lease Commencement Date. "Lease Commencement Date" means the date this Lease is recorded in the Office of the Recorder of San Diego County.

(p) Leasehold. "Leasehold" means the leasehold estate created by this Ground Lease.

(q) Leasehold Mortgage. "Leasehold Mortgage" means any Mortgage, provided such Mortgage is permitted under the terms and conditions of this Ground Lease, constituting a lien upon the Leasehold. Tenant shall have no right to, and under no circumstances shall the Tenant, encumber the fee interest in the Property, which fee interest shall be and remain at all times solely and exclusively owned by the Commission.

(r) Leasehold Mortgagee. "Leasehold Mortgagee" means the holder or beneficiary of a Leasehold Mortgage.

(s) Mechanic's Liens. "Mechanic's Liens" has that meaning ascribed to it in Section 19 of this Ground Lease.

(t) Mortgage. "Mortgage" means an indenture of mortgage and/or deed of trust.

(u) Property. The "Property" is that certain real property owned by the Commission, located in the City of San Diego, County of San Diego, State of California, as more particularly described on Exhibit "A". Except as otherwise expressly provided to the contrary in this Ground Lease, each reference to the Property is to the described real property exclusive of any improvements now or hereafter located on such real property, notwithstanding that any such improvements may and shall be construed as affixed to and as constituting part of the real property.

(v) Project. "Project" has that meaning ascribed to it in Recital B of this Ground Lease.

(w) Rent Commencement Date. "Rent Commencement Date" means the date this Lease is recorded in the Office of the Recorder of San Diego County.

(x) Tenant. "Tenant" means HDP West Park Inn, LLC, a California limited liability company.

(y) Term. The "Term" of this Ground Lease shall commence on the Lease Commencement Date and shall expire and terminate at 12:00 midnight on the date which is sixty-five (65) years after the Rent Commencement Date. The Commission and the Tenant agree that the Tenant will have the burdens and benefits of ownership for federal income tax purposes and will be entitled to all tax benefits including, without limitation, the depreciation attributable to the Project during the term of this Ground Lease.

## 2. Use and Ownership of the Property and Improvements.

(a) Use of the Property. Commission hereby leases the Property to Tenant. The Property is being leased to Tenant solely and exclusively for the purposes of rehabilitation and operation of the Project by Tenant, at its sole cost and expense, including without limitation leasing the Affordable Units to Eligible Residents. As soon as is reasonably practicable after the Lease Commencement Date, the Tenant shall present the Commission with a proposal for the rehabilitation to be performed, the scope of work and all construction contracts for the same, all of which shall be subject to approval by the Commission. As soon as is reasonably practicable after the Commission approves the scope of work and all construction contracts for the same, and in no event later than December 31, 2020, Tenant shall begin rehabilitation of the Project. The Project shall include at least five (5) handicap accessible units and at least two (2) units with features for the visual or hearing impaired. The Project shall also include universal design features and will comply with all federal accessibility standards. The Project shall be rehabilitated in accordance with all applicable laws, rules, regulations and conditions of approval from the City, the various lenders making loans to Tenant and the requirements of this Ground Lease. Tenant covenants and agrees to use the Property solely and exclusively for such purposes and to diligently pursue said purposes for the Term. Commission and Tenant agree that Tenant will have the burdens and benefits of ownership for federal income tax purposes and will be entitled to all tax benefits including the depreciation attributable to the Project during the term of this Ground Lease. Completion of rehabilitation of the Project evidenced by the filing or issuance by the building official of the City of a temporary certificate of occupancy for all units within the Project, shall be completed on or before December 31, 2021.

(b) Title to Improvements. All of the Improvements existing, constructed or installed upon the Leasehold shall, at all times during the Term, be and remain real property, with fee title thereto being vested in the Tenant, for tax and all other purposes; provided, however, that upon the expiration, or earlier termination of this Ground Lease, title to any such Improvements shall vest in the Commission.

(c) Title to Personal Property. Commission acknowledges that any equipment or other personal property of Tenant now or hereafter located on the Leasehold shall be and remain the personal property of Tenant and shall not become a part of the Leasehold. To the extent that Tenant grants a lien or security interest in such equipment or other personal property to any Leasehold Mortgagee to secure obligations owed by the Tenant to the Leasehold Mortgagee, Commission agrees that, upon enforcement or exercise by such Leasehold Mortgagee of any of its rights with respect thereto, Commission shall afford Leasehold Mortgagee reasonable access to the Leasehold for the purpose of preserving its interest therein or enforcing or exercising such rights, subject to the terms and conditions of this Ground Lease.

### 3. Rent.

(a) Annual Rent. The annual rent ("Annual Rent") means Base Rent plus Additional Rent. Tenant's obligation to pay Annual Rent, as set forth in this Section 3, shall begin on the Rent Commencement Date, provided however, that since the Annual Rent is paid in arrears, the first payment of Annual Rent shall be made not later than May 1, 2019, and then annually during the Term on May 1 of each year. All rent shall be paid to the Commission at the address to which notices to the Commission are given, or to such other person or such other place as directed from time to time by written notice to Tenant from the Commission.

(1) Base Rent. The base rent ("Base Rent") shall equal four and a half percent (4½%) of all Gross Income (as that term is defined below) for the immediately preceding calendar year.

(2) Additional Rent. As additional rent ("Additional Rent"), Tenant shall pay to the Commission all cash flows remaining for the immediately preceding calendar year after payment of all applicable costs and expenses.

(b) Gross Income Defined. "Gross Income" shall mean all gross income, as calculated in accordance with GAAP, from all residential and non-residential components of the Project, and any other income to Tenant derived from the Property, but shall not include sale or refinancing proceeds, insurance or condemnation proceeds, equity contributions to Tenant made by the members of Tenant or security deposits.

(c) Delinquent Rent. In the event Tenant fails to pay all or any part of the applicable rents within fifteen (15) days of the due date thereof, the Tenant shall pay the Commission in addition to the delinquent rent, a sum of money equal to five percent (5%) of said delinquent rent; provided, however, in the event said delinquent rent is still unpaid after an additional fifteen (15) days of becoming delinquent the Tenant shall pay Commission in addition to the delinquent

rent, instead of said five percent (5%) of said delinquent rent, a sum of money equal to ten percent (10%) of said delinquent rent. Tenant and Commission agree that it would be extremely difficult or impracticable to ascertain the precise amount of actual damages accruing to Commission as a result of such a default and that the foregoing formula is a fair and reasonable method of approximating such damages. In addition, all rent and other sums which may from time to time become due and payable by Tenant to Commission under any of the provisions of this Ground Lease shall bear interest from and after the due date thereof at the rate of ten percent (10%) per annum.

(d) Inspection of Records. Whenever the Commission desires to inspect the records and accounts of Tenant in order to determine Tenant's compliance with the terms of this Ground Lease, the Commission shall have the right at all reasonable times, but only upon at least 48 hours advance notice to inspect all such records. Tenant agrees to cooperate in such inspection and to make the records available to Commission at Tenant's place of business in the City.

(e) Triple Net Ground Lease. It is the purpose and intent of Commission and Tenant that the rent payable under this Ground Lease shall be absolutely net to Commission. Therefore, this Ground Lease shall yield the rent specified and provided in this Section 3 absolutely net to Commission, and that Tenant shall pay all costs, charges and expenses of every kind and nature whatsoever against the Property which may arise or become due during the Term and which, except for the execution and delivery of this Ground Lease, would or could have been payable by Commission. However, notwithstanding the foregoing: (i) nothing in this Ground Lease shall require, or be construed to require, Tenant to pay any interest or principal payments or other payments on or required under any Fee Mortgage; (ii) in the event the Property becomes subject to property taxes as a result of a transfer of the Property by the Commission, then the Tenant shall not be liable under this Section 3(d) for such property taxes (provided, however, the foregoing shall not affect Tenant's obligation to pay any taxes assessed against the Leasehold); and (iii) Tenant shall not be responsible for payment of any income taxes, rental taxes or gross receipts taxes properly levied against the Commission.

(f) Retention of Records. Tenant shall keep, for a period of at least seven (7) years from the end of each year of the Term, at Tenant's address set forth hereinbelow, or at such place or to such person as the Commission may reasonably approve in writing, all of the records, books, accounts and other data which are regularly kept in the ordinary course of business to establish Tenant's Gross Income for that year of the Term, and shall make the same available to the Commission, and its employees, agents, accountants, representatives, auditors and attorneys. The parties hereto specifically agree that notwithstanding anything to the contrary contained herein, this Section 3(e) of this Ground Lease shall survive and remain in full force and effect after the termination of this Ground Lease.

(g) Operating and Capital Improvements Reserve. Concurrently herewith, the Commission is funding an operating and capital improvement reserve in the amount of \$91,904.19, for the Property. The reserve shall be maintained in a separate bank account. No disbursements from the reserve shall be made without the express written consent of the Commission, or designee, not to be unreasonably withheld, conditioned or delayed. Tenant shall account to the Commission for any monies expended from the reserve.

4. Affordability Restrictions. The provisions of this Section 4 of this Ground Lease, shall be referred to collectively herein as the "Affordability Provisions."

(a) Restrictive Covenants. Tenant agrees and covenants on behalf of itself and its successors and assigns, and each successor-in-interest to this Ground Lease and/or the Improvements, that at all times during the Term forty-six (46) units in the Project shall be set aside and reserved as "Affordable Units." As used herein the term "Affordable Units" shall refer to those residential units in the Project which are owned or held available strictly in accordance with the terms and conditions set forth herein.

(b) Affordable Unit Restrictions. The forty-six (46) Affordable Units shall be occupied only by Eligible Residents. "Eligible Residents" are those tenants who meet all of the criteria contained in this Section 4 and whose aggregate gross annual income does not exceed eighty percent (80%) of AMI. Notwithstanding anything contained herein to the contrary, to the extent any other restrictions applicable to the Project limit the rent and/or occupancy of dwelling units in the Project, the most restrictive shall apply.

(c) Maximum Rents. Tenant shall not receive rent for any month from any Eligible Tenant for any Affordable Unit, which exceeds  $1/12^{\text{th}}$  of thirty percent (30%) of eighty percent (80%) of AMI.

(d) Determination of Eligibility. The eligibility of each prospective resident under the restrictions set forth herein shall be certified by Tenant which shall submit such certification and all supporting documentation on forms acceptable to the Commission, in its reasonable discretion, for a determination of resident eligibility, prior to such resident's occupancy. No Affordable Unit may be rented to a prospective resident or occupied by any person unless and until the Commission has determined that the prospective resident or occupant is an Eligible Resident as determined in accordance with the Affordability Provisions.

(e) Annual Adjustment of Rents. An adjustment of rents shall be performed annually in accordance with the percentage increase in rents as contained in the applicable Commission rent schedules for the affected unit type.

(f) Determination; Annual Requalification. Annually, Tenant shall requalify the resident as Eligible Residents. Such requalification process shall be performed by Tenant as part of the annual certification of Tenant's compliance as set forth in Section 4(g) below. Failure of Tenant to timely comply with the resident qualification and requalification process described in this Section 4(f) and in Section 4(g), below, after written notice and the Tenant's failure to cure within 60 days, shall constitute a material default under this Ground Lease.

(g) Tenant Certification; Annual Recertification. Each year of the Term of this Ground Lease, on May 1, Tenant shall certify to the Commission under penalty of perjury, utilizing such forms and providing such backup documentation as the Commission may require, that Tenant is complying with all provisions of this Ground Lease. The Commission may, but is not obligated to, perform the following monitoring functions: (i) preparing and making available to Tenant any general information that the Commission possesses regarding income limitations

and restrictions which are applicable to the Affordable Units; (ii) reviewing the applications of prospective occupants of the Affordable Units, and verifying Tenant's determination of eligibility of such persons as Eligible Residents in accordance with Section 4(d), above; (iii) reviewing the documentation submitted by Tenant in connection with the annual certification process for Eligible Residents in accordance with Section 4(f), above; and (iv) inspecting the Affordable Units to verify that they are being maintained in good condition as required by this Ground Lease (after completion of rehabilitation of the Project, Tenant shall continually maintain the Affordable Units in substantially the same condition as the Affordable Units are in at completion of the rehabilitation, reasonable wear and tear excepted, and in a condition which satisfies the Uniform Physical Conditions Standards promulgated by the Department of Housing and Urban Development (24 CFR §5.705), as such standards are interpreted and enforced by the Commission under its normal policies and procedures). Notwithstanding the foregoing description of the Commission's functions, Tenant shall have no claim or right of action against the Commission based on any alleged failure to perform such function, except that Tenant may reasonably rely upon the Commission's resident eligibility determination and shall not be liable to the Commission for any damages attributable solely to the Commission's negligence or willful misconduct in conducting any such resident eligibility determinations.

(h) Relationship with Tenant. The term "Eligible Resident" shall not include: (i) any individuals who are members, managers, partners or shareholders in Tenant or Housing Development Partners of San Diego, a California nonprofit public benefit corporation ("HDP"); (ii) any relative (by blood or marriage) of any individuals who are members, managers, partners or shareholders in Tenant or HDP; (iii) any individuals who are members, managers, partners or shareholders in any entity having an interest in Tenant, HDP, the Leasehold or the Property; (iv) any officer, employee, agent or consultant of the Tenant or HDP; or (v) any relative (by blood or marriage) of any officer, employee, agent or consultant of the Tenant or HDP. This restriction shall not preclude occupancy by a resident manager in one (1) of the dwelling units located on the Leasehold.

(i) Limitations.

(1) No Student Dependents. The term "Eligible Resident" shall not include any student dependent as defined in the U.S. Internal Revenue Code, unless the taxpayer (upon whom the student in question is dependent) resides in the same dwelling unit. The term "Eligible Resident" shall not include any person who is a full-time student, or a household comprised exclusively of persons who are full-time students, unless such persons are married and eligible to file a joint federal income tax return, provided, however, the Commission may in the Commission's sole discretion waive the foregoing prohibition against full-time students on a case-by-case basis. The term "full-time student" shall be defined as any person who will be or has been a full-time student during five calendar months of the calendar year in question at an educational institution (other than a correspondence school) with regular faculty and students.

(2) No Owners of Real Property. The term "Eligible Resident" shall not include any person or any household comprised of one or more persons who owns any real property.



(3) Liquid Asset Limitation. The term “Eligible Resident” shall not include any person or household holding, directly or indirectly, liquid assets whose aggregate value exceeds, at the time of determination of eligibility, eighty percent (80%) of the then-current Area Median Income, as reasonably adjusted by the Commission for household size in accordance with the Commission’s policies and procedures. As used herein, the term “liquid assets” refers to cash and assets which are readily convertible to cash within a reasonable period, including but not limited to savings and checking accounts, certificates of deposit of any term, marketable securities, money market and similar accounts, mutual fund shares, and insurance policy cash values. The term “liquid assets” shall not include retirement funds which are not readily accessible or which cannot be accessed by the buyer without the buyer incurring a penalty.

(j) Income of Co-Residents, Etc. The income of all co-residents and/or non-dependent occupants shall be taken into account in determining whether a household is an Eligible Resident hereunder.

(k) Eviction.

(1) Reasons Other Than Over Income. Subject to provisions of applicable law, and the requirements of all Leasehold Mortgage loan documents, in the event that a resident who was properly certified as an Eligible Resident at the commencement of such resident’s occupancy ceases to be eligible, for any reason other than the resident being over income, the Tenant shall give thirty (30) days written notice, or such longer period as proscribed by law, to such resident to vacate the Affordable Unit. The vacated Affordable Unit shall thereafter only be rented to an Eligible Resident.

(2) Over Income Residents. Subject to provisions of applicable law, in the event that a resident who was properly certified as an Eligible Resident at the commencement of such resident’s occupancy ceases to be eligible, because the resident is over income, the Tenant shall give one hundred eighty (180) days written notice to such resident to vacate the Affordable Unit. The vacated Affordable Unit shall thereafter only be rented to an Eligible Resident. The over-income resident shall continue to be considered an Eligible Resident until evicted. During the time the over-income resident resides in the Affordable Unit, such resident shall continue to pay the restricted rent. Notwithstanding the foregoing, no resident who was properly certified as an Eligible Resident at the commencement of such resident’s occupancy shall be evicted solely because the resident is over income, if: (i) such eviction would violate any State or Federal law applicable to the Tenant, Leasehold, Property or any funding source obtained by Tenant; or (ii) such eviction would cause Tenant to lose its exemption from property taxes.

(l) Covenant’s Run with the Land/Successors Bound. All of the covenants contained herein shall constitute “covenants running with the land,” including without limitation the Affordability Provisions of this Section 4, and shall bind the Property, the Leasehold, the Improvements and every person having an interest therein during the Term. Tenant agrees for itself and its successors that, in the event that, for any reason whatsoever, a court of competent jurisdiction determines that the foregoing covenants do not run with the land, such covenants shall be enforced as equitable servitudes against the Leasehold.

(m) Standing, Equitable Remedies; Cumulative Remedies. Tenant expressly agrees and declares that the Commission or any successor entity shall be the proper party and shall have standing to initiate and pursue any and all actions or proceedings, at law or in equity, to enforce the Affordability Provisions of this Section 4 and/or to recover damages for any Event of Default under this Section 4, notwithstanding the fact that such damages or the detriment arising from such a default may have actually been suffered by some other person or by the public at large. Further, Tenant expressly agrees that receivership, injunctive relief and specific performance are proper pre-trial and/or post-trial remedies hereunder upon any Event of Default, as well as to assure compliance with the Affordability Provisions of this Section 4. Nothing in this subparagraph, and no recovery to the Commission, shall restrict or limit the rights or remedies of persons or entities other than the Commission, against Tenant in connection with the same or related acts by Tenant. The remedies set forth in this Ground Lease are cumulative and not mutually exclusive, except to the extent that their award is specifically determined to be duplicative by final order of a court of competent jurisdiction.

(n) Remedies at Law for Breach of Tenant Restrictions. In the event of any Event of Default under the Affordability Provisions of this Section 4, the Commission shall be entitled to, in addition to any and all other remedies available at law or in equity, to seek and to recover damages in separate actions for successive and separate breaches which may occur. Further, interest shall accrue on the amount of such damages from the date of the breach in question at the rate of ten percent (10%) per annum or the maximum rate then allowed by law, whichever is less.

(o) Residential Lease Provisions. Tenant agrees that it will include in all of its Affordable Unit leases, and cause its successors-in-interest to include in all of their leases, all provisions required under the terms of this Ground Lease, including provisions that will provide the residents with written notice of the following requirements:

(1) Tenant Restrictions. No Affordable Unit in the Project shall be rented to any person other than an "Eligible Resident." The term "Eligible Resident" shall not include: (i) any person or household holding, directly or indirectly, liquid assets whose aggregate value exceeds, at the time of determination of eligibility, 80% of the then-current annual Area Median Income, as reasonably adjusted by the Commission for household size in accordance with the Commission's policies and procedures; and (ii) any person or any household comprised of one or more persons who owns any real property. The term "liquid assets" refers to cash and assets which are readily convertible to cash within a reasonable period, including, but not limited to, savings and checking accounts, certificates of deposit of any term, marketable securities, money market and similar accounts, mutual fund shares, and insurance policy cash values. The term "liquid assets" shall not include retirement funds which are not readily accessible or which cannot be accessed by the buyer without the buyer incurring a penalty. The income of all co-residents and/or occupants shall be taken into account in determining whether a household is an Eligible Resident.

(2) Rent Restriction. The monthly rent ("Affordable Rent") charged to any tenant for an Affordable Unit (which shall include any permitted utility allowance) shall not exceed the amount provided in Section 4(c), above.



(3) Term Restriction. The Affordable Units shall be rented to Eligible Residents only. No Affordable Unit lease shall have a term in excess of one (1) year.

5. Covenants and Conditions.

(a) Quiet Enjoyment. Commission covenants and agrees that Tenant, upon paying the rent provided for in this Ground Lease and upon performing and keeping all of the covenants, agreements and provisions of this Ground Lease, shall and may lawfully and quietly hold, occupy and enjoy the Leasehold during the Term of this Ground Lease, without hindrance by or from anyone claiming by, through or under Commission.

(b) Right to Assign. When in the opinion of the President and CEO of the Commission, in his reasonable discretion, and if he deems it to be consistent with the best interests of the Commission, Tenant may assign this Ground Lease or any interest herein and may sublease any portion hereof to an assignee or sublessee who has, in the opinion of the President and CEO of the Commission, the financial capability and overall competence to successfully operate the assigned or subleased premises. Provided, however, that no such assignment shall be effective for any purpose unless and until (i) the Tenant's interest in the Improvements shall be transferred to the assignee of this Ground Lease and (ii) there shall be delivered to Commission (A) a duplicate original of the instrument or instruments of transfer of this Ground Lease and of the assignor's interest in the Improvements in recordable form, containing the name and address of the transferee and (B) an instrument of assumption by the transferee of all of Tenant's obligations under this Ground Lease in a form and format acceptable to the Commission in its sole discretion. This Ground Lease and any interest herein shall not be assignable by operation of law without the written consent of the President and CEO of the Commission and all Leasehold Mortgagees. Nothing contained in this Section 5(b) or elsewhere in this Ground Lease shall prohibit or otherwise impair the Commission's right to assign the Commission's right, title and interest in and to this Ground Lease.

6. Encumbrances.

(a) Encumbrance of the Leasehold Estate. Tenant shall have the right to encumber the Leasehold and the Improvements, as necessary to secure financing for rehabilitation of the Project, provided such financing and encumbrances are approved by the Commission in its reasonable discretion. Tenant shall have no right to, and under no circumstances shall the Tenant, encumber the fee interest in the Property, which fee interest shall be and remain at all times solely and exclusively owned by the Commission. A Leasehold Mortgagee may enforce any such Leasehold Mortgage and acquire title to the Leasehold in any lawful way and, pending foreclosure of such Leasehold Mortgage, the Leasehold Mortgagee may take possession of and operate the Leasehold performing all obligations performable by Tenant. Commission agrees to accept performance by each Leasehold Mortgagee of any cures, conditions and covenants as though performed by Tenant, and agrees to permit each Leasehold Mortgagee access to the Premises to take all such actions as may be necessary or useful to perform any condition or covenant of this Ground Lease or to cure any default of Tenant. Any person or entity acquiring the Leasehold as a result of foreclosure of a Leasehold Mortgage or assignment of the Leasehold

under this Ground Lease in lieu of such foreclosure shall be personally liable to perform only the obligations imposed on Tenant by this Ground Lease commencing as of the date of the foreclosure of the Leasehold Mortgage or assignment in lieu of such foreclosure and ending as of the date any assignment of this Ground Lease to a successor tenant in accordance with the requirements of Section 5(b), above. The rights and privileges hereunder of any Leasehold Mortgagee shall be subject to the rights and privileges of any other Leasehold Mortgagee whose lien has priority over the lien of such Leasehold Mortgagee. In addition, Leasehold Mortgagees shall have the cure and other rights set forth in Section 21 of this Ground Lease.

(b) Encumbrance of the Property. Commission owns the Property in fee simple. There is no deed of trust, mortgage or other encumbrance on Landlord's fee simple interest in the Property that is senior in priority to the Ground Lease. Commission will not mortgage or otherwise encumber its interest in the Property or in the Ground Lease while any Leasehold Mortgage approved by the Commission remains outstanding, unless the deed of trust, mortgage or other encumbrance is expressly subordinated pursuant to a form of subordination agreement satisfactory to the holder of the Leasehold Mortgage.

7. Compliance With All Codes, Orders and Ordinances.

(a) Compliance. Tenant covenants throughout the Term of this Ground Lease, at Tenant's sole cost and expense, to promptly comply with all codes, laws and ordinances and the orders, rules, regulations and requirements of all federal, state and municipal governments and appropriate departments, commissions, boards and officers thereof, which may be applicable to the Property, the Leasehold or the Improvements. Tenant shall likewise observe and comply with the requirements of all policies of public liability, fire, and all other policies of insurance at any time in force with respect to the Improvements.

(b) Disputes. Tenant shall have the right to contest by appropriate legal proceedings, the validity or application of any law, ordinance, order, rule, regulation or requirement of the nature referred to in Section 7(a) above, and if by the terms of any such law, ordinance, order, rule, regulation or requirement, compliance therewith pending the prosecution of any such proceeding may legally be held in abeyance without the incurrence of a lien, charge or liability of any kind against the Property, the Improvements or the Leasehold and without subjecting Tenant to any criminal liability of any kind or nature whatsoever for failure to comply therewith and without subjecting the Commission to any liability of any kind or nature whatsoever for failure to immediately comply therewith, Tenant may postpone compliance therewith until the final determination of any proceedings, provided that all such proceedings shall be prosecuted with all due diligence and dispatch. Under no circumstances shall any such contest of any law, ordinance, order, rule, regulation or requirement of the nature referred to in Section 7(a) above, result in any cost, liability or expense to Commission whatsoever.

(c) Prevailing Wages. Tenant, the general contractor, and any and all subcontractors, shall pay prevailing wages for rehabilitation of the Project and all further work done with respect to the Project as required by California law.

8. Utilities. Tenant shall pay or cause to be paid, as and when they become due and payable, all charges for water, gas, light, heat, telephone, electricity, garbage, refuse and all other utilities and communication services rendered or used on or about the Property, Leasehold or the Improvements at all times during the Term of this Ground Lease; provided, however, that nothing contained in this Section 8 of this Ground Lease, shall limit or otherwise impair Tenant's ability to charge the residents of the individual dwelling units in the Project for such amounts and/or to have all such amounts billed directly to the residents of the individual dwelling units in the Project.

9. Payment of Taxes, Assessments, Etc.

(a) All Taxes Paid in a Timely Manner. Tenant covenants and agrees to pay, before any fine, penalty, interest or cost may be added thereto for the non-payment thereof, all property taxes, assessments, water and sewer rates and charges, and other governmental charges, general and special, ordinary and extraordinary, unforeseen as well as foreseen, of any kind and nature whatsoever (all of which taxes, assessments, water and sewer rates or charges, and other governmental charges are hereinafter referred to as an "Imposition"), which are assessed, levied or imposed on, become a lien upon, or become payable with respect to, the Property, Leasehold and/or the Improvements and the sidewalks or streets in front of or adjoining the Property and the Improvements, during the Term of this Ground Lease. Nothing contained herein is intended to, or shall be interpreted to, prohibit Tenant from seeking a property tax exemption with respect to the Leasehold under California Revenue and Taxation Code Sections 214(g) and/or 236. Notwithstanding the foregoing, if, by law, any such Imposition may at the option of the taxpayer be paid in installments (whether or not interest shall accrue on the unpaid balance of such Imposition), Tenant may exercise the option to pay the same (and any accrued interest on the unpaid balance of such Imposition) in installments and shall pay only such installments as may become due during the Term of this Ground Lease as the same respectively become due and before any fine, penalty, interest or cost may be added thereto, for the non-payment of any such installment and interest. In addition, if any Imposition relates to a fiscal period of a taxing authority, a part of which period is included within the Term of this Ground Lease and a part of which is included in a period of time after the termination of this Ground Lease, such Imposition shall (whether or not such Imposition shall be assessed, levied, imposed or become a lien upon the Property, Leasehold and/or the Improvements, or shall become payable, during the Term of this Ground Lease) be adjusted between Commission and Tenant as of the expiration of the Term of this Ground Lease, so that Commission shall pay that portion of such Imposition which relates to that part of the fiscal period after the termination of this Ground Lease, and Tenant shall pay that portion of which relates to the period prior to the termination of this Ground Lease.

(b) Tax Receipts. Tenant, when and if requested by Commission, shall provide Commission with official receipts of the appropriate taxing authority or other evidence satisfactory to Commission evidencing payment of any and all Impositions.

(c) Tenant Not Required to Pay Taxes Unrelated to the Property. Nothing contained in this Ground Lease shall require Tenant to pay any franchise, corporate, estate, inheritance, succession, capital levy, stamp tax or transfer tax owed by the Commission, or any income, excess profits or revenue tax or any other tax, assessment, charge or levy upon the rent payable

by Tenant to the Commission under this Ground Lease, nor shall any tax, assessment, charge or levy of the character described in this Section 9(c) be deemed to be included within the term "Imposition" as defined above.

(d) Evidence of Payment. Tenant covenants, upon request of Commission, to furnish to Commission within sixty (60) days after the date when any Imposition is payable, official receipts of the appropriate taxing authority, or other evidence satisfactory to Commission, evidencing the payment of such Imposition.

(e) Tax Disputes. Tenant shall have the right to contest the amount or validity, or to seek a refund, in whole or in part, of any Imposition by appropriate proceedings, and notwithstanding the provisions of Section 9(a) above, this shall not be deemed or construed in any way as relieving, modifying or extending Tenant's covenants to pay any such Imposition at the time and in the manner as provided in this Section 9, unless Tenant shall have deposited with Commission or a bank or trust company designated by Commission, as security for the payment of such Imposition, money or a corporate surety bond or other security acceptable to Commission in an amount equal to one hundred ten percent (110%) of the amount so contested and unpaid together with the estimated amount of all interest and penalties in connection therewith and all charges that may or might be assessed against or become a charge on the Property, Leasehold and/or Improvements or any part thereof in said proceedings, whereupon Tenant may postpone or defer payment of such Imposition. Upon the termination of such proceedings, Tenant shall pay the amount of such Imposition or part thereof as finally determined in such proceedings, the payment of which may have been deferred during the prosecution of such proceedings, together with any costs, fees, interest, penalties or other liabilities in connection therewith, and upon such payment, Commission shall return, or cause such bank or trust company to return, the amount above referred to without interest. If, at any time during the continuance of such proceedings, Commission shall deem the amount deposited with the Commission, or any Leasehold Mortgagee, or secured by any surety bond, insufficient, Tenant shall, upon demand, deposit with Commission or such bank or trust company such additional sum as Commission may request, and upon failure of Tenant to do so, the amount theretofore deposited may be applied by Commission, or any Leasehold Mortgagee, or such bank or trust company to the payment, removal and discharge of such Imposition and the interest and penalties in connection therewith and any and all costs, fees or other liability accruing in any such proceedings, including without limitation any and all costs, fees or other liabilities of the Commission, and the balance, if any, shall be returned to Tenant. Commission shall not be subjected to any liability for the payment of any costs or expenses in connection with any such proceeding, and Tenant covenants and agrees to indemnify, save and hold harmless Commission from any such costs or expenses, including any and all costs incurred by the Commission, including attorneys' fees.

(f) Prima Facie Evidence of Non-Payment. The certificate, advice or bill of the appropriate official designated by law to make or issue the same or to receive payment of any Imposition, of non-payment thereof, shall be prima facie evidence that such Imposition is due and unpaid at the time of the making or issuance of such certificate, advice or bill.

(g) Commission or Leasehold Mortgagee Right to Cure. If Tenant in violation of the provisions of this Ground Lease shall fail to pay and discharge any Imposition, the Commission or any Leasehold Mortgagee may, but shall not be obligated to, pay or discharge such Imposition, and all such amounts paid by the Commission, including without limitation, costs, expenses, interest, penalties and attorneys' fees, together with simple interest at an annual rate of ten percent (10%) per annum, from the date of any such payment, shall be deemed to be and shall be payable immediately by Tenant to Commission or a Leasehold Mortgagee, as applicable, as additional rent.

10. Covenants to Maintain the Property and Improvements. Subject to the provisions of this Ground Lease concerning condemnation, alteration, damage and destruction of the Improvements, Tenant, at its sole expense, shall maintain or cause to be maintained in good order, repair and operation the Property and the Improvements, including without limitation all furnishings, fixtures, equipment thereon or therein and the adjoining sidewalks and curbs, throughout the Term of this Ground Lease without expense to Commission, and to perform or cause to be performed all repairs and replacements necessary to maintain and preserve the Property, Leasehold and the Improvements, including without limitation all furnishings, fixtures, equipment thereon or therein and the adjoining sidewalks and curbs, in a decent, safe and sanitary condition, in compliance with all applicable laws, and equal in value, quality and use to the condition of the Improvements, including furnishings, fixtures and equipment, as originally constructed or installed, reasonable wear and tear excepted. Under no circumstances shall the Commission be required to make any repairs, replacements or otherwise perform any maintenance, of any kind, nature or description whatsoever, with respect to the Property, Leasehold or the Improvements. Tenant hereby expressly waives all right to make repairs at Commission's expense under Sections 1941 and 1942 of the California Civil Code, as either or both may from time to time be amended, replaced or restated. All landscaping shall be maintained in a healthy condition. Commission shall not be required to furnish any services or facilities or to make any repairs or alterations to the Property, Leasehold or the Improvements and Tenant hereby assumes the full and sole responsibility for the condition, operation, repair, replacement, maintenance and management of the Property, Leasehold and the Improvements.

11. Waste. Tenant shall not commit or suffer to be committed any voluntary or permissive waste of the Property, Leasehold or the Improvements, or any part thereof.

12. Damages or Destruction of the Improvements.

(a) Restoration of Damaged or Destroyed Improvements. During the Term, Tenant covenants that in case of damage to or destruction of the Improvements by fire or any other cause, similar or dissimilar, insured or uninsured, Tenant will promptly, at its sole cost and expense, restore, repair, replace or rebuild the Improvements as nearly as possible to the condition, quality and class such Improvements were in immediately prior to such damage or destruction. Such restoration, repairs, replacement or rebuilding shall be commenced promptly and prosecuted with reasonable diligence.

(b) Insurance Proceeds. If insurance proceeds, if any, recovered in respect of any insured damage or destruction, less any cost of recovery, shall be insufficient to pay the entire

cost of such restoration, repairs, replacement or rebuilding, Tenant covenants to pay any deficiency in its entirety.

(c) Obligation to Continue Paying Rent. Tenant's obligation to make payment of the rent and all other charges on the part of Tenant to be paid and to perform all other covenants and agreements on the part of Tenant to be performed shall not be affected by any such damage to or destruction of the Improvements and Tenant hereby waives the provisions of Sections 1932(2) and 1933(4) of the California Civil Code and of any other statute or law now or hereafter in effect contrary to such obligations of the Tenant as set forth in this Ground Lease, or which relieves Tenant from such obligation.

(d) Notice and Rights of Leasehold Mortgagee. Commission will provide reasonable prior notice to all Leasehold Mortgagees of any proceedings for adjustment or adjudication of any insurance claim involving the Property and will permit any Leasehold Mortgagee to participate therein as an interested party. Commission agrees that in the event the Commission and any Leasehold Mortgagee are named as additional insureds under any policy of casualty insurance, the proceeds of such policy shall be paid and applied as provided in the applicable Leasehold Mortgage.

### 13. Environmental.

(a) Condition of the Site. Tenant shall take all necessary precautions to prevent the release in, on or under the Property of any Hazardous Materials. Such precautions shall include compliance with all Governmental Requirements with respect to Hazardous Materials. In addition, Tenant shall install and utilize such equipment and implement and adhere to such procedures as are consistent with commercially reasonable standards as respects the disclosure, storage, use, removal and disposal of Hazardous Materials.

(b) Required Disclosures. Tenant shall notify Commission, and provide to Commission a copy or copies, of all environmental permits, disclosures, applications, entitlements or inquiries relating to the Property, including notices of violation, notices to comply, citations, inquiries, clean-up or abatement orders, cease and desist orders, reports filed pursuant to self-reporting requirements and reports filed or applications made pursuant to any Governmental Requirement relating to Hazardous Materials and underground tanks. Tenant shall report to Commission, as soon as possible after each incident, any unusual or potentially important incidents with respect to the environmental condition of the Property. In the event of a release of any Hazardous Materials into the environment, Tenant shall, as soon as possible after the release, furnish to Commission a copy of any and all reports relating thereto and copies of all correspondence with governmental agencies relating to the release. Upon request, Tenant shall furnish to Commission a copy or copies of any and all other environmental entitlements or inquiries relating to or affecting the Property including, but not limited to, all permit applications, permits and reports including, without limitation, those reports and other matters which may be characterized as confidential.

(c) Tenant Indemnity. Tenant agrees to indemnify, defend and hold the Commission, City, Housing Authority and all of their respective commissioners, members, agents, officers,



representatives, directors and employees (the "Indemnified Parties") harmless from and against any claim, action, suit, proceeding, loss, cost, damage, liability, deficiency, fine, penalty, punitive damage, or expense (including, without limitation, attorneys' fees), resulting from, arising out of, or based upon any of the following: (i) the presence, release, use, generation, discharge, storage or disposal of any Hazardous Materials on, under, in or about, or the transportation of any such Hazardous Materials to or from, the Property or Leasehold, or (ii) the violation, or alleged violation, of any statute, ordinance, order, rule, regulation, permit, judgment or license relating to the use, generation, release, discharge, storage, disposal or transportation of Hazardous Materials on, under, in or about, to or from, the Property or Leasehold. The indemnification of the Indemnified Parties by Tenant set forth in this Section 13 shall apply to the Hazardous Materials came to be on, under, in or about the Property or Leasehold during Tenant's lease of the Property (but Tenant's indemnification obligation set forth in this Section 13 shall not apply with respect to Hazardous Materials came to be on, under, in or about the Property after the later of: (i) termination of this Ground Lease; or (ii) Tenant is no longer in possession of the Property or Leasehold). This indemnity shall include, without limitation, any damage, liability, fine, penalty, parallel indemnity after closing cost or expense arising from or out of any claim, action, suit or proceeding for personal injury (including sickness, disease or death), tangible or intangible property damage, compensation for lost wages, business income, profits or other economic loss, damage to the natural resource or the environment, nuisance, contamination, leak, spill, release or other adverse effect on the environment. This indemnity provided in this Section 13(c) does not include any condition arising solely as a result of the affirmative action or inaction of the Indemnified Parties. Notwithstanding anything contained in this Ground Lease to the contrary, Tenant's duty to indemnify the Indemnified Parties as set forth in this Section 13(c) shall survive and remain an outstanding obligation of Tenant after termination of this Ground Lease.

14. Indemnification of Commission by Tenant.

(a) Definitions. The following definitions are applicable to this Section 14 only:

(1) Claims. "Claims" means any and all threatened, pending or completed claims, actions, suits, proceedings, arbitrations, grand jury proceedings or investigations, damages, liabilities, injunctive relief, injuries to person or property, fines, penalties, causes of action, losses, costs, expenses and judgments whether civil, criminal, administrative or investigative, and any one or more appeals therefrom.

(2) Expenses. "Expenses" means reasonable attorneys' fees, retainers, court costs, staff time, transcripts, fees of experts, witness fees, arbitration fees, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees and all and all other direct or indirect costs and disbursements associated with any Claims, including without limitation expenses of establishing a right to indemnification under this Section 14 of this Ground Lease.

(3) Indemnified Parties. "Indemnified Parties" means the City, Commission, Housing Authority and all of their respective commissioners, members, agents, officers, representatives, directors and employees (individually an "Indemnified Party").

(4) Liabilities. "Liabilities" means the obligations (including an obligation incurred by way of settlement) to pay any judgment, settlement, penalty, interest, assessment, Claim, cost, expert witness fee and award of attorneys' fees.

(b) Indemnification. Tenant hereby agrees to indemnify, protect and hold harmless the Indemnified Parties from and against any and all Claims incurred by or asserted against any Indemnified Party, which arise directly or indirectly, in whole, in part or in any way, from this Ground Lease, the Property, the Leasehold, the Affordable Units and from any other approval or action whatsoever in connection with the Project, except for those Claims arising directly out of the gross negligence or willful misconduct of the Indemnified Party.

(c) Payment of Liabilities and Expenses. Tenant further agrees to pay any and all Liabilities and Expenses incurred by any and all Indemnified Parties with respect to any Claims which arise directly or indirectly, in whole, in part or in any way from this Ground Lease, the Property, the Leasehold, the Affordable Units and from any other approval or action whatsoever in connection with the Project.

(d) Separate Rights of Action. A separate right of action hereunder shall arise each time each Indemnified Party acquires knowledge of any matters described herein. Separate and successive actions may be brought hereunder to enforce any of the provisions hereof at any time and from time to time. No action hereunder shall preclude any subsequent action.

(e) Right to Defend. Each Indemnified Party shall have the right, but not the obligation, to conduct its own defense with respect to any Claims and to retain legal counsel of its own choosing. Tenant shall pay for or reimburse any such Indemnified Party for any and all Expenses and Liabilities incurred by such Indemnified Party, as such Expenses and Liabilities are incurred. An Indemnified Party's election to defend itself as provided in this Section, shall not in any way limit the Tenant's obligation to reimburse and pay for any and all Liabilities and Expenses incurred by the Indemnified Parties with respect to any Claims; provided, however, any Indemnified Party may elect in its sole discretion to demand that the Tenant defend and pay all Expenses with respect to any Claims, provided the Claims if determined adversely to such Indemnified Party, would be covered by the foregoing indemnification provisions. Upon any such demand by any Indemnified Party, Tenant shall defend and pay all Expenses and Liabilities with respect to such Claims; such defense shall be at Tenant's sole cost and expense and by counsel reasonably approved by such Indemnified Party.

(f) Survival. Tenant's duty to indemnify shall survive and remain an outstanding obligation of Tenant upon the termination of this Ground Lease.

(g) Notification of Claims. The Indemnified Parties will promptly notify Tenant of any Claims.



15. Required Insurance.

(a) Minimum Requirements. During the Term of this Ground Lease, Tenant at its sole cost and expense shall:

(1) Keep or cause to be kept a policy or policies of insurance against loss or damage to the Improvements on the Property resulting from fire, windstorm, hail, lightning, vandalism, malicious mischief, and such other perils ordinarily included in extended coverage casualty insurance policies. In addition, if Tenant carries coverage voluntarily for additional causes (such as earthquake, riot, civil commotion, or other), such coverage shall be treated in all respects as the policy or policies required to be kept under this Section 15(a)(1), for so long as Tenant continues to voluntarily carry such coverage. All insurance hereunder shall be maintained in an amount not less than one hundred percent (100%) of the full insurable value of the Improvements as defined in Section 15(b) of this Ground Lease.

(2) Maintain or cause to be maintained public liability insurance naming the Commission, Housing Authority, City and the Leasehold Mortgagees as additional insureds, to protect against loss from liability imposed by law for damages on account of personal injury, including death therefrom, suffered or alleged to be suffered by any person or persons whomsoever, in on or about the Property, the Leasehold or the Improvements; to protect against loss from liability imposed by law for damages on account of personal injury, including death therefrom, as a result of the acts or omissions of Tenant, its agents, servants or employees alleged to be suffered by any person or persons whomsoever, resulting directly or indirectly from any act or activities of Tenant or under its control or direction arising from the use and occupancy of the Property, the Leasehold or the Improvements; and also to protect against loss from liability imposed by law for damages to any property of any person caused directly or indirectly by or from the acts or activities of Tenant in connection with the Property, the Leasehold the Improvements, or Tenant or its sublessees, or any person acting for Tenant or under its control or direction. Such property damage and personal injury insurance shall also protect the Commission and such additional insureds against incurring any legal cost in defending claims for alleged loss. Such personal Injury and property damage insurance shall be maintained in full force and effect during the entire Term of this Ground Lease in an amount of at least Two Million Dollars (\$2,000,000), adjusted for inflation, combined single limit. Tenant agrees that provisions of this paragraph as to public liability insurance shall not be construed to limit in any way the extent to which Tenant may be held responsible for the payment of damages to persons or property resulting from Tenant's activities, or the activities of any other person or persons for which Tenant is otherwise responsible.

(3) If Tenant has employees, maintain or cause to be maintained workers' compensation insurance issued by an insurance carrier authorized under the laws

of the State of California for workers' compensation and employer's liability under the Workers' Compensation Insurance and Safety Act now in force in California, or any act hereafter enacted as an amendment or supplement thereto or in lieu thereof. Such workers' compensation insurance shall cover all persons employed by Tenant in connection with the Property, the Leasehold or the Improvements, and shall cover full liability for compensation under any such act aforesaid, based upon death or bodily injury claims made by, for or on behalf of, any person incurring or suffering injury or death in connection with the Property, the Leasehold or the Improvements, or the operation thereof by Tenant.

(4) Such other insurance (or other terms with respect to any insurance required pursuant to this Section 15(a), including without limitation amounts of coverage or deductibles) on or in connection with the Project as the Commission may reasonably require, which at the time is commonly obtained in connection with properties similar in type of building size, use and location to the Project.

(b) Definition of Full Insurable Value. The term "full insurable value," as used in Section 15(a) and elsewhere in this Ground Lease, shall mean the actual replacement cost of the Improvements. To ascertain the amount of coverage required, Tenant shall cause the full insurable value to be determined from time to time by appraisal by the insurer or by any appraiser mutually acceptable to the Commission and Tenant, not less often than once each three (3) years; except that no such appraisals shall be required if the policy is written on a "replacement cost" basis.

(c) General Insurance Provisions. All insurance provided for under Section 15 of this Ground Lease shall be for the benefit of Tenant and the additional insureds described above (i.e., the Commission, Housing Authority, City and the Leasehold Mortgagees). All insurance provided for under Section 15 shall be periodically reviewed by the parties for the purpose of mutually increasing or decreasing the minimum limits of such insurance, from time to time, to amounts which may be reasonable and customary for similar facilities of like size and operation and in the same location as the Property. All insurance provided for under Section 15 shall be effected under policies issued by insurers licensed or permitted to do business in the state of California and reasonably approved by the Commission, the Commission may not withhold approval of any insurer having a rating of A-VII or better in Best Insurance Guide, or if Best Insurance Guide is no longer in existence, similar or comparable rating. All insurance required to be maintained by Tenant pursuant to Section 15 may be taken out under a blanket insurance policy or policies covering other premises or properties, and other named or additional insureds in addition to the parties hereto; provided, however, that any such policy or policies of blanket insurance, or supplemental written certification from the insurers under such policies, shall specify therein the amount of insurance allocated to the coverage required under Section 15 (except that no such allocation shall be required if coverage is provided on a "blanket limit" basis) and provided further, that in all other respects, any such blanket policy shall comply with the other provisions of Section 15. All certificates of insurance shall provide that such certificates and the policies related thereto shall not be canceled or materially changed without at least thirty (30) days' prior written notice to the Commission. All insurance policies shall provide that there shall be no exclusion from coverage for cross liability among the named

insureds. Certificates of insurance (and, at the Commission's request, copies of each required policy) shall be deposited with the Commission together with appropriate evidence of payment of the current premiums therefor; and, at least thirty (30) days prior to expiration of any such policy, certificates of renewal policies shall be so deposited.

(d) Insurance During Rehabilitation Period. In addition to all other insurance required herein, during the period of rehabilitation of the Project, the Tenant shall cause its general contract and any subcontractors to provide the insurance coverage set forth in this subsection. All policies and proof of insurance certificates shall list the following as additional insureds: the San Diego Housing Commission, the Housing Authority of the City of San Diego and the City of San Diego.

(1) General Liability (Including operations, products and completed operations), which can include excess coverage, \$5,000,000 per occurrence for bodily injury, personal injury and property damage. If Commercial General Liability Insurance or other form with a general aggregate limit is used, The general aggregate limit shall be at \$10,000,000 or higher.

(2) Automobile Liability \$1,000,000 per accident for bodily injury and property damage.

(3) Workers' Compensation and Employers Liability in accordance with all State and Federal Laws Statutory for Workers Compensation.

(4) \$25,000,000 in excess or umbrella liability coverage no less restrictive than underlying commercial general liability, commercial automobile liability and employers liability coverages.

(5) Employers' Liability \$1,000,000 each accident, \$1,000,000 policy limit bodily injury by disease, \$1,000,000 each employee bodily injury by disease.

(6) Contractors Pollution – Asbestos Legal Liability \$1,000,000 each occurrence / \$2,000,000 policy aggregate.

(7) Railroad Protective Liability-\$1,000,000 each occurrence / \$2,000,000 policy aggregate.

(8) Design Professional/Engineer's Errors & Omission liability Insurance - \$2,000,000 each occurrence / \$2,000,000 policy aggregate.

(e) Failure to Maintain Insurance. If Tenant fails or refuses to procure or maintain insurance as required by this Ground Lease, the Commission shall have the right, at Commission's election, to procure and maintain the insurance described in Section 15 for the benefit of Tenant and Commission. The premiums paid by the Commission shall be treated as supplemental Annual Rent due from Tenant, to be paid on the first day of the month following the date on which the premiums were paid. The Commission shall give prompt notice of the

payment of such premiums, stating the amount paid and the name of the insured(s) which shall include Tenant.

16. Commission's Right to Perform Tenants Covenants. Tenant covenants and agrees that if it shall at any time fail to perform any of the covenants contained herein within the time limits provided herein, after any notice of any default has been given, including without limitation any failure to pay any Imposition in accordance with the provisions of Section 9, or to take out, pay for, maintain or deliver any of the insurance policies provided for in Section 15, or to fail to cause any lien of the character referred to in Section 19 to be discharged as provided therein, or shall fail to perform any other act on its part to be performed, then Commission may (but shall not be obligated to) and without further notice or demand upon Tenant and without waiving or releasing Tenant from any obligations of Tenant contained in this Ground Lease contained, (a) pay any Imposition payable by Tenant pursuant to the provisions of Section 9, or (b) take out, pay for and maintain any of its insurance policies provided for in Section 15, or (c) discharge any lien of the character referred to in Section 19 as provided therein, or (d) perform any other act on Tenant's part to be performed as provided in this Ground Lease; provided, however, that so long as a Leasehold Mortgage shall be outstanding, Commission shall not take any action of the character specified in the foregoing clause (c) (except when reasonably necessary to protect its interest in the Property and/or the Improvements, including without limitation enforcement of the Affordability Provisions), or (d) until after the written notice specified in Sections 6 and 21 of this Ground Lease has been given to the Leasehold Mortgagee(s) and the expiration of all cure periods provided in Sections 6 and 21 of this Ground Lease. All sums so paid by Commission and all necessary incidental costs and expenses paid or incurred by Commission in connection with the performance of any such act by Commission, together with interest thereon at the rate of ten percent (10%) per annum from the date of making of such expenditure by Commission, shall be payable to Commission on demand or, at the option of Commission, may be added to any rent then due or thereafter becoming due under this Ground Lease, and Tenant covenants to pay any such sum or sums, and Commission shall have (in addition to any other right or remedy of Commission) the same rights and remedies in the event of the non-payment of any such sums by Tenant as in the case of default by Tenant in the payment of rent.

17. Condemnation.

(a) Total Taking. If, at any time during the Term of this Ground Lease, there shall be a total taking or a constructive total taking of the fee title to the Property and Improvements in condemnation proceedings or by any right of eminent domain, this Ground Lease shall terminate on the date of such taking and the rent and other charges payable by Tenant under this Ground Lease shall be apportioned and paid to the date of such taking. For the purposes of this Section, the term "a constructive total taking" shall mean a taking of such scope that the untaken portion of the Property and Improvements is insufficient to permit the restoration of the existing Improvements so as to constitute a complete, economical project.

(b) Distribution of Proceeds in the Event of a Total Taking. In the event of any such total taking or constructive total taking and the termination of this Ground Lease, the award or awards for such taking, less the costs of the determination and collection of the amount of the award or awards ("Condemnation Proceeds"), shall be distributed as follows:

(1) Each permitted Leasehold Mortgage shall first be entitled to as much of the Condemnation Proceeds as shall be necessary to repay its Leasehold Mortgage (with all such proceeds being allocated to the Leasehold Mortgagees in order of their respective lien priority (first to last)).

(2) Commission shall be entitled to receive and retain as its own property, and Tenant hereby assigns to Commission, such remaining portion of the Condemnation Proceeds as shall equal the fair market value of the Property as encumbered by this Ground Lease including any untaken portion of the Property.

(3) Tenant shall then be entitled to receive, and Commission hereby assigns to Tenant, the balance of the Condemnation Proceeds, if any.

(c) Partial Taking. In the event of a taking which is less than a total taking or constructive total taking (a "Partial Taking"), this Ground Lease shall not terminate or be affected in any way, except as provided in Section 17(d), below, and the Condemnation Proceeds shall first be paid to the permitted Leasehold Mortgagees as provided in Section 17(b), above, and then Commission shall be entitled to receive and retain as its own property, that portion of the remaining Condemnation Proceeds applicable to the Property as encumbered by this Ground Lease, equal to the fair market value of the portion of the Property as encumbered by this Ground Lease so taken exclusive of the Improvements ("Commission's Proceeds"). Tenant shall then be entitled to receive the balance of the Condemnation proceeds ("Tenant's Proceeds") and the same shall be payable, and Commission hereby so assigns the same, in trust to Tenant for application by Tenant to the cost of restoring, repairing, replacing or rebuilding the Improvements.

(d) Distribution of Proceeds in the Event of a Partial Taking. Subject to Section 17(g), below, in the event of a partial taking, Tenant, at its sole cost and expense, shall proceed with due diligence to restore, repair, replace or rebuild the remaining part of the Improvements to substantially its former condition or with such changes or alterations reasonably necessary so as to constitute a complete, rentable project.

(e) Partial Termination in the Event of a Partial Taking. In the event of a partial taking, this Ground Lease shall terminate as to the portion of the Property so taken and the rent payable for the balance of the Term of this Ground Lease shall be reduced by a sum equivalent to the portion of the Property taken, such reduction to be effective as of the date of Commission's receipt of such Condemnation Proceeds. Until the amount of the reduction of the rent shall have been determined, Tenant shall continue to pay to Commission the rent provided for in Section 3, above.

(f) Temporary Taking. If, at any time during the Term, the whole or any part of the Property, the Leasehold, or of the Improvements shall be taken in condemnation proceedings or by any right of eminent domain for temporary use or occupancy (a "Temporary Taking") the foregoing provisions of this Section 17 shall not apply and Tenant shall continue to pay, in the manner at the times specified in this Ground Lease, the full amounts of the rent and other charges

payable by Tenant under this Ground Lease, and, except only to the extent that Tenant may be prevented from so doing pursuant to the terms of the order of the condemning authority. Tenant shall perform and observe all of the other terms, covenants, conditions and obligations of this Ground Lease upon the part of Tenant to be performed and observed, as though such taking had not occurred. In the event of any such Temporary Taking, Tenant shall be entitled to receive the entire amount of the Condemnation Proceeds made for such taking, whether paid by way of damages, rent or otherwise unless such period of temporary use or occupancy shall extend beyond the termination of this Ground Lease, in which case the Condemnation Proceeds shall be apportioned between Commission and Tenant as of the date of termination of this Ground Lease. Tenant covenants that, upon the expiration of any such period of temporary use or occupancy during the Term, it will, at its sole cost and expense, restore the Improvements, as nearly as may be reasonably possible, to the condition in which the same was immediately prior to such taking, wear and tear during such temporary use or occupancy excepted. To the extent that Commission receives any portion of the Condemnation Proceeds as compensation for the cost of restoration or repair of the Improvements, Commission shall pay such sum to Tenant and Tenant shall use such amount solely for restoration of the Improvements by Tenant as provided above. Any such amount not used for restoration of the Improvements by Tenant shall be returned to the Commission. Any portion of the Condemnation Proceeds received by Tenant as compensation for the cost of restoration of the Improvements shall, if such period of temporary use or occupancy shall extend beyond the Term of this Ground Lease, be paid to Commission on the date of termination of this Ground Lease.

(g) Commission Consent to Distribution to Leasehold Mortgagee. If Tenant shall assign to any Leasehold Mortgagee any Condemnation Proceeds to which Tenant or such Leasehold Mortgagee is entitled, Commission shall recognize such assignment and shall consent to the payment of the Condemnation Proceeds to such assignee as its interest may appear.

(h) Tenant Participation in Condemnation Proceedings. Commission shall provide reasonable prior notice to Tenant and any Leasehold Mortgagee of any proceedings for adjustment or adjudication of any condemnation claim involving the Property and Tenant and any Leasehold Mortgagee shall have the right to participate in any condemnation proceeding for the sole and limited purpose of protecting their rights under this Ground Lease, and in this connection, specifically and without limitation to introduce evidence independently of Commission to establish the value of or damage to the Improvements.

18. Maintenance and Alteration of Improvements.

(a) Changes or Alterations. Except with respect to any rehabilitation approved by the Commission pursuant to Section 2(a), above, Tenant agrees not to demolish or otherwise materially alter any portion of the Improvements and not to construct or install any buildings or structures on the Property, the Leasehold or otherwise improve or alter the Property or the Leasehold in any manner except in accordance with the scope of work submitted to the Commission and approved by Commission in writing. Tenant shall not make any major structural or architectural design alterations to approved buildings, structures or improvement installed on the Property or the Leasehold except in accordance with the scope of work previously approved in writing by the Commission. This provision shall not limit or set aside



any obligation of Tenant under this Ground Lease to maintain the Property, the Leasehold and Improvements in a decent, safe, healthy and sanitary condition, including structural repair and restoration of damaged or worn improvements. Commission shall not be obligated to make any improvements or alterations to the Property, the Leasehold or the Improvements or to assume any expenses therefore. Any such changes or alterations shall be made in all cases subject to the following conditions which Tenant covenants to observe and perform:

(1) No construction, change or alteration shall be undertaken until Tenant shall have procured and paid for, so far as the same may be required, from time to time, all municipal and other governmental permits and authorizations of the various municipal departments and governmental subdivisions having jurisdiction and Commission agrees, at no cost to Commission, to join in the application for such permits or authorizations whenever such action is necessary.

(2) Any construction, change or alteration of the Project and/or Property shall be conducted under the supervision of an architect or engineer licensed as such in the State of California (who may be an employee of Tenant) selected by Tenant and plans therefore shall be submitted to Commission, in order to give Commission an opportunity to determine that such construction, change or alteration will comply with the provisions of this Section 18.

(3) All construction, changes and alterations shall be of such a character that, when completed, the value and utility of the Improvements shall be not less than the value and utility of the Improvements immediately before any such construction, change or alteration; Tenant shall, prior to the commencement of demolition or construction submit to Commission preliminary drawings and outline specifications to be approved by Commission which approval shall not be unreasonably withheld and which shall have reference only to establishing that such new Improvements will be of a value not substantially less than the value of the Improvements to be demolished and that such new Improvements, when completed, will constitute all or a part of a completed rentable project capable of producing a fair and reasonable net annual income, after payment of all operating expenses.

(4) All work done in connection with any construction, change or alteration shall be done in a good and workmanlike manner and in compliance with all applicable laws, ordinances, orders and requirements of all federal, state and municipal governments and their appropriate departments, commissions, boards and officers. The cost of all such construction, change or alteration shall be paid in cash or its equivalent, so that the Property, the Leasehold and the Improvements shall at all times be free of liens for labor and materials supplied or claimed to have been supplied or such liens shall be bonded-over to the Commission's reasonable satisfaction. The work of any construction, change or alteration shall be prosecuted with reasonable dispatch, unavoidable delays excepted. Worker's compensation insurance covering all persons employed in connection with the work and with respect to whom death or bodily injury claims could be asserted against the Commission, City, Housing Authority, Tenant or the Property, Leasehold or Improvements, and general liability and property damage insurance (which may be effected by endorsement, if obtainable, on the insurance required to be carried as provided in this Ground Lease) for the mutual benefit of Tenant and Commission with limits of not less than those required to be carried as provided in this Ground Lease, shall be maintained

by Tenant at Tenant's sole cost and expense at all times when any work is in process in connection with any construction, change or alteration.

(b) Compliance with Changes and Alterations. Tenant covenants that in performing any work or repairs to, or restoration, replacement or rebuilding of, any of the Improvements required to be performed by Tenant pursuant to this Ground Lease, it will observe and perform, insofar as the nature of such repairs, restoration, replacement or rebuilding make such observation and performance appropriate, the conditions relating to any construction, changes or alterations set forth in Section 18(a), above.

19. Mechanic's Liens. Tenant shall not suffer or permit any mechanic's, vendor's, laborer's, or materialman's statutory or similar liens (collectively "Mechanic's Liens") to be filed against the Property, the Leasehold or the Improvements, nor against the Leasehold, by reason of work, labor, services or materials supplied or claimed to have been supplied to Tenant or anyone holding any interest in the Property, the Leasehold and/or the Improvements or any part thereof through or under Tenant. If any such Mechanic's Lien shall be filed, Tenant shall, within thirty (30) days after notice of the filing thereof, cause the same to be discharged of record by payment, deposit, bond, order of a court of competent jurisdiction or otherwise; provided, however, that Tenant shall have the right to contest, with due diligence, the validity or amount of any such lien or claimed lien, if Tenant posts a bond and causes the lien to be released from the Property, the Leasehold or the Improvements. Subject to the foregoing provisions, if Tenant shall fail to cause such lien to be discharged within such 30-day period, then, in addition to any other right or remedy of Commission, Commission may, but shall not be obligated to, discharge the same either by paying the amount claimed to be due or by procuring the discharge of such lien by deposit or by bonding proceedings. Nothing in this Ground Lease shall be deemed or construed in any way as constituting the consent or request of Commission, express or implied by inference or otherwise, to any contractor, subcontractor, laborer or materialman for the performance of any labor or the furnishing of any materials for any specific improvements, alteration to or repair of the Property, the Leasehold or the Improvements or any part thereof, nor as giving Tenant a right, power or authority to contract for or permit the rendering of any services or the furnishing of any materials that would give rise to the filing of any Mechanic's Liens against the Property, the Leasehold or the Improvements.

20. Tenant to Use Property in a Lawful Manner.

(a) Lawful Uses Only. Tenant shall not use or allow the Improvements, the Property, the Leasehold or any parts thereof, to be used or occupied for any unlawful purpose or for any dangerous or noxious trade or business.

(b) Delivery to Commission Upon Termination. Upon termination of this Ground Lease, Tenant shall surrender to Commission the Property and the Improvements, in good order and repair, reasonable wear and tear excepted and also except as Tenant may have been prevented from maintaining the Improvements in good order and repair by occupation of the Improvements by any sovereign who shall have taken the temporary use of the Improvements and shall then be in possession of the Improvements. Upon such termination, Tenant shall also deliver to Commission all leases, lease files, plans, records, registers and all other papers and



documents which may be necessary or appropriate for the proper operation and management of the Property and the Improvements.

(c) Inspection. Tenant agrees to permit Commission and the authorized representatives of Commission and the holder of any Fee Mortgage to enter the Property, the Leasehold or the Improvements upon reasonable advance notice of at least 48 hours for the purpose of inspecting the same or exhibiting the same to prospective purchasers of the Property, the Leasehold or the Improvements.

21. Bankruptcy and Other Events of Default.

(a) Termination of Ground Lease in Event of Bankruptcy. Tenant agrees that in the event all or substantially all of Tenant's assets are placed in the hands of a receiver or trustee, and such receivership or trusteeship continues for a period of thirty (30) days, or should Tenant make an assignment for the benefit of creditors or be finally adjudicated a bankrupt, or should Tenant institute any proceeding under the Federal Bankruptcy Code as the same now exists or under any amendment thereof which may hereafter be enacted, or under any other act relating to the subject of bankruptcy, or to be discharged of its debts, or to effect a plan of liquidation, composition or reorganization, or should any involuntary proceeding be filed against Tenant under any such bankruptcy laws and such proceeding is not dismissed within ninety (90) days thereafter (each an "Event of Default"), then this Ground Lease and any interests of Tenant in and to the Property and the Leasehold shall not become an asset in any of such proceedings and (i) such event shall constitute an Event of Default hereunder and (ii) subject to Tenant and Leasehold Mortgagee cure rights, in addition to any and all other rights or remedies of Commission under this Ground Lease or as otherwise provided by law, it shall be lawful for Commission to declare the Term ended and to reenter the Property and take possession thereof and remove all persons therefrom, and Tenant shall have no further claim thereon or hereunder.

(b) Events of Default. In addition to any Events of Default set forth in Section 21(a), above, each of the following shall be an Event of Default, if the same is not cured prior to the expiration of the cure periods set forth in this Section 21(b), if any: (i) Tenant at any time is in default with respect to any rental payments or other charges payable by Tenant under this Ground Lease, and if such default continues for a period of five (5) days after written notice from Commission to Tenant; (ii) Tenant is in default in the prompt and full performance of any other of its promises, covenants or agreements contained in this Ground Lease and such default or breach of performance continues for more than thirty (30) days after written notice thereof from Commission to Tenant specifying the particulars of such default or breach of performance, provided, however, that if such default or breach is not reasonably capable of being cured by Tenant within such thirty (30) day period, Tenant shall have such additional time not to exceed ninety (90) days to cure such default or breach as may be reasonably required by Tenant to cure such default or breach; (iii) Tenant abandons the Property or the Leasehold; or (iv) Tenant breaches the Affordability Provisions hereof, and such breach continues for a period of thirty (30) days after written notice from Commission to Tenant, provided, however, that if such default or breach is not reasonably capable of being cured by Tenant within such thirty (30) day period, Tenant shall have such additional time not to exceed ninety (90) days to cure such default or breach as may be reasonably required by Tenant to cure such default or breach. Upon the

occurrence of any one or more of the foregoing Events of Default (and the expiration of any cure periods applicable to Leasehold Mortgagees as set forth in Section 21(c), below), Commission shall, in addition to any or all other rights or remedies of Commission under this Ground Lease or as otherwise permitted by law, at the option of Commission, without further notice or demand of any kind to Tenant, have the following rights:

(1) The right of Commission to declare the Term ended, to declare this Ground Lease terminated and to reenter the Property and take possession thereof and remove all persons therefrom, and Tenant shall have no further claim thereon or thereunder.

(2) The right of Commission without declaring this Ground Lease ended to reenter the Property and occupy the whole or any part thereof for and on account of Tenant and to collect the rent and any other charges that may thereafter become payable.

(3) The right of Commission, even though it may have reentered the Property, to thereafter elect to terminate this Ground Lease and all of the rights of Tenant in or to the Property and the Leasehold.

(c) Leasehold Mortgagee Cure Rights.

(1) Notice to Leasehold Mortgagees. Commission will give to any Leasehold Mortgagee named in Section 24, below, and to any Leasehold Mortgagee that has delivered to Commission prior written notice of the address of such Leasehold Mortgagee, a copy of any notice or other communication from Commission to Tenant under this Section 21 at the time of giving such notice or communication to Tenant.

(2) Leasehold Mortgagee Cure Periods. No Leasehold Mortgagee shall have the obligation to cure any Event of Default by Tenant described in Section 21(a), above. Commission shall give to each Leasehold Mortgagee prompt written notice of the occurrence of an Event of Default. In the case of an Event of Default by Tenant in the payment of money, Commission will take no action to exercise any remedy by reason thereof, unless such Event of Default is not cured by any Leasehold Mortgagee within thirty (30) days after Commission gives each Leasehold Mortgagee written notice of such Event of Default. In the case of any Event of Default by Tenant other than a default in the payment of money and other than an Event of Default by Tenant described in Section 21(a), above, Commission will take no action to exercise any remedy by reason thereof, unless such Event of Default is not cured by any Leasehold Mortgagee within ninety (90) days after Commission gives each Leasehold Mortgagee written notice of such Event of Default; provided, however, that if any Leasehold Mortgagee commences to cure the non-monetary default within such ninety (90) day period and thereafter diligently prosecutes the same to completion, then such Leasehold Mortgagee shall have such longer period of time as is necessary to cure such Event of Default, not to exceed one hundred fifty (150) days from the date the Commission gives each Leasehold Mortgagee written notice of such Event of Default (except as otherwise provided in Section 21(c)(3), below).

(3) Leasehold Mortgagee Cure Rights. In the event that any Event of Default is cured by a Leasehold Mortgagee, as set forth in Section 21(c)(2), above, the Commission shall

accept such performance on the part of such Leasehold Mortgagee as though the same had been done or performed by Tenant. For such purpose, Commission and Tenant hereby authorize such Leasehold Mortgagee to enter upon the Leasehold and to exercise any of its rights and powers under this Ground Lease. The commencement of judicial or non-judicial foreclosure proceedings by a Leasehold Mortgagee shall be deemed the commencement of a cure, as provided in Section 21(c)(2), above, so long as: (i) the Leasehold Mortgagee thereafter diligently prosecutes the same to completion (provided, however, the time period set forth above shall be tolled during the period such foreclosure proceedings are pending; and provided further that if the default is cured by Tenant or another person, Commission will accept such cure and the Leasehold Mortgagee may discontinue such proceedings and/or possession). If a Leasehold Mortgagee is prohibited, stayed or enjoined by any bankruptcy, insolvency or other judicial proceeding involving Tenant, from commencing or prosecuting foreclosure or other appropriate proceedings, the times specified for commencing or prosecuting such foreclosure or other proceedings for the Leasehold Mortgagee shall be extended for the period of such prohibition. Following the acquisition of the Leasehold by the Leasehold Mortgagee, or its designee, either as a result of judicial foreclosure or trustee sale proceedings or acceptance of an assignment in lieu of foreclosure, the Leasehold Mortgagee or party acquiring title to the Leasehold shall, within ninety (90) days thereafter, commence to cure all defaults hereunder reasonably susceptible of being cured by the Leasehold Mortgagee and thereafter diligently process such cure to completion. During the period that such Leasehold Mortgagee shall be in possession of the Leasehold and/or during the pendency of any foreclosure proceedings instituted by any Leasehold Mortgagee, the Leasehold Mortgagee shall pay or cause to be paid the Annual Rent and all other charges of whatsoever nature which are payable by Tenant hereunder which accrue during said period (subject to the notice and cure provisions contained in this Ground Lease). Any purchaser at any foreclosure sale, including, without limitation, any Leasehold Mortgagee, shall be liable to perform only the obligations imposed on Tenant by this Ground Lease incurred or accrued during the period such person has ownership of the Leasehold. Notwithstanding anything to the contrary contained elsewhere herein, on transfer of the leasehold estate created by this Ground Lease at any foreclosure sale under any Leasehold Mortgage (or by deed or assignment in lieu of foreclosure), or upon creation of a new Ground Lease, all of the following defaults and Events of Default relating to any prior owner of the leasehold estate created under this Ground Lease shall automatically be deemed cured:

(i) Any failure by any prior Tenant to make a disclosure of a hazardous substance release as required by the California Health and Safety Code, this Ground Lease or otherwise;

(ii) Any default in the payment of rent, any default under any provision restricting transfers, encumbrances or similar matters, and any default resulting from a default under any other document, instrument or agreement;

(iii) Any breach of any representation or warranty given by any prior Tenant;

(iv) Any other defaults personal to Tenant and/or not otherwise reasonably curable by each Leasehold Mortgagee;

(v) Attachment, execution or other judicial levy upon this Ground Lease or the leasehold estate hereby created (provided such attachment, execution or levy either (i) was commenced or occurred at the direction or request of the Leasehold Mortgagee in question), or (ii) would be subject and subordinate to the Leasehold Mortgage in question);

(vi) Assignment of this Ground Lease or the leasehold estate hereby created for the direct or indirect benefit of creditors of any prior Tenant (provided such assignment, as a matter of law or contract) is or was subject to the Leasehold Mortgage in question);

(vii) Judicial appointment of a receiver or similar officer to take possession of property of any prior Tenant (other than the Property); and

(viii) Filing any petition by, for or against any prior Tenant (or any affiliate) under any chapter of the federal Bankruptcy Act or any federal or state debtor relief statute, as amended.

(4) New Ground Lease Agreement With Leasehold Mortgagee. After the expiration of any applicable grace period given Tenant and each Leasehold Mortgagee under this Ground Lease to cure a default, in the event that this Ground Lease is terminated for any reason, including, without limitation, any termination or rejection through bankruptcy proceedings, Commission shall give each Leasehold Mortgagee prompt written notice of such termination. Each Leasehold Mortgagee or its assignee shall have the right within sixty (60) days after receipt of such notice of termination, to request and obtain from Commission a new lease to replace this Ground Lease; provided however, that should more than one Leasehold Mortgagee make such demand, only the senior-most Leasehold Mortgagee's demand shall be honored by Commission. Such new lease shall be for a term equal to the remainder of the Term of this Ground Lease before giving effect to such termination and shall contain the same covenants, agreements, terms, provisions and limitations as this Ground Lease. Such new lease shall be executed and delivered by the Commission to such requesting Leasehold Mortgagee or its assignee within thirty (30) days after receipt by the Commission of written notice from such Leasehold Mortgagee of such election and upon payment by such Leasehold Mortgagee of all sums owing by Tenant under the provisions of this Ground Lease (less the rent and other income actually collected by Commission in the meantime from any sublessees or other occupants of the Premises). In connection with such a new Ground Lease, Commission shall assign to Leasehold Mortgagee or its nominee all of Commission's interest in all existing subleases of all or any part of the Property and all attornments given by the sublessees, provided that such Leasehold Mortgagee assumes Tenant's obligations as sublandlord under any subleases then in effect to the extent such assumption is necessary in order to continue such subleases in effect. Commission shall not terminate or agree to terminate any sublease or enter into any new lease or sublease for all or any portion of the Property without such Leasehold Mortgagee's prior written consent, unless such Leasehold Mortgagee fails to timely deliver request for a new Ground Lease under this Section. In connection with any such new Ground Lease, Commission shall also, by grant deed, convey to the applicable Leasehold Mortgagee or its nominee fee title to the Improvements, if any, which become vested in Commission as a result of termination of this Ground Lease. Upon the

execution and delivery of such new lease, the new "Tenant" may take all appropriate steps as shall be necessary to remove the terminated Tenant from the Leasehold and the Improvements, but Commission shall not be subject to any liability for the payments of fees, including attorneys' fees, costs or expenses in connection with such removal; and such new "Tenant" shall pay all fees, including attorneys' fees costs and expenses reasonably incurred by Commission (or, on demand, make reimbursements therefor to Commission).

(d) Reentry Not Termination of Ground Lease. Should Commission have reentered the Property under the provisions of Subsection 21(b)(2), above, Commission shall not be deemed to have terminated this Ground Lease, or the liability of Tenant to pay rent thereafter to accrue, or its liability for damages under any of the provisions of this Ground Lease, by any such reentry or by any action in unlawful detainer, or otherwise, to obtain possession of the Property, unless Commission shall have notified Tenant in writing that it has so elected to terminate this Ground Lease. Tenant further covenants that the service by Commission of any notice pursuant to the unlawful detainer statutes of the State of California and the surrender of possession pursuant to such notice shall not (unless Commission elects to the contrary at the time of or at any time subsequent to the serving of such notices and such election is evidenced by a written notice to Tenant) be deemed to be a termination of this Ground Lease. In the event of any entry or taking possession of the Property as provided above, Commission shall have the right, but not the obligation, to remove from the Property and the Leasehold all or any part of the personal property located therein and may place the same in storage at a public warehouse at the expense and risk of the owner or owners thereof.

(e) Termination of Ground Lease. Should Commission elect to terminate this Ground Lease under the provisions of Subsections 21(b)(1) or (3), above, Commission may recover from Tenant as damages:

(1) the value at the time of award of any unpaid rent which had been earned at the time of such termination;

(2) the value at the time of award of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss Tenant proves could have been reasonably avoided;

(3) the value at the time of award of the amount by which the unpaid rent for the balance of the Term after the time of award exceeds the amount of such rental loss that Tenant proves could be reasonably avoided;

(4) any other amount necessary to compensate Commission for all the detriment proximately caused by Tenant's failure to perform its obligations under this Ground Lease or which in the ordinary course of things would be likely to result therefrom, including, but not limited to, any costs or expenses incurred by Commission in maintaining or preserving the Property or the Leasehold after such default, preparing the Improvements for reletting to a new resident, any repairs or alterations to the Improvements for such reletting, leasing commissions, or any other costs necessary or appropriate to relet the Property; and

(5) at Commission's election, such other amounts in addition to or in lieu of the foregoing as may be permitted from time to time at law or in equity.

(f) Value at the Time of Award Defined. As used in Subsections 21(e)(1) and (2), above, the "value at the time of award" is computed by allowing interest at the rate of ten percent (10%) per annum. As used in Subsection 21(e)(3), above, the "value at the time of award" is computed by discounting such amount at the discount rate of the San Francisco Federal Reserve Bank, at the time of award, plus one percent.

(g) Furniture, Fixtures and Equipment. In the Event of Default, after expiration of the notice and cure periods afforded to Tenant and all Leasehold Mortgagees under this Ground Lease and subject to the rights of Leasehold Mortgagees, all of Tenant's fixtures, furniture, equipment, improvements, additions, alterations, and other personal property shall remain on the Property and in that event, and continuing during the length of such default, Commission shall have the right to take the exclusive possession of same and to use same, rent or charge free, until all defaults are cured or, at its option, at any time during the Term, to require Tenant to forthwith remove same.

(h) Reentry Upon Termination. Upon the termination of this Ground Lease pursuant to any of the provisions of this Section 21, it shall be lawful for Commission, without formal demand or notice of any kind, to re-enter the Property and the Improvements by summary dispossession proceedings or any other action or proceeding authorized by law, to remove Tenant therefrom without being liable for any damages therefore.

(i) Compliance. Commission shall not be deemed to be in default in the performance of any obligation required to be performed by it under this Ground Lease until it has failed to perform such obligation within thirty (30) days after written notice by Tenant to Commission specifying the nature of Commission's default; provided, however, that if the nature of Commission's obligation is such that more than thirty (30) days are required for its performance, then Commission shall not be deemed to be in default if it shall commence such performance within such thirty (30) day period and thereafter diligently prosecute the same to completion.

22. Limitation of Commission Liability. The term "Commission" as used in this Ground Lease, so far as covenants or obligations on the part of Commission are concerned shall be limited to mean and include only the owner or owners at the time in question of the fee of the Property and in the event of any transfer or transfers of the title to such fee, Commission herein named (and in case of any subsequent transfers or conveyances the then grantor) shall be automatically freed and relieved from and after the date of such transfer or conveyance from all obligations on the part of Commission contained in this Ground Lease to be performed thereafter, provided that any prepaid rent or trust funds in the hands of such Commission or the then grantor at the time of such transfer, shall be transferred to the grantee or transferee, who shall expressly assume, subject to the limitations of this Section, all of the terms, covenants and conditions in this Ground Lease contained on the part of Commission thereafter to be performed, it being intended by this Section that the covenants and obligations contained in this Ground Lease on the part of Commission shall, subject to the provisions of this Section 22, be binding on



Commission, its successors and assigns, only during and in respect of their respective successive periods of ownership.

23. Estoppel Certificates.

(a) By Tenant. Tenant agrees at any time and from time to time upon not less than twenty (20) days prior notice by Commission to execute, acknowledge and deliver to Commission a statement in writing certifying that this Ground Lease is unmodified and in full force and effect (or if there have been modifications that the Ground Lease is in full force and effect as modified and stating the modifications), and the dates to which the rent has been paid, and stating whether or not to the best knowledge of the signer of such statement Tenant is then in default or may be in default with notice or the passage of time, or both, in keeping, observing or performing any term, covenant, agreement, provision, condition or limitation contained in this Ground Lease, and, if in default, specifying each such default, it being intended that any such statement delivered pursuant to this Section may be relied upon by Commission or any prospective purchaser of the fee or any Fee Mortgage thereof or any assignee of any Fee Mortgage but reliance on such statement may not extend to any default as to which the signer shall have had no actual knowledge.

(b) By Commission. Commission agrees at any time and from time to time upon not less than twenty (20) days prior notice by Tenant or any Leasehold Mortgagee to execute, acknowledge and deliver to Tenant a statement in writing certifying that this lease is unmodified and in full force and effect (or if there shall have been modifications that the Ground Lease is in full force and effect as modified and stating the modifications) and the dates to which the rent has been paid, and stating whether or not to the best knowledge of the signer of such statement Tenant is then in default or may be with notice or the passage of time, or both, in keeping, observing or performing any term, covenant, agreement, provision, condition or limitation contained in this Ground Lease and, if Tenant shall be in default, specifying each such default of which the signer may have knowledge, it being intended that such statement delivered pursuant to this Section may be relied upon by any prospective transferee of Tenant's interest in this Ground Lease and the Improvements or any Leasehold Mortgagee or any assignee of any Leasehold Mortgage, but reliance on such certificate may not extend to any default as to which the signer shall have had no actual knowledge.

24. Notices. All notices under this Ground Lease shall be in writing and sent (a) by certified or registered U.S. mail, postage pre-paid, return receipt requested, (b) overnight by a nationally recognized overnight courier such as UPS Overnight or FedEx, or (c) by personal delivery. All notices shall be effective upon receipt (or refusal to accept delivery). All notices shall be delivered to the following addresses:

Commission: San Diego Housing Commission  
Attn: Loan Management  
1122 Broadway, Suite 300  
San Diego, CA 92101

Copy to: Christensen & Spath LLP  
550 West C Street, Suite 1660  
San Diego, CA 92101

Tenant: HDP West Park Inn, LLC  
c/o Housing Development Partners of San Diego  
701 B Street, Suite 530  
San Diego, CA 92101  
Attn. Emily S. Jacobs, Vice President

Copy to: Downs Pham & Kuei, LLP  
One Embarcadero Center, Suite 500  
San Francisco, CA 94111  
Attn. Irene Kuei

25. Commission Option to Acquire the Improvements.

(a) Granting of the Option. Tenant grants to the Commission the exclusive option ("Option") to purchase all of the Tenant's interest in this Leasehold, the Project and the Improvements (collectively, the "Option Property") on the terms and conditions set forth in this Section 25. The Option shall commence on the earlier of: (i) an uncured Event of Default; or (ii) the date which is fifteen (15) years from the date of completion of rehabilitation of the Improvements ("Option Commencement Date"), and shall expire at the end of the Term ("Option Term").

(b) Consideration for the Option. The execution of this Ground Lease shall be the consideration for entering into the Option. Tenant hereby acknowledges that the Commission would not enter into this Agreement without the Tenant granting the Option to the Commission.

(d) Exercise of the Option. During the Option Term, the Commission may exercise its Option by giving Tenant written notification of Commission's election to purchase the Option Property ("Exercise of the Option").

(e) Purchase Price and Payment. The total consideration from the Commission to Tenant upon Exercise of the Option, shall be the principal of and all accrued interest on any Leasehold Mortgage approved by the Commission, or if such Leasehold Mortgage is no longer outstanding at such time, then the principal of and all accrued interest on any loans secured by the Improvements, provided such loans were approved by the Commission in writing. In addition, if the Commission, with the consent of the holder of any loan secured by the Leasehold, assumes Tenant's obligations under such loan, then all principal and accrued interest on such loan, shall be credited against the purchase price payable by the Commission for the Option Property.

(f) Escrow. Within ten (10) days following Commission's Exercise of the Property Option pursuant to Section 25(d) of this Ground Lease, Tenant shall open an escrow at a reputable escrow company in San Diego County, California. The parties shall sign the escrow instructions prepared by the escrow holder within ten (10) days of receipt thereof, so long as the



instructions (i) state that it is the sole purpose of the escrow holder to comply with and carry out the terms and conditions of this Section 25 of this Ground Lease, and (ii) contain such other general provisions as are then customarily found in such escrow holder's escrow instructions. Either party failing to sign the escrow holder's escrow instructions as provided above shall be deemed to be in breach of this Ground Lease. The escrow shall provide for a closing on or before ninety (90) days after it is opened. The escrow holder's escrow instructions signed by the parties shall state the date escrow was opened. The Option Property shall be transferred "As-Is", "Where-Is" without representation or warranty.

26. General Conditions.

(a) Remedies Cumulative. The specified remedies to which Commission may resort under the terms of this Ground Lease are cumulative and are not intended to be exclusive of any other remedies or means of redress to which Commission may be lawfully entitled in case of any breach or threatened breach by Tenant of any provision of this Ground Lease. The failure of Commission to insist in any one or more cases upon the strict performance of any of the covenants of this Ground Lease or to exercise any option contained in this Ground Lease shall not be construed as a waiver or a relinquishment for the future of such covenant or option.

(b) No Waiver. A receipt by Commission of rent with knowledge of the breach of any covenant of this Ground Lease shall not be deemed a waiver of such breach, and no waiver by Commission of any provision of this Ground Lease shall be deemed to have been made unless expressly in writing and signed by Commission. In addition to the other remedies provided in this Ground Lease, Commission shall be entitled to the restraint by injunction of the violation, or attempted or threatened violation, of any of the covenants, conditions or provisions of this Ground Lease.

(c) Amendments. No waiver, modification, amendment, discharge or change of this Ground Lease shall be valid unless it is in writing and signed by the Commission and Tenant and consented to by each Leasehold Mortgagee, if any.

(d) No Real Estate Brokers. Each of Commission and Tenant hereby represents and warrants that it has dealt with no real estate broker, agent or party who may be entitled to a commission or fee on account of this Ground Lease. Each of Commission and Tenant hereby indemnifies and agrees to hold the other party harmless from and against any loss, cost, liability and expense, including attorneys' fees, which may be incurred in the event the foregoing representation and warranty proves incorrect.

(e) Representations. Commission hereby disclaims any warranty, guaranty or representation of the nature and condition of the Property, including (but not by way of limitation) the soil and geology and suitability thereof for any and all activities and uses which Tenant may elect to conduct thereon at any time during the Term, the manner of construction and the conditions and state of repair or lack of repair of all improvements located thereon, and the nature and extent of the rights of others with respect to the Property, whether by way of easement, right of way, lease, possession, lien, encumbrance, license, reservation, condition or otherwise.

(f) Captions. The captions in this Ground Lease are inserted for convenience of reference and in no way define, describe or limit the scope or intent of this Ground Lease or any of the provisions of this Ground Lease.

(g) Invalidity of Particular Provisions. If any term or provision of this Ground Lease or the application thereof to any person or circumstance, shall to any extent be invalid or unenforceable, the remainder of this Ground Lease, or the application of such term or provision to persons or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each term and provision of this Ground Lease shall be valid and be enforced to the fullest extent permitted by law.

(h) Successors Bound. Subject to the other provisions of this Ground Lease, this Ground Lease shall be binding upon and inure to the benefit of Commission and Tenant and their respective legal representatives, successors, heirs and permitted assigns, and wherever a reference in this Ground Lease is made to either Commission or Tenant, such reference shall be deemed to include, wherever applicable, also a reference to the successors and assigns of such party, as if in every case so expressed.

(i) Recordation. This Ground Lease shall be recorded as an encumbrance against the Property in the Office of the County Recorder of San Diego County, California.

(j) Governing Law. This Ground Lease shall be interpreted and construed in accordance with California law.

(k) Counterparts. This Ground Lease may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

(l) Entire Agreement. This Ground Lease, together with any written modifications or amendments hereafter entered into (and consented to by each Leasehold Mortgagee, if any), contain the entire agreement between the parties relating to the transactions contemplated by this Ground Lease and all prior or contemporaneous agreements, understandings, representations or statements, oral or written, are superseded.

(m) No Third-Party Rights. Nothing in this Ground Lease, express or implied, is intended to confer upon any person, other than the parties to this Ground Lease, the Leasehold Mortgagees (who are third-party beneficiaries of this Ground Lease) and their respective successors and assigns, any rights or remedies.

(n) Time Of Essence. Time is of the essence in this Ground Lease.

(o) Attorneys' Fees. The parties agree that the prevailing party in litigation for the breach and/or interpretation and/or enforcement of the terms of this Ground Lease shall be entitled to their expert witness fees, if any, as part of their costs of suit, and attorneys' fees as may be awarded by the court, pursuant to California Code of Civil Procedure ("CCP") Section 1033.5 and any other applicable provisions of California law, including, without limitation, the

provisions of CCP Section 998. All claims, disputes, causes of action or controversies shall be subject solely to the jurisdiction of the San Diego Superior Court.

(p) Relationship. Nothing contained in this Ground Lease shall be deemed or construed by the parties or by any third person to create a relationship of principal and agent or partnership or a joint venture between Commission and Tenant or between either or both of them and any third party.

(q) Commission Approval. Where this Ground Lease refers to an action or approval of the Commission, it shall mean the approval of the President and CEO of the Commission, or designee, unless otherwise provided.

(r) Exhibits and Recitals Incorporated. All exhibits referred to in this Ground Lease are hereby incorporated in this Ground Lease by this reference, regardless of whether or not the exhibits are actually attached to this Ground Lease. The Recitals to this Ground Lease are hereby incorporated in this Ground Lease by this reference.

(s) No Merger of Ground Lease With the Fee Estate. There shall be no merger of this Ground Lease or any interest in this Ground Lease, nor of the Leasehold, with the fee estate in the Property for any reason.

(t) Signature Authority. All individuals signing this Ground Lease for a party which is a corporation, limited liability company, partnership or other legal entity, or signing under a power of attorney, or as a trustee, guardian, conservator, or in any other legal capacity, covenant to one another that they have the necessary capacity and authority to act for, sign and bind the respective entity or principal on whose behalf they are signing.


IN WITNESS WHEREOF, the parties have executed this Ground Lease as of the date first above written.

**TENANT:**

By: HDP West Park Inn, LLC, a California limited liability company

By: Housing Development Partners of San Diego,  
a California nonprofit public benefit corporation

Its: Manager

By:   
\_\_\_\_\_  
Emily S. Jacobs, Vice President

**[SIGNATURES CONTINUED ON FOLLOWING PAGE]**


**COMMISSION:**

San Diego Housing Commission

By:   
Deborah N. Ruane  
Executive Vice President & Chief Strategy Officer

**Approved as to Form:**

Christensen & Spath LLP

By:   
Walter F. Spath III, Esq.  
Commission General Counsel

**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 San Diego        )

On December 12, 2017, before me, Michelle C. Sandoval, notary public, personally appeared Deborah N. Ruane 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 Michelle C. Sandoval (Seal)



**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 )

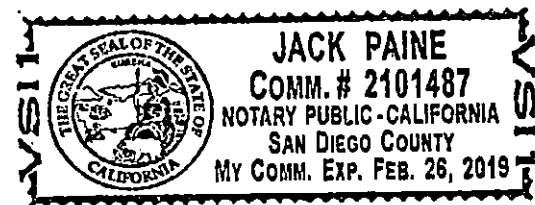
County of San Diego )

On Dec. 13, 2017, before me, Jack Paine, notary public, personally appeared Emily S. Jacobs 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 [Signature] (Seal)



## **Exhibit "A"**

### **Legal Description of the Property**

All that certain real property situated in the County of San Diego, State of California, described as follows:

LOT 1 OF BLOCK 226 OF NORTON'S ADDITION IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO THE AMENDED MAP BY L. L. LOCKLING FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY.

APN: 533-296-12

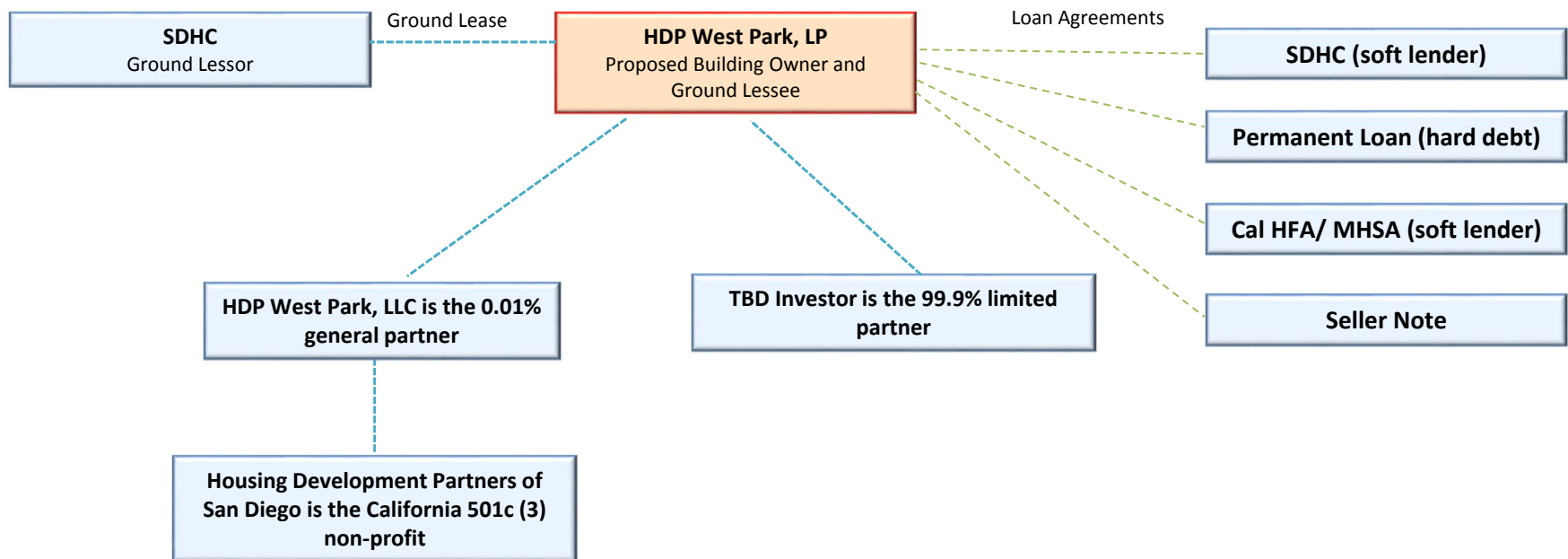
# West Park

## Proposed Scope

- Fumigation/Tenting - Termite & insect remediation per Termite Inspector's report
- Elevator Rehab/Modernization
- Demolition & removal/disposal of debris as required to achieve final scope
- Repair & replacement of structure and substrates as required to achieve final scope
- Accessibility upgrades as required and as technically feasible
- Refresh common area finishes as required (community room, fitness room, courtyards)
- Build out of service provider office space(s) (Park West only)
- New interior finishes in Units
  - Vinyl Plank/Sheet Vinyl throughout
  - Replace/resurface drywall as req'd
- Replacement of existing plumbing fixtures – in-kind/in-place
  - Microbial growth remediation, per VM3 report recommendations
- Replacement lighting – LED's & ceiling fans
- Improved unit-ventilation – continuous/"whole-house" fan or equivalent
- Upgrade Unit HVAC systems – mini-splits or replacement PTAC units
- Replacement of boilers/hot water systems
- Addition of kitchenettes to units as able; to consist of:
  - 2-burner range w/overhead exhaust fan, ducted to outside
  - Microwave
  - Sink w/ garbage disposal
  - Refrigerator/Freezer
  - Cabinetry & solid surface countertops
- Adjustment & Repair/replacement of door hardware
- Window hardware repair/replacement
- Resurface/reslope exterior walkways (cementitious waterproof decking)
- Repair/replacement of steel guardrails
- Exterior Plaster repair & repaint
- Replace Roof, gutters, leaders, outlets & associated flashing
- Safety tiebacks/cable rails for roof maintenance
- Project Signage/awnings
- Solar/thermal energy measures, as able
- Repair/replacement of landscaping & irrigation systems



## West Park ORGANIZATIONAL CHART





**SAN DIEGO  
HOUSING  
COMMISSION**

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

1. Name of CONTRACTOR: Housing Development Partners of San Diego
2. Address and ZIP Code: 701 B Street San Diego, CA 92101
3. Telephone Number: 619-578-7423
4. Name of Principal Contact for CONTRACTOR: Emily S. Jacobs
5. Federal Identification Number or Social Security Number of CONTRACTOR: 33-0427639
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 (explain)
7. If the CONTRACTOR is not an individual or a government agency or instrumentality, give date of organization:  
Housing Development Partners was formed in California in April 1990 as a 501(c) (3) non-profit
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 percent 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 percent.(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 and Address	Position Title (if any) and percent of interest or description of character and extent of interest
Name: Richard C. Gentry	President and CEO
Address: 619-578-7532	0
Name: Gary Grambling	HDP Board Vice President and Audit Committee Member
Address: 760-455-4978	0
Name: Roberta Spoon	HDP Board Assistant Secretary and Audit Committee Member
Address: 619-234-4173	0
Name: Dottie Surdi	HDP Board Secretary
Address: 858-452-9100	0
Name: Ben Moraga	HDP Board Member
Address: 805-208-1993	0
Name:	
Address:	

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.  
No
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 percent interest in the CONTRACTOR (for example, more than 20 percent of the stock in a corporation that holds 50 percent of the stock of the CONTRACTOR, or more than 50 percent of the stock in the corporation that holds 20 percent of the stock of the CONTRACTOR):

Name and Address	Position Title (if any) and percent of interest or description of character and extent of interest
Name:	
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: Michael C. Pavco	Senior Vice President
Address: 1100 Broadway	
San Diego, CA 92101	
Name: Emily S. Jacobs	
Address: 701 B Street	Vice President
San Diego, CA 92101	
Name: Colin Miller	Director
Address: 701 B Street	
San Diego, CA 92101	

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 any 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: San Diego Housing Commission	Affiliate through shared board members, Gentry, Gramling, Spoon
Address: 1122 Broadway	
San Diego, CA 92101	
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.
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:
16. Provide sources and amount of cash available to CONTRACTOR to meet equity requirements of the proposed undertaking:
- In banks/savings and loans:  
 Name: US Bank  
 Address: 11988 El Camino Real, Suite 100 San Diego, CA 92130

Amount: \$ 5,921,062

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

Name:

Address:

Amount: \$

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

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: US Bank	
Address: SDHC	
San Diego, CA 92101	
Name:	
Address:	
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.

N/A

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.

N/A

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
N/A				

21. 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:

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

Name and Address	Affiliation
Name: N/A	N/A
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?

☐ Yes ☒ No

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

N/A

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

General description of such work:

N/A

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)

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

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

Identification of Contract or Development	Location	Amount	Date to be Completed
N/A			

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

Awarding Agency	Amount	Date Opened
N/A		



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:

23. Does any member of the governing body of 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 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:

See attached General Insurance Policy for HDP

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

☐ Yes

☒ No

If yes, explain:

26. 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:

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

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)]

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)]
- d. Professional Liability (Errors and Omissions) [Attach certificate of insurance showing the amount of coverage and coverage period(s)]
- e. Excess Liability [Attach certificate(s) of insurance showing the amount of coverage and coverage period(s)]
- f. Other (Specify) [Attach certificate(s) of insurance showing the amount of coverage and coverage period(s)]

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 SDHC setting forth the provisions of this nondiscrimination clause.
28. The CONTRACTOR warrants and certifies that it will not, without prior written consent of SDHC, engage in any business pursuits that are adverse, hostile or take incompatible positions to the interests of 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 SDHC, the AUTHORITY and/or the CITY, and no member of the governing body of the locality in which the PROJECT is situated, no member of the governing body in which 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:

Government Complaint	Entity	Making	Date	Resolution
N/A				

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,

N/A

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:

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

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 SDHC.

N/A

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 SDHC.

35. List all CONTRACTS with, DEVELOPMENTS for or with, LOANS with, PROJECTS with, GRANTS from, and SALES of Real Property to 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
	SDHC	Current	\$15,396,409
	City (Civic San Diego)	Current	\$3,000,000
	SDHC	Current	\$2,693,633
	SDHC	Current	\$511,708
	SDHC	Current	\$1,600,000
	SDHC	Current	\$6,000,000
	SDHC	Current	\$4,400,000

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)?

☐ Yes ☒ No

If yes, explain:

N/A

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?

☐ Yes ☒ No

If yes, explain:

N/A

38. List three local references that would be familiar with your previous construction projects:

1. Name: San Diego Housing Commission  
Address: 1122 Broadway, San Diego, CA 92101  
Phone:

Project Name and Description: San Diego Square- acquisition and substantial renovation of a 156-unit senior HUD building

2. Name: Civic San Diego

Address: 401 B Street Suite 400, San Diego, CA 92101

Phone: 619-235-2200

Project Name and Description: Hotel Churchill – extensive renovation of a 100+ year old historic hotel in downtown San Diego

3. Name: California Housing Finance Agency

Address: 500 Capitol Mall, Ste 1400, Sacramento, CA 95814

Phone: 877-922-5432

Project Name and Description: Hotel Churchill – extensive renovation of a 100+ year old historic hotel in downtown San Diego

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.

40. Give the name and experience of the proposed Construction Superintendent.

Name	Experience
TBD	

## 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 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 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 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 \_\_\_\_\_ day of May, 2018, at San Diego, California.

CONTRACTOR

By: \_\_\_\_\_

Signature

Title

*Vice President*

## CERTIFICATION

The CONTRACTOR, Housing Development Partners, 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: Emily S. Jacobs

By: 

Title: Vice President

Title: \_\_\_\_\_

Dated: May, 2018

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

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.

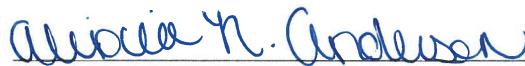
State of California

County of San Diego

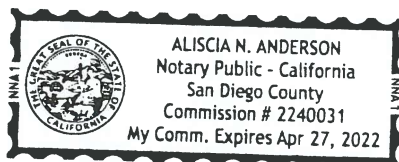
Subscribed and sworn to (or affirmed) before me on this 15 day of May, 2018

by Emily S. Jacobs 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

SEAL





West Park

Acquisition Rehab - 4%  
Draft Date: 05/21/2018 - 5:13 PM

SECTION 1: PROJECT INFORMATION AND ACQUISITION ASSUMPTIONS												
GENERAL PROJECT INFORMATION						BUILDING AREA						
Project Name	West Park					Residential Rentalable SF						sf
Purchase Price	\$5,220,000					Common Areas	20%				of Res sf	sf
Project Address	1830 W Fourth Ave.					Subtotal Residential SF					-	sf
Year Built	1991					Commercial / Retail / Office Rentalable SF						sf
Site Acreage	0.45					Common Areas						sf
Total Units	47 ( aproximately 104 units/acre)					Subtotal Commercial SF					-	sf
MSA	San Diego County					Parking Structure	0 Spaces	@	390	sf per space	-	sf
Area Media Income	\$72,200					On Grade Parking	0 Spaces	@	300	sf per space	-	sf
Project Type	Acquisition Rehab - 4%					Subtotal Parking SF					-	sf
Prospected Owner Entity	HDP West Park L.P.					Approximate Gross Building Area					-	sf

SECTION 2: UNIT MIX & PROJECT INCOME

RESIDENTIAL INCOME												
Bedroom Type		Number of Units	% of Total	Net Area (SF)	Gross Square Feet	Proposed Rents	Utility Allowance	Market Rent	Maximum Rent	Spread to Market	Monthly Income	Annual Income
0 Bedroom	SRO	42	89.4%	220	9,240	\$815	\$0	\$1,100	\$815	0%	\$34,230	\$410,760
0 Bedroom	Studio	4	8.5%	220	880	\$1,085	\$0	\$1,100	\$1,085	0%	\$4,340	\$52,080
0 Bedroom			0.0%	0	0	\$0	\$0	\$0	\$0	0%	\$0	\$0
1 Bedroom	Manager	1	2.1%	350	189	\$815	\$0	\$1,100	\$815	0%	\$815	\$9,780
2 Bedroom	Manager	0	0.0%	0	0	\$0	\$0	\$0	\$0	0%	\$0	\$0
Total/Average		47	100.0%	223	10,309	\$0	\$0.00		\$838	0%	\$39,385	\$472,620

COMMERCIAL INCOME (NNN)				
Unit Type	Net SF	\$/SF/Month	Monthly	Annual
Commercial Suites	0	\$0.00	\$0	\$0
Vacancy	5%			\$0
Total				\$0

OTHER INCOME			
Residential	\$/unit/Month	Monthly	Annual
Parking Income	\$0.00	\$0	\$0
Storage Income	\$0.00	\$0	\$0
Laundry Income	\$10.00	\$470	\$5,640
Fees and Charges	\$0.00	\$0	\$0
Other	\$0.00	\$0	\$0
Total other income/month	\$10.00	\$470	\$5,640

ESCALATORS & VACANCY	
Item	Rate
Escalator for Income	2.0%
Escalator for Expenses	3.0%
Escalator for P'ship Expenses	3%
Escalator for Misc Expenses	0.0%
Residential Vacancy	5.0%

SECTION 3: EXPENSES			
Category	Per Unit		Total Annual
Professional Management	\$581	per unit	\$27,299
Administrative	\$491	per unit	\$23,058
Accounting/Audit	\$131	per unit	\$6,169
Advertising	\$5	per unit	\$250
Legal	\$23	per unit	\$1,058
Payroll & Benefits			
Onsite Staff (Mgr & Maintenance)	\$1,349	per unit	\$63,416
Payroll Taxes	\$208	per unit	\$9,776
Benefits	\$374	per unit	\$17,590
Utilities			
Gas	\$203	per unit	\$9,550
Electricity	\$700	per unit	\$32,900
Water/Sewer/Garbage/Cable	\$593	per unit	\$27,877
Maintenance			
Repairs and Supplies	\$132	per unit	\$6,198
Contracts	\$447	per unit	\$21,015
Security	\$0	per unit	
Insurance/Taxes	\$334	per unit	\$15,682
Service Coordinator	\$255	per unit	\$12,000

SECTION 4: PROJECT MILESTONES		
Architectural Milestones		Date
Schematic Drawings		na
Design & Development		na
Construction Drawings		na
Approval Milestones		Date
HC Board Date		
Housing Authority/TEFRA		
CDLAC Application Date		
TCAC Application Date		
CDLAC Allocation Date		
TCAC Allocation Date		
Closing Date		
Construction Milestones		Month Date
Construction Start	0	
25% Completion	3	
50% Completion	6	

SECTION 5: OTHER ASSUMPTIONS	
Waterfall Assumptions	
SNHP Compliance Monitoring Fee	\$7,500
LP Asset Management Fee	\$5,000
Non Profit Management Fee	\$7,500
Interest On Deferred Dev Fee	0.00%
Residual Cash Flow Split to P'ship	50.0%
LP Share of Partnership CF	0.0%
Residual Receipts Lender Split	Proportional
Ground Lease (% of EGI) Years 1-17	4.5%
Ground Lease (% of EGI) Years 17-55	4.5%
Other	
Developer Fees	
Max Allowable Developer Fee	\$2,500,000
Max Developer Fee In Basis	\$2,500,000
LP Share of Tax Credits	99.99%
Other	
50% Test	
Eligible Basis + Land	\$14,144,935



Replacement Reserves	\$350	per unit	\$16,450
Compliance Monitoring	\$372	per unit	\$17,500
Total Expenses	\$6,549		\$307,787

75% Completion	9
100% Completion	12
Conversion/8609s	15

Amount Financed By Bonds	\$9,000,000
Percent of Financed by Bonds	64%

SECTION 6: FINANCING SOURCE ASSUMPTIONS

PERM LOAN	
DSCR	1.25
Amort (Years)	35
All-in Rate	5.50%
Annual PMT	117,248
Perm Loan Amt	\$1,819,438

SOFT LOAN	
Principal	\$3,593,274
Interest (Simple)	3.00%
Term	55
Annual Payment	Residual Rec.

SELLER LOAN	
Principal	\$5,220,000
Interest (Simple)	3.00%
Term	55
Annual Payment	

LAND DONATION	
Land Value	\$0.00

CONSTRUCTION LOAN	
AMT	9,000,000
Term (months)	21
Rate	4.70%

LIHTC EQUITY	
DDA/QCT	Yes
AFR	3.28%
Credit Pricing	\$0.940
Investor Share of Credits	99.99%

ACQUIRED RESERVES	
Existing Reserves	\$0

LIHTC PAY-IN SCHEDULE			
Closing	15%	\$	744,084
25% Completion	0%	\$	-
50% Completion	0%	\$	-
75% Completion	0%	\$	-
100% Completion	0%	\$	-
Conversion/8609	85%	\$	4,216,478

SECTION 7: QUICK LOOK SUMMARY

Operating Summary	Total	Per Unit	% of EGI
Gross Rental Income	\$472,620	\$10,056	
Other Income	\$5,640	\$120	
(Less) Vacancy @ 5%	(\$23,913)	(\$509)	
Effective Gross	\$454,347	\$9,667	
Commercial Income	\$0	\$0	
(Less) Vacancy @ 0%	\$0	\$0	
Total Gross	\$454,347	\$9,667	
(Less) Operating Exp	(\$307,787)	(\$6,549)	
(Less) Land Lease	\$0	\$0	
Net Operating Income	\$146,560	\$3,118	
(Less) Debt Service	(\$117,248)	(\$2,495)	
Net Cash Flow	\$29,312	\$624	

Developer Fee Installments			
Closing	4/15/15	\$444,226	25%
25% Completion	1/0/00	\$0	0%
50% Completion	1/0/00	\$0	0%
75% Completion	1/0/00	\$444,226	25%
100% Completion	1/0/00	\$444,226	25%
8609s	1/0/00	\$444,226	25%
Deferred	As Available	\$0	0%
Total Developer Fee		\$1,776,905	100%

Sources:	Total	Per Unit	% of Total
PERM LOAN	\$1,819,438	\$38,711	11.7%
LIHTC EQUITY	\$4,960,562	\$105,544	31.8%
SOFT LOAN - SDHC	\$3,593,274	\$76,453	23.0%
SOFT LOAN - STATE/TBC	\$0	\$0	0.0%
SOFT LOAN - MHSA	\$0	\$0	0.0%
DEFERRED FEE	\$0	\$0	0.0%
SELLER NOTE	\$5,220,000	\$111,064	33.5%
GAP / (SURPLUS)	\$0	\$0	0.0%
Total Sources	\$15,593,274	\$331,772	100%
Uses:	Total	Per Unit	% of Total
BUILDING ACQUISITION	\$4,698,000	\$99,957	30.1%
LAND	\$522,000	\$11,106	3.3%
HARD COSTS	\$4,715,040	\$100,320	30.2%
PERMITS & FEES	\$120,000	\$2,553	0.8%
A&E	\$625,000	\$13,298	4.0%
THIRD PARTY REPORTS	\$160,305	\$3,411	1.0%
FINANCING	\$905,754	\$19,271	5.8%
RESERVES	\$416,017	\$8,851	2.7%
BOND AND TAX CREDIT	\$227,147	\$4,833	1.5%
OTHER SOFT COSTS	\$1,427,106	\$30,364	9.2%
DEVELOPER FEE	\$1,776,905	\$37,806	11.4%
Total Uses	\$15,593,274	\$331,772	100.0%

## DEVELOPMENT COSTS

## DEVELOPMENT COSTS

				Unit Cost	Total	Per Unit	Acq Basis	Rehab Basis	Non-Basis
ACQUISITION & CLOSING COSTS									
1005	LAND	\$522,000	\$522,000	\$11,106					\$522,000
1010	BUILDINGS	4,698,000	\$4,698,000	\$99,957		\$4,698,000			\$0
1015	ESCROW DEPOSIT - Refundable	\$0	\$0	\$0					\$0
1020	ESCROW DEPOSIT - NonRefundable	\$0	\$0	\$0		\$0	\$0		\$0
1025	BROKER FEE/COMMISSION	3%	\$0	\$0		\$0	\$0		\$0
1030	OTHER ACQUISITION COSTS	0%	\$0	\$0		\$0	\$0		\$0
TOTAL ACQUISITION & CLOSING COSTS			\$5,220,000	\$111,064		\$4,698,000	\$0		\$522,000
HARD COSTS									
2030	REHABILITATION (RESIDENTIAL) Prevail. Wage	\$80,000	\$3,760,000	\$80,000			\$3,760,000		
2035	COMMERCIAL HARD COSTS	\$0	\$0	\$0			\$0		\$0
2045	GENERAL CONDITIONS/REQUIREMENTS	6.00%	\$225,600	\$4,800			\$225,600		
2050	GENERAL CONTRACTOR FEE (OHP)	8.00%	\$300,800	\$6,400			\$300,800		
2060	HARD COST CONTINGENCY (OWNER)	10.00%	\$428,640	\$9,120			\$428,640		
TOTAL HARD COSTS			\$4,715,040	\$100,320		\$0	\$4,715,040		\$0
PERMITS & FEES									
3030	MUNICIPAL	\$120,000	\$120,000	\$2,553			\$120,000		
TOTAL PERMITS & FEES			\$120,000	\$2,553		\$0	\$120,000		\$0
ARCHITECTURE & ENGINEERING									
4005	ARCHITECT	\$350,000	\$350,000	\$7,447			\$350,000		
4010	CIVIL ENGINEERING	\$150,000	\$150,000	\$3,191			\$150,000		
4030	OTHER CONSULTANTS-SPECIAL INSPECTIONS	\$125,000	\$125,000	\$2,660			\$125,000		
TOTAL ARCHITECTURE & ENGINEERING			\$625,000	\$13,298		\$0	\$625,000		\$0
THIRD PARTY REPORTS									
5005	APPRAISAL	\$20,000	\$20,000	\$426			\$20,000		
5010	MARKET STUDY	\$17,500	\$17,500	\$372			\$17,500		
5020	ENVIRONMENTAL (PH1 & PH2)	\$25,500	\$25,500	\$543			\$25,500		
5025	PHYSICAL NEEDS ASSESSMENT	\$25,000	\$25,000	\$532			\$25,000		
5040	REMEDIATION TESTING & CONSULTANT	\$32,732	\$32,732	\$696			\$32,732		
5040	OTHER TECHNICAL REPORTS	\$25,000	\$25,000	\$532			\$25,000		
8075	THIRD PARTY REPORT CONTINGENCY	10%	\$14,573	\$310			\$14,573		
TOTAL DILIGENCE COSTS			\$160,305	\$3,411		\$0	\$160,305		\$0
FINANCING COSTS									

6040	BRIDGE LOAN LENDER APPRAISAL	\$0	\$0	\$0	\$0	\$0
6045	BRIDGE LOAN INTEREST	\$67,500	\$67,500	\$1,436	\$33,750	\$33,750
6050	BRIDGE LOAN LEGAL	\$0	\$0	\$0	\$0	\$0
6005	CONSTRUCTION LOAN ORIGATION FEE	\$90,000	\$90,000	\$1,915	\$90,000	\$0
6010	CONSTRUCTION LOAN LEGAL	\$50,000	\$50,000	\$1,064	\$25,000	\$25,000
6025	INTEREST DURING CONSTRUCTION	\$590,754	\$590,754	\$12,569	\$295,377	\$295,377
6105	CALHFA & CIVIC & SDHC FEES	\$52,500	\$52,500	\$1,117	\$26,250	\$26,250
6130	PERM LOAN CONVERSION FEE	\$10,000	\$10,000	\$213		\$10,000
6115	PERM LOAN DUE DILIGENCE	\$12,500	\$12,500	\$266	\$0	\$12,500
6015	CONSTR LENDER APPLICATION / DUE DILIGENCE	\$5,000	\$5,000	\$106		\$5,000
6135	ISSUER LEGAL	\$27,500	\$27,500	\$585		\$27,500
<b>TOTAL FINANCING COSTS</b>			\$905,754	\$19,271	\$0	\$470,377
		\$0				
<b>RESERVES</b>						
7005	REPLACEMENT RESERVE - INITIAL DEPOSIT	\$500	\$23,500	\$500		\$23,500
7010	LEASE UP RESERVE (6 months)	6	\$180,000			\$180,000
7010	OPERATING RESERVE(6 months)	6	\$212,517	\$4,522		\$212,517
<b>TOTAL RESERVES</b>			\$416,017	\$5,022	\$0	\$0
						\$416,017
<b>BOND/TAX CREDIT RELATED COSTS</b>						
6305	TCAC RESERVATION FEE	1.0%	\$5,277	\$112		\$5,277
6310	TCAC APPLICATION FEES	\$2,000	\$2,000	\$43		\$2,000
6326	CDLAC APPLICATION FEES	\$600	\$600	\$13		
6315	TCAC COMPLIANCE MONITORING FEE	\$410	\$19,270	\$410		\$19,270
6327	CDLAC ISSUANCE FEE (TE Construction Loan)	0.035%	\$3,150	\$67		\$3,150
6328	CDLAC REPORTING FEE (TE Construction Loan)	0.015%	\$1,350	\$29		\$1,350
6330	ISSUER FEE (TE Construction Loan)	0.250%	\$22,500	\$479		\$22,500
6331	ISSUER FINANCIAL ANALYST	\$60,000	\$60,000	\$1,277		\$60,000
6340	BOND COUNSEL	\$60,000	\$60,000	\$1,277		\$60,000
6125	OTHER FINANCING COSTS	\$53,000	\$53,000	\$1,128		\$53,000
<b>TOTAL BOND/TAX CREDIT RELATED COSTS</b>			\$227,147	\$4,833	\$0	\$0
						\$226,547

## West Park

### DEVELOPMENT COSTS

### Acquisition Rehab - 4%

	Unit Cost	Total	Per Unit	Acq Basis	Rehab Basis	Non-Basis
<b>OTHER SOFT COSTS</b>						
8020	LEGAL - DEVELOPER (CONSTRUCTION)	\$100,000	\$100,000	\$2,128	\$100,000	
8005	LEGAL - PARTNERSHIP	\$0	\$0	\$0	\$0	\$0
8005	LEGAL - ENTITLEMENTS & PREDEV	\$20,000	\$20,000	\$426	\$10,000	\$10,000
8035	ACCOUNTING/COST CERT	\$22,500	\$22,500	\$479	\$10,980	\$11,520

8045	RELOCATION COSTS	\$485,250	\$485,250	\$10,324		\$485,250	
8045	RELOCATION STUDY	\$30,000	\$30,000	\$638		\$30,000	\$0
5035	ALTA SURVEY	\$10,000	\$10,000	\$0		\$10,000	
8055	PREPAID INSURANCE	\$45,000	\$45,000	\$957			\$45,000
8060	TITLE/ESCROW/RECORDING	\$35,000	\$35,000	\$745		\$35,000	
8065	REAL ESTATE TAXES	\$30,000	\$30,000	\$638			\$30,000
4025	CONSTRUCTION MANAGEMENT	\$180,000	\$180,000	\$3,830			\$180,000
8084	ENERGY REPORT (TCAC)	\$15,000	\$15,000	\$319		\$15,000	
8085	BORROWER FINANCIAL ANALYST	\$50,000	\$50,000	\$1,064		\$50,000	
8030	FF&E - RESIDENTIAL	\$500	\$23,500	\$500		\$23,500	
8080	FF&E - COMMON AREA	\$100,000	\$100,000	\$2,128		\$100,000	
2055	BONDING & INSURANCE	\$0	\$94,301	\$2,006		\$94,301	
8075	SOFT COST CONTINGENCY	10%	\$186,555	\$3,969		\$93,278	\$93,278
	<b>TOTAL OTHER SOFT COSTS</b>		\$1,427,106	\$30,151	\$0	\$1,057,308	\$369,798
	<b>DEVELOPER FEE</b>						
9005	DEVELOPER FEE ON ACQUISITION	15%	\$704,700	\$14,994	\$704,700		\$0
9010	DEVELOPER FEE ON REHAB	15%	\$1,072,205	\$22,813		\$1,072,205	\$0
	<b>TOTAL DEVELOPER FEE</b>		\$1,776,905	\$37,806	\$704,700	\$1,072,205	\$0
	<b>GRAND TOTAL DEVELOPMENT COSTS</b>		<b>\$15,593,274</b>	<b>\$322,708</b>	<b>\$5,402,700</b>	<b>\$8,220,235</b>	<b>\$1,553,722</b>

West Park

Cash Flow Analysis 1.1

Acquisition Rehab - 4%

	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
OPERATING BUDGET															
GROSS RENTAL INCOME	472,620	482,072	491,714	501,548	511,579	521,811	532,247	542,892	553,750	564,825	576,121	587,644	599,396	611,384	623,612
Other Income	5,640	5,753	5,868	5,985	6,105	6,227	6,352	6,479	6,608	6,740	6,875	7,013	7,153	7,296	7,442
(Less) Vacancy @ 5%	(23,913)	(24,391)	(24,879)	(25,377)	(25,884)	(26,402)	(26,930)	(27,469)	(28,018)	(28,578)	(29,150)	(29,733)	(30,327)	(30,934)	(31,553)
EFFECTIVE GROSS INCOME	454,347	463,434	472,703	482,157	491,800	501,636	511,669	521,902	532,340	542,987	553,846	564,923	576,222	587,746	599,501
Commercial Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL GROSS INCOME	454,347	463,434	472,703	482,157	491,800	501,636	511,669	521,902	532,340	542,987	553,846	564,923	576,222	587,746	599,501
(Less) Total Operating Expenses	(307,787)	(317,020)	(326,531)	(336,327)	(346,417)	(356,809)	(367,514)	(378,539)	(389,895)	(401,592)	(413,640)	(426,049)	(438,830)	(451,995)	(465,555)
NET OPERATING INCOME	146,560	146,413	146,172	145,830	145,383	144,826	144,155	143,363	142,445	141,395	140,207	138,874	137,391	135,751	133,946
(Less) Debt Service	(117,248)	(117,248)	(117,248)	(117,248)	(117,248)	(117,248)	(117,248)	(117,248)	(117,248)	(117,248)	(117,248)	(117,248)	(117,248)	(117,248)	(117,248)
NET PROJECT CASH FLOW	29,312	29,165	28,923	28,582	28,135	27,578	26,907	26,115	25,197	24,147	22,959	21,626	20,143	18,503	16,698
DEBT SERVICE COVERAGE RATIO	1.25	1.25	1.25	1.24	1.24	1.24	1.23	1.22	1.21	1.21	1.20	1.18	1.17	1.16	1.14
CASH WATERFALL															
(Less) Incentive Management Fee	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(Less) LP Asset Management Fee	(5,000)	(5,163)	(5,330)	(5,504)	(5,682)	(5,867)	(6,058)	(6,255)	(6,458)	(6,668)	(6,884)	(7,108)	(7,339)	(7,578)	(7,824)
(Less) Non Profit Fee	(7,500)	(7,500)	(7,500)	(7,500)	(7,500)	(7,500)	(7,500)	(7,500)	(7,500)	(7,500)	(7,500)	(7,500)	(7,500)	(7,500)	(7,500)
Total Fees (Partnership)	(12,500)	(12,663)	(12,830)	(13,004)	(13,182)	(13,367)	(13,558)	(13,755)	(13,958)	(14,168)	(14,384)	(14,608)	(14,839)	(15,078)	(15,324)
Remaining Cash Flow	16,812	16,503	16,093	15,578	14,952	14,211	13,349	12,360	11,239	9,979	8,574	7,018	5,304	3,425	1,374



**DRAFT - PROPOSED LOAN TERMS**

May 21, 2018

Mike Pavco and Emily Jacobs  
Housing Development Partners  
701 B Street, Suite 530  
San Diego, CA 92101

Re: Letter of Intent Proposed Loan Terms Summary for  
West Park, 1830 4<sup>th</sup> Avenue, San Diego, CA

Dear Mike and Emily:

Subject to the approval by the San Diego Housing Commission Board of Commissioners and the Housing Authority of the City of San Diego, for West Park Inn (“West Park”) the San Diego Housing Commission (Housing Commission) is pleased to submit this non-binding commitment terms summary. This commitment terms summary is not a binding contract. The purpose of this commitment terms summary is to set forth the general terms and conditions under which the Housing Commission is interested in making a loan (“Housing Commission Loan”) to HDP West Park L.P., a California limited partnership “Borrower”) with respect to the acquisition, rehabilitation and permanent financing of a 47 unit development (with 46 affordable units and 1 unrestricted manager’s unit) located at 1830 4th Avenue, San Diego, CA 92101 (“the Project”). Closing must occur within eighteen (18) months of Housing Commission approval of the Housing Commission loan, unless an extension is granted by the Executive Vice President and Chief of Staff of the Housing Commission (or by his designee) in his sole discretion. In the event of a conflict between any term or provision (or absence of any term or provision) of this commitment terms summary and any term or provision of any approval of any applicable board or governing body, the term or provision of such board or governing body shall apply. Provided that the Housing Commission loan is approved by the Housing Commission Board, the following terms shall apply to the Housing Commission loan. In addition, **Exhibit A** includes the Borrower’s Proforma, which models financial Projections of the Project.

For West Park, the terms of the Housing Commission’s proposed financing will be as follows:

1. **Maximum loan amount (not to exceed)** – Up to \$3,593,274 as a residual receipts loan. Loan funds to be used for the acquisition, construction and permanent financing of the Project.
2. **Interest Rate** – 4 percent simple interest.
3. **Loan Terms** – The loan will be due in 55 years from completion of the Project’s rehabilitation. Annual payments on the loan shall equal the 50 percent of the project’s residual receipts. Provided, however, if the Housing Commission approves other lenders whose loans will be paid from residual receipts, then the Housing Commission and such other approved lenders shall share the 50 percent of the project’s residual receipts, in proportion to the original principal balances of their respective loans. The Housing Commission Loan will be due and payable in full in 55 years.

4. **Affordability**
  - a. Restricted units must remain affordable for at least 55 years.
  - b. At closing the Borrower and the Housing Commission shall cause a Declaration of Covenants, Conditions, and Restrictions (CC&R), restricting the rent and occupancy of the affordable units for 55 years, to be recorded against the Project. Such CC&R shall be in a form and format acceptable to the Housing Commission and its General Counsel in their sole discretions.
  - c. The affordability shall be as follows:
    - 4 – studio units at 50 percent Area Median Income (AMI),
    - 8 – Single Room Occupancy (SRO) units at 50 percent AMI, , and
    - 32 – Single Room Occupancy (SRO) units at 60 percent AMI, , and
    - 1 – one-bedroom unrestricted manager’s SRO unit.
5. **Appraised Value** – The purchase price of land and improvements must not exceed the property’s appraised value. The seller of land and improvements, Housing Development Partners, shall contribute 100% of any sale proceeds to the project as a Seller Carryback Loan.
6. **Bond Trustee/Fiscal Agent** – For a tax-exempt multifamily housing bond issuance, a Trustee or Fiscal Agent will be required.
7. **Bonds Consultants** – The Borrower is responsible for fee payment to the bond issuer’s Bond Counsel and Financial Advisor. These fees vary with the amount of the bond issue.
8. **Bonds Separate Lender and Tax Credit Investor** – For bond issuances, the Borrower must use separate debt and equity providers due to arbitrage rebate issues.
9. **Closing Costs** – The Borrower shall pay all escrow, title and closing costs, including, without limitation, paying for an American Land Title Association (ALTA) Lenders Policy for the Housing Commission loan with endorsements, as acceptable to the Housing Commission’s legal counsel.
10. **Construction/Rehabilitation Costs Third-Party Review** – Prior to loan approval a third-party rehabilitation costs review may be obtained by the Housing Commission. Borrower will reimburse the Housing Commission at escrow closing for all third-party-review costs.
11. **Contractor** – The construction contract shall be competitively bid. The Borrower shall have to option to competitively bid to at least three qualified General Contractors or engage a General Contractor that will competitively bid all major trades to at least three qualified subcontractors. The General Contractor Construction Contract or subcontractor’s contracts shall be awarded to the lowest qualified and responsive bidder.
  - a. Borrower will submit copies of three qualified bids received from General Contractors.
  - b. Construction Agreement – Borrower shall submit the proposed Construction Agreement to the Housing Commission for its review and prior approval. The Housing Commission shall have a minimum of two weeks for its review of the proposed Construction agreement.



- c. Change orders at or in excess of \$50,000 shall be required to have Housing Commission prior written approval.
  - d. Agreement Changes - a Construction Agreement with a Guaranteed Maximum Price (GMP) may not be revised to a Lump Sum or other form of Construction Agreement without the prior written approval of the Housing Commission.
  - e. Insurance – prior to close of escrow, evidence of insurance acceptable to the Housing Commission’s legal counsel shall be provided. The Housing Commission, the Housing Authority of the City of San Diego, and the City of San Diego, shall be named as additional insureds on the developer’s insurance policies and on the Contractor’s insurance policies.
12. **Cost Certification** – The Borrower shall submit the final tax credit cost certification to the Housing Commission for its review and approval prior to final issuance.
13. **Cost Savings and/or Additional Proceeds at Escrow Closing** – In the event that the Borrower obtains funds in excess of those shown as sources in Exhibit A Proforma, (including but not limited to cost savings, improved debt, improved tax credit equity pricing, and any other sources), then upon construction loan closing, the excess funds shall be used as follows:
- a. First, excess funds shall be used to fund development cost overruns reasonably approved by the Housing Commission.
  - b. Second, upon Construction Loan Closing, and subject to lender and investor approval, any excess funds shall be used to adjust the Housing Commission Loan as set forth in paragraph 15 below.
- If other public lenders require cost savings sharing then the cost savings shall be split proportionately based upon the public lenders loan amounts and in conformance with the other public lenders’ agreements.
14. **Cost Savings and/or Additional Proceeds at Conversion to Permanent Financing** – In the event that the Borrower obtains funds in excess of those shown as sources in **Exhibit A** Proforma, (including but not limited to cost savings, improved debt, improved tax credit equity pricing, deferred developer fee if any, and any other sources), then upon conversion to permanent loan, the excess funds shall be used as follows:
- a. First, to pay for development cost overruns reasonably approved by the Housing Commission.
  - b. Second, cost savings will be shared fifty percent (50%) to the Borrower and the other fifty percent (50%) will be paid to the Housing Commission and other soft lenders in proportion to the original principal balance of their loans to reduce the amount of their soft loans.
15. **Debt Service Coverage Ratio** – Prior to closing, subject to lender and equity investor underwriting criteria, the Seller Carryback Loan amount will be adjusted (with a commensurate adjustment to the permanent loan amount) to an amount necessary for the permanent loan to achieve a maximum projected 1.25 debt service coverage ratio. For example, if at closing the Project exceeds a 1.25 debt service coverage ratio, then the Housing

Commission Loan amount will be reduced (and the permanent loan amount will be increased) to achieve the maximum 1.25 debt service coverage ratio.

16. **Developer/Seller Carryback Loans** – To make the project financially viable, the SDHC is offering to provide certain contributions including a seller carryback loan (“Seller Carryback Loan”) currently estimated at \$5,220,000. The Seller Carryback Loan amount represents the amount of sales proceeds available to the Seller of the land and improvements at Escrow Closing. Final Seller Carryback Loan amount will be determined by the Borrower and Housing Commission prior to closing.
  - a. The Seller Carryback Loan must be subordinate to the Housing Commission’s loan.
  - b. Loan Terms: 55 years, compounding at no less than the applicable federal rate and as approved by the investor. Seller Carryback Loan Terms are subject to investor approval.
17. **Developer Fee**
  - a. Maximum Fee - Maximum Fee is determined consistent with CA TCAC guidelines.
  - b. The Housing Commission will allow the developer fee above Developer Fee Cap for the purpose of increasing the Projects eligible basis and generating additional low income housing tax credits. Developer fee above the Developer Fee Cap must be contributed back to the project as a source of permanent financing. All or a portion of such contributions (Subordinate Deferred Developer Fee) may be structured as a subordinate deferred developer fee payable out of the Borrowers share of residual cash flow. Subordinate Deferred Developer Fee must be paid or contributed to the project prior to the expiration of the tax credit compliance period.
  - c. Additional developer fee provisions
    - i. If for any reason the Borrower does not collect the entire developer fee up to the amount of the Developer Fee Cap through the last equity installment, then uncollected fee up to shall be given priority over Housing Commission residual receipt payments.
    - ii. Further, any cost savings paid to the Borrower shall be applied first to unpaid Developer Fee Cap then to Subordinate Deferred Developer Fee.
  - d. Developer fee payments shall be paid out incrementally: because this is a tax credit project, the developer fee payments shall be in accordance with lender and investor requirements.
18. **Due Diligence** – The borrower, at borrower’s expense, shall provide the following: an appraisal, an environmental review, a lead paint and asbestos review, a prevailing wage consultant/monitor, a permanent and temporary relocation plan (created by an expert relocation consultant), rehabilitation capital needs assessment/property inspection report with a 15-year replacement reserve schedule.
19. **Environmental Requirements** – The following is applicable if HOME funds are planned for this project:

Notwithstanding any provision of this Letter, the parties agree and acknowledge that this Letter constitutes a conditional reservation and does not represent a final commitment of HOME funds or site approval under 24 CFR Part 58 of the National Environmental Policy Act (NEPA). HOME funds constitute a portion of the funding for the Project, and a final

reservation of HOME funds shall occur only upon satisfactory completion of environmental review and receipt by the City of San Diego of a Release Of Funds from the U.S. Department of Housing and Urban Development under 24 CFR Part 58 of NEPA. The parties agree that the provision of any HOME funds to the Project is conditioned on the City of San Diego's determination to proceed with, modify or cancel the Project based on the results of subsequent environmental review under NEPA. By execution of this Letter, you acknowledge no legal claim to any amount of HOME funds to be used for the Project or site unless and until the site has received environmental clearance under NEPA. You are also prohibited from undertaking or committing any funds to physical or choice-limiting actions, including property acquisition, demolition, movement, clearance, rehabilitation, conversion, repair or construction prior to environmental clearance under NEPA. Violation of this provision may result in denial of any HOME funds for this Project.

20. **Fees/Payments to Housing Commission** – Borrower will pay to the Housing Commission:

- a) **Underwriting Fee** – a flat underwriting fee in the amount of **\$60,000** will be charged for each project as reimbursement of Housing Commission costs related to underwriting and issuing the loan. This must be included in the total development cost of a proposed project and is to be paid at close of escrow.
- b) **Legal Fee** – the Housing Commission charges a legal costs fee for document preparation and review that must be included in the total development cost. Current Housing Commission legal fees are **\$25,000** and are to be paid at the close of escrow. City Attorney's legal costs are estimated at **\$2,500** and are paid at close of escrow.
- c) **Compliance Monitoring Fee** – compliance monitoring fees must be incorporated into the operating proforma. Borrower will pay the fee in accordance with the then-existing Housing Commission fee schedule.
- d) **Asset Management Fee** – the Housing Commission charges a 15-year capitalized asset management fee of **\$15,000** and is paid at close of escrow.
- e) **Third-Party Construction Review** – the Housing Commission requires a third-party review of the construction costs/budget to determine the reasonableness of construction costs. The third-party reviewer will be selected by the Housing Commission and paid for by the borrower. Current fees are an estimated **\$12,500** paid by the developer at close of escrow.
- f) **Third-Party Development Capacity Review** – for projects proposing a Housing Commission loan the Housing Commission requires a third-party review of the developer's capacity and the project financial feasibility. The third-party reviewer will be selected by the Housing Commission and paid for by the borrower. Current fees are an estimated **\$10,000** and are to be paid at close of escrow.
- g) **Bond Financing Fees** - the borrower is responsible for the payment of all costs under the bond financing including:
  1. the Housing Commission's .0025 bond amount issuer fee (25 bps) at closing and paid annually until conversion to permanent financing (estimated at \$9,000,000 X .0025 = **\$22,500**); and
  2. the Housing Commission's annual bond administrative fee after conversion to permanent financing shall be **the greater of \$10,000 or 12.5 basis points** bonds of the initial amount of outstanding bonds upon conversion to permanent financing. Such fee is to be paid on the annual anniversary date of initial bond issuance.

21. **Fees for Asset Management** (amounts not to exceed)-
- The Investor (Limited) Partner's fee will be no more than **\$7,500** per year.
  - The General Partner fee shall be no more than **\$7,500** per year.
  - Partnership fee increases will be capped at **3 percent** annually.
  - Unpaid General Partner fees shall not accrue. The Housing Commission will require the Limited Partnership Agreement to explicitly state this requirement.
22. **Financing Gap** - The Borrower will cover any financing gap that arises after Housing Commission underwriting, with its equity, its developer fee, and/or other non-Housing Commission sources, all of which shall be subject to the approval of the Housing Commission in its sole discretion. No additional Housing Commission funds, beyond this Letter of Intent's \$3,593,274, will be provided for this project in Housing Commission future Notices of Funds Available.
23. **HOME Investment Partnerships (HOME) Funds** –  
Currently there are no HOME funds planned for this project
24. **Insurance** - Borrower shall at all times during the term of the loan maintain General Liability and Property Insurance (fire and extended coverage), workers compensation, builder's completed value risk insurance against "all risks of physical loss" (during construction) and, if required by the Housing Commission, flood and earthquake insurance, in forms acceptable to the Housing Commission and approved by the Housing Commission's General Counsel. The San Diego Housing Commission, the Housing Authority of the City of San Diego, and the City of San Diego shall be listed as an additional insureds for General Liability Insurance and Property Insurance and the San Diego Housing Commission shall be endorsed as a loss payee of the private insurance. Evidence of borrower's insurance coverage shall be provided to the Housing Commission prior to close of escrow.
25. **Loan Disbursement Schedule** – Upon submittal and approval of eligible costs, the Housing Commission Loan (up to **\$3,593,274**) will be disbursed as follows:
- **\$1,500,000** at escrow closing.
  - Remainder **of \$2,03,274** upon construction completion.
- The Housing Commission's Executive Vice President and Chief of Staff, or his designee, is authorized to modify the Housing Commission loan disbursement schedule in their sole reasonable discretion.
  - A portion of any HOME program funds must be withheld until issuance of a Certificate of Occupancy and all unconditional lien releases are forwarded to the Housing Commission.
  - Loan proceeds are disbursed for work completed upon Housing Commission approval of payment requests in a form approved by the Housing Commission. Verifiable documentation of expenses must be submitted with all payment requests.
26. **Management of the Development** -
- Management Plan** – Prior to occupancy the Borrower shall submit a Management Plan to the Housing Commission for its review and approval. The Management Plan shall be

- subject to initial and periodic approval by the Housing Commission, in its reasonable discretion.
- b. Approval of Management Fee – The Borrower’s proposed property manager’s fee must be approved by the Housing Commission.
  - c. The Housing Commission reserves the right to declare Borrower in default of the loan agreement after an uncured ninety (90) day written notice of malfeasance and/or misfeasance in management of the Project.
  - d. Manager’s Units – Experienced on-site management is required. The number of manager’s units must be in conformance with TCAC requirements.
27. **Maximum Resident Service Expenses** – for the calculation of Housing Commission’s residual receipts the maximum allowable resident supportive services expenses shall be **\$24,000** per year (with a 3 percent annual escalator) as shown in the Attachment A Proforma Operating Income/Expenses. Resident service expense is inclusive of the supportive services necessary to serve the permanent supportive housing units in the Project.
28. **Annual Budget Submittal** – three months prior to the end of each calendar year, the borrower shall submit an annual budget for Housing Commission review and prior approval.
29. **Permanent Supportive Housing** – The Borrower shall be solely responsible for all actions necessary, and use best efforts to obtain any proposed project based vouchers from the Housing Commission Rental Assistance Division.
30. **Recourse** - The Housing Commission’s loan will be recourse until the timely completion of the construction, after which it will become non-recourse.
31. **Reserves**: Replacement reserves and operating reserves must be consistent with lender and equity investor requirements. The Housing Commission reserves the right to require higher operating or replacement reserves.
- a. Replacement Reserve – The annual replacement reserve will be **\$16,450** ( $\$350 \text{ per unit per year} \times 47 \text{ units} = \$16,450/\text{year}$ ).
  - b. Operating Reserve – The attached proforma shows operating reserve shall be capitalized at \$212,517 at conversion to permanent financing.
  - c. Disbursements from Reserves: Housing Commission prior written approval shall be required for any and all disbursements from either the project’s operating reserve funds and/or from the project’s replacement reserve funds.
32. **Section 3** - of the HUD Act of 1968 will be applicable and Borrower should be familiar with, and remain in compliance with, all Section 3 requirements.
33. **Security** - The Housing Commission Loan will be secured by a Declaration of Covenants, Conditions and Restrictions (CC&R), a Loan Agreement, and a Deed of Trust which will be senior to the deeds of trust and security instruments securing all other sources of funds secured by the Property, except that the Housing Commission’s CC&R and Deed of Trust shall be subordinated to:
- a) The deed of trust and security instruments securing the construction and permanent loan.

- b) Lien position - The lien positions will be approved by the Housing Commission's Executive Vice President and Chief of Staff and the Housing Commission's General Counsel. It is intended that the lien positions will be conformance with the public lenders' program requirements, and the requirements of private lenders which may require Housing Commission subordination.
- c) Cure Rights - The Housing Commission shall have the right, but not the obligation, to cure all senior encumbrances in all subordinating agreements that it executes. All subordination agreements shall be subject to the sole approval of the Housing Commission's Executive Vice President and Chief of Staff and General Counsel.

**34. Sources of Housing Commission Funds**

The Housing Commission may fund the Housing Commission Loan from various sources including local, State and/or federal funds, including HOME Investment Partnerships (HOME) funds. The Housing Commission reserves the right to allocate available program funds in the best interest of the Housing Commission. Borrower should be familiar with the HOME Investment Partnerships Program rules and regulations, Federal Davis Bacon laws, State of California prevailing wage laws, and Section 3 requirements.

35. **Title (ALTA Lender's Policy)** - The Borrower shall acquire, at its sole cost and expense, ALTA Lender's Policies for the loan with endorsements acceptable to the Housing Commission insuring the Housing Commission's loan.

36. **Miscellaneous Additional Conditions** - The Housing Commission reserves the right to impose such additional conditions in the final documentation of the transaction as are reasonably necessary to protect the interests of the Housing Commission and fulfill the intent of this letter.

37. **Exhibit A - Proforma** - is attached hereto and is hereby incorporated.

If the Borrower is willing to proceed on the terms and conditions referenced herein, please execute this letter of intent and return it to the undersigned by **June 1, 2018**, so that this letter of intent may be attached to the Housing Commission Board report.

**ACKNOWLEDGED AND AGREED TO BY:**

BORROWER, HDP West Park L.P.

By: 

**Print Name: Emily S. Jacobs**

**Title: Vice President**

**Date:** 5.31.18

**Attachment: Proforma**

F:\Loan Terms Letter of Intent.doc

West Park

Acquisition Rehab - 4%

Draft Date: 05/21/2018 - 5:13 PM

SECTION 1: PROJECT INFORMATION AND ACQUISITION ASSUMPTIONS											
GENERAL PROJECT INFORMATION						BUILDING AREA					
Project Name	West Park					Residential Rentable SF					sf
Purchase Price	\$5,220,000					Common Areas	20%		of Res sf		sf
Project Address	1830 W Fourth Ave.					Subtotal Residential SF					- sf
Year Built	1991					Commercial / Retail / Office Rentable SF					sf
Site Acreage	0.45					Common Areas					sf
Total Units	47 ( aproximately 104 units/acre)					Subtotal Commercial SF					- sf
MSA	San Diego County					Parking Structure	0 Spaces	@	390	sf per space	- sf
Area Media Income	\$72,200					On Grade Parking	0 Spaces	@	300	sf per space	- sf
Project Type	Acquisition Rehab - 4%					Subtotal Parking SF					- sf
Prospected Owner Entity	HDP West Park L.P.					Approximate Gross Building Area					- sf

SECTION 2: UNIT MIX & PROJECT INCOME

RESIDENTIAL INCOME												
Bedroom Type		Number of Units	% of Total	Net Area (SF)	Gross Square Feet	Proposed Rents	Utility Allowance	Market Rent	Maximum Rent	Spread to Market	Monthly Income	Annual Income
0 Bedroom	SRO	42	89.4%	220	9,240	\$815	\$0	\$1,100	\$815	0%	\$34,230	\$410,760
0 Bedroom	Studio	4	8.5%	220	880	\$1,085	\$0	\$1,100	\$1,085	0%	\$4,340	\$52,080
0 Bedroom			0.0%	0	0	\$0	\$0	\$0	\$0	0%	\$0	\$0
1 Bedroom	Manager	1	2.1%	350	189	\$815	\$0	\$1,100	\$815	0%	\$815	\$9,780
2 Bedroom	Manager	0	0.0%	0	0	\$0	\$0	\$0	\$0	0%	\$0	\$0
Total/Average		47	100.0%	223	10,309	\$0	\$0.00		\$838	0%	\$39,385	\$472,620

COMMERCIAL INCOME (NNN)				
Unit Type	Net SF	\$/SF/Month	Monthly	Annual
Commercial Suites	0	\$0.00	\$0	\$0
Vacancy	5%			\$0
Total				\$0

OTHER INCOME			
Residential	\$/unit/Month	Monthly	Annual
Parking Income	\$0.00	\$0	\$0
Storage Income	\$0.00	\$0	\$0
Laundry Income	\$10.00	\$470	\$5,640
Fees and Charges	\$0.00	\$0	\$0
Other	\$0.00	\$0	\$0
Total other income/month	\$10.00	\$470	\$5,640

ESCALATORS & VACANCY	
Item	Rate
Escalator for Income	2.0%
Escalator for Expenses	3.0%
Escalator for P'ship Expenses	3%
Escalator for Misc Expenses	0.0%
Residential Vacancy	5.0%

SECTION 3: EXPENSES			
Category	Per Unit		Total Annual
Professional Management	\$581	per unit	\$27,299
Administrative	\$491	per unit	\$23,058
Accounting/Audit	\$131	per unit	\$6,169
Advertising	\$5	per unit	\$250
Legal	\$23	per unit	\$1,058
Payroll & Benefits			
Onsite Staff (Mgr & Maintenance)	\$1,349	per unit	\$63,416
Payroll Taxes	\$208	per unit	\$9,776
Benefits	\$374	per unit	\$17,590
Utilities			
Gas	\$203	per unit	\$9,550
Electricity	\$700	per unit	\$32,900
Water/Sewer/Garbage/Cable	\$593	per unit	\$27,877
Maintenance			
Repairs and Supplies	\$132	per unit	\$6,198
Contracts	\$447	per unit	\$21,015
Security	\$0	per unit	
Insurance/Taxes	\$334	per unit	\$15,682
Service Coordinator	\$255	per unit	\$12,000

SECTION 4: PROJECT MILESTONES		
Architectural Milestones	Date	
Schematic Drawings	na	
Design & Development	na	
Construction Drawings	na	
Approval Milestones	Date	
HC Board Date		
Housing Authority/TEFRA		
CDLAC Application Date		
TCAC Application Date		
CDLAC Allocation Date		
TCAC Allocation Date		
Closing Date		
Construction Milestones	Month	Date
Construction Start	0	
25% Completion	3	
50% Completion	6	

SECTION 5: OTHER ASSUMPTIONS	
Waterfall Assumptions	
SNHP Compliance Monitoring Fee	\$7,500
LP Asset Management Fee	\$5,000
Non Profit Management Fee	\$7,500
Interest On Deferred Dev Fee	0.00%
Residual Cash Flow Split to P'ship	50.0%
LP Share of Partnership CF	0.0%
Residual Receipts Lender Split	Proportional
Ground Lease (% of EGI) Years 1-17	4.5%
Ground Lease (% of EGI) Years 17-55	4.5%
Other	
Developer Fees	
Max Allowable Developer Fee	\$2,500,000
Max Developer Fee In Basis	\$2,500,000
LP Share of Tax Credits	99.99%
Other	
50% Test	
Eligible Basis + Land	\$14,144,935

Replacement Reserves	\$350	per unit	\$16,450
Compliance Monitoring	\$372	per unit	\$17,500
Total Expenses	\$6,549		\$307,787

75% Completion	9
100% Completion	12
Conversion/8609s	15

Amount Financed By Bonds	\$9,000,000
Percent of Financed by Bonds	64%

SECTION 6: FINANCING SOURCE ASSUMPTIONS

PERM LOAN	
DSCR	1.25
Amort (Years)	35
All-in Rate	5.50%
Annual PMT	117,248
Perm Loan Amt	\$1,819,438

SOFT LOAN	
Principal	\$3,593,274
Interest (Simple)	3.00%
Term	55
Annual Payment	Residual Rec.

SELLER LOAN	
Principal	\$5,220,000
Interest (Simple)	3.00%
Term	55
Annual Payment	

LAND DONATION	
Land Value	\$0.00

CONSTRUCTION LOAN	
AMT	9,000,000
Term (months)	21
Rate	4.70%

LIHTC EQUITY	
DDA/QCT	Yes
AFR	3.28%
Credit Pricing	\$0.940
Investor Share of Credits	99.99%

ACQUIRED RESERVES	
Existing Reserves	\$0

LIHTC PAY-IN SCHEDULE			
Closing	15%	\$	744,084
25% Completion	0%	\$	-
50% Completion	0%	\$	-
75% Completion	0%	\$	-
100% Completion	0%	\$	-
Conversion/8609	85%	\$	4,216,478

SECTION 7: QUICK LOOK SUMMARY

Operating Summary	Total	Per Unit	% of EGI
Gross Rental Income	\$472,620	\$10,056	
Other Income	\$5,640	\$120	
(Less) Vacancy @ 5%	(\$23,913)	(\$509)	
Effective Gross	\$454,347	\$9,667	
Commercial Income	\$0	\$0	
(Less) Vacancy @ 0%	\$0	\$0	
Total Gross	\$454,347	\$9,667	
(Less) Operating Exp	(\$307,787)	(\$6,549)	
(Less) Land Lease	\$0	\$0	
Net Operating Income	\$146,560	\$3,118	
(Less) Debt Service	(\$117,248)	(\$2,495)	
Net Cash Flow	\$29,312	\$624	

Developer Fee Installments			
Closing	4/15/15	\$444,226	25%
25% Completion	1/0/00	\$0	0%
50% Completion	1/0/00	\$0	0%
75% Completion	1/0/00	\$444,226	25%
100% Completion	1/0/00	\$444,226	25%
8609s	1/0/00	\$444,226	25%
Deferred	As Available	\$0	0%
Total Developer Fee		\$1,776,905	100%

Sources:	Total	Per Unit	% of Total
PERM LOAN	\$1,819,438	\$38,711	11.7%
LIHTC EQUITY	\$4,960,562	\$105,544	31.8%
SOFT LOAN - SDHC	\$3,593,274	\$76,453	23.0%
SOFT LOAN - STATE/TBC	\$0	\$0	0.0%
SOFT LOAN - MHSA	\$0	\$0	0.0%
DEFERRED FEE	\$0	\$0	0.0%
SELLER NOTE	\$5,220,000	\$111,064	33.5%
GAP / (SURPLUS)	\$0	\$0	0.0%
Total Sources	\$15,593,274	\$331,772	100%
Uses:	Total	Per Unit	% of Total
BUILDING ACQUISITION	\$4,698,000	\$99,957	30.1%
LAND	\$522,000	\$11,106	3.3%
HARD COSTS	\$4,715,040	\$100,320	30.2%
PERMITS & FEES	\$120,000	\$2,553	0.8%
A&E	\$625,000	\$13,298	4.0%
THIRD PARTY REPORTS	\$160,305	\$3,411	1.0%
FINANCING	\$905,754	\$19,271	5.8%
RESERVES	\$416,017	\$8,851	2.7%
BOND AND TAX CREDIT	\$227,147	\$4,833	1.5%
OTHER SOFT COSTS	\$1,427,106	\$30,364	9.2%
DEVELOPER FEE	\$1,776,905	\$37,806	11.4%
Total Uses	\$15,593,274	\$331,772	100.0%



## DEVELOPMENT COSTS

## DEVELOPMENT COSTS

				Unit Cost	Total	Per Unit	Acq Basis	Rehab Basis	Non-Basis
ACQUISITION & CLOSING COSTS									
1005	LAND	\$522,000	\$522,000	\$11,106					\$522,000
1010	BUILDINGS	4,698,000	\$4,698,000	\$99,957			\$4,698,000		\$0
1015	ESCROW DEPOSIT - Refundable	\$0	\$0	\$0					\$0
1020	ESCROW DEPOSIT - NonRefundable	\$0	\$0	\$0			\$0	\$0	\$0
1025	BROKER FEE/COMMISSION	3%	\$0	\$0			\$0	\$0	\$0
1030	OTHER ACQUISITION COSTS	0%	\$0	\$0			\$0	\$0	\$0
TOTAL ACQUISITION & CLOSING COSTS			\$5,220,000	\$111,064			\$4,698,000	\$0	\$522,000
HARD COSTS									
2030	REHABILITATION (RESIDENTIAL) Prevail. Wage	\$80,000	\$3,760,000	\$80,000				\$3,760,000	
2035	COMMERCIAL HARD COSTS	\$0	\$0	\$0				\$0	\$0
2045	GENERAL CONDITIONS/REQUIREMENTS	6.00%	\$225,600	\$4,800				\$225,600	
2050	GENERAL CONTRACTOR FEE (OHP)	8.00%	\$300,800	\$6,400				\$300,800	
2060	HARD COST CONTINGENCY (OWNER)	10.00%	\$428,640	\$9,120				\$428,640	
TOTAL HARD COSTS			\$4,715,040	\$100,320			\$0	\$4,715,040	\$0
PERMITS & FEES									
3030	MUNICIPAL	\$120,000	\$120,000	\$2,553				\$120,000	
TOTAL PERMITS & FEES			\$120,000	\$2,553			\$0	\$120,000	\$0
ARCHITECTURE & ENGINEERING									
4005	ARCHITECT	\$350,000	\$350,000	\$7,447				\$350,000	
4010	CIVIL ENGINEERING	\$150,000	\$150,000	\$3,191				\$150,000	
4030	OTHER CONSULTANTS-SPECIAL INSPECTIONS	\$125,000	\$125,000	\$2,660				\$125,000	
TOTAL ARCHITECTURE & ENGINEERING			\$625,000	\$13,298			\$0	\$625,000	\$0
THIRD PARTY REPORTS									
5005	APPRAISAL	\$20,000	\$20,000	\$426				\$20,000	
5010	MARKET STUDY	\$17,500	\$17,500	\$372				\$17,500	
5020	ENVIRONMENTAL (PH1 & PH2)	\$25,500	\$25,500	\$543				\$25,500	
5025	PHYSICAL NEEDS ASSESSMENT	\$25,000	\$25,000	\$532				\$25,000	
5040	REMEDIATION TESTING & CONSULTANT	\$32,732	\$32,732	\$696				\$32,732	
5040	OTHER TECHNICAL REPORTS	\$25,000	\$25,000	\$532				\$25,000	
8075	THIRD PARTY REPORT CONTINGENCY	10%	\$14,573	\$310				\$14,573	
TOTAL DILIGENCE COSTS			\$160,305	\$3,411			\$0	\$160,305	\$0
FINANCING COSTS									

6040	BRIDGE LOAN LENDER APPRAISAL	\$0	\$0	\$0	\$0	\$0
6045	BRIDGE LOAN INTEREST	\$67,500	\$67,500	\$1,436	\$33,750	\$33,750
6050	BRIDGE LOAN LEGAL	\$0	\$0	\$0	\$0	\$0
6005	CONSTRUCTION LOAN ORIGATION FEE	\$90,000	\$90,000	\$1,915	\$90,000	\$0
6010	CONSTRUCTION LOAN LEGAL	\$50,000	\$50,000	\$1,064	\$25,000	\$25,000
6025	INTEREST DURING CONSTRUCTION	\$590,754	\$590,754	\$12,569	\$295,377	\$295,377
6105	CALHFA & CIVIC & SDHC FEES	\$52,500	\$52,500	\$1,117	\$26,250	\$26,250
6130	PERM LOAN CONVERSION FEE	\$10,000	\$10,000	\$213		\$10,000
6115	PERM LOAN DUE DILIGENCE	\$12,500	\$12,500	\$266	\$0	\$12,500
6015	CONSTR LENDER APPLICATION / DUE DILIGENCE	\$5,000	\$5,000	\$106		\$5,000
6135	ISSUER LEGAL	\$27,500	\$27,500	\$585		\$27,500
TOTAL FINANCING COSTS			\$905,754	\$19,271	\$0	\$470,377
		\$0				
RESERVES						
7005	REPLACEMENT RESERVE - INITIAL DEPOSIT	\$500	\$23,500	\$500		\$23,500
7010	LEASE UP RESERVE (6 months)	6	\$180,000			\$180,000
7010	OPERATING RESERVE(6 months)	6	\$212,517	\$4,522		\$212,517
TOTAL RESERVES			\$416,017	\$5,022	\$0	\$0
BOND/TAX CREDIT RELATED COSTS						
6305	TCAC RESERVATION FEE	1.0%	\$5,277	\$112		\$5,277
6310	TCAC APPLICATION FEES	\$2,000	\$2,000	\$43		\$2,000
6326	CDLAC APPLICATION FEES	\$600	\$600	\$13		
6315	TCAC COMPLIANCE MONITORING FEE	\$410	\$19,270	\$410		\$19,270
6327	CDLAC ISSUANCE FEE (TE Construction Loan)	0.035%	\$3,150	\$67		\$3,150
6328	CDLAC REPORTING FEE (TE Construction Loan)	0.015%	\$1,350	\$29		\$1,350
6330	ISSUER FEE (TE Construction Loan)	0.250%	\$22,500	\$479		\$22,500
6331	ISSUER FINANCIAL ANALYST	\$60,000	\$60,000	\$1,277		\$60,000
6340	BOND COUNSEL	\$60,000	\$60,000	\$1,277		\$60,000
6125	OTHER FINANCING COSTS	\$53,000	\$53,000	\$1,128		\$53,000
TOTAL BOND/TAX CREDIT RELATED COSTS			\$227,147	\$4,833	\$0	\$0
						\$226,547

## West Park

### DEVELOPMENT COSTS

### Acquisition Rehab - 4%

	Unit Cost	Total	Per Unit	Acq Basis	Rehab Basis	Non-Basis
OTHER SOFT COSTS						
8020	LEGAL - DEVELOPER (CONSTRUCTION)	\$100,000	\$100,000	\$2,128	\$100,000	
8005	LEGAL - PARTNERSHIP	\$0	\$0	\$0	\$0	\$0
8005	LEGAL - ENTITLEMENTS & PREDEV	\$20,000	\$20,000	\$426	\$10,000	\$10,000
8035	ACCOUNTING/COST CERT	\$22,500	\$22,500	\$479	\$10,980	\$11,520

8045	RELOCATION COSTS	\$485,250	\$485,250	\$10,324		\$485,250	
8045	RELOCATION STUDY	\$30,000	\$30,000	\$638		\$30,000	\$0
5035	ALTA SURVEY	\$10,000	\$10,000	\$0		\$10,000	
8055	PREPAID INSURANCE	\$45,000	\$45,000	\$957			\$45,000
8060	TITLE/ESCROW/RECORDING	\$35,000	\$35,000	\$745		\$35,000	
8065	REAL ESTATE TAXES	\$30,000	\$30,000	\$638			\$30,000
4025	CONSTRUCTION MANAGEMENT	\$180,000	\$180,000	\$3,830			\$180,000
8084	ENERGY REPORT (TCAC)	\$15,000	\$15,000	\$319		\$15,000	
8085	BORROWER FINANCIAL ANALYST	\$50,000	\$50,000	\$1,064		\$50,000	
8030	FF&E - RESIDENTIAL	\$500	\$23,500	\$500		\$23,500	
8080	FF&E - COMMON AREA	\$100,000	\$100,000	\$2,128		\$100,000	
2055	BONDING & INSURANCE	\$0	\$94,301	\$2,006		\$94,301	
8075	SOFT COST CONTINGENCY	10%	\$186,555	\$3,969		\$93,278	\$93,278
	<b>TOTAL OTHER SOFT COSTS</b>		\$1,427,106	\$30,151	\$0	\$1,057,308	\$369,798
	<b>DEVELOPER FEE</b>						
9005	DEVELOPER FEE ON ACQUISITION	15%	\$704,700	\$14,994	\$704,700		\$0
9010	DEVELOPER FEE ON REHAB	15%	\$1,072,205	\$22,813		\$1,072,205	\$0
	<b>TOTAL DEVELOPER FEE</b>		\$1,776,905	\$37,806	\$704,700	\$1,072,205	\$0
	<b>GRAND TOTAL DEVELOPMENT COSTS</b>		<b>\$15,593,274</b>	<b>\$322,708</b>	<b>\$5,402,700</b>	<b>\$8,220,235</b>	<b>\$1,553,722</b>

West Park

Cash Flow Analysis 1.1

Acquisition Rehab - 4%

	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
OPERATING BUDGET															
GROSS RENTAL INCOME	472,620	482,072	491,714	501,548	511,579	521,811	532,247	542,892	553,750	564,825	576,121	587,644	599,396	611,384	623,612
Other Income	5,640	5,753	5,868	5,985	6,105	6,227	6,352	6,479	6,608	6,740	6,875	7,013	7,153	7,296	7,442
(Less) Vacancy @ 5%	(23,913)	(24,391)	(24,879)	(25,377)	(25,884)	(26,402)	(26,930)	(27,469)	(28,018)	(28,578)	(29,150)	(29,733)	(30,327)	(30,934)	(31,553)
EFFECTIVE GROSS INCOME	454,347	463,434	472,703	482,157	491,800	501,636	511,669	521,902	532,340	542,987	553,846	564,923	576,222	587,746	599,501
Commercial Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL GROSS INCOME	454,347	463,434	472,703	482,157	491,800	501,636	511,669	521,902	532,340	542,987	553,846	564,923	576,222	587,746	599,501
(Less) Total Operating Expenses	(307,787)	(317,020)	(326,531)	(336,327)	(346,417)	(356,809)	(367,514)	(378,539)	(389,895)	(401,592)	(413,640)	(426,049)	(438,830)	(451,995)	(465,555)
NET OPERATING INCOME	146,560	146,413	146,172	145,830	145,383	144,826	144,155	143,363	142,445	141,395	140,207	138,874	137,391	135,751	133,946
(Less) Debt Service	(117,248)	(117,248)	(117,248)	(117,248)	(117,248)	(117,248)	(117,248)	(117,248)	(117,248)	(117,248)	(117,248)	(117,248)	(117,248)	(117,248)	(117,248)
NET PROJECT CASH FLOW	29,312	29,165	28,923	28,582	28,135	27,578	26,907	26,115	25,197	24,147	22,959	21,626	20,143	18,503	16,698
DEBT SERVICE COVERAGE RATIO	1.25	1.25	1.25	1.24	1.24	1.24	1.23	1.22	1.21	1.21	1.20	1.18	1.17	1.16	1.14
CASH WATERFALL															
(Less) Incentive Management Fee	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(Less) LP Asset Management Fee	(5,000)	(5,163)	(5,330)	(5,504)	(5,682)	(5,867)	(6,058)	(6,255)	(6,458)	(6,668)	(6,884)	(7,108)	(7,339)	(7,578)	(7,824)
(Less) Non Profit Fee	(7,500)	(7,500)	(7,500)	(7,500)	(7,500)	(7,500)	(7,500)	(7,500)	(7,500)	(7,500)	(7,500)	(7,500)	(7,500)	(7,500)	(7,500)
Total Fees (Partnership)	(12,500)	(12,663)	(12,830)	(13,004)	(13,182)	(13,367)	(13,558)	(13,755)	(13,958)	(14,168)	(14,384)	(14,608)	(14,839)	(15,078)	(15,324)
Remaining Cash Flow	16,812	16,503	16,093	15,578	14,952	14,211	13,349	12,360	11,239	9,979	8,574	7,018	5,304	3,425	1,374

**ATTACHMENT 9**  
**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.