

REPORT TO THE HOUSING AUTHORITY OF THE CITY OF SAN DIEGO

DATE ISSUED: January 2, 2020

REPORT NO: HAR20-009

ATTENTION: Chair and Members of the Housing Authority of the City of San Diego
For the Agenda of January 28, 2020

SUBJECT: Final Bond Authorization for Mission Terrace Apartments

COUNCIL DISTRICT: 7

REQUESTED ACTION

Authorize the issuance of Housing Authority of the City of San Diego tax-exempt Multifamily Housing Revenue Bonds or Notes, to fund Mission Terrace Housing Partners L.P.'s acquisition with rehabilitation of the Mission Terrace Apartments, a 76 unit affordable rental housing development, located at 10210 San Diego Mission Road, San Diego, that will remain affordable for 55 years.

STAFF RECOMMENDATION

That the Housing Authority of the City of San Diego (Housing Authority) authorize the issuance of up to \$12,000,000 in Multifamily Housing Revenue Bonds to facilitate Mission Terrace Housing Partners L.P.'s acquisition with rehabilitation of the Mission Terrace Apartments, a 76 unit affordable rental housing development, located at 10210 San Diego Mission Road, San Diego, that will remain affordable for 55 years.

SUMMARY

A Development Summary is at Attachment 1.

Table 1 - Development Details

Address	10210 San Diego Mission Road, San Diego
Council District	7
Community Plan Area	Mission Valley Community Plan
Developer	Interfaith
Development Type	Acquisition with rehabilitation
Construction Type	Type V
Parking Type	117 parking spaces, (including 89 spaces in two levels of underground parking plus 28 garages).
Housing Type	Multifamily
Lot Size	3.14 acres, 136,778 square feet A portion of the site is unbuildable land.
Units	77
Density	24.5 dwelling units per acre (77 units ÷ 3.14 acres)
Affordable Unit Mix	37 one-bedroom units, 15 two-bedroom units, 24 three-bedroom units, and 1 three-bedroom manager's unit
Gross Building Area	103,108 square feet
Net Rentable Area	55,870 square feet

The Development

Mission Terrace is an existing 77-unit affordable rental housing development located at 10210 San Diego Mission Road in the Mission Valley Community Planning Area (Attachment 2 – Site Map). The development is east of Interstate 15, near the SDCCU Stadium. On June 14, 1993, the Housing Commission approved (Report No. HCR 93-174) a \$1,805,000 residual receipts loan to Interfaith. On March 22, 1994, the Housing Authority approved increasing the loan to \$2,055,000 (\$1,150,000 federal HOME Investment Partnerships Program funds + \$905,000 City of San Diego Housing Trust Fund = \$2,055,000). On August 31, 1994, a Loan Agreement was executed with the current owner Mission Terrace Associates (MTA). The development was constructed in 1995 with financing from multiple sources including: California Tax Credit Allocation Committee (CTCAC) tax credits, a Housing Commission loan, and other financing.

Developer's Proposal

For Mission Terrace, the developer, San Diego Interfaith Housing Foundation (Interfaith) proposes:

- a) MTA will pay off the entire existing loan owed to the Housing Commission. The loan amount is estimated at \$3,390,656 (\$2,055,000 principal plus \$1,335,656 accrued interest to the estimated closing). No additional Housing Commission cash loan funds are requested for the proposed acquisition with rehabilitation. Although Mission Terrace's original loan is proposed to be paid off, the original loan's affordability restrictions will remain;
- b) Ownership will be transferred from the current owner MTA to Mission Terrace Housing Partners L.P. (MTHP) a single-asset new limited partnership. MTHP will assume the Housing Commission's existing loan's current affordability restrictions (on 76 units, at 35 to 60 percent of the San Diego Area Median Income); and
- c) There will be a comprehensive MTHP (a single-asset limited partnership) rehabilitation of the property.

The Property

The property is owned by MTA. The complex has eight two-story residential buildings and a one-story community building with a leasing office and a community room. There are 37 one-bedroom units (528 sq. ft.), 15 two-bedroom units (823 sq. ft.), 24 three-bedroom units (1,030 sq. ft.), and one three-bedroom manager's unit. There are 117 parking spaces, including 89 spaces in two levels of underground parking plus 28 garages. Site amenities include: a community building with a kitchen, two laundry rooms, a picnic area, a playground, and a basketball court. Unit amenities include: central heating system, assigned parking, and energy efficient appliances. To the north and south are multifamily properties. To the east is a condominium development. To the southeast are office buildings and a retail center. To the west is Interstate 15. SDCCU stadium is located to the southwest, across Interstate 15. Bus service is approximately .2 miles away, near the corner of Rancho Mission Road and San Diego Mission Road.

Building Conditions/Proposed Rehabilitation Work

Mission Terrace was constructed in 1995. Interfaith states that while the property is in good condition, improvements are needed for aesthetic and systematic upgrades due to the property's age. Interfaith intends to complete a comprehensive/substantial renovation to address immediate and long-term needs of the complex. On July 1, 2019, a Property Condition Report was completed by Professional Associates Construction Services Inc. A cost estimate rehabilitation summary is at Attachment 3. The developer's pro forma estimates rehabilitation costs at \$4,379,505 (\$56,877/unit). The developer intends to enter into a construction contract with contractor Sun Country Builders. The contractor will solicit at least three bids from subcontractors to ensure competitive pricing.

Prevailing Wages

Prevailing wages are not applicable because neither federal nor state funds will be utilized.

Relocation

As of late November 2019, Mission Terrace had eight vacancies. The developer does not anticipate permanent relocation of the current tenants. The rehabilitation budget includes \$125,000 (\$1,623/unit) for temporary relocation. It is estimated that tenants will be temporarily relocated, to on-site hospitality units, while rehabilitation work is taking place in a tenant's unit. The developer intends that the temporary relocation will comply with the Federal Uniform Relocation Act.

Accessibility

CTCAC requires wheelchair accessibility in 10 percent of the units, with an additional four percent of the units accessible to residents with visual and/or hearing impairment.

Project Sustainability

Mission Terrace will be rehabilitated in conformance with CTCAC's minimum energy efficiency standards for rehabilitation projects, which require demonstrating at least 10 percent post-rehabilitation improvement in energy efficiency over existing conditions.

Development Team

Interfaith is a 501(c) (3) nonprofit developer. It was formed in 1968 by an alliance of local churches. Interfaith has developed, and owns/operates, more than 1,500 apartment homes in San Diego County. During the 15-year tax credit compliance period, the complex will be owned by MTHP (a single-asset limited partnership). An organization chart is at Attachment 4.

Table 2 - Development Team Summary

ROLE	FIRM/CONTACT
Owner/Borrower	MTHP L.P.
Managing General Partner (.01 percent)	Red Stone Equity Manager LLC
Tax Credit Investor/Limited Partner (99.99 percent)	RSEP Holding LLC
Developer	San Diego Interfaith Housing Foundation
Architect	Ground Floor Design
General Contractor	Sun Country Builders
Relocation Consultant	Tall Man Group
Property Management	Interfaith Housing Assistance Corp.
Tax Credit Investor	Red Stone Equity Partners
Construction and Permanent Lender	California Bank and Trust

Property Management

Mission Terrace will continue to be managed by Interfaith.

FINANCING STRUCTURE

No additional Housing Commission cash loan funds are requested for the proposed acquisition with rehabilitation. Mission Terrace has an estimated total development cost of \$21,064,358 (\$273,563 per unit). Proposed financing will include a combination of sources including: four percent tax credits, tax-exempt Multifamily Housing Revenue Bond financing, and seller carryback loan financing. The developer's current pro forma is included as Attachment 5 and is summarized below.

Table 3 – Estimated Permanent Sources and Uses

Financing Sources	Amounts	Financing Uses	Amounts	Per Unit
Permanent loan (Multifamily Mortgage Revenue Bonds)	\$6,635,921	Acquisition Buildings \$11,000,000 Acquisition Land 1,500,000 Other + 136,500 Total acquisition \$12,636,500	\$12,636,500	\$164,110
Seller's carry back financing	\$7,899,179	Construction costs \$4,018,875 Contingency + 405,630 Total construction \$4,424,505	\$4,424,505	\$57,461
Operating income during construction	\$180,874	Financing costs	\$555,936	\$7,220
Reserve carryover	\$100,000	Reserves	\$293,117	\$3,807
General partner contribution	\$110	Other soft costs	\$424,485	\$5,513
Four percent tax credit equity	\$6,222,773	Developer fee	\$2,429,815	\$31,556
Deferred developer fee	\$25,501	Relocation costs	\$300,000	\$3,896
Total Development Sources	\$21,064,358	Total Development Costs (TDC)	\$21,064,358	\$273,563

Developer Fee

\$2,429,815 – Gross Developer Fee (paid from development sources)

- 25,501 – Deferred developer fee

\$2,404,314 – Net developer fee

On April 25, 2017, the Housing Authority approved the “*Request for Approval of Updated Developer Fees*” (HAR17-011). That report approved certain developer fee guidelines for multifamily loans and bonds issuances. Attachment 1 to that report states: “Developer Fee [for] 4% tax credits, in project costs: 15% eligible basis....” For this Mission Terrace development, the developer is proposing a \$2,429,815 total developer fee, which complies with the HAR17-011 “*Request for Approval of Updated Developer Fees*” guidelines approved by the Housing Authority on April 25, 2017.

Development Cost Key Performance Indicators

Housing Commission staff has identified development cost performance indicators which 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	\$21,064,358 ÷ 77 units =	\$273,563
Housing Commission Subsidy Per Unit	\$0 ÷ 77 units =	\$0
Acquisition/Land Cost Per Unit	\$12,636,500 ÷ 77 units =	\$164,110
Gross Building Square Foot Hard Cost	\$4,379,505 ÷ 103,108 sq. ft. =	\$43
Net Rentable Square Foot Hard Cost	\$4,379,505 ÷ 55,870 sq. ft. =	\$79

Project Comparison Chart

Multiple factors and variables influence the cost of developing multifamily affordable housing, including but not limited to project location, site conditions, environmental factors, land use approval process, community involvement, construction type, design requirements/constraints, economies of scale, City fees, developer experience and capacity, and the mission and goals of the organization developing the project. Similar construction-type developments (completed or approved) over the previous two years are listed in Table 5. These developments are similar in terms of size, target population, and rehabilitation/construction type and are provided as a comparison to Mission Terrace.

Table 5 - Comparable Development Projects

New Construction Project Name	Year	Unit Mix Construction	Units	Total Development Cost	Cost Per Unit	HC Subsidy Per Unit	Gross Hard Cost Per Sq. Ft.
Proposed Subject – Mission Terrace	2020	37 ones, 15 twos, 24 threes, + 1 manager	77	\$21,064,358 (no prevailing wage)	\$273,563	\$0	\$43
Hollister	2019	82 studios, + 1 manager	83	\$24,706,411 (with prev. wage)	\$297,668	\$58,554	\$329
Quality Inn	2019	42 SROs, 49 studios, + 1 manager	92	\$13,227,376 (with prev. wage)	\$143,776	\$60,906	\$450
Hollywood Palms	2017	44 twos, 28 threes, 21 fours, + 1 manager	94	\$31,680,721 (with prev. wage)	\$337,029	\$0	\$92
Zephyr	2017	79 studios, 5 ones, + 1 manager	85	\$27,225,500 (with prev. wage)	\$320,300	\$35,294	\$328
New Palace	2016	79 studios + 1 manager	80	\$21,398,744 (with prev. wage)	\$267,484	\$38,750	\$450

TAX-EXEMPT MULTIFAMILY HOUSING REVENUE BONDS

Proposed Housing Bonds/note

The Housing Commission utilizes the Housing Authority’s tax-exempt borrowing status to pass on lower interest rate financing (and make four percent tax credits available) to developers of affordable rental housing. The Housing Authority’s ability to issue bonds is limited under the U.S. Internal Revenue Code. To issue bonds for a development, the Housing Authority must first submit an application to the California Debt Limit Allocation Committee (CDLAC) for a bond allocation. Prior to submitting applications to CDLAC, developments are brought before the Housing Commission, Housing Authority, and City Council. A Housing Authority bond inducement resolution must be obtained prior to application submittal, and a City Council Tax Equity and Fiscal Responsibility Act (TEFRA) resolution must be secured no later than 30 days after application submittal. On October 1, 2019, these actions were completed for Mission Terrace.

On October 11, 2019, an application was submitted to CDLAC for a bonds allocation of up to \$12,000,000. On December 11, 2019, CTCAC and CDLAC approved an allocation of 4 percent tax credits and an up to \$12,000,000 tax-exempt Multifamily Housing Revenue Bonds allocation. The developer proposes that the bonds/note be issued through a tax-exempt private placement bond issuance. The bonds/note will meet all requirements of the Housing Commission’s “*Bond Issuance and Post-Issuance Compliance Policy, number PO300.301*” (Housing Commission’s Bond Policy) and will fully comply with the City of San Diego’s (City) ordinance on bonds disclosure.

The bonds/note amount that will ultimately be set will be based upon development costs, revenues and interest rates prevailing at the time of the bonds issuance. The bonds/note proceeds will be used for both construction financing and permanent financing. A general description of the Housing Commission’s Bond Policy 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 6.

Public Disclosure and Bond Authorization

The tax-exempt debt, in the form of the bond, will be sold through a private placement, purchased directly by Zions Bancorporation, N.A. dba California Bank & Trust (CBT). CBT is a “qualified institutional buyer” within the meaning of the U.S. securities laws. At closing, CBT will sign an “Investor’s Letter” certifying, among other things, that it is buying the bond for its own account and not for public distribution.

Because the bond is being sold through a private placement, an Official Statement will not be used. In addition, the bond will be neither subject to continuing disclosure requirements, nor credit enhanced, nor rated. Under the private placement structure for this transaction, CBT will make a loan to the Housing Authority via purchase of the Housing Authority's bond issued pursuant to the terms of an Indenture of Trust (Indenture) among CBT, the Housing Authority, and a to-be-selected Trustee. The loan made by CBT to the Housing Authority (Funding Loan) will be evidenced by the bond, which will obligate the Housing Authority to pay CBT the amounts it receives from the Borrower, as described below. The Housing Authority, CBT, and the Borrower will enter into a Loan Agreement pursuant to which the proceeds of the Funding Loan will be advanced to the Borrower. In return, the Borrower agrees pursuant to the terms of a promissory note (Note) payable to the Housing Authority and assigned to the Trustee amounts sufficient for the Trustee to make payments on the bond. The Housing Authority's obligation to make payments on the bond is limited to amounts the Trustee receives from the Borrower under the Note and Loan Agreement, and no other funds of the Housing Authority are pledged to make payments on the bond. The transfer of the bond to any subsequent purchaser will comply with Housing Commission's Bond Policy. Moreover, any subsequent bond holder will be required to represent to the Housing Authority that it is a qualified institutional buyer or accredited investor who is buying the bond for investment purposes and not for resale, and it has made due investigation of any material information necessary in connection with the purchase of the bond. The following documents will be executed on behalf of the Housing Authority with respect to the bond: the Indenture, the Loan Agreement, the Assignment of Deed of Trust, the Regulatory Agreement, and other ancillary loan documents. At the time of docketing, documents in substantially final form will be presented to members of the Housing Authority. Any changes to the documents following Housing Authority approval require the consent of the City Attorney's Office and the Bond Counsel. The bond will be issued pursuant to the Indenture. Based upon instructions contained in the Indenture and the Loan Agreement. CBT and the Trustee will disburse the bond proceeds for eligible costs and will, pursuant to an assignment from the Housing Authority, receive payments from the Borrower. The Loan Agreement and the Note set out the terms of repayment and the security for the loan made by the Housing Authority to the Borrower, and the Housing Authority assigns its rights to receive repayments under the loan to the Trustee for the benefit of CBT. The Regulatory Agreement will be recorded against the property in order to ensure the long-term use of the project as affordable housing. The Regulatory Agreement will also ensure that the project complies with all applicable federal and state laws. An Assignment of Deed of Trust, and other loan documents, will, with the exception of certain reserved rights, assign the Housing Authority's rights and responsibilities as the issuer to the Trustee for the benefit of CBT. Rights and responsibilities that are assigned to the Trustee include the right to collect and enforce the collection of loan payments, the right to monitor project construction and related budgets, plus the right to enforce insurance and other requirements. These rights will be used by the Trustee, as directed by CBT, to protect CBT's financial interests as the bond holder.

Financial Advisor's Recommendation

Kutak Rock L.L.P. will be the Bond Counsel and PFM Group will be the Financial Advisor to work on the tax-exempt bond issuance. After evaluating the terms of the proposed financing and the public benefits to be achieved, it is the Financial Advisor's recommendation that the Housing Authority should proceed with the bond issuance. The Financial Advisor's analysis and recommendation is included as Attachment 7.

AFFORDABLE HOUSING IMPACT

As shown in Table 6 (below), the Housing Commission's existing loan and existing bonds restrict 76 units at Mission Terrace to households with incomes ranging from 35 to 60 percent of San Diego Area Median Income (AMI).

Table 6 –Mission Terrace Affordability & Monthly Estimated Rent Table

Unit Type	AMI	Units	CTCAC Gross Rents
1-bedroom, 1 bath (464 to 534 sq. ft.)	35%	7	\$702
2-bedrooms, 1 bath (659 to 924 sq. ft.)	35%	3	\$842
3-bedrooms, 1 1/2 baths (1,026 sq. ft.)	35%	5	\$973
Subtotal 35% AMI Units	--	15	--
1-bedroom, 1 bath (464 to 534 sq. ft.)	50%	15	\$1,003
2-bedroom, 1 bath (659 to 924 square feet)	50%	3	\$1,203
3-bedroom, 1 1/2 bath (1,026 square feet)	50%	5	\$1,391
Subtotal 50% AMI Units	--	23	--
1-bedroom, 1 bath (464 to 534 sq. ft.)	60%	15	\$1,203
2-bedrooms, 1 bath (659 to 924 sq. ft.)	60%	10	\$1,444
3-bedrooms, 1 1/2 baths (1,026 sq. ft.)	60%	13	\$1,669
Subtotal 60% AMI Units	--	38	--
Subtotal	--	76	--
3-bedroom, 1 1/2 baths, manager's unit	-	1	--
Total Units		77	

The Housing Commission loan's original 55-year affordability restrictions will remain in effect until July 2049. Mission Terrace's original construction included nine percent tax credits funds from CTCAC. The CTCAC original affordability restrictions on 30 units, at 60 percent of AMI, will remain in effect until 2051.

As shown in Table 7 (below), the Housing Commission's existing loan restricts affordability on 76 Mission Terrace units to households with incomes ranging from 35 to 60 percent of AMI. It is proposed that the Housing Commission's rent and occupancy restrictions will be recorded against 76 units for 55 years from the date of the estimated January 2020 new escrow closing. This proposal will result in the affordability being extended an additional 26 years, from 2049 to 2075.

Table 7 – Estimated Current and Proposed Terms of Affordability Restrictions

Current Public Funding	Amounts	Current Restricted Units	Restrictions Current Term	Restrictions Proposed Term
Housing Commission's original 1994 loan.	\$2,055,000	15 units at 35 percent AMI	<u>Original Term:</u>	
Estimated accrued 3% interest	<u>+1,383,411</u>	23 units at 50 percent AMI	55 years:	
Estimated total 1994 loan	\$3,438,411	<u>+38</u> units at 60 percent AMI	(July 1994 to July 2049)	No change
		76 units restricted		
CTCAC original 1996 tax-credits allocation	\$772,785	40 percent (30) of the units restricted at 60 percent AMI	<u>Original Term:</u>	No change
			30 years (1996 to 2026)	
CTCAC estimated proposed tax-credits allocation	\$4,786,579	15 units at 35 percent AMI		<u>Estimated Term:</u>
		23 units at 50 percent AMI		55 years
		<u>+38</u> units at 60 percent AMI		Jan 2020
		76 units restricted	n/a	to Jan 2075

FISCAL CONSIDERATIONS

No Housing Commission new direct cash loan funds are proposed with this report's actions. Under this report's proposal, MTA will be paying off the Housing Commission's entire existing loan, estimated at \$3,390,656 (\$2,055,000 principal + \$1,335,656 interest to estimated closing = \$3,390,656).

Estimated funding sources:

Bond Issuance Fee - \$30,000 (.0025 bond issuer fee x \$12,000,000 issuance amount)
Estimated payoff of principal and interest on existing loan - \$3,390,656
Total - \$3,420,656

Estimated funding uses:

Program Administration - \$30,000
HOME Investment Partnerships Program - \$1,924,135
Housing Trust Fund Transit Occupancy Tax Funds - \$1,496,521
Total - \$3,420,656

There are no fiscal impacts to the Housing Commission, nor to the City of San Diego, nor to the Housing Authority associated with the requested bonds/note actions. The bonds/note will not constitute a debt of the City of San Diego. If the bonds/note is ultimately issued for the project, the bonds/note will not financially obligate the City, the Housing Authority, or the Housing Commission because security for the repayment of the bonds/note 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/note. The developer is responsible for the payment of all costs under the financing, including the Housing Commission Bond Counsel and Financial Advisor fees.

Additionally, the developer is responsible for payment of the Housing Commission's .0025 bond amount issuer fee (estimated at \$30,000 with a \$12,000,000 bond issue) and the Housing Commission's ongoing annual bonds administration fee (estimated at \$10,000 at permanent financing conversion).

Development Schedule

The estimated development timeline is as follows:		Estimated Dates
Milestones		
<ul style="list-style-type: none">• Housing Authority consideration of final bond authorization• Estimated bond issuance and escrow/loan closing• Estimated start of construction work• Estimated completion of construction work		• January 28, 2020
		• January 31, 2020
		• February 2020
		• December 2020

STATEMENT for PUBLIC DISCLOSURE

The developer's Disclosure Statement is at Attachment 8.

COMMUNITY PARTICIPATION and PUBLIC OUTREACH EFFORTS

On June 5, 2019, the developer presented the proposed project as an informational item to the Mission Valley Planning Group.

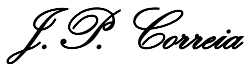
KEY STAKEHOLDERS and PROJECTED IMPACTS

Stakeholders include Interfaith as the developer, the Mission Terrace residents, and the Mission Valley community. Rehabilitation of the property is expected to have a positive impact on the community because it will provide the needed capital improvements to the property and preserve Mission Terrace's affordability.

ENVIRONMENTAL REVIEW

The City of San Diego conducted an Initial Study which determined that the purposed project could have a significant environmental effect. Subsequent revisions in the project proposal creates the specific mitigation identified in Section V of the Mitigated Negative Declaration Dep No. 92-0725. The project as revised now avoids or mitigates the potentially significant environmental effects previously identified, and the preparation of an Environmental Impact Report will not be required. Processing under the National Environmental Policy Act (NEPA) is not required as there are no federal funds involved with this action.

Respectfully submitted,



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

Approved by,



Jeff Davis
Executive Vice President & Chief of Staff
San Diego Housing Commission

Attachments: 1) Development Summary
2) Site Map
3) Cost Estimate Rehabilitation Summary
4) Organization Chart
5) Developer's Project Pro Forma
6) Multifamily Housing Revenue Bond Program
7) Financial Advisor's Analysis
8) Developer's Disclosure Statement

Hard copies are available for review during business hours at the security information desk in the main lobby and at 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 "Governance & Legislative Affairs" section of the San Diego Housing Commission website at www.sdhc.org.

ATTACHMENT 1 – DEVELOPMENT SUMMARY

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Net Rentable Square Foot Hard Cost	\$4,379,505 ÷ 55,870 sq. ft. =	\$79

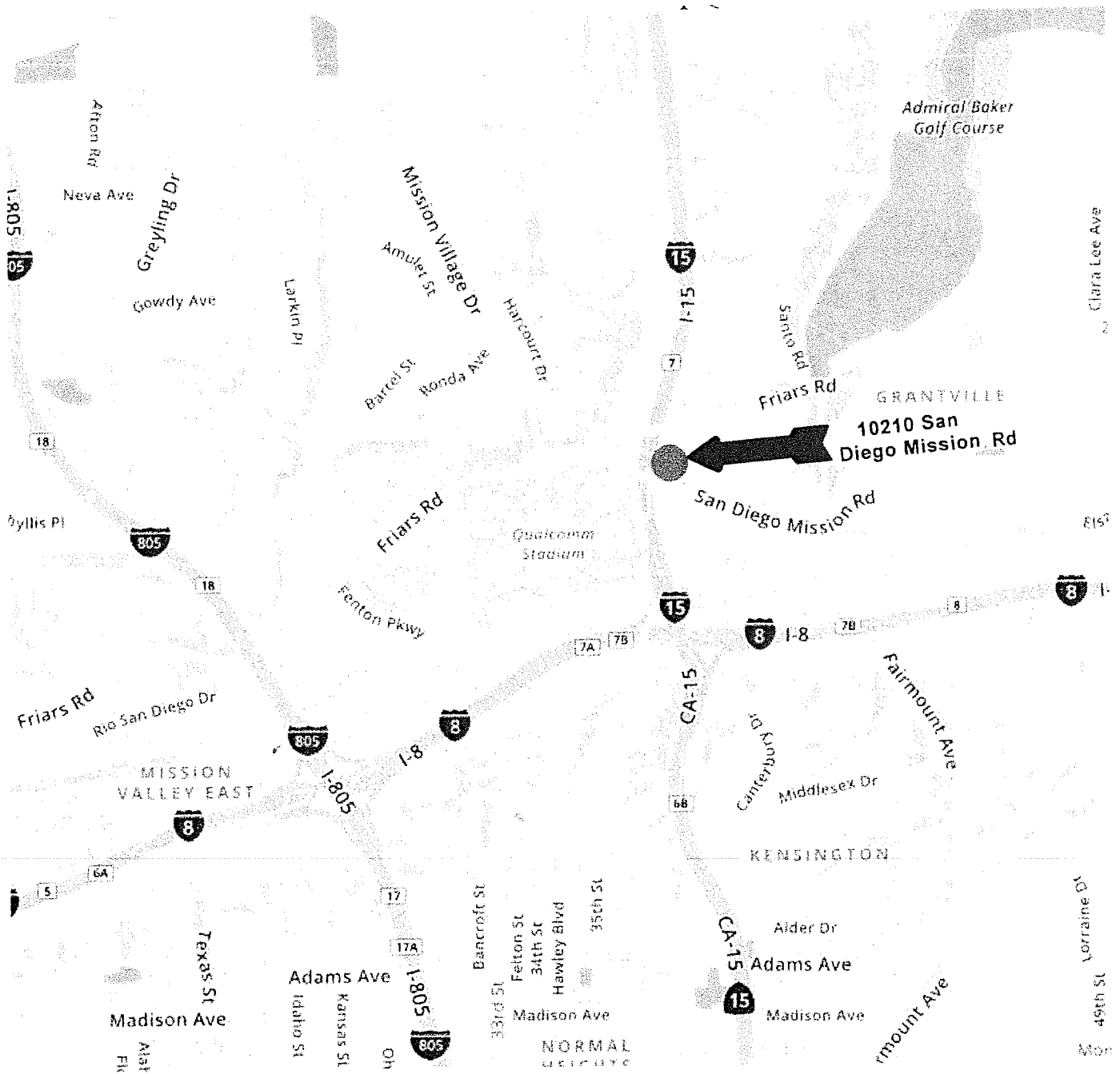
Table 5 - Comparable Development Projects

New Construction Project Name	Year	Unit Mix Construction	Units	Total Development Cost	Cost Per Unit	HC Subsidy Per Unit	Gross Hard Cost Per Sq. Ft.
Proposed Subject – Mission Terrace	2020	37 ones, 15 twos, 24 threes, + 1 manager	77	\$21,064,358 (no prevailing wage)	\$273,563	\$0	\$43
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Table 6 –Mission Terrace Affordability & Monthly Estimated Rent Table

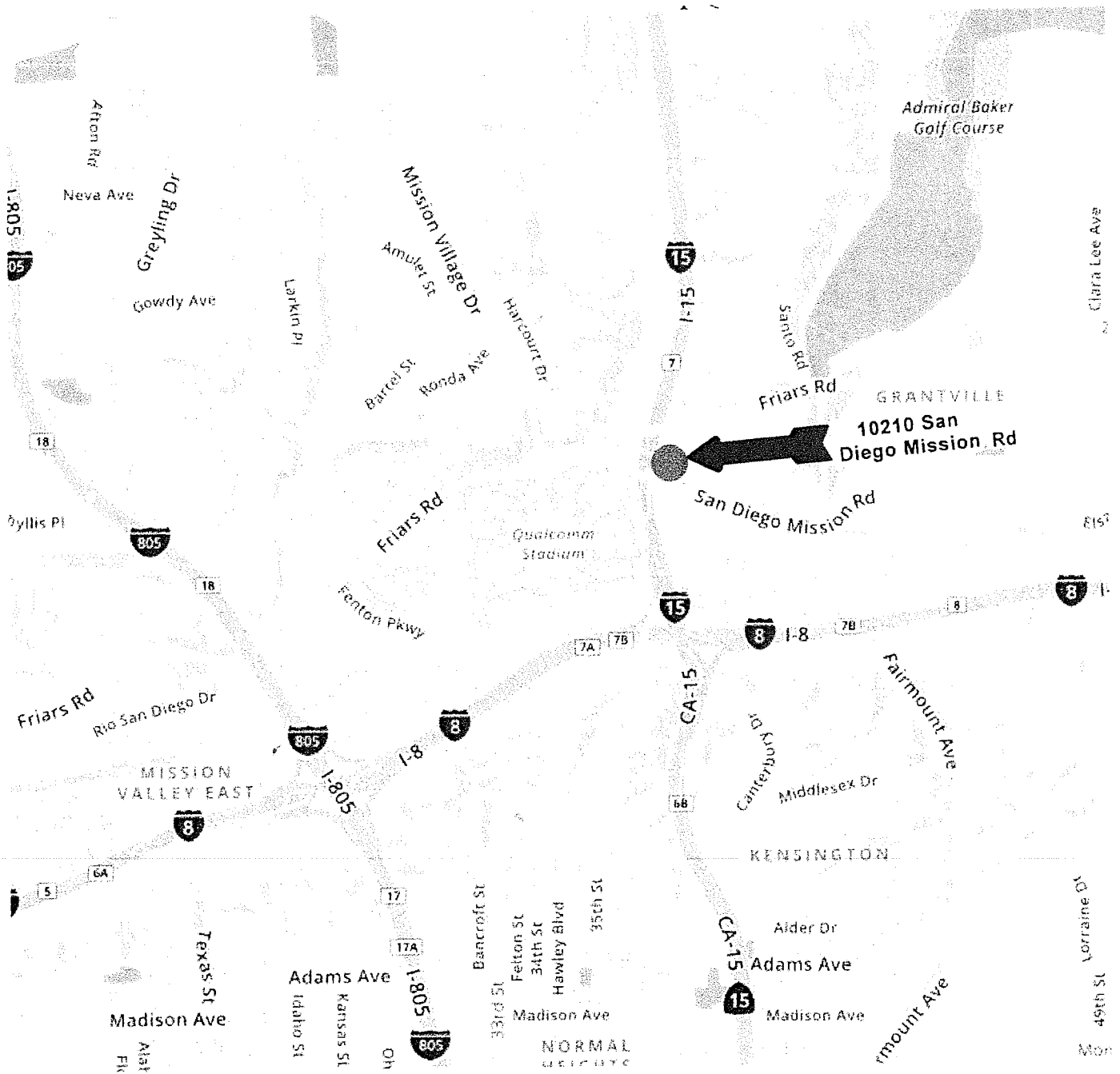
Unit Type	AMI	Units	CTCAC Gross Rents
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2-bedrooms, 1 bath (659 to 924 sq. ft.)	35%	3	\$842
3-bedrooms, 1 1/2 baths (1,026 sq. ft.)	35%	5	\$973
Subtotal 30% AMI Units	--	15	--
1-bedroom, 1 bath (464 to 534 sq. ft.)	50%	15	\$1,003
2-bedroom, 1 bath (659 to 924 square feet)	50%	3	\$1,203
3-bedroom, 1 1/2 bath (1,026 square feet)	50%	5	\$1,391
Subtotal 50% AMI Units	--	23	--
1-bedroom, 1 bath (464 to 534 sq. ft.)	60%	15	\$1,203
2-bedrooms, 1 bath (659 to 924 sq. ft.)	60%	9	\$1,444
3-bedrooms, 1 1/2 baths (1,026 sq. ft.)	60%	14	\$1,669
Subtotal 60% AMI Units	--	38	--
Subtotal	--	76	--
3-bedroom, 1 1/2 baths, manager's unit	-	1	--
Total Units		77	

ATTACHMENT 2 – SITE MAP



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.

ATTACHMENT 2 – SITE MAP



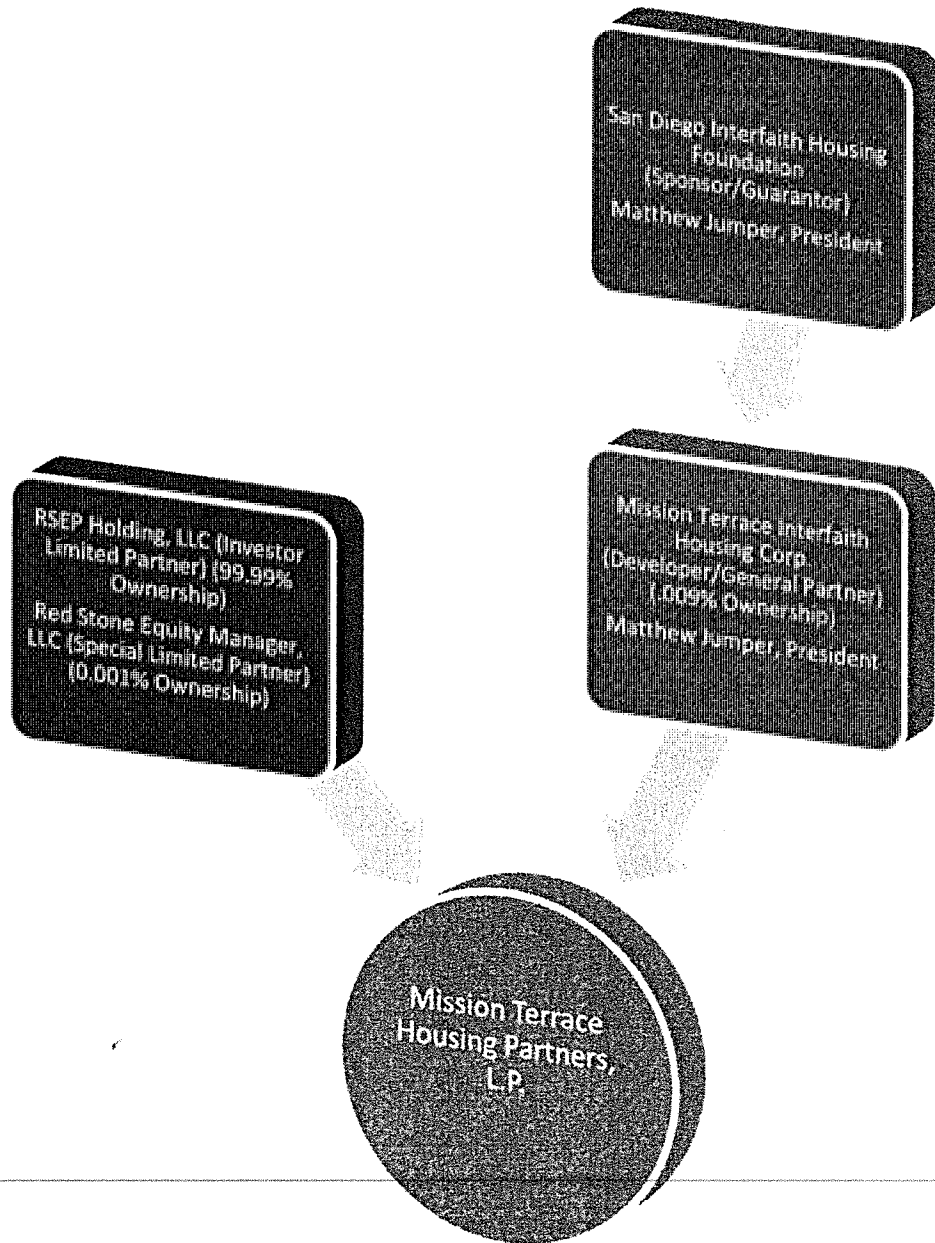
ATTACHMENT 3 – REHABILITATION COST ESTIMATE SUMMARY

Mission Terrace Apartments
10210 San Diego Mission Road
San Diego, CA 92108

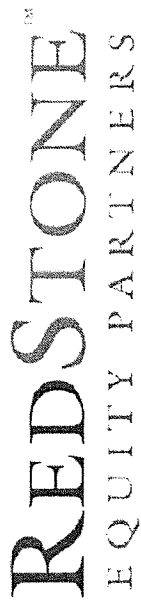
COST ESTIMATE SUMMARY SHEET INTERIOR AND EXTERIOR UPGRADES

Description	Quantity	Units	Unit Price	Estimate
Building & Site Rehab	77	EA	\$43,179	\$3,324,781
Community Building Rehab	0	SF	N/A	N/A
Garage Building Rehab	0	EA	N/A	N/A
Contractor General Conditions	8	Months	\$47,713	\$381,707
Contractor Overhead & Profit	\$3,706,488	Percent	14%	\$224,423
Contractor Liability Insurance	\$3,930,911	Percent	1%	\$48,673
Contractor P & P Bond	\$3,979,584	Percent	1%	\$39,291
Contractor's Contingency	\$4,018,875	Percent	10%	\$405,630
Total Hard Cost	77	Units	\$57,461	\$4,424,505

ATTACHMENT 4 – ORGANIZATION CHART



ATTACHMENT 5 – DEVELOPER’S PROJECT PRO FORMA



Mission Terrace Financial Projections

Updated: 9/13/2019

San Diego, CA

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These projections do not guarantee actual operating results. Information herein may be revised based upon changes to assumptions and third-party information. Inapplicable schedules may be omitted. This information is proprietary and may be shared only with Red Stone's prior consent.

Lease-Up Schedule

Mission Terrace

LIHTC Units Lease-Up					Placed in Service Schedule	
Month	Revenue Units	Cum. %	Credit Units	Cum. %	Current	Cum. %
January-20	57	75.0%	57	75.0%	0	0.0%
February-20	0	75.0%	0	75.0%	0	0.0%
March-20	0	75.0%	0	75.0%	0	0.0%
April-20	0	75.0%	0	75.0%	0	0.0%
May-20	0	75.0%	0	75.0%	9	11.7%
June-20	0	75.0%	0	75.0%	9	23.4%
July-20	0	75.0%	0	75.0%	9	35.1%
August-20	0	75.0%	0	75.0%	10	46.8%
September-20	0	75.0%	0	75.0%	10	58.5%
October-20	0	75.0%	0	75.0%	10	70.2%
November-20	0	75.0%	0	75.0%	10	81.9%
December-20	0	75.0%	0	75.0%	10	93.6%
January-21	19	100.0%	19	100.0%	0	100.0%
February-21	0	100.0%	0	100.0%	0	100.0%
March-21	0	100.0%	0	100.0%	0	100.0%
April-21	0	100.0%	0	100.0%	0	100.0%
May-21	0	100.0%	0	100.0%	0	100.0%
June-21	0	100.0%	0	100.0%	0	100.0%
July-21	0	100.0%	0	100.0%	0	100.0%
August-21	0	100.0%	0	100.0%	0	100.0%
September-21	0	100.0%	0	100.0%	0	100.0%
October-21	0	100.0%	0	100.0%	0	100.0%
November-21	0	100.0%	0	100.0%	0	100.0%
December-21	0	100.0%	0	100.0%	0	100.0%
January-22	0	100.0%	0	100.0%	0	100.0%
February-22	0	100.0%	0	100.0%	0	100.0%
March-22	0	100.0%	0	100.0%	0	100.0%
April-22	0	100.0%	0	100.0%	0	100.0%
May-22	0	100.0%	0	100.0%	0	100.0%
June-22	0	100.0%	0	100.0%	0	100.0%
July-22	0	100.0%	0	100.0%	0	100.0%
August-22	0	100.0%	0	100.0%	0	100.0%
September-22	0	100.0%	0	100.0%	0	100.0%
October-22	0	100.0%	0	100.0%	0	100.0%
November-22	0	100.0%	0	100.0%	0	100.0%
December-22	0	100.0%	0	100.0%	0	100.0%
Totals	76		76		77	

PIS
1/15/2020

Sources During Construction			
	Total	Rate	Type
Construction Loan 1	12,000,000	5.38%	Variable
Construction Loan 2	7,899,179	3.00%	Fixed
Construction Loan 3			N/A
Construction Loan 4			N/A
Construction Loan 5			N/A
Construction Loan 6			N/A
Red Stone Bridge Loan			N/A
Total Cons. Financing	\$ 19,899,179		

Variable Interest Rate	Rate	Date
Applicable LIBOR	2.4299%	6/3/2019

50% Test: 59.62%

Limited Partner Capital Contributions:

	PPC	Credits	
99.99%	0.9061	\$ 6,868,400	\$ 6,222,773
99.99%	-	\$ -	-
99.99%	-	\$ -	-
99.99%	-	\$ -	-
0.00%	-	\$ -	-
0.00%	-	\$ -	-
Additional Contribution:			\$ -

Additional Contribution:

\$ 6,222,773

Total Sources	S	21,064,358
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Notes / Comments

Uses of Funds

Mission Terrace

Users	Total	Eligible Basis	Dep. Basis	Expensed/Amort.	Non-Dep.	Comments
Land	\$ 1,500,000	\$ -	\$ -	\$ -	\$ 1,500,000	
Building Acquisition	11,000,000	11,000,000	11,000,000	-	-	
Other Acquisition Costs	136,500	-	-	-	136,500	Includes \$100K of acquired improvements and \$28,500 of title and escrow for the acquisition
Subtotal	\$ 12,636,500					
Structures and Rehabilitation	1,784,781	1,784,781	1,784,781	-	-	
Site Work	770,000	770,000	770,000	-	-	10,000 per unit assumption
Personal Property	770,000	770,000	770,000	-	-	10,000 per unit assumption
Energy Expenditures	-	-	-	-	-	
Construction Contingency	405,630	405,630	405,630	-	-	
General Requirements	256,707	256,707	256,707	-	-	
Builder Profit	224,423	224,423	224,423	-	-	
Builder Overhead	-	-	-	-	-	
Building Permits	50,000	50,000	50,000	-	-	Increased to \$50K per Matt Jumper on 8/27
P&P Bond Costs	-	-	-	-	-	
Environmental Remediation	-	-	-	-	-	
Demolition Costs	-	-	-	-	-	
Off-Site Work	-	-	-	-	-	
CM/Owner's Rep	75,000	75,000	75,000	-	-	Increased to \$75K per Matt Jumper on 8/27
Contractor Insurance	87,964	87,964	87,964	-	-	
Other 3	-	-	-	-	-	
Subtotal	4,424,505					
Architect - Design	120,000	120,000	120,000	-	-	
Architect- Supervision	-	-	-	-	-	
Municipal/Tap Fees	-	-	-	-	-	
Impact Fees	-	-	-	-	-	
Appraisal/Market Study	31,000	31,000	31,000	-	-	Lender and Borrower Appraisal
Title and Recording	20,000	15,000	15,000	5,000	-	
Legal	77,000	27,000	27,000	50,000	-	Revised lender legal to \$50K per Matt Jumper 6/5/19
Organizational Legal	-	-	-	-	-	
Accounting/Cost Cert	20,000	20,000	20,000	-	-	
Phase I/Environmental	5,000	5,000	5,000	-	-	Added per Matt Jumper 4/18/19
Soils/Geotech	10,000	10,000	10,000	-	-	
Survey	46,053	-	-	46,053	-	
Tax Credit Fees	-	-	-	-	-	
Construction Period Taxes/Ins	25,000	25,000	25,000	-	-	
Soft Cost Contingency	43,432	43,432	43,432	-	-	
PNA / Cost Review	12,000	12,000	12,000	-	-	
Construction Inspection	10,000	10,000	10,000	-	-	
Temporary Relocation	300,000	200,000	200,000	100,000	-	Increased to \$200K per Matt Jumper on 8/27
Subtotal	724,485					
CPI Capitalized	174,601	174,601	174,601	-	-	
CPI Expensed	110,283	-	-	110,283	-	
Predelinquent Interest	-	-	-	-	-	
Bridge Loan Interest	-	-	-	-	-	
Accrued CPI	-	-	-	-	-	
Subtotal	284,884					
Developer Fee	2,429,815	2,429,815	2,429,815	-	-	
Subtotal	2,429,815					
Porm Loan Fees	37,152	-	-	37,152	-	Loan fee based on 6.6.19 CB&T Term sheet
Construction Loan Fees	71,226	71,226	71,226	-	-	Loan fee based on 6.6.19 CB&T Term sheet
Bond Issuance Costs	162,674	5,000	5,000	157,674	-	
Subtotal	271,052					
Rent-Up	-	-	-	-	-	
Marketing	-	-	-	-	-	
Organization	-	-	-	-	-	
Syndication Costs	-	-	-	-	-	
Subtotal	-					
Replacements Reserves	-	-	-	-	-	
Operating Reserves	293,117	-	-	-	293,117	
Tax/Insurance Escrow	-	-	-	-	-	
Other 1	-	-	-	-	-	
Other 2	-	-	-	-	-	
Subtotal	293,117					
Total Uses	\$ 21,064,358	\$ 18,628,579	\$ 18,628,579	\$ 506,162	\$ 1,929,617	

Hard Cost Contingency Calc:

Contingency in Contract?	No
Total Hard Costs	4,424,505
Less Contingency	405,630
CM/Owner's Rep	75,000
Permits	50,000
3,893,875 Construction Contract =	
Contingency % =	10.42%

Geothermal Credit Calculation	Solar Credit Calculation
Placed in Service Date 5/1/2020	Placed in Service Date 5/1/2020
Geothermal System Costs	System Costs
Geothermal Rebate	Const. Contingency
Adj. Geo System Costs	PV & Solar H2O Costs
Adj. Geo System Costs	Const. Period Interest
Geo Credit %	100%
Total Geo Credits	Cost of Issuance
Total Geo Credits	Legal - Construction
Non-Depreciable %	Developer Fee
Non-Depreciable %	50% Rebate
Geo Rebate (non-depr)	Adj. System Costs
Total Non-Depreciable	Adj. System Costs
Total Credits	Credit %
Total Credits	30%

Cap. Interest from FoF:	302,952
Exp. Interest from FoF:	527,221
	730,173
	284,884
	(445,289) surplus (shortage)

Rental Revenue

Mission Terrace

Rental Revenue													Rent Calculations			
Beds	Baths	AMI %	# of Units	Sq Feet	Gross Tenant Paid Ret	Utility All	Tenant Paid Rent	Net Max LIHTC	Annual Rental	Subsidy (Type)	Subsidy (Amount)	Achievable Market Rents	Discount to Market	Discount to Max LIHTC		
Low Income Revenue																
1	1	35%	7		694		34	660	668	55,440	-	1,590	58.49%	1.20%		
1	1	50%	15		954		34	920	969	165,600	-	1,590	42.14%	5.06%		
1	1	60%	15		1,074		34	1,040	1,169	187,200	-	1,590	34.59%	11.04%		
2	1	35%	3		834		49	785	793	28,260	-	2,068	62.04%	1.01%		
2	1	50%	3		1,099		49	1,050	1,154	37,800	-	2,068	49.23%	9.01%		
2	1	60%	10		1,294		49	1,245	1,395	149,400	-	2,068	39.80%	10.75%		
3	2	35%	5		930		70	860	903	51,600	-	2,962	70.97%	4.76%		
3	2	50%	5		1,320		70	1,250	1,321	75,000	-	2,962	57.80%	5.37%		
3	2	60%	13		1,590		70	1,520	1,599	237,120	-	2,962	48.68%	4.94%		
Subtotal										76						
Subtotal													Wtd Avg	46.96%	6.61%	
Market Rate Revenue																
Subtotal										0			Wtd Avg	0.00%		
Manager Unit Revenue																
3	2		1													
Subtotal										77						
TOTAL													TOTAL	\$	987,420	
Miscellaneous Revenue																
Annual Revenue										Per Unit	PUPM	Per Sq Ft				
Item 1			7,500	97	8					Sq Ft of Space						
Item 2										Annual Revenue	\$	-				
Item 3										Vacancy Factor:						
Item 4										Net Commercial Revenue	\$	-	\$	-		
Item 5																
Item 6																
Subtotal										7,500	97					
Subtotal													Gross Annual Revenue from all Sources: \$ 994,920			
Last Date of Subsidy: 1/1/2040																

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Operating Expenses

Mission Terrace

Variable Expenses	Annual	Per unit
Administrative		
Accounting	17,050	221
Advertising	120	2
Professional Fees	-	-
Leased Equipment	-	-
Legal/Partnership	2,400	31
Social Services	-	-
Model Apartment Rent	-	-
Office Expenses	6,950	90
Telephone	5,700	74
Other Office Expenses	-	-
General	1,200	16
Total	\$ 33,420	\$ 434
Repair and Maintenance		
Elevator	3,900	51
Exterminating	1,350	18
Grounds	12,400	161
Repairs	36,000	468
Trash	13,000	169
Contract Services	30,000	390
Other R&M	8,400	109
General	2,400	31
Total	\$ 107,450	\$ 1,395
Payroll		
Administrative Payroll	41,560	540
R&M Payroll	43,640	567
Payroll Taxes and Insurance	68,162	885
General	1,170	15
Total	\$ 154,532	\$ 2,007
Utilities		
Gas	22,000	286
Electric	15,000	195
Water & Sewer	60,000	779
Other Utilities	-	-
General	-	-
Total	\$ 97,000	\$ 1,260
Total Variable Expenses:	\$ 392,402	\$ 5,096

Fixed Expenses	Annual	Per unit
Insurance		
Property Insurance	16,700	217
Other Insurance	-	-
Total	\$ 16,700	\$ 217
Management Fee		
Percent of Revenues:	6.35%	-
Fee/unit/month:	-	-
Management Fee - Annual	60,000	779
Total	\$ 60,000	\$ 779
Real Estate Taxes		
Real Estate Taxes	210	3
Other RE Taxes	-	-
Total	\$ 210	\$ 3
Total Fixed Expenses:	\$ 76,910	\$ 999
Total All Expenses:	\$ 469,312	\$ 6,095
Replacement Reserve		
RR Start Date	7/1/2021	
Red Stone RR	23,100	300
Lender RR	-	-
Replacement Reserve - Annual	-	-
Total	\$ 23,100	\$ 300
Total Expenses & RR	\$ 492,412	\$ 6,395

Expense Summary	Annual	Per Unit
Advertising & Promotion	120	2
Administrative	33,300	432
Management Fee	60,000	779
Utilities	97,000	1,260
Maintenance	107,450	1,395
Payroll (Salaries)	154,532	2,007
Insurance	16,700	217
RE Tax	210	3
Sub Variable & Fixed	\$ 469,312	\$ 6,095
Replacement Reserve	23,100	300
Total Expense & RR	\$ 492,412	\$ 6,395

Trending Assumptions	
Expense Inflation:	103.5%
RE Tax Inflation:	102.0%
Mgmt Fee Inflation:	103.5%
Replacement Reserve Inflation:	103.5%

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Credit Calculation **Mission Terrace**

LIHTC Tax Credit Calculation		Historic Credit Calculation	
		Rehabilitation	Commercial
Eligible Basis	\$ 18,628,579	-	-
Less:			
Acquisition Costs	(11,000,000)	-	-
Historic Credits	-	-	-
Grants	-	-	-
Acquisition Dev. Fee	(224,000)	-	-
Garages	-	-	-
Other 1	-	-	-
Other 2	-	-	-
	\$ 7,404,579	\$ 11,224,000	
Eligible Basis	\$ 7,404,579	\$ 11,224,000	
DDA/QCT	Other	130%	100%
Total Eligible Basis	9,625,953	11,224,000	
Basis Limitation	-	-	
Low Income %	100.00%	100.00%	
Qualified Basis	9,625,953	11,224,000	
Tax Credit Rates	3.30%	3.30%	
LIHTC Calculated	688,048	317,656	370,392
LIHTC Reservation	686,840	316,448	370,392
Actual LIHTC	686,840	316,448	370,392
Tax Credit %		0%	0%
Total Historic Credit		-	-
Delivery		2020	-
		2021	-
		2022	-
		2023	-
		2024	-

Projected 15 Yr Cash Flow																	Mission Terrace		
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	
Revenues																			
Gross LIHTC Rental Revenue	740,568	1,012,196	1,037,408	1,063,343	1,089,027	1,117,175	1,145,104	1,173,732	1,202,075	1,231,152	1,261,581	1,292,581	1,323,770	1,354,169	1,384,199	1,420,079	1,465,831	1,502,476	
Gross Market Rental Revenue	(37,030)	(50,635)	(51,870)	(53,167)	(54,492)	(55,850)	(57,251)	(58,687)	(60,151)	(61,638)	(63,150)	(64,729)	(66,290)	(68,088)	(69,760)	(71,501)	(73,293)	(75,124)	
Net Rental Revenues	703,540	961,560	985,538	1,010,176	1,035,431	1,061,316	1,087,849	1,115,045	1,142,922	1,171,493	1,200,782	1,230,802	1,261,272	1,293,111	1,325,439	1,358,575	1,392,539	1,427,352	
Rental Subsidy (Net)	5,569	7,396	7,489	7,676	7,868	8,064	8,266	8,473	8,684	8,902	9,124	9,352	9,586	9,826	10,071	10,323	10,581	10,846	
Other Revenue (Net)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Commercial Revenue (Net)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Effective Gross Income	\$ 708,099	\$ 968,806	\$ 993,026	\$ 1,017,852	\$ 1,043,298	\$ 1,069,381	\$ 1,096,115	\$ 1,123,518	\$ 1,151,066	\$ 1,180,396	\$ 1,209,906	\$ 1,240,154	\$ 1,271,188	\$ 1,302,977	\$ 1,335,510	\$ 1,368,898	\$ 1,403,120	\$ 1,438,198	
Expenses																			
Variable Expenses	295,576	406,136	420,351	435,063	450,290	466,050	482,362	499,245	516,718	534,801	553,523	572,895	592,936	612,694	633,179	657,410	680,120	704,231	
Insurance	16,700	17,265	17,889	18,516	19,161	19,834	20,529	21,247	21,991	22,760	23,557	24,381	25,235	26,118	27,032	27,978	28,958	29,971	
Management Fee	45,000	61,500	63,000	64,614	66,292	67,985	69,682	71,393	73,104	74,825	76,546	78,275	80,004	81,732	83,479	85,236	86,998	88,771	
Real Estate Taxes - Total	210	218	218	223	227	232	236	241	246	251	256	261	266	272	277	283	288	294	
Other / RE Tax Abatement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Project Operating Exp.	\$ 357,487	\$ 485,135	\$ 501,496	\$ 518,415	\$ 535,910	\$ 554,011	\$ 572,709	\$ 592,055	\$ 612,060	\$ 632,747	\$ 654,140	\$ 676,263	\$ 699,141	\$ 722,860	\$ 747,267	\$ 772,569	\$ 798,736	\$ 825,797	
NOI Before Replacement Reserves	351,421	483,671	491,530	499,437	507,388	515,379	523,406	531,464	539,546	547,649	555,766	563,891	572,017	580,136	588,243	596,328	604,384	612,401	
Replacement Reserves	-	11,550	23,969	34,245	45,611	56,946	68,266	79,566	90,846	102,104	113,341	124,558	135,755	146,932	158,089	169,226	180,343	191,450	
Net Operating Income	\$ 351,421	\$ 472,121	\$ 467,621	\$ 474,691	\$ 481,777	\$ 488,872	\$ 495,971	\$ 503,068	\$ 510,187	\$ 517,231	\$ 524,283	\$ 531,306	\$ 538,291	\$ 545,231	\$ 552,166	\$ 559,097	\$ 565,984	\$ 572,946	
Plus Other Cash Sources:	-	-	231	709	1,204	1,716	2,246	549	1,117	1,704	2,313	2,942	652	1,326	2,024	2,747	3,495	774	
Interest on Reserve Assets	-	(165,000)	165,231	709	1,204	1,716	2,246	549	1,117	1,704	2,313	2,942	652	1,326	2,024	2,747	3,495	774	
CF Tap	-	(165,000)	165,231	709	1,204	1,716	2,246	549	1,117	1,704	2,313	2,942	652	1,326	2,024	2,747	3,495	774	
Total Other Cash Sources	\$ 351,421	\$ 307,121	\$ 632,852	\$ 475,800	\$ 482,981	\$ 490,588	\$ 498,217	\$ 503,617	\$ 511,274	\$ 518,935	\$ 526,596	\$ 534,248	\$ 538,943	\$ 546,557	\$ 554,140	\$ 561,684	\$ 569,179	\$ 573,120	
Available Cash Flow	(180,874)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Cash Requirements/Waterfall:																			
Operating Income as a Source	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
1st Mortgage	-	(193,470)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2nd	-	-	(386,940)	(386,940)	(386,940)	(386,940)	(386,940)	(386,940)	(386,940)	(386,940)	(386,940)	(386,940)	(386,940)	(386,940)	(386,940)	(386,940)	(386,940)	(386,940)	
3rd	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
4th	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
LIP Asset Management Fee	-	(10,150)	(5,305)	(5,464)	(5,628)	(5,797)	(5,971)	(6,150)	(6,335)	(6,525)	(6,721)	(6,923)	(7,131)	(7,345)	(7,565)	(7,791)	(8,021)	(8,254)	
GIP Asset Management Fee	-	(10,300)	(10,609)	(10,927)	(11,255)	(11,593)	(11,941)	(12,299)	(12,668)	(13,048)	(13,439)	(13,842)	(14,257)	(14,685)	(15,126)	(15,581)	(16,051)	(16,526)	
7th	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
8th	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Deferred Developer Fee	-	(26,264)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Seller Financing	-	(66,935)	(229,998)	(72,069)	(79,158)	(86,258)	(93,363)	(98,228)	(105,331)	(112,422)	(119,496)	(126,543)	(133,575)	(140,599)	(147,614)	(154,621)	(161,621)	(168,614)	
11th	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
12th	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
13th	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
14th	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
15th	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
16th	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Incentive Management Fee	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Net Cash Flow	\$ 170,547	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	
Funded from Reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Funded by Operating Guarantees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Cash for Distributions	\$ 170,547	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	
Limited Partner Distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Cash Flow to Fund	\$ 170,550	\$ 170,531	\$ 170,531	\$ 170,531	\$ 170,531	\$ 170,531	\$ 170,531	\$ 170,531	\$ 170,531	\$ 170,531	\$ 170,531	\$ 170,531	\$ 170,531	\$ 170,532	\$ 170,532	\$ 170,532	\$ 170,532	\$ 170,532	
Cumulative	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Debt Service Coverage Ratio	-	2.44	1.21	1.23	1.25	1.26	1.28	1.30	1.32	1.34	1.35	1.37	1.39	1.41	1.43	1.44	1.46	1.48	
DSCR All Hard Debt	-	2.44	1.21	1.23	1.25	1.26	1.28	1.30	1.32	1.34	1.35	1.37	1.39	1.41	1.43	1.44	1.46	1.48	
Income to Expense Ratio	1.98	1.95	1.89	1.87	1.86	1.84	1.83	1.81	1.80	1.78	1.76	1.75	1.73	1.72	1.70	1.69	1.68	1.66	

Income/(Loss)																	Mission Terrace	
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	
NOI before Res. Reserves	351,421	483,671	491,530	499,437	507,388	515,379	523,406	531,464	539,546	547,649	555,766	563,891	572,017	580,136	588,243	596,328	604,384	
Other Taxable Income:																		
Interest on Reserves	-	-	231	709	1,204	1,716	2,246	549	1,117	1,704	2,313	2,942	652	1,326	2,024	2,747	3,495	
State Income Credits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total	\$ -	\$ -	\$ 231	\$ 709	\$ 1,204	\$ 1,716	\$ 2,246	\$ 549	\$ 1,117	\$ 1,704	\$ 2,313	\$ 2,942	\$ 652	\$ 1,326	\$ 2,024	\$ 2,747	\$ 3,495	
Partnership Deductions																		
Interest Limitation Adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Construction Loan Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
1st Mortgage	-	(155,678)	(308,643)	(304,881)	(300,937)	(296,804)	(292,473)	(287,933)	(283,175)	(278,188)	(272,962)	(267,484)	(261,744)	(255,727)	(249,421)	(242,813)	(235,886)	
2nd	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
3rd	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
4th	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
LP Asset Management Fee	(5,000)	(5,150)	(5,305)	(5,464)	(5,628)	(5,797)	(5,971)	(6,150)	(6,335)	(6,525)	(6,721)	(6,923)	(7,131)	(7,345)	(7,565)	(7,795)	(8,030)	
GP Asset Management Fee	-	(10,300)	(10,609)	(10,927)	(11,255)	(11,593)	(11,941)	(12,299)	(12,668)	(13,048)	(13,439)	(13,842)	(14,257)	(14,685)	(15,126)	(15,581)	(16,050)	
7th	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Deferred Developer Fee	-	(765)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
9th	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Seller Financing	(236,975)	(241,085)	(249,399)	(259,981)	(255,319)	(260,603)	(265,834)	(271,008)	(276,191)	(281,317)	(286,384)	(291,590)	(296,336)	(301,307)	(306,219)	(311,070)	(315,160)	
11th	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
12th	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
13th	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
14th	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
15th	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
16th	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Incentive Management Fee	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total	(241,975)	(415,978)	(573,956)	(571,253)	(573,139)	(574,797)	(576,219)	(577,390)	(578,369)	(579,078)	(579,506)	(579,659)	(579,468)	(579,064)	(578,331)	(575,383)	(551,046)	
Depreciation	2,079,426	567,621	567,621	567,621	567,621	567,621	590,085	603,564	589,187	580,561	580,561	603,515	614,700	595,868	584,569	584,569	611,042	
Amortizable Expenses	80,917	38,217	8,491	8,491	8,491	8,491	8,491	8,491	8,491	8,491	8,491	8,491	8,491	8,491	8,491	8,491	5,421	
2,160,343	605,838	576,112	576,112	576,112	576,112	576,112	598,576	612,055	597,678	589,051	589,051	612,006	623,191	604,359	593,060	589,990	616,463	
Taxable Income/(Loss)	\$ (2,050,897)	\$ (538,144)	\$ (658,307)	\$ (647,219)	\$ (640,659)	\$ (633,813)	\$ (649,143)	\$ (657,433)	\$ (655,383)	\$ (618,776)	\$ (610,478)	\$ (624,812)	\$ (629,990)	\$ (601,961)	\$ (581,124)	\$ (544,798)	\$ (559,630)	
Loss Allocation to G.P.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Pre-Admission Income/(Loss)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
*use as loss override	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Initial Income/(Loss) to L.P.	(2,050,692)	(538,091)	(658,241)	(647,154)	(640,595)	(633,750)	(649,078)	(657,367)	(655,320)	(618,714)	(610,417)	(624,750)	(629,927)	(601,901)	(581,066)	(544,743)	(559,574)	
Loss Reallocations to G.P.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total Income/(Loss) to Fund	\$ (2,050,692)	\$ (538,091)	\$ (658,241)	\$ (647,154)	\$ (640,595)	\$ (633,750)	\$ (649,078)	\$ (657,367)	\$ (655,320)	\$ (618,714)	\$ (610,417)	\$ (624,750)	\$ (629,927)	\$ (601,901)	\$ (581,066)	\$ (544,743)	\$ (559,574)	
Cumulative	\$ (2,050,692)	\$ (2,588,783)	\$ (3,247,024)	\$ (3,894,178)	\$ (4,534,773)	\$ (5,168,523)	\$ (5,817,601)	\$ (6,474,968)	\$ (7,110,288)	\$ (7,729,002)	\$ (8,339,419)	\$ (8,964,169)	\$ (9,594,096)	\$ (10,195,997)	\$ (10,777,063)	\$ (11,321,806)	\$ (11,881,380)	
Tax Credits																		
Federal LIHTC	\$ 515,130	\$ 686,840	\$ 686,840	\$ 686,840	\$ 686,840	\$ 686,840	\$ 686,840	\$ 686,840	\$ 686,840	\$ 686,840	\$ 686,840	\$ 686,840	\$ 686,840	\$ 686,840	\$ 686,840	\$ 686,840	\$ 686,840	
Credits to the Fund	\$ 515,078	\$ 686,771	\$ 686,771	\$ 686,771	\$ 686,771	\$ 686,771	\$ 686,771	\$ 686,771	\$ 686,771	\$ 686,771	\$ 686,771	\$ 686,771	\$ 686,771	\$ 686,771	\$ 686,771	\$ 686,771	\$ 686,771	
Federal Historic	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Credits to the Fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
State LIHTC	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Credits to the Fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
State Historic	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Credits to the Fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Energy Credits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Credits to the Fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	

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Reserve Accounts																	Mission Terrace					
Replacements Reserves																						
7/1/2021	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038			
Interest Start																						
Balance at beginning of year			11,550	35,459	60,204	85,815	112,323	27,436	55,831	85,221	115,639	147,122	32,585	66,310	101,216	137,343	174,735	38,701	78,756			
Deposit from initial uses		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Current year interest income	2021	-	231	709	1,204	1,716	2,246	549	1,117	1,704	2,313	2,942	652	1,326	2,024	2,747	3,495	774	1,575			
Current year deposit from operations	2.00%	-	11,550	23,909	24,745	25,611	26,508	27,436	28,396	29,390	30,418	31,483	32,585	33,725	34,906	36,127	37,392	38,701	40,055	41,457		
Less interest income included in C/F	Yes	-	(231)	(709)	(1,204)	(1,716)	(2,246)	(549)	(1,117)	(1,704)	(2,313)	(2,942)	(652)	(1,326)	(2,024)	(2,747)	(3,495)	(774)	(1,575)			
Less expenditures made from account		-	-	-	-	-	(112,323)	-	-	-	-	(147,122)	-	-	-	-	(174,735)	-	-			
End of Year Balance		-	11,550	35,459	60,204	85,815	112,323	27,436	55,831	85,221	115,639	147,122	32,585	66,310	101,216	137,343	174,735	38,701	78,756	120,213		
Operating Reserves																						
4/1/2026	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038			
Interest Start																						
Balance at beginning of year		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Deposit from initial uses	1/1/1999	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Current year interest income	2.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Current year deposit from operations		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Less interest income included in C/F	Yes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Less expenditures made from account		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
End of Year Balance		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Tax/Insurance Escrow																						
7/1/2021	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038			
Interest Start																						
Balance at beginning of year		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Deposit from initial uses	2021	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Current year interest income	2.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Current year deposit from operations		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Less interest income included in C/F	Yes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Less expenditures made from account		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
End of Year Balance		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Other 1																						
7/1/2021	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038			
Interest Start																						
Balance at beginning of year		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Deposit from initial uses	2021	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Current year interest income	2.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Current year deposit from operations		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Less interest income included in C/F	Yes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Less expenditures made from account		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
End of Year Balance		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Other 2																						
7/1/2021	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038			
Interest Start																						
Balance at beginning of year		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Deposit from initial uses	2021	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Current year interest income	2.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Current year deposit from operations		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Less interest income included in C/F	Yes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Less expenditures made from account		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
End of Year Balance		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
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Depreciation and Amortization

Amortizable Expenses

Start Date	Amount Period	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	
Title and Resolving	7/1/2021	204	-	147	294	294	294	294	294	294	294	294	294	294	294	294	
Legal	7/1/2021	204	-	147	294	294	294	294	294	294	294	294	294	294	294	294	
Organizational Lega	7/1/2021	204	-	147	294	294	294	294	294	294	294	294	294	294	294	294	
Accounting/Cost Cen	1/1/2020	180	-	3,070	3,070	3,070	3,070	3,070	3,070	3,070	3,070	3,070	3,070	3,070	3,070	3,070	
Tax Credit Fees	1/1/2020	17	77,847	32,436	1,093	2,185	2,185	2,185	2,185	2,185	2,185	2,185	2,185	2,185	2,185	2,185	
CPI Expensed	7/1/2021	204	-	147	294	294	294	294	294	294	294	294	294	294	294	294	
Parm Loan Fees	7/1/2021	204	-	147	294	294	294	294	294	294	294	294	294	294	294	294	
Rent-Up	1/1/2020	13	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Marketing	1/1/2020	13	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Organization	1/1/2020	13	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other 1	1/1/2020	13	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other 2	1/1/2020	13	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other 3	1/1/2020	13	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other 4	1/1/2020	13	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total		\$	80,917	\$	38,217	\$	8,491	\$	8,491	\$	8,491	\$	8,491	\$	8,491	\$	8,491

Depreciation

		No	Interest Limitation	Bonus Depreciation - PP		Bonus Depreciation - SW		Yes		Yes		100%		0%		0%	
Dep Life	Total	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	
Residential Real Property	30	\$ 5,804,627	100.00%	5,804,627	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	
Building Acquisitor	30	11,224,000	100.00%	11,224,000	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	
Commercial Real Property	30	-	100.00%	-	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	
Site Work	15	799,976	100.00%	799,976	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	
Site Work - TE Use	20	-	100.00%	-	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	
Personal Property	7	-	100.00%	-	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	
Personal Property - TE Use	3	799,976	100.00%	799,976	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	
Personal Property - TE Use	9	\$ 18,628,579	100.00%	\$ 18,628,579	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	
Placed in Service	2020	479,474	567,621	567,621	567,621	567,621	567,621	567,621	567,621	567,621	567,621	567,621	567,621	567,621	567,621	567,621	
Building		799,976	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Site Work		799,976	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Personal Prop			-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Placed in Service	2021	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Building		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Site Work		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Personal Prop		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Placed in Service	2022	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Building		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Site Work		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Personal Prop		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Placed in Service	2023	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Building		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Site Work		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Personal Prop		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Rep. Reserves	2026	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Rep. Reserves	2031	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Rep. Reserves	2036	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total Depreciation		\$ 2,079,426	\$ 567,621	\$ 567,621	\$ 567,621	\$ 567,621	\$ 567,621	\$ 567,621	\$ 567,621	\$ 567,621	\$ 567,621	\$ 567,621	\$ 567,621	\$ 567,621	\$ 567,621	\$ 567,621	
Overrule	No	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total Depreciation		\$ 2,079,426	\$ 567,621	\$ 567,621	\$ 567,621	\$ 567,621	\$ 567,621	\$ 567,621	\$ 567,621	\$ 567,621	\$ 567,621	\$ 567,621	\$ 567,621	\$ 567,621	\$ 567,621	\$ 567,621	

Mission Terrace

Start Date	Amount Period	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Total Depreciation		\$ 2,079,426	\$ 567,621	\$ 567,621	\$ 567,621	\$ 567,621	\$ 567,621	\$ 567,621	\$ 567,621	\$ 567,621	\$ 567,621	\$ 567,621	\$ 567,621	\$ 567,621	\$ 567,621	\$ 567,621
Overrule	No	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Depreciation		\$ 2,079,426	\$ 567,621	\$ 567,621	\$ 567,621	\$ 567,621	\$ 567,621	\$ 567,621	\$ 567,621	\$ 567,621	\$ 567,621	\$ 567,621	\$ 567,621	\$ 567,621	\$ 567,621	\$ 567,621

Depreciation

		Bonus Depreciation Percentage, if applicable	
		100%	0%
Total Depreciable Basis		\$ 18,628,579	
Less Historic Credit		-	
Less Grants		-	
Less Dep. Fee allocated to Land		-	
Less Other		-	
Deferred dep. for cash basis DDI		-	
Net Depreciable Basis		\$ 18,628,579	

Depreciation

		Bonus Depreciation Percentage, if applicable	
		100%	0%
Total Depreciable Basis		\$ 18,628,579	
Less Historic Credit		-	
Less Grants		-	
Less Dep. Fee allocated to Land		-	
Less Other		-	
Deferred dep. for cash basis DDI		-	
Net Depreciable Basis		\$ 18,628,579	

Depreciation

		Bonus Depreciation Percentage, if applicable	
		100%	0%
Total Depreciable Basis		\$ 18,628,579	
Less Historic Credit		-	
Less Grants		-	
Less Dep. Fee allocated to Land		-	
Less Other		-	
Deferred dep. for cash basis DDI		-	
Net Depreciable Basis		\$ 18,628,579	

Depreciation

		Bonus Depreciation Percentage, if applicable	
		100%	0%
Total Depreciable Basis		\$ 18,628,579	
Less Historic Credit		-	
Less Grants		-	
Less Dep. Fee allocated to Land		-	
Less Other		-	
Deferred dep. for cash basis DDI		-	
Net Depreciable Basis		\$ 18,628,579	

Depreciation

		Bonus Depreciation Percentage, if applicable	
		100%	0%
Total Depreciable Basis		\$ 18,628,579	
Less Historic Credit		-	
Less Grants		-	
Less Dep. Fee allocated to Land		-	
Less Other		-	
Deferred dep. for cash basis DDI		-	
Net Depreciable Basis		\$ 18,628,579	

Depreciation

		Bonus Depreciation Percentage, if applicable	
		100%	0%
Total Depreciable Basis		\$ 18,628,579	
Less Historic Credit		-	
Less Grants		-	
Less Dep. Fee allocated to Land		-	
Less Other		-	
Deferred dep. for cash basis DDI		-	
Net Depreciable Basis		\$ 18,628,579	

Depreciation

		Bonus Depreciation Percentage, if applicable	
		100%	0%
Total Depreciable Basis		\$ 18,628,579	
Less Historic Credit		-	
Less Grants		-	
Less Dep. Fee allocated to Land		-	
Less Other		-	
Deferred dep. for cash basis DDI		-	
Net Depreciable Basis		\$ 18,628,579	

Depreciation

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		100%	0%
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Less Historic Credit		-	
Less Grants		-	
Less Dep. Fee allocated to Land		-	
Less Other		-	
Deferred dep. for cash basis DDI		-	
Net Depreciable Basis		\$ 18,628,579	

Depreciation

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		100%	0%
Total Depreciable Basis		\$ 18,628,579	
Less Historic Credit		-	
Less Grants		-	
Less Dep. Fee allocated to Land		-	
Less Other		-	
Deferred dep. for cash basis DDI		-	
Net Depreciable Basis		\$ 18,628,579	

Depreciation

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		100%	0%
Total Depreciable Basis		\$ 18,628,579	
Less Historic Credit		-	
Less Grants		-	
Less Dep. Fee allocated to Land		-	
Less Other		-	
Deferred dep. for cash basis DDI		-	
Net Depreciable Basis		\$ 18,628,579	

Depreciation

		Bonus Depreciation Percentage, if applicable	
		100%	0%
Total Depreciable Basis		\$ 18,628,579	
Less Historic Credit		-	
Less Grants		-	
Less Dep. Fee allocated to Land		-	
Less Other		-	
Deferred dep. for cash basis DDI		-	
Net Depreciable Basis		\$ 18,628,579	

Depreciation

		Bonus Depreciation Percentage, if applicable	
		100%	0%
Total Depreciable Basis		\$ 18,628,579	
Less Historic Credit		-	
Less Grants		-	
Less Dep. Fee allocated to Land		-	
Less Other		-	
Deferred dep. for cash basis DDI		-	
Net Depreciable Basis		\$ 18,628,579	

Depreciation

		Bonus Depreciation Percentage, if applicable	
		100%	0%
Total Depreciable Basis		\$ 18,628,579	
Less Historic Credit		-	
Less Grants		-	
Less Dep. Fee allocated to Land		-	
Less Other		-	
Deferred dep. for cash basis DDI		-	
Net Depreciable Basis		\$ 18,628,579	

Depreciation

		Bonus Depreciation Percentage, if applicable	
		100%	0%
Total Depreciable Basis		\$ 18,628,579	
Less Historic Credit		-	
Less Grants		-	
Less Dep. Fee allocated to Land		-	
Less Other		-	
Deferred dep. for cash basis DDI		-	
Net Depreciable Basis		\$ 18,628,579	

Depreciation

		Bonus Depreciation Percentage, if applicable	
		100%	0%
Total Depreciable Basis		\$ 18,628,579	
Less Historic Credit		-	
Less Grants		-	
Less Dep. Fee allocated to Land		-	
Less Other		-	
Deferred dep. for cash basis DDI		-	
Net Depreciable Basis		\$ 18,628,579	

Depreciation

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		100%	0%
Total Depreciable Basis		\$ 18,628,579	
Less Historic Credit		-	
Less Grants		-	
Less Dep. Fee allocated to Land		-	
Less Other		-	
Deferred dep. for cash basis DDI		-	
Net Depreciable Basis		\$ 18,628,579	

Depreciation

		Bonus Depreciation Percentage, if applicable	
		100%	0%
Total Depreciable Basis		\$ 18,628,579	
Less Historic Credit		-	
Less Grants		-	
Less Dep. Fee allocated to Land		-	
Less Other		-	
Deferred dep. for cash basis DDI		-	
Net Depreciable Basis		\$ 18,628,579	

Depreciation

		Bonus Depreciation Percentage, if applicable	
		100%	0%
Total Depreciable Basis		\$ 18,628,579	
Less Historic Credit		-	
Less Grants		-	
Less Dep. Fee allocated to Land		-	
Less Other		-	
Deferred dep. for cash basis DDI		-	
Net Depreciable Basis		\$ 18,628,579	

Depreciation

		Bonus Depreciation Percentage, if applicable	
		100%	0%
Total Depreciable Basis		\$ 18,628,579	
Less Historic Credit		-	
Less Grants		-	
Less Dep. Fee allocated to Land		-	
Less Other		-	
Deferred dep. for cash basis DDI		-	
Net Depreciable Basis		\$ 18,628,579	

Depreciation

		Bonus Depreciation Percentage, if applicable	
		100%	0%
Total Depreciable Basis		\$ 18,628,579	
Less Historic Credit		-	
Less Grants		-	
Less Dep. Fee allocated to Land		-	
Less Other		-	</

Limited Partner Capital Account																	Mission Terrace																	
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036																	
Capital Account % 99.99%																																		
Beginning Balance	\$	(1,287,806)	\$	3,463,459	\$	2,805,218	\$	2,158,064	\$	1,517,469	\$	883,719	\$	234,641	\$	(422,726)	\$	(1,058,046)	\$	(1,676,760)	\$	(2,287,177)	\$	(2,911,927)	\$	(3,541,855)	\$	(4,143,756)	\$	(4,724,822)	\$	(5,269,565)		
Contributions		952,416		5,289,357		-		-		-		-		-		-		-		-		-		-		-		-		-		-		
Distributions		(170,530)		(0)		(0)		(0)		(0)		(0)		(0)		(0)		(0)		(0)		(0)		(0)		(0)		(0)		(0)		(0)		
Energy Credits		-		-		-		-		-		-		-		-		-		-		-		-		-		-		-		-		
Historic Credits		-		-		-		-		-		-		-		-		-		-		-		-		-		-		-		-		
Yr of Credit		-		-		-		-		-		-		-		-		-		-		-		-		-		-		-		-		
Excess Business Interest		-		-		-		-		-		-		-		-		-		-		-		-		-		-		-		-		
	762,886	4,001,550	3,463,459	2,805,218	2,158,064	1,517,469	883,719	234,641	(422,726)	(1,058,046)	(1,676,760)	(2,287,177)	(2,911,928)	(3,541,855)	(4,143,756)	(4,724,822)	(5,269,565)																	
Income/(Losses) to L.P.	(2,050,692)	(538,091)	(638,241)	(647,154)	(640,595)	(633,750)	(649,078)	(657,367)	(655,320)	(618,714)	(610,417)	(624,750)	(629,927)	(601,901)	(581,066)	(544,743)	(539,574)																	
Reallocation of losses to G.P.	(2,050,692)	(538,091)	(638,241)	(647,154)	(640,595)	(633,750)	(649,078)	(657,367)	(655,320)	(618,714)	(610,417)	(624,750)	(629,927)	(601,901)	(581,066)	(544,743)	(539,574)																	
Total Income/(Losses) to L.P.	\$	(1,287,806)	\$	3,463,459	\$	2,805,218	\$	2,158,064	\$	1,517,469	\$	883,719	\$	234,641	\$	(422,726)	\$	(1,058,046)	\$	(1,676,760)	\$	(2,287,177)	\$	(2,911,927)	\$	(3,541,855)	\$	(4,143,756)	\$	(4,724,822)	\$	(5,269,565)		
Year End Balance																																		
Basis Calculation																																		
Capital Account Balance before losses	762,886	4,001,550	3,463,459	2,805,218	2,158,064	1,517,469	883,719	234,641	(422,726)	(1,058,046)	(1,676,760)	(2,287,177)	(2,911,928)	(3,541,855)	(4,143,756)	(4,724,822)	(5,269,565)																	
Minimum Gain	1,500,000	-	-	-	-	-	359,663	1,008,539	1,655,369	2,245,593	2,847,521	3,537,354	4,138,772	4,732,182	5,324,758	5,864,080	6,505,592																	
Deferred Restoration Obligation	2,262,886	4,001,550	3,463,459	2,805,218	2,158,064	1,517,469	1,243,382	1,243,180	1,212,643	1,187,547	1,170,760	1,230,157	1,246,844	1,210,327	1,181,002	1,139,259	1,236,028																	
Maximum Loss Allocation																																		
Nonrecourse Debt Analysis																																		
1st Mortgage	100%	-	6,598,129	6,519,832	6,437,773	6,351,770	6,261,634	6,167,167	6,068,160	5,964,395	5,855,643	5,741,665	5,622,209	5,497,013	5,365,800	5,228,281	5,084,154	4,933,100																
2nd	0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-																
3rd	0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-																
4th	0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-																
L.P. Asset Management Fee	0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-																
GP Asset Management Fee	0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-																
7th	0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-																
Deferred Developer Fee	0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-																
9th	0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-																
Seller Financing	100%	8,136,154	8,332,705	8,510,617	8,686,778	8,861,123	9,033,592	9,206,372	9,377,232	9,546,127	9,713,015	9,877,862	10,043,583	10,207,303	10,369,013	10,505,339	10,638,260																	
11th	0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-																
12th	0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-																
13th	0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-																
14th	0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-																
15th	0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-																
16th	0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-																
Incentive Management Fee	0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-																
Less Lender Held Reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-																
Replicoments Reserves	Yes	-	(11,550)	(35,459)	(60,204)	(85,815)	(112,323)	(27,456)	(55,831)	(85,221)	(115,639)	(147,122)	(32,585)	(66,310)	(101,216)	(137,343)	(174,735)																	
Operating Reserves	Yes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-																
Tax/Insurance Escrow	Yes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-																
Other 1	Yes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-																
Other 2	Yes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-																
	\$	8,136,154	\$	14,809,883	\$	14,817,078	\$	14,888,186	\$	14,952,753	\$	15,010,434	\$	15,173,323	\$	15,218,700	\$	15,256,406	\$	15,286,130	\$	15,307,538	\$	15,340,486	\$	15,471,887	\$	15,459,951	\$	15,414,758	\$	15,532,659		
Net Book Value of Assets																																		
Initial Depreciable Cost		18,628,579	18,628,579	18,628,579	18,628,579	18,628,579	18,628,579	18,628,579	18,628,579	18,628,579	18,628,579	18,628,579	18,628,579	18,628,579	18,628,579	18,628,579	18,628,579																	
Land		1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000																	
Other non-depreciable costs		136,500	136,500	136,500	136,500	136,500	136,500	136,500	136,500	136,500	136,500	136,500	136,500	136,500	136,500	136,500	136,500																	
Additions to depreciable basis		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-																
Tax Credit Basis Reduction		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-																
Accumulated Depreciation		(2,079,426)	(2,647,047)	(3,214,668)	(3,782,289)	(4,349,910)	(4,917,531)	(5,507,616)	(6,111,180)	(6,700,367)	(7,280,928)	(7,861,488)	(8,465,003)	(9,079,703)	(9,675,572)	(10,260,141)	(11,455,753)																	
Net Book Value	\$	18,185,653	\$	17,618,032	\$	17,050,411	\$	16,482,790	\$	15,915,169	\$	15,347,548	\$	14,813,024	\$	14,210,060	\$	13,620,873	\$	13,040,313	\$	12,459,752	\$	11,929,798	\$	11,315,098	\$	10,719,230	\$	10,134,660	\$	9,550,091	\$	9,026,416
Minimum Gain		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-																
L.P. Minimum Gain	\$	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-																

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Lower Tier Benefits Schedule													Mission Terrace		
Year	Equity Contribution	Projected Taxable Income (Loss)	Deduct Stressed Cash Flow 100.00%	Projected Tax Benefits 21.00%	Projected Federal Housing Tax Credits	Projected Historic Rehab Tax Credits	Projected State Tax Credits	Federal Tax Effect on State Credits	Projected Historic Credits	Projected Energy Credits	Projected Total Tax Benefits	0.00% Projected Cash Flow	Total Investing L.P. Benefits		
2020	933,416	(2,050,692)	170,530	466,457	515,078	-	-	-	-	-	981,535	-	981,535		
2021	5,289,357	(538,091)	0	112,999	686,771	-	-	-	-	-	799,770	-	799,770		
2022	-	(658,241)	0	138,231	686,771	-	-	-	-	-	825,002	-	825,002		
2023	-	(647,154)	0	135,902	686,771	-	-	-	-	-	822,673	-	822,673		
2024	-	(640,595)	-	134,525	686,771	-	-	-	-	-	821,296	-	821,296		
2025	-	(633,750)	-	133,088	686,771	-	-	-	-	-	819,859	-	819,859		
2026	-	(649,078)	-	136,306	686,771	-	-	-	-	-	823,077	-	823,077		
2027	-	(657,367)	-	138,047	686,771	-	-	-	-	-	824,818	-	824,818		
2028	-	(635,320)	-	133,417	686,771	-	-	-	-	-	820,188	-	820,188		
2029	-	(618,714)	-	129,930	686,771	-	-	-	-	-	816,701	-	816,701		
2030	-	(610,417)	0	128,188	171,693	-	-	-	-	-	299,881	-	299,881		
2031	-	(624,750)	-	131,198	-	-	-	-	-	-	131,198	-	131,198		
2032	-	(629,927)	0	132,285	-	-	-	-	-	-	132,285	-	132,285		
2033	-	(601,901)	-	126,399	-	-	-	-	-	-	126,399	-	126,399		
2034	-	(581,066)	-	122,024	-	-	-	-	-	-	122,024	-	122,024		
2035	-	(544,743)	-	114,396	-	-	-	-	-	-	114,396	-	114,396		
2036	-	-	-	-	-	-	-	-	-	-	-	-	-		
2037	-	-	-	-	-	-	-	-	-	-	-	-	-		
2038	-	-	-	-	-	-	-	-	-	-	-	-	-		
Total	6,222,773	(11,321,806)	170,532	2,413,391	6,867,710	-	-	-	-	-	9,281,101	-	9,281,101		
Sale		5,269,565		(1,106,609)							(1,106,609)	-	(1,106,609)		
Totals	6,222,773	(6,052,241)	170,532	1,306,782	6,867,710	-	-	-	-	-	8,174,492	-	8,174,492		

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ATTACHMENT 6

HOUSING COMMISSION MULTIFAMILY HOUSING REVENUE BOND PROGRAM SUMMARY

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

Bond Issuer: Housing Authority of the City of San Diego. There is no direct legal liability to the City, the Housing Authority or the Housing Commission in connection with the issuance or repayment of bonds. There is no pledge of the City's faith, credit or taxing power nor of the Housing Authority's faith and 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: Members of the City Council may 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.

ATTACHMENT 7 – DEVELOPER’S DISCLOSURE STATEMENT



December 26, 2019

Memorandum

To: Colin Miller, Joe Correia - San Diego Housing Commission

From: Bob Gamble, Nick Jones, Alex Laine - PFM Financial Advisors, LLC

RE: Actions related to the proposed issuance of up to \$12 million
Multifamily Housing Revenue Bonds (Mission Terrace) Series 2020

Dear Mr. Miller,

You have asked PFM Financial Advisors, LLC (“PFM”) to review the proposed financing and recommend whether, in our judgment, it is reasonable for the Housing Authority of the City of San Diego (the “Housing Authority”) to issue the tax-exempt Multifamily Housing Revenue Bonds (the “Bonds”) in connection with Mission Terrace Apartments (the “Project”) by San Diego Interfaith Housing Foundation (the “Borrower” or the “Developer”). In preparing this report, we have reviewed financial projections and background information provided by the Developer and the San Diego Housing Commission (the “Housing Commission” or “SDHC”).

The specific findings this report addresses are:

- Whether the financing will achieve a public purpose by creating or preserving affordable housing
- Whether the Housing Authority will avoid undue financial risk in undertaking the financing
- Whether the Project will be able to meet debt service payments after the proposed financing

As described below, we find that all of the conditions are met and therefore recommend that the Housing Authority authorize the issuance of the Bonds.

Description of the Project

Mission Terrace Apartments is an existing project located on a 3.14-acre site, consisting of 76 restricted rental units and 1 unrestricted manager unit. The restricted units are made up of 23 three-bedroom, 16 two-bedroom, and 37 one-bedroom units. Renovations will encompass exterior and interior upgrades, such as a new roof, upgrades to community laundry facilities, new kitchen and bath cabinetry, countertops and plumbing fixtures, new bathroom tubs, low flow toilets, bathroom mirrors and fans, drywall repair, new kitchen ranges, hoods and refrigerators, new flooring, and smoke and carbon monoxide detectors. Common or site area renovations will consist of ADA updates, railing replacement, and asphalt repair. Rehabilitation is expected to begin in February 2020 and be complete by December 2020.



The current estimate of site acquisition and hard construction costs is \$12,636,500 (\$164,110 per unit) and \$3,893,875 (\$50,570 per unit), respectively. Funds for the development of the Project will be raised through various sources including equity capital and the issuance of the Bonds. The proposed development pro-forma estimates that there are \$21,064,358 in total project costs (\$273,563 per unit).

The Developer

San Diego Interfaith Housing Foundation (“SDIHF”) is a non-profit developer of affordable apartments throughout San Diego County for low and moderate income families, seniors, and persons with disabilities. Since 1968, SDIHF has developed more than 1,500 affordable apartment homes in San Diego County. SDIHF independently finances, owns, and operates all of its affordable housing units. Founded by local churches, SDIHF seeks to create housing affiliated with resident services—some of which are offered onsite—that support and encourage residents to pursue additional education and set job-training goals.

The Financing

An aggregate amount not exceeding \$12,000,000 of the Housing Authority’s Bonds will initially be issued to support the financing of the Project. California Bank and Trust (the “Lender”) will serve as the bond purchaser and Red Stone Equity Partners will serve as equity investor. Tax credits and tax exemption were allocated to the project by California Tax Credit Allocation Committee (“TCAC”) and California Debt Limit Allocation Committee (“CDLAC”) in an amount of \$12,000,000 on December 11th, 2019. The transaction is scheduled to close in early February 2020.

The Bonds will bear a fixed interest rate locked at closing, estimated at 4.70%, and will amortize over 35 years. The Bonds will be purchased by the Lender through a permanent loan, which will be repaid by the Borrower. The Developer has secured a commitment from the Lender to purchase the Bonds. In addition to the Bonds, the Project will be financed by other Permanent Sources, detailed in Table 1 below:



Table 1
Sources and Uses of Funds

Sources:

Permanent Loan	\$ 6,635,921
Seller Note	7,899,179
Deferred Developer Fee	25,501
Funds on Hand	280,874
Tax Credit Equity	6,222,883
Total Sources	\$21,064,358

Uses:

Acquisition Costs	\$12,636,500
Construction Costs - Hard Costs	3,893,875
Construction Costs - Soft Costs	1,134,369
Construction Contingency	405,630
Reserves	293,117
Cost of Issuance	271,052
Developer Fee	2,429,815
Total Uses	\$21,064,358

Achieving Public Purpose

Through the proposed bond issuance, the Project will provide housing for low income households. The Project proposes to restrict all 76 non-manager units for households earning no greater than 60% of Area Median Income ("AMI"), with 23 of the units targeted at households earning no greater than 50% of AMI, and 15 of the units targeted at households earning no greater than 35% of AMI. The affordability term of the project is 55 years. Maximum bond rents for the Project are summarized in Table 2 below:



Table 2
Rent Comparison

Unit Type	Area Median Income	Units	Proposed Gross Rents	Estimated Market Rents	Savings
1 Bedroom	35%	7	694	1,920	1,226
	50%	15	954	1,920	966
	60%	15	1,074	1,920	846
2 Bedroom	35%	3	834	2,360	1,526
	50%	3	1,099	2,360	1,261
	60%	10	1,294	2,360	1,066
3 Bedroom	35%	5	930	3,255	2,325
	50%	5	1,320	3,255	1,935
	60%	13	1,590	3,255	1,665
Manager	-	1	0	0	0
Total		77			\$97,725
Total Annual Savings for All Units					\$1,172,700

Meeting Debt Service After Financing

As shown in Table 3 below, the Project will have ample cash flow to meet debt service upon completion and rent-up. Based upon our review of the Developer's proposed rents and estimated costs, there will be \$467,621 of net income (net of reserve deposits) available for the first full year of debt service in 2022. Debt service coverage in the first full year is estimated at 1.21 times. By the fifth full year of debt service, assuming a 2.5% annual increase in gross income and a 3.5% annual increase in operating expenses, debt service coverage is projected to increase to 1.28 times.



Table 3
Estimated Cash Flow

Year:	2022	2023	2024	2025	2026
Rental Income	\$1,037,408	\$1,063,343	\$1,089,927	\$1,117,175	\$1,145,104
Less: Vacancy @ 5%	(51,870)	(53,167)	(54,496)	(55,859)	(57,255)
Plus: Other Income	7,489	7,676	7,868	8,064	8,266
Effective Gross Income	\$993,026	\$1,017,852	\$1,043,298	\$1,069,381	\$1,096,115
Less: Operating and Insurance	(420,351)	(435,063)	(450,290)	(466,050)	(482,362)
Less: Insurance	(17,890)	(18,516)	(19,164)	(19,835)	(20,529)
Less: Management Fee	(63,038)	(64,613)	(66,229)	(67,884)	(69,582)
Less: Property Taxes	(218)	(223)	(227)	(232)	(236)
Less: Replacement Reserve	(23,909)	(24,745)	(25,611)	(26,508)	(27,436)
Net Income	\$467,621	\$474,691	\$481,777	\$488,872	\$495,971
Permanent Loan Debt Service	(\$386,940)	(\$386,940)	(\$386,940)	(\$386,940)	(\$386,940)
Debt Service Coverage ¹	1.21	1.23	1.25	1.26	1.28

¹Calculated by dividing Net Income by Permanent Loan Debt Service

Conclusion

The proposed financing will create no undue risk for the Housing Authority. The Borrower has agreed to pay all costs of issuance for the financing and to indemnify the City, the Housing Authority and the Housing Commission regarding matters relating to the financing. It should be noted that the Borrower will have no significant assets or sources of income other than the Project and neither the Borrower nor the Housing Authority would be required under most circumstances to make up any cash flow shortfalls.

Based upon our review, we recommend that the Housing Authority proceed with the financing. This recommendation is based upon the following findings:

- The financing would achieve a public purpose by providing 76 affordable units, all affordable at 60% of AMI, 23 targeted at 50% of AMI, and 15 targeted at 35% of AMI, for a period of 55 years.
- The Borrower has agreed to indemnify the City, the Housing Authority and the Housing Commission regarding any matters related to the financing. The Borrower will pay all costs of the financing.
- Based upon estimates by the Developer that have been reviewed and confirmed by the bond purchaser, there are sufficient funds to complete the Project, and the Project provides adequate debt service coverage.



- Since the financing is unrated, the Housing Commission's policies regarding the purchase and transfer of the Bonds will apply; these include requirements that the buyers be sophisticated institutional buyers or qualified institutional buyers. These requirements will travel from the initial buyers to subsequent buyers of the Bonds.

If there is any additional information you require concerning this matter, we will be glad to provide it as a supplement to this report.

Sincerely,
PFM Financial Advisors, LLC

A handwritten signature in black ink, appearing to read "Robert T. Gamble".

Robert T. Gamble
Managing Director

ATTACHMENT 8 – DEVELOPER'S DISCLOSURE STATEMENT

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

1. Name of CONTRACTOR: San Diego Interfaith Housing Foundation
2. Address and Zip Code: 7956 Lester Ave., Lemon Grove, CA 91945
3. Telephone Number: 619-668-1532 Ext. 313
4. Name of Principal Contact for CONTRACTOR: Matthew B. Jumper
5. Federal Identification Number or Social Security Number of CONTRACTOR: 95-2593136
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: _____

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:
February 28, 1969
8. Provide names, addresses, telephone numbers, title of position (if any) and nature and extent of the interest of the current officers, principal members, shareholders, and investors of the CONTRACTOR, other than a government agency or instrumentality, as set forth below:
 - a. If the CONTRACTOR is a corporation, the officers, directors or trustees, and each stockholder owning more than 10% of any class of stock.
 - b. If the CONTRACTOR is a nonprofit or charitable institution or corporation, the members who constitute the board of trustees or board of directors or similar governing body. **SEE ATTACHED LIST**

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

Name and Address	Position Title (if any) and percent of interest or description of character and extent of interest
Name: San Diego Interfaith Housing Foundation	Guarantor – See attached list of Board of Directors
Address: 7956 Lester Ave., Lemon Grove, CA 91945	
Name:	
Address:	
Name:	
Address:	

9. Has the makeup as set forth in Item 8(a) through 8(e) changed within the last twelve (12) months? **NO** If yes, please explain in detail.
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? **NO** If yes, please explain in detail.
11. Provide name, address, telephone number, and nature and extent of interest of each person or entity (not named in response to Item 8) who has a beneficial interest in any of the shareholders or investors named in response to Item 8 which gives such person or entity more than a computed 10% interest in the CONTRACTOR (for example, more than 20% of the stock in a corporation which holds 50% of the stock of the CONTRACTOR or more than 50% of the stock in the corporation which holds 20% of the stock of the CONTRACTOR): **NOT APPLICABLE**

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: **NOT APPLICABLE**

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:	

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

Name and Address	Relationship to CONTRACTOR
Name: See attached Organizational Chart of affiliated Interfaith entities	Shares the same Board Directors – See list already provided in 8.b.
Address:	
Name:	
Address:	
Name:	
Address:	

14. Provide the financial condition of the CONTRACTOR as of the date of the statement and for a period of twenty-four (24) months prior to the date of its statement as reflected in the attached financial statements, including, but not necessarily limited to, profit and loss statements and statements of financial position. **See 2017 & 2018 Audits and recent YTD IncomeExpense Statement and Balance Sheet**
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:

Please see earlier RedStone document provided, which is titled: "Sources of Funds"

16. Provide sources and amount of cash available to CONTRACTOR to meet equity requirements of the proposed undertaking:

- a. In banks/savings and loans:
Name:
Address:
Amount: \$

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

Name: **Mission Terrace Associates, LP (Seller Note)**

Address: **7956 Lester Avenue, Lemon Grove, CA 91945**

Amount: **\$ 4,564,211 (Estimated)**

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

Description	Market Value (\$)	Mortgages or Liens (\$)
Mission Terrace Apartments	FORTHCOMING	a) \$837,757
		b) \$2,873,312

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

Name and Address	Contact Name
Name: California Bank & Trust	Steve Herman, Sr. VP & Manager
Address: 1940 Century Park East, Ste. 120	310-407-6181
Los Angeles, CA 90067	
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. **NOT APPLICABLE**

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. **NOT APPLICABLE**

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
CMFA Multi-Family Housing Revenue Bond 2013Series A	DP-DM Housing Partners, L.P. 82 Units, Scattered Site Rehabilitation	8/2013	\$8,225,516	NONE
Multi-Family Housing Revenue Bond 2010Series G	Orange Villas, L.P. 18 Units, Scattered Site Rehabilitation & New Construction	4/2009	\$2,808,171	NONE
Multi-Family Housing Revenue Bond 2007Series D	Redwood Villas Sr. Housing Partner, L.P. 92 Units, Rehabilitation	5/2008	\$2,470,000	NONE
Multi-Family Housing Revenue Bond 2007Series E	Redwood Villas Sr. Housing Partner, L.P. 92 Units, Rehabilitation	5/2008	\$3,580,000	NONE

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: **NOT APPLICABLE: We will contract with a 3rd party builder/general contractor. Unknown at this time.**

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

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

- b. Has such contractor or builder within the last 10 years ever failed to qualify as a responsible bidder, refused to enter into a contract after an award has been made, or failed to complete a construction or development contract?

☐ Yes ☒ No

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

- c. Total amount of construction or development work performed by such contractor or builder during the last three (3) years: \$_____ **NOT APPLICABLE AT THIS TIME**

General description of such work: **NOT APPLICABLE AT THIS TIME**

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) **NOT APPLICABLE AT THIS TIME**

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

d. Construction contracts or developments now being performed by such contractor or builder: **NOT APPLICABLE AT THIS TIME**

Identification of Contract or Development	Location	Amount	Date to be Completed

e. Outstanding construction-contract bids of such contractor or builder: **NOT APPLICABLE AT THIS TIME**

Awarding Agency	Amount	Date Opened

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: **NOT APPLICABLE AT THIS TIME**

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

☐ Yes

☒ No

If yes, explain:

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

San Diego Interfaith Housing Foundation has been dedicated to providing, operating, sustaining and advocating for quality, safe, affordable housing for low and moderate income persons that fosters diverse community and life enrichment for 50 years. It has developed 1,435 units in the City/County of San Diego to date.

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)] **See Comprehensive Attachment**

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

See:

Kettering Rose Insurance Company
3545 Camino Del Rio South, Ste. A
San Diego, CA 92108
619 291 7777 phone

License #0E24666

-and-

HUB International Insurance Services Inc.
9855 Scranton Road Suite 100, San Diego, CA 92121
858.255.3261
License #0757776

- 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)] **See Attachment**
- d. Professional Liability (Errors and Omissions) [Attach certificate of insurance showing the amount of coverage and coverage period(s)] **See Attachment**
- e. Excess Liability [Attach certificate(s) of insurance showing the amount of coverage and coverage period(s)] **See Attachment from 26.a. above**
- 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 the SDHC setting forth the provisions of this nondiscrimination clause.
28. The CONTRACTOR warrants and certifies that it will not without prior written consent of the SDHC, engage in any business pursuits that are adverse, hostile or take incompatible positions to the interests of the SDHC, during the term of the PROJECT, DEVELOPMENT, LOAN, GRANT, CONTRACT and/or RENDITION OF SERVICES.
29. CONTRACTOR warrants and certifies that no member, commissioner, councilperson, officer, or employee of the SDHC, the AUTHORITY and/or the CITY, no member of the governing body of the locality in which the PROJECT is situated, no member of the government body in which the SDHC was activated, and no other public official of such locality or localities who exercises any functions or responsibilities with respect to the assignment of work, has during his or her tenure, or will for one (1) year thereafter, have any interest, direct or indirect, in this PROJECT or the proceeds thereof.

30. List all citations, orders to cease and desist, stop work orders, complaints, judgments, fines, and penalties received by or imposed upon CONTRACTOR for safety violations from any and all government entities including but not limited to, the City of San Diego, County of San Diego, the State of California, the United States of America and any and all divisions and departments of said government entities for a period of five (5) years prior to the date of this statement. If none, please state: **NONE**

Government Complaint	Entity	Making	Date	Resolution

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

☐ Yes

☒ No

If yes, please explain, in detail.

32. Please list all licenses obtained by the CONTRACTOR through the State of California and/or the United States of America which are required and/or will be utilized by the CONTRACTOR and/or are convenient to the performance of the PROJECT, DEVELOPMENT, LOAN, GRANT, CONTRACT, or RENDITION OF SERVICES. State the name of the governmental agency granting the license, type of license, date of grant, and the status of the license. together with a statement as to whether the License has ever been revoked: **NONE**

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

33. Describe in detail any and all other facts, factors or conditions that may adversely affect CONTRACTOR's ability to perform or complete, in a timely manner, or at all, the PROJECT, CONTRACT, SALES of Real Property to, DEVELOPMENT, repayment of the LOAN, adherence to the conditions of the GRANT, or performance of consulting or other services under CONTRACT with the SDHC. **NO FACTORS, FACTS or CONDITIONS IMPEDE San Diego Interfaith Housing Foundation's ability to successfully complete its purposes stated herein.**

34. Describe in detail, any and all other facts, factors or conditions that may favorably affect CONTRACTOR's ability to perform or complete, in a timely manner, or at all, the PROJECT, CONTRACT, DEVELOPMENT, repayment of the LOAN, adherence to the conditions of the GRANT, or performance of consulting or other services under CONTRACT with the SDHC. **With a management team led by President Matthew B. Jumper, San Diego Interfaith Housing Foundation has provided quality, safe, affordable housing for low and moderate income persons in the City/County of San Diego for 50 years, successfully developing 1,435 units.**

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

Date	Entity Involved (i.e. City SDHC, etc)	Status (Current, delinquent, repaid, etc.)	Dollar Amount
3/15/2017	SDHC RE: Palm Terrace Apts.	Repaid	\$2,741,192

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:

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:

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

1. Name: Charles Davis, Urban West Development
Address: 3427 Evergreen Road Bonita CA 91902
Phone: 619-944-8466
Project Name and Description: Iowa Street Senior Apartments, New Construction, 120 Units (North Park)
2. Name: Jon McMillan, The Tall Man Group Inc.
Address: 9548 Vista Aleta Valley Center CA 92082
Phone: 760-212-2322
Project Name and Description: C4 Apartments, Scattered Site Rehabilitation, 35 Units (Coronado)
3. Name: Brian Wardwell, Sun Country Builders
Address: 3156 Lionshead Avenue, Carlsbad, CA 92010
Phone: 760-630-8042
Project Name and Description: Iowa Street Senior Apartments, New Construction, 120 Units (North Park)

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. **Led by SDIHF President**

Matthew B. Jumper since 1992, he has guided development of award winning communities such as: *Brookview Village* in Poway, *Mission Terrace* in Mission Valley, *Redwood Villa* in Oak Park, *Metro Villas* in City Heights, *Renaissance at North Park* in North Park, *Cornerstone Court* in El Cajon, *Lillian Place* in East Village, *Coronado Seniors*, *525 Orange* and *Orange Villas* in Coronado, *Brighton Place* in Poway, and *Iowa Street Seniors* in North Park. Drawing upon substantial knowledge and experience involving affordable housing finance & construction, for over 27 years SDIHF has exercised care and prudent construction capabilities in pooling available local resources for successful project completions.

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

Name	Experience
To Be Determined	We will contract with a 3 rd party builder/general contractor. Unknown at this time.

CONSENT TO PUBLIC DISCLOSURE BY CONTRACTOR

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

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

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

Executed this 21st day of May, 20 19, at San Diego, California.

CONTRACTOR

By: _____

Signature

Title

President

CERTIFICATION

San Diego Interfaith

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

By: [Signature]

By: _____

Title: President

Title: _____

Dated: 5/21/19

Dated: _____

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

JURAT

State of California

County of San Diego

Subscribed and sworn to (or affirmed) before me on this 21 day of May, 2019

by Matthew B. Jumper personally known to me or proved to me on the basis of

satisfactory evidence to be the person~~s~~ who appeared before me.



[Signature]
Signature of Notary

SEAL

SAN DIEGO INTERFAITH HOUSING FOUNDATION, INC.

FINANCIAL STATEMENTS - INCOME TAX BASIS

MARCH 31, 2017 AND 2016



Leaf & Cole, LLP

Certified Public Accountants

A Partnership of Professional Corporations

**SAN DIEGO INTERFAITH HOUSING FOUNDATION, INC.
FINANCIAL STATEMENTS - INCOME TAX BASIS
MARCH 31, 2017 AND 2016**

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Leaf & Cole, LLP
Certified Public Accountants
A Partnership of Professional Corporations

Independent Auditor's Report

To the Board of Directors
San Diego Interfaith Housing Foundation, Inc.
7956 Lester Avenue
Lemon Grove, California 91945

We have audited the accompanying financial statements of San Diego Interfaith Housing Foundation, Inc., which comprise the statements of assets, liabilities, and net assets—income tax basis, as of March 31, 2017 and 2016, and the related statements of revenues, expenses, and changes in net assets—income tax basis and cash flows – income tax basis for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting as described in Note 2; this includes determining that the income tax basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of San Diego Interfaith Housing Foundation, Inc. as of March 31, 2017 and 2016 and its revenues, expenses, and changes in net assets and cash flows for the years then ended in accordance with the basis of accounting San Diego Interfaith Housing Foundation, Inc. uses for income tax purposes described in Note 2.

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the basis of accounting San Diego Interfaith Housing Foundation, Inc. uses for income tax purposes, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Leaf & Cole LLP

San Diego, California
July 7, 2017

**SAN DIEGO INTERFAITH HOUSING FOUNDATION, INC.
STATEMENTS OF ASSETS, LIABILITIES AND
NET ASSETS - INCOME TAX BASIS
MARCH 31, 2017 AND 2016**

ASSETS

	<u>2017</u>	<u>2016</u>
<u>Assets:</u> (Notes 2, 3, 4, 5, 6, 7 and 8)		
Cash and cash equivalents	\$ 1,756,339	\$ 1,405,198
Investments	5,244,362	4,829,317
Prepaid expenses	39,269	884
Ground lease receivable - Related party	56,250	36,250
Accrued interest receivable - Related parties	2,364,793	2,018,777
Accounts receivable - Related parties	15,042,926	14,660,984
Investment in partnerships	547,528	650,131
Notes receivable - Related parties	8,021,434	8,071,685
Property and equipment, net	<u>1,536,013</u>	<u>1,543,643</u>
TOTAL ASSETS	\$ <u>34,608,914</u>	\$ <u>33,216,869</u>

LIABILITIES AND NET ASSETS

<u>Liabilities:</u> (Notes 2, 4 and 9)		
Accounts payable and accrued expenses	\$ 19,742	\$ 23,096
Accrued interest payable	2,500	2,750
Note payable	500,000	500,000
Share of deficiency in partnerships	1,195,035	933,649
Total Liabilities	<u>1,717,277</u>	<u>1,459,495</u>
<u>Contingencies</u> (Note 11)		
<u>Unrestricted Net Assets</u> (Note 2)	<u>32,891,637</u>	<u>31,757,374</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>34,608,914</u>	\$ <u>33,216,869</u>

The accompanying notes are an integral part of the financial statements.

**SAN DIEGO INTERFAITH HOUSING FOUNDATION, INC.
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS - INCOME TAX BASIS
FOR THE YEARS ENDED MARCH 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<u>Revenue and Support:</u>		
Investment income	\$ 866,399	\$ 364,127
Partnership management fees	143,455	125,539
Refunds and rebates	106,771	-
Residual receipts revenue	87,458	82,958
Residential services fee	66,624	52,749
Ground lease income	45,000	45,000
Contributions:		
Related parties	300,000	150,620
Other	17,500	17,500
Miscellaneous income	1,982	19,002
Developer fees	-	666,127
Total Revenue and support	<u>1,635,189</u>	<u>1,523,622</u>
<u>Expenses:</u>		
Program Services:		
Donations	79,863	65,296
Affordable housing	24,613	23,570
Total Program Services	<u>104,476</u>	<u>88,866</u>
Supporting Services:		
Management and general	32,461	40,831
Total Supporting Services	<u>32,461</u>	<u>40,831</u>
Total Expenses	<u>136,937</u>	<u>129,697</u>
Change in Unrestricted Net Assets Before (Loss) Income From Partnerships	1,498,252	1,393,925
(Loss) Income From Investment in Partnerships (Note 10)	<u>(363,989)</u>	<u>73,902</u>
Change in Unrestricted Net Assets	1,134,263	1,467,827
Unrestricted Net Assets at Beginning of Year	<u>31,757,374</u>	<u>30,289,547</u>
UNRESTRICTED NET ASSETS AND END OF YEAR	<u>\$ 32,891,637</u>	<u>\$ 31,757,374</u>

The accompanying notes are an integral part of the financial statements.

**SAN DIEGO INTERFAITH HOUSING FOUNDATION, INC.
STATEMENTS OF CASH FLOWS - INCOME TAX BASIS
FOR THE YEARS ENDED MARCH 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<u>Cash Flows From Operating Activities:</u>		
Change in unrestricted net assets	\$ 1,134,263	\$ 1,467,827
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities:		
Depreciation	20,525	20,398
Unrealized and realized (gains) losses on investments	(415,045)	218,776
(Income) Loss from investment in partnerships	363,989	(73,902)
(Increase) Decrease in:		
Prepaid expenses	(38,385)	(519)
Ground lease receivable - Related party	(20,000)	-
Accrued interest receivable - Related parties	(346,016)	(210,883)
Increase (Decrease) in:		
Accounts payable and accrued expenses	(3,354)	(9,405)
Accrued interest payable	(250)	2,750
Net Cash Provided by Operating Activities	<u>695,727</u>	<u>1,415,042</u>
<u>Cash Flows From Investing Activities:</u>		
Purchase of investments, net	-	(153,006)
Increase in accounts receivable - Related parties	(381,942)	(2,641,166)
Repayment of notes receivable - Related parties	50,251	109,306
Net Cash Used in Investing Activities	<u>(344,586)</u>	<u>(2,684,866)</u>
<u>Cash Flows From Financing Activities:</u>		
Proceeds from note payable	-	500,000
Net Cash Provided by Financing Activities	<u>-</u>	<u>500,000</u>
Net Increase (Decrease) in Cash and Cash Equivalents	351,141	(769,824)
Cash and Cash Equivalents at Beginning of Year	<u>1,405,198</u>	<u>2,175,022</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,756,339</u>	<u>\$ 1,405,198</u>

The accompanying notes are an integral part of the financial statements.

SAN DIEGO INTERFAITH HOUSING FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017 AND 2016

Note 1 - Organization:

San Diego Interfaith Housing Foundation, Inc. (the "Corporation") is a not-for-profit corporation. Its mission is to sponsor and assist in the development of quality low cost, single and multi-family housing for low income and handicapped persons in the greater San Diego metropolitan area.

Note 2 - Significant Accounting Policies:

Accounting Method

The Corporation prepares its financial statements on the accounting basis used for federal income tax purposes. Under the basis of accounting used for income tax purposes, assets and liabilities as well as revenue and expenses are reported in accordance with the rules and regulations established under the Internal Revenue Code ("IRC"), which is comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Consequently, certain expenditures and property and equipment may be expensed and depreciated in different periods and at different methods and recovery periods than those required by accounting principles generally accepted in the United States of America ("U.S. GAAP").

Financial Statement Presentation

The financial statements present information regarding the financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Estimates

The preparation of financial statements in conformity with the income tax basis of accounting requires management to make estimates and assumptions, that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Risks and Uncertainties

The Corporation invests in various types of investment securities which are exposed to various risks, such as interest rate, market, and credit risks. Investments have been reported at fair value based upon quoted prices in active markets for identical investments that the investment manager has the ability to access at the measurement date. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the statements of assets, liabilities and net assets - income tax basis.

SAN DIEGO INTERFAITH HOUSING FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017 AND 2016

Note 2 - Significant Accounting Policies: (Continued)

Capitalization and Depreciation

The Corporation capitalizes all expenditures in excess of \$5,000 for property and equipment at cost, while donations of property and equipment are recorded at their estimated fair values. Such donations are reported as unrestricted unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted. Absent donor stipulations regarding how long those donated assets must be maintained, the Corporation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Corporation reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method over the estimated useful asset lives as follows:

Buildings	39 years
Building equipment - Portable	5 - 7 years
Improvements	10 - 15 years

Depreciation totaled \$20,525 and \$20,398 for the years ended March 31, 2017 and 2016, respectively.

Maintenance and repairs are charged to operations as incurred. Upon sale or disposition of property or equipment, the asset account is reduced by the cost and the accumulated depreciation account is reduced by the depreciation taken prior to the sale. Any resultant gain or loss is then recorded as income or expense.

Revenue Recognition

Contributions are recognized when the donor makes a promise to give to the Corporation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Revenues from developer fees, partnership management fees, and other revenues are recognized in the period in which the related work is performed in accordance with the terms of the partnership and other agreements in place for each related party. Accounts receivable - related parties is recorded when revenue earned exceeds the cash received. Unearned revenue is recorded when cash received exceeds the revenue earned.

Donated Services and Support

The Corporation utilizes the services of many volunteers throughout the year. This contribution of services by the volunteers is not recognized in the financial statements unless the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The donated services for the years ended March 31, 2017 and 2016, did not meet the requirements above; therefore, no amounts were recognized in the financial statements.

SAN DIEGO INTERFAITH HOUSING FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017 AND 2016

Note 2 - Significant Accounting Policies: (Continued)

Allocated Expenses

The Corporation allocates its expenses on a functional basis among its various programs and supporting services. Expenditures which can be identified with a specific program or support service are allocated directly, according to their natural expenditure classification. Costs that are common to several functions are allocated among the program and supporting services on the basis of time records, space utilized, and estimates made by Corporation's management.

Income Taxes

The Corporation is a public charity and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. The Corporation believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Corporation is not a private foundation.

The Corporation's Return of Organization Exempt from Income Tax for the years ended March 31, 2017, 2016, 2015 and 2014 are subject to examination by the Internal Revenue Service and State taxing authorities, generally three to four years after the returns were filed.

Concentration of Credit Risk

The Corporation maintains its cash and investments in bank deposit accounts and brokerage accounts which, at times, may exceed federally insured limits. The Corporation has not experienced any losses in such accounts. The Corporation believes it is not exposed to any significant credit risk on cash and cash equivalents.

Cash and Cash Equivalents

For purposes of the statements of cash flows - income tax basis, the Corporation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Subsequent Events

The Corporation has evaluated subsequent events through July 7, 2017, which is the date the financial statements are available for issuance, and concluded that there were no events or transactions that needed to be disclosed.

Note 3 - Investments:

Investments consist of the following at March 31:

	<u>2017</u>	<u>2016</u>
Mutual funds:		
Income funds	\$ 3,172,986	\$ 2,838,987
Blended funds	1,022,463	1,021,314
Growth funds	1,048,913	969,016
Total Investments	<u>\$ 5,244,362</u>	<u>\$ 4,829,317</u>

SAN DIEGO INTERFAITH HOUSING FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017 AND 2016

Note 3 - Investments: (Continued)

The following schedule summarizes the investment income and its classification in the statement of revenues, expenses and changes in net assets - income tax basis for the years ended March 31:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 602,093	\$ 582,903
Unrealized and realized gains (losses) on investments	<u>264,306</u>	<u>(218,776)</u>
Total Investment Income	<u>\$ 866,399</u>	<u>\$ 364,127</u>

Note 4 - Ground Lease Receivable - Related Party:

The Corporation has entered into a lease agreement with Redwood Villa Senior Housing Partners, L.P. ("Redwood"), a related party, for 75 years commencing September 1, 2007. The lease calls for annual payments of \$45,000 from distributions of cash flow as defined in Redwood's partnership agreement. Ground lease income totaled \$45,000 for the years ended March 31, 2017 and 2016. Ground lease receivable - related party totaled \$56,250 and \$36,250 at March 31, 2017 and 2016, respectively.

Note 5 - Accounts Receivable - Related Parties:

In addition to management and resident services, the Corporation has provided development services with respect to various projects in which the Corporation has a partner interest. The Corporation has the following receivables from these projects for funds that have been advanced in relation to development or for contracted services provided as follows at March 31:

	<u>2017</u>	<u>2016</u>
Iowa Street Senior Housing Partners, L.P.	\$ 4,065,420	\$ 4,047,626
Mountain View Villas, L.P.	3,754,538	3,854,538
220 Quince, L.P.	2,309,243	2,297,543
Redwood Villa Senior Housing Partners, L.P.	1,175,100	1,244,202
Renaissance Senior Housing Partners, L.P.	1,160,498	1,191,908
Lillian Place, L.P.	1,113,784	1,091,304
1360 Melody, L.P.	803,530	882,530
Brookview Senior Housing Partners, L.P.	61,132	35,601
Orange Villas, L.P.	14,146	14,146
Mission Terrace Associates	43,421	1,586
DP-DM Housing Partners, L.P.	16,391	-
Interfaith Development Corporation	61,474	-
Palm Terrace Interfaith Housing Corporation	389,512	-
Pacific Vista Las Flores, L.P.	9,454	-
Brighton Avenue, L.P.	52,471	-
525 Orange Avenue, L.P.	6,149	-
Metro Villas Housing Partners, L.P.	<u>6,663</u>	<u>-</u>
Total Accounts Receivable - Related Parties	<u>\$ 15,042,926</u>	<u>\$ 14,660,984</u>

SAN DIEGO INTERFAITH HOUSING FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017 AND 2016

Note 6 - Investment in Partnerships:

The Corporation owns partner interests in limited partnerships accounted for on the equity method. The following are the balances in the Corporation's partnership tax basis capital accounts at March 31:

	<u>2017</u>	<u>2016</u>
Mountain View Villas, L.P.	\$ 365,563	\$ 235,070
Mission Terrace Associates	110,725	382,048
1360 Melody L.P.	71,240	33,013
Orange Villas, L.P.	<u>(1,195,035)</u>	<u>(933,649)</u>
	<u>\$ (647,507)</u>	<u>\$ (283,518)</u>

	<u>2017</u>	<u>2016</u>
Financial Statement Presentation:		
Investment in Partnerships	\$ 547,528	\$ 650,131
Share of deficiency in partnerships	<u>(1,195,035)</u>	<u>(933,649)</u>
	<u>\$ (647,507)</u>	<u>\$ (283,518)</u>

Note 7 - Notes Receivable - Related Parties:

Note receivable - related parties consist of the following at March 31:

	<u>2017</u>	<u>2016</u>
The subordinated note receivable from Redwood Villa Senior Housing Partners, L.P., a related party, bears interest at 5.09% and matures in October 2052. The note is secured by a subordinated deed of trust with principal and interest payable from distributions of cash flow as defined in the partnership agreement. Accrued interest totaled \$2,152,183 and \$1,925,639 at March 31, 2017 and 2016, respectively.	\$ 4,450,765	\$ 4,450,765
The subordinated note receivable from DP-DM Housing Partners, L.P., a related party, bears interest at 5% and matures in June 2053. The note is secured by a short form deed of trust with assignment of rents with principal and interest payable from distributions of cash flow as defined in the partnership agreement. Accrued interest totaled \$147,343 and \$55,832 at March 31, 2017 and 2016, respectively.	1,830,226	1,830,226

(Continued)

SAN DIEGO INTERFAITH HOUSING FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017 AND 2016

Note 7 - Notes Receivable - Related Parties: (Continued)

The subordinated note receivable from DP-DM Housing Partners, L.P., a related party, bears interest at 5% and matures in June 2053. The note is secured by a short form deed of trust with assignment of rents. Principal and interest were payable from distributions of cash flow as defined in the partnership agreement. The note was amended on August 1, 2014. Principal and interest are now payable in annual payments of \$109,941 unless the California Community Reinvestment Corporation has determined that the net income to debt services ratio of DP-DM Housing Partners, L.P. for the prior year has fallen below 1.15 to 1.00. Accrued interest totaled \$65,267 and \$37,306 at March 31, 2017 and 2016, respectively.

Total Notes Receivable

	<u>2017</u>	<u>2016</u>
	\$ 1,740,443	\$ 1,790,694
	<u>\$ 8,021,434</u>	<u>\$ 8,071,685</u>

Note 8 - Property and Equipment:

Property and equipment consist of the following at March 31:

	<u>2017</u>	<u>2016</u>
Land	\$ 1,205,000	\$ 1,205,000
Buildings	435,000	435,000
Building equipment - Portable	54,078	41,183
Improvements	<u>107,974</u>	<u>107,974</u>
Subtotal	1,802,052	1,789,157
Less: Accumulated depreciation	<u>(266,039)</u>	<u>(245,514)</u>
Property and Equipment, Net	<u>\$ 1,536,013</u>	<u>\$ 1,543,643</u>

Note 9 - Note Payable:

Note payable consists of the following at March 31:

	<u>2017</u>	<u>2016</u>
Unsecured note payable to Wells Fargo Community Improvement Holdings. The note bears interest at a fixed rate of 2% annually, with interest only payments due quarterly, maturing on November 19, 2019. The note terms can be extended two additional years at a modified interest rate. Accrued interest totaled \$2,500 and \$2,750 at March 31, 2017 and 2016, respectively.	<u>\$ 500,000</u>	<u>\$ 500,000</u>

SAN DIEGO INTERFAITH HOUSING FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017 AND 2016

Note 9 - Note Payable: (Continued)

Future principal payments on notes payable are as follows:

<u>Years Ended</u> <u>March 31</u>	
2018	\$ -
2019	-
2020	500,000
	<u>\$ 500,000</u>

Note 10 - Related Party Transactions:

The Corporation receives developer fees, partnership management fees, residual receipts revenue, income (loss) from investment in partnerships, residential services fees, and contributions from entities which have a common Board of Directors. In addition, the Corporation received interest on developer fees receivable from Redwood Villa Senior Housing Partners, L.P., a related party, totaling \$45,366 and \$47,482 for the years ended March 31, 2017 and 2016, respectively, which is included in investment income. San Diego Interfaith Housing Foundation, Inc. earned the following amounts for the years ended March 31:

	<u>2017</u>				
	<u>Partnership Management Fees</u>	<u>Developer Fees</u>	<u>Residual Receipts Revenue</u>	<u>Income (Loss) from Investment in Partnerships</u>	<u>Residential Service Fees</u>
1360 Melody, L.P.	\$ -	\$ -	\$ -	\$ 38,227	\$ -
525 Orange Avenue, L.P.	6,149	-	-	-	-
Brighton Avenue, L.P.	16,883	-	-	-	35,590
Brookview Senior Housing Partners, L.P.	25,531	-	-	-	-
Coronado Senior Housing Partners, L.P.	-	-	-	-	-
Del Prado Interfaith Housing Corporation	-	-	-	-	-
Delta Manor Interfaith Housing Corporation	-	-	-	-	-
DP-DM Housing Partners, L.P.	16,391	-	-	-	-
Iowa Street Senior Housing Partners, L.P.	-	-	-	-	-
Lillian Place, L.P.	9,459	-	-	-	31,034
Metro Villas Housing Partners, L.P.	6,667	-	-	-	-
Mission Terrace Associates	32,921	-	-	(271,323)	-
Mountain View Villas, L.P.	-	-	-	130,493	-
Orange Villas, L.P.	-	-	-	(261,386)	-
Pacific Vista Las Flores, L.P.	9,454	-	-	-	-
Palm Terrace Interfaith Housing Corporation	-	-	87,458	-	-
Presioca Villa Interfaith Housing Corporation	-	-	-	-	-
Redwood Villa Senior Housing Partners, L.P.	-	-	-	-	-
Renaissance Senior Housing Partners, L.P.	20,000	-	-	-	-
Total	<u>\$ 143,455</u>	<u>\$ -</u>	<u>\$ 87,458</u>	<u>\$ (363,989)</u>	<u>\$ 66,624</u>

SAN DIEGO INTERFAITH HOUSING FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017 AND 2016

Note 10 - Related Party Transactions: (Continued)

	2016			
	Partnership Management Fees	Developer Fees	Residual Receipts Revenue	Income (Loss) from Investment in Partnerships
1360 Melody, L.P.	\$ -	\$ -	\$ -	\$ 48,900
525 Orange Avenue, L.P.	5,971	-	-	-
Brighton Avenue, L.P.	16,391	-	3	-
Brookview Senior Housing Partners, L.P.	24,847	-	-	-
Coronado Senior Housing Partners, L.P.	-	-	5,045	-
DP-DM Housing Partners, L.P.	15,914	216,127	-	-
Iowa Street Senior Housing Partners, L.P.	-	450,000	-	115,783
Lillian Place, L.P.	9,184	-	-	-
Meiro Villas Housing Partners, L.P.	6,667	-	-	-
Mission Terrace Associates	17,386	-	-	(64,273)
Mountain View Villas, L.P.	-	-	-	229,900
Orange Villas, L.P.	-	-	-	(256,408)
Pacific Vista Las Flores, L.P.	9,179	-	-	-
Palm Terrace Interfaith Housing Corporation	-	-	77,910	-
Presioca Villa Interfaith Housing Corporation	-	-	-	-
Redwood Villa Senior Housing Partners, L.P.	-	-	-	-
Renaissance Senior Housing Partners, L.P.	20,000	-	-	-
Total	<u>\$ 125,539</u>	<u>\$ 666,127</u>	<u>\$ 82,958</u>	<u>\$ 73,902</u>
				<u>\$ 52,749</u>

Note 11 - Litigation:

Legal claims and lawsuits arise from time to time in the normal course of business. The Corporation's management and legal counsel estimate that the potential claims against the Corporation not covered by insurance, resulting from such litigation would not materially affect the operations or financial condition of the Corporation.

SAN DIEGO INTERFAITH HOUSING FOUNDATION, INC.

FINANCIAL STATEMENTS - INCOME TAX BASIS

MARCH 31, 2018 AND 2017



Leaf & Cole, LLP
Certified Public Accountants

**SAN DIEGO INTERFAITH HOUSING FOUNDATION, INC.
FINANCIAL STATEMENTS - INCOME TAX BASIS
MARCH 31, 2018 AND 2017**

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Leaf & Cole, LLP
Certified Public Accountants
A Partnership of Professional Corporations

Independent Auditor's Report

To the Board of Directors
San Diego Interfaith Housing Foundation, Inc.

We have audited the accompanying financial statements of San Diego Interfaith Housing Foundation, Inc., which comprise the statements of assets, liabilities, and net assets - income tax basis, as of March 31, 2018 and 2017, and the related statements of revenues, expenses, and changes in net assets - income tax basis and cash flows – income tax basis for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting San Diego Interfaith Housing Foundation uses for income tax purposes; this includes determining that the income tax basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of San Diego Interfaith Housing Foundation, Inc. as of March 31, 2018 and 2017 and its revenues, expenses, and changes in net assets and cash flows for the years then ended in accordance with the basis of accounting San Diego Interfaith Housing Foundation, Inc. uses for income tax purposes described in Note 2.

Correction of Error

As discussed in Note 12 to the financial statements, certain errors resulting in understatement of amounts previously reported for Investment in Partnerships and revenue as of March 31, 2017, were discovered by management during the current year. Accordingly, amounts reported for Investment in Partnerships and Income (loss) from Investments in Partnerships have been restated in the 2017 financial statements now presented, and an adjustment has been made to unrestricted net assets as of March 31, 2017, to correct the error. Our opinion is not modified with respect to that matter.

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the basis of accounting San Diego Interfaith Housing Foundation, Inc. uses for income tax purposes, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Leaf & Cole LLP

San Diego, California
July 6, 2018

SAN DIEGO INTERFAITH HOUSING FOUNDATION, INC.
STATEMENTS OF ASSETS, LIABILITIES AND
NET ASSETS - INCOME TAX BASIS
MARCH 31, 2018 AND 2017

ASSETS

	<u>2018</u>	<u>2017</u>
<u>Assets:</u> (Notes 2, 3, 4, 5, 6, 7 and 8)		
Cash and cash equivalents	\$ 3,963,455	\$ 1,756,339
Investments	5,497,365	5,244,362
Prepaid expenses	119,999	39,269
Ground lease receivable - Related party	56,250	56,250
Accounts receivable - Related parties	14,572,446	15,042,926
Accrued interest receivable - Related parties	2,565,153	2,364,793
Notes receivable - Related parties	7,998,515	8,021,434
Investment in partnerships	1,037,165	732,689
Property and equipment, net	<u>1,745,819</u>	<u>1,536,013</u>
TOTAL ASSETS	\$ <u>37,556,167</u>	\$ <u>34,794,075</u>

LIABILITIES AND NET ASSETS

<u>Liabilities:</u> (Notes 2, 6 and 9)		
Accounts payable and accrued expenses	\$ 11,650	\$ 19,742
Accrued interest payable	2,500	2,500
Note payable	500,000	500,000
Share of deficiency in partnerships	<u>1,464,495</u>	<u>1,195,035</u>
Total Liabilities	<u>1,978,645</u>	<u>1,717,277</u>
<u>Contingencies</u> (Note 11)		
<u>Unrestricted Net Assets</u> (Notes 2 and 12)	<u>35,577,522</u>	<u>33,076,798</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>37,556,167</u>	\$ <u>34,794,075</u>

The accompanying notes are an integral part of the financial statements.

**SAN DIEGO INTERFAITH HOUSING FOUNDATION, INC.
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS - INCOME TAX BASIS
FOR THE YEARS ENDED MARCH 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<u>Revenue and Support:</u>		
Developer fees	\$ 1,350,000	\$ -
Investment income	698,029	866,399
Partnership management fees	170,386	143,455
Residual receipts revenue	76,373	87,458
Residential services fees	67,865	66,624
Ground lease income	45,000	45,000
Miscellaneous income	2	1,982
Refunds and rebates	-	106,771
Contributions:		
Related parties	156,767	300,000
Other	20,000	17,500
Total Revenue and Support	<u>2,584,422</u>	<u>1,635,189</u>
<u>Expenses:</u>		
Program Services:		
Donations	62,450	79,863
Affordable housing	27,704	24,613
Total Program Services	<u>90,154</u>	<u>104,476</u>
Supporting Services:		
Management and general	28,560	32,461
Total Supporting Services	<u>28,560</u>	<u>32,461</u>
Total Expenses	<u>118,714</u>	<u>136,937</u>
Change in Unrestricted Net Assets Before Income From Partnerships	2,465,708	1,498,252
Income (Loss) From Investment in Partnerships (Note 10)	<u>35,016</u>	<u>(178,828)</u>
Change in Unrestricted Net Assets	2,500,724	1,319,424
Unrestricted Net Assets at Beginning of Year	<u>33,076,798</u>	<u>31,757,374</u>
UNRESTRICTED NET ASSETS AT END OF YEAR (Note 12)	<u>\$ 35,577,522</u>	<u>\$ 33,076,798</u>

The accompanying notes are an integral part of the financial statements.

**SAN DIEGO INTERFAITH HOUSING FOUNDATION, INC.
STATEMENTS OF CASH FLOWS - INCOME TAX BASIS
FOR THE YEARS ENDED MARCH 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<u>Cash Flows From Operating Activities:</u>		
Change in unrestricted net assets	\$ 2,500,724	\$ 1,319,424
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities:		
Depreciation	20,194	20,525
Unrealized and realized (gains) losses on investments	(79,867)	(264,306)
(Income) loss from investment in partnerships	(35,016)	178,828
(Increase) Decrease in:		
Prepaid expenses	(80,730)	(38,385)
Ground lease receivable - Related party	-	(20,000)
Accrued interest receivable - Related parties	(200,360)	(346,016)
Increase (Decrease) in:		
Accounts payable and accrued expenses	(8,092)	(3,354)
Accrued interest payable	-	(250)
Net Cash Provided by Operating Activities	<u>2,116,853</u>	<u>846,466</u>
<u>Cash Flows From Investing Activities:</u>		
Purchase of investments, net	(173,136)	(150,739)
Decrease (increase) in accounts receivable - Related parties	470,480	(381,942)
Repayment of notes receivable - Related parties	22,919	50,251
Purchase of property and equipment	(230,000)	(12,895)
Net Cash Provided by (Used in) Investing Activities	<u>90,263</u>	<u>(495,325)</u>
Net Increase in Cash and Cash Equivalents	2,207,116	351,141
Cash and Cash Equivalents at Beginning of Year	<u>1,756,339</u>	<u>1,405,198</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 3,963,455</u>	<u>\$ 1,756,339</u>

The accompanying notes are an integral part of the financial statements.

SAN DIEGO INTERFAITH HOUSING FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018 AND 2017

Note 1 - Organization:

San Diego Interfaith Housing Foundation, Inc. (the "Corporation") is a not-for-profit corporation. Its mission is to sponsor and assist in the development of quality low cost, single and multi-family housing for low income and handicapped persons in the greater San Diego metropolitan area.

Note 2 - Significant Accounting Policies:

Accounting Method

The Corporation prepares its financial statements on the accounting basis used for federal income tax purposes. Under the basis of accounting used for income tax purposes, assets and liabilities as well as revenue and expenses are reported in accordance with the rules and regulations established under the Internal Revenue Code ("IRC"), which is comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Consequently, certain expenditures and property and equipment may be expensed and depreciated in different periods and at different methods and recovery periods than those required by accounting principles generally accepted in the United States of America ("U.S. GAAP").

Financial Statement Presentation

The financial statements present information regarding the financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Estimates

The preparation of financial statements in conformity with the income tax basis of accounting requires management to make estimates and assumptions, that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Risks and Uncertainties

The Corporation invests in various types of investment securities which are exposed to various risks, such as interest rate, market, and credit risks. Investments have been reported at fair value based upon quoted prices in active markets for identical investments that the investment manager has the ability to access at the measurement date. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the statements of assets, liabilities and net assets - income tax basis.

SAN DIEGO INTERFAITH HOUSING FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018 AND 2017

Note 2 - Significant Accounting Policies: (Continued)

Capitalization and Depreciation

The Corporation capitalizes all expenditures in excess of \$5,000 for property and equipment at cost, while donations of property and equipment are recorded at their estimated fair values. Such donations are reported as unrestricted unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted. Absent donor stipulations regarding how long those donated assets must be maintained, the Corporation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Corporation reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method over the estimated useful asset lives as follows:

Buildings	39 years
Building equipment - Portable	5 - 7 years
Improvements	10 - 15 years

Depreciation totaled \$20,194 and \$20,525 for the years ended March 31, 2018 and 2017, respectively.

Maintenance and repairs are charged to operations as incurred. Upon sale or disposition of property or equipment, the asset account is reduced by the cost and the accumulated depreciation account is reduced by the depreciation taken prior to the sale. Any resultant gain or loss is then recorded as income or expense.

Revenue Recognition

Contributions are recognized when the donor makes a promise to give to the Corporation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Revenues from developer fees, partnership management fees, and other revenues are recognized in the period in which the related work is performed in accordance with the terms of the partnership and other agreements in place for each related party. Accounts receivable - related parties is recorded when revenue earned exceeds the cash received. Unearned revenue is recorded when cash received exceeds the revenue earned.

Donated Services and Support

The Corporation utilizes the services of many volunteers throughout the year. This contribution of services by the volunteers is not recognized in the financial statements unless the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The donated services for the years ended March 31, 2018 and 2017, did not meet the requirements above; therefore, no amounts were recognized in the financial statements.

SAN DIEGO INTERFAITH HOUSING FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018 AND 2017

Note 2 - Significant Accounting Policies: (Continued)

Allocated Expenses

The Corporation allocates its expenses on a functional basis among its various programs and supporting services. Expenditures which can be identified with a specific program or support service are allocated directly, according to their natural expenditure classification. Costs that are common to several functions are allocated among the program and supporting services on the basis of time records, space utilized, and estimates made by the Corporation's management.

Income Taxes

The Corporation is a public charity and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. The Corporation believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Corporation is not a private foundation.

The Corporation's Return of Organization Exempt from Income Tax for the years ended March 31, 2018, 2017, 2016 and 2015 are subject to examination by the Internal Revenue Service and State taxing authorities, generally three to four years after the returns were filed.

Concentration of Credit Risk

The Corporation maintains its cash and investments in bank deposit accounts and brokerage accounts which, at times, may exceed federally insured limits. The Corporation has not experienced any losses in such accounts. The Corporation believes it is not exposed to any significant credit risk on cash and cash equivalents.

Cash and Cash Equivalents

For purposes of the statements of cash flows - income tax basis, the Corporation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Subsequent Events

The Corporation has evaluated subsequent events through July 6, 2018, which is the date the financial statements are available for issuance, and concluded that there were no events or transactions that needed to be disclosed.

Reclassification

The Corporation has reclassified certain prior year information to conform with the current year presentation.

SAN DIEGO INTERFAITH HOUSING FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018 AND 2017

Note 3 - Investments:

Investments are measured at fair value and consist of the following at March 31:

	<u>2018</u>	<u>2017</u>
Mutual funds:		
Income funds	\$ 3,329,313	\$ 3,172,986
Blended funds	1,103,796	1,022,463
Growth funds	<u>1,064,256</u>	<u>1,048,913</u>
Total Investments	<u>\$ 5,497,365</u>	<u>\$ 5,244,362</u>

The following schedule summarizes the investment income and its classification in the statements of revenues, expenses and changes in net assets - income tax basis for the years ended March 31:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 618,162	\$ 602,093
Unrealized and realized gains (losses) on investments	<u>79,867</u>	<u>264,306</u>
Total Investment Income	<u>\$ 698,029</u>	<u>\$ 866,399</u>

Note 4 - Ground Lease Receivable - Related Party:

The Corporation has entered into a lease agreement with Redwood Villa Senior Housing Partners, L.P. ("Redwood"), a related party, for 75 years commencing September 1, 2007. The lease calls for annual payments of \$45,000 from distributions of cash flow as defined in Redwood's partnership agreement. Ground lease income totaled \$45,000 for the years ended March 31, 2018 and 2017. Ground lease receivable - related party totaled \$56,250 and \$56,250 at March 31, 2018 and 2017, respectively.

Note 5 - Accounts Receivable - Related Parties:

In addition to management and resident services, the Corporation has provided development services with respect to various projects in which the Corporation has a partnership interest. The Corporation has the following receivables from these projects for funds that have been advanced in relation to development or for contracted services provided as follows at March 31:

	<u>2018</u>	<u>2017</u>
Mountain View Villas, L.P.	\$ 3,754,538	\$ 3,754,538
Iowa Street Senior Housing Partners, L.P.	3,718,592	4,065,420
Escondido Senior Housing Corporation	2,429,243	2,309,243
Renaissance Senior Housing Partners, L.P.	1,078,974	1,160,498
Redwood Villa Senior Housing Partners, L.P.	1,054,800	1,175,100
Lillian Place, L.P.	1,016,261	1,113,784

SAN DIEGO INTERFAITH HOUSING FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018 AND 2017

Note 5 - Accounts Receivable - Related Parties: (Continued)

	<u>2018</u>	<u>2017</u>
1360 Melody, L.P.	\$ 759,542	\$ 803,530
Palm Terrace Interfaith Housing Corporation	313,562	389,512
Brighton Avenue, L.P.	150,059	52,471
Interfaith Development Corporation	66,644	61,474
Brookview Senior Housing Partners, L.P.	63,565	61,132
C4, L.P.	47,493	-
Pacific Vista Las Flores, L.P.	39,846	9,454
Mission Terrace Associates	38,412	43,421
DP-DM Housing Partners, L.P.	17,757	16,391
Metro Villas Housing Partners, L.P.	6,877	6,663
525 Orange Avenue, L.P.	6,377	6,149
Orange Villas, L.P.	5,090	14,146
Horton House Interfaith Housing Corporation	3,797	-
Presioca Villa Interfaith Housing Corporation	486	-
220 Quince, L.P.	336	-
Coronado Senior Housing Partners, L.P.	195	-
Total Accounts Receivable - Related Parties	<u>\$ 14,572,446</u>	<u>\$ 15,042,926</u>

Note 6 - Investment in Partnerships:

The Corporation owns partnership interests in limited partnerships accounted for on the equity method. The following are the balances in the Corporation's partnership tax basis capital accounts at March 31:

	<u>2018</u>	<u>2017</u>
Mountain View Villas, L.P.	\$ 666,762	\$ 365,563
Mission Terrace Associates	274,610	295,886
1360 Melody L.P.	95,793	71,240
Orange Villas, L.P.	<u>(1,464,495)</u>	<u>(1,195,035)</u>
	<u>\$ (427,330)</u>	<u>\$ (462,346)</u>
	<u>2018</u>	<u>2017</u>
Financial Statement Presentation:		
Investment in partnerships	\$ 1,037,165	\$ 732,689
Share of deficiency in partnerships	<u>(1,464,495)</u>	<u>(1,195,035)</u>
	<u>\$ (427,330)</u>	<u>\$ (462,346)</u>

SAN DIEGO INTERFAITH HOUSING FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018 AND 2017

Note 7 - Notes Receivable - Related Parties:

Note receivable - related parties consist of the following at March 31:

	<u>2018</u>	<u>2017</u>
The subordinated note receivable from Redwood Villa Senior Housing Partners, L.P., a related party, bears interest at 5.09% and matures in October 2052. The note is secured by a subordinated deed of trust. Principal and interest payable from distributions of cash flow as defined in the partnership agreement. Accrued interest totaled \$2,378,727 and \$2,152,183 at March 31, 2018 and 2017, respectively.	\$ 4,450,765	\$ 4,450,765
The subordinated note receivable from DP-DM Housing Partners, L.P., a related party, bears interest at 5% and matures in June 2053. The note is secured by a short form deed of trust with assignment of rents. Principal and interest are payable from distributions of cash flow as defined in the partnership agreement. Accrued interest totaled \$122,305 and \$147,343 at March 31, 2018 and 2017, respectively.	1,830,226	1,830,226
The subordinated note receivable from DP-DM Housing Partners, L.P., a related party, bears interest at 5% and matures in June 2053. The note is secured by a short form deed of trust with assignment of rents. Principal and interest were payable from distributions of cash flow as defined in the partnership agreement. The note was amended on August 1, 2014. Principal and interest are now payable in annual payments of \$109,941 unless the California Community Reinvestment Corporation has determined that the net income to debt services ratio of DP-DM Housing Partners, L.P. for the prior year has fallen below 1.15 to 1.00. Accrued interest totaled \$64,121 and \$65,267 at March 31, 2018 and 2017, respectively.	1,717,524	1,740,443
Total Notes Receivable	<u>\$ 7,998,515</u>	<u>\$ 8,021,434</u>

Note 8 - Property and Equipment:

Property and equipment consist of the following at March 31:

	<u>2018</u>	<u>2017</u>
Land	\$ 1,205,000	\$ 1,205,000
Buildings	435,000	435,000
Building equipment - Portable	54,078	54,078
Improvements	107,974	107,974
Construction in progress	230,000	-
Subtotal	2,032,052	1,802,052
Less: Accumulated depreciation	(286,233)	(266,039)
Property and Equipment, Net	<u>\$ 1,745,819</u>	<u>\$ 1,536,013</u>

SAN DIEGO INTERFAITH HOUSING FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018 AND 2017

Note 9 - Note Payable:

Note payable consists of the following at March 31:

	<u>2018</u>	<u>2017</u>
Unsecured note payable to Wells Fargo Community Improvement Holdings. The note bears interest at a fixed rate of 2% annually, with interest only payments due quarterly, maturing on November 19, 2019. The note terms can be extended two additional years at a modified interest rate. Accrued interest totaled \$2,500 and \$2,500 at March 31, 2018 and 2017, respectively.	\$ <u>500,000</u>	\$ <u>500,000</u>

Future principal payments on the note payable are as follows:

<u>Years Ended</u> <u>March 31</u>	
2019	\$ -
2020	\$ <u>500,000</u>
	\$ <u>500,000</u>

Note 10 - Related Party Transactions:

In addition to the ground lease (Note 4), the Corporation receives developer fees, partnership management fees, residual receipts revenue, income (loss) from investment in partnerships, residential services fees, and contributions from entities which have a common Board of Directors. In addition, the Corporation received interest on developer fees receivable from Redwood Villa Senior Housing Partners, L.P., a related party, totaling \$40,856 and \$45,366 for the years ended March 31, 2018 and 2017, respectively, which is included in investment income. San Diego Interfaith Housing Foundation, Inc. earned the following amounts for the years ended March 31:

	<u>2018</u>				
	<u>Partnership Management Fees</u>	<u>Developer Fees</u>	<u>Residual Receipts Revenue</u>	<u>Income (Loss) from Investment in Partnerships</u>	<u>Residential Service Fees</u>
1360 Melody, L.P.	\$ -	\$ -	\$ -	\$ 24,553	\$ -
525 Orange Avenue, L.P.	6,334	-	-	-	-
Brighton Avenue, L.P.	17,389	-	1	-	34,267
Brookview Senior Housing Partners, L.P.	26,233	-	-	-	-
DP-DM Housing Partners, L.P.	16,883	-	-	-	-
Iowa Street Senior Housing Partners, L.P.	-	1,350,000	-	-	-
Lillian Place, L.P.	9,745	-	-	-	33,598
Meiro Villas Housing Partners, L.P.	6,671	-	-	-	-
Mission Terrace Associates	57,393	-	-	(21,276)	-
Mountain View Villas, L.P.	-	-	-	301,199	-
Orange Villas, L.P.	-	-	-	(269,460)	-
Pacific Vista Las Flores, L.P.	9,738	-	-	-	-
Palm Terrace Interfaith Housing Corporation	-	-	76,373	-	-
Renaissance Senior Housing Partners, L.P.	20,000	-	-	-	-
Total	\$ <u>170,386</u>	\$ <u>1,350,000</u>	\$ <u>76,373</u>	\$ <u>35,016</u>	\$ <u>67,865</u>

SAN DIEGO INTERFAITH HOUSING FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018 AND 2017

Note 10 - Related Party Transactions: (Continued)

	2017				
	Partnership Management Fees	Developer Fees	Residual Receipts Revenue	Income (Loss) from Investment in Partnerships	Residential Service Fees
1360 Melody, L.P.	\$ -	\$ -	\$ -	\$ 38,227	\$ -
525 Orange Avenue, L.P.	6,149	-	-	-	-
Brighton Avenue, L.P.	16,883	-	-	-	35,590
Brookview Senior Housing Partners, L.P.	25,531	-	-	-	-
DP-DM Housing Partners, L.P.	16,391	-	-	-	-
Iowa Street Senior Housing Partners, L.P.	-	-	-	-	-
Lillian Place, L.P.	9,459	-	-	-	31,034
Metro Villas Housing Partners, L.P.	6,667	-	-	-	-
Mission Terrace Associates	32,921	-	-	(86,162)	-
Mountain View Villas, L.P.	-	-	-	130,493	-
Orange Villas, L.P.	-	-	-	(261,386)	-
Pacific Vista Las Flores, L.P.	9,454	-	-	-	-
Palm Terrace Interfaith Housing Corporation	-	-	87,458	-	-
Renaissance Senior Housing Partners, L.P.	20,000	-	-	-	-
Total	<u>\$ 143,455</u>	<u>\$ -</u>	<u>\$ 87,458</u>	<u>\$ (178,828)</u>	<u>\$ 66,624</u>

Note 11 - Litigation:

Legal claims and lawsuits arise from time to time in the normal course of business. The Corporation's management and legal counsel estimate that the potential claims against the Corporation not covered by insurance, resulting from such litigation would not materially affect the operations or financial condition of the Corporation.

Note 12 - Prior Period Adjustment:

The Corporation owns a partnership interest in Mission Terrace Associates accounted for on the equity method. The income (loss) from investment in partnerships used to value the investment in partnerships was understated by \$185,161 and is summarized as follows:

	Investment in Partnerships	Income (Loss) From Investment in Partnerships	Unrestricted Net Assets
As Previously Reported, March 31, 2017	\$ 547,528	\$ (363,989)	\$ 32,891,637
Adjustment	<u>185,161</u>	<u>185,161</u>	<u>185,161</u>
As Restated, March 31, 2017	<u>\$ 732,689</u>	<u>\$ (178,828)</u>	<u>\$ 33,076,798</u>

San Diego Interfaith Housing Foundation (021sdihf)

Balance Sheet

Period = Mar 2019

Book = Accrual

	Current Balance
1000-0000	ASSETS
1001-0000	CURRENT ASSETS
1100-0000	CASH and CASH EQUIVALENT
1110-0000	Checking-Operations 4,448,289.24
1112-0000	Savings 999.47
1140-0000	Petty Cash-Property/MJ 300.00
1160-0000	Investment-Fidelity 5,359.11
1163-0000	Investment-UB MM 403,262.21
1165-0000	Cetera 5,619,600.08
1190-0000	TOTAL CASH and CASH EQUIVALENT 10,477,810.11
1300-0000	ACCOUNTS RECEIVABLE
1330-0000	Receivables-Other/Advances 32,870.65
1337-0000	Receivable-ResServ/Exhibit Fee 166,788.34
1338-0000	Receivable-Dev Fee Interest RV 19,294.75
1340-0000	Receivable-Partnership Management Fee 432,460.67
1345-0000	Developer Fees Receivable-Lillian 272,749.50
1347-0000	Developer Fees Receivable-Redwood 695,143.00
1348-0000	Developer Fees Receivable-Renaissance 619,029.00
1349-0000	TOTAL ACCTS RECEIVABLE 2,238,335.91
1499-0000	TOTAL CURRENT ASSETS 12,716,146.02
1500-0000	FIXED ASSETS
1501-0000	PROPERTY
1580-0000	FURNITURE/FIXTURES and EQUIPMENT
1585-0000	Building Improvements 78,609.21
1587-0000	Furnishings & Appliances 18,604.00
1595-0000	Office Equipment 22,579.03
1599-0000	TOTAL FURNITURE/FIXTURES and EQUIPM 119,792.24
1600-0000	ACCUMULATED DEPRECIATION
1605-0000	A/D Buildings -148,720.08
1606-0000	A/D Building Improvements -93,566.33
1645-0000	A/D Furniture & Fixtures -43,946.66
1690-0000	TOTAL ACCUMULATED DEPRECIATION -286,233.07
1699-0000	TOTAL PROPERTY -166,440.83
1700-0000	INVESTMENTS
1701-0000	REAL ESTATE
1715-0001	N/R-RVA Ground Lease 11,250.00
1715-0002	N/R- RV IHC 84,563.44
1715-0004	N/R-Lillian Place 594,064.86
1715-0005	N/R Iowa Street 2,710,941.80
1715-0006	N/R-RVSHLP 4,450,765.00
1715-0007	N/R-Accrued Interest RVSHLP 2,338,940.38
1715-0008	N/R-Melody LP 735,530.48

San Diego Interfaith Housing Foundation (021sdihf)

Balance Sheet

Period = Mar 2019

Book = Accrual

		Current Balance
1715-0009	N/R DP	1,598,693.48
1715-0010	N/R DM	1,830,225.39
1715-0011	N/R MVV	3,654,537.79
1715-0012	N/R-Interest-DP	-1,145.94
1715-0013	N/R-Interest-DM	-65,568.32
1715-0014	N/R Escondido	2,454,243.00
1715-0016	N/R - VLF	30,000.00
1715-0017	N/R-C4	25,264.53
1715-0018	N/R-MT Redevelopment	10,500.00
1715-0019	N/R-IDC	2,491,474.06
1715-0020	N/R-Chula Vista	19,137.07
1715-0021	N/R - PT	238,140.44
1729-0000	TOTAL REAL ESTATE INVESTMENTS	23,211,557.46
1760-0000	INVESTMENTS-Land for Lease	
1760-0002	Investment in Iowa Sr	12,895.17
1760-0005	Investment in C4	99.00
1766-0000	Investment-LP OVL	-427,330.00
1768-0000	Investment-Redwood Villa	890,000.00
1769-0000	Investment-Lester	315,000.00
1770-0000	Investments-Lemon Grove	29,364.65
1771-0000	Investments-Building Lemon Grove	435,000.00
1779-0000	TOTAL INVESTMENTS-Land for Lease	1,254,929.82
1798-0000	TOTAL INVESTMENTS	24,466,487.28
1799-0000	TOTAL FIXED ASSETS	24,300,145.45
1800-0000	OTHER ASSETS	
1999-0000	TOTAL ASSETS	37,016,291.47
2000-0000	LIABILITIES and EQUITY	
2001-0000	LIABILITIES	
2002-0000	CURRENT LIABILITIES	
2003-0000	ACCOUNTS PAYABLE	
2010-0000	Accounts Payable - Trade	6,812.02
2020-0000	Accounts Payable - Other	2,495.00
2029-0000	TOTAL ACCOUNTS PAYABLE	9,307.02
2299-0000	TOTAL CURRENT LIABILITIES	9,307.02
2300-0000	LONG TERM LIABILITIES	
2301-0000	LONG TERM DEBT	
2375-0000	Bank Line of Credit	500,000.00
2399-0000	TOTAL LONG TERM DEBT	500,000.00
2899-0000	TOTAL LONG TERM LIABILITIES	500,000.00
2999-0000	TOTAL LIABILITIES	509,307.02
3000-0000	EQUITY	
3100-0000	CAPITAL	

San Diego Interfaith Housing Foundation (021sdihf)

Balance Sheet

Period = Mar 2019

Book = Accrual

		Current Balance
3410-0000	Special Limited Partner	-100.00
3499-0000	TOTAL CAPITAL	-100.00
3800-0000	RETAINED EARNINGS	
3810-0000	Retained Earnings - Prior Years	35,577,522.56
3820-0000	Retained Earnings - Current Year	929,561.89
3899-0000	TOTAL RETAINED EARNINGS	36,507,084.45
3900-0000	TOTAL EQUITY	36,506,984.45
3999-0000	TOTAL LIABILITIES and EQUITY	37,016,291.47

San Diego Internatn Housing Foundation (0214inf)

Income Statement

Period = Mar 2019

Book = Accrual

		Period to Date	%	Year to Date	%
4000-0000	REVENUE				
4001-0000	RENTAL INCOME				
4944-0000	OTHER REVENUE				
4945-0000	Miscellaneous Income	0.00	0.00	2.40	0.00
4975-0000	Donations	150,000.00	54.92	462,834.76	44.04
4991-0000	Developer Fees Income	0.00	0.00	292,855.00	27.86
4992-0000	Asset Management Fee	33,302.44	12.19	76,919.61	7.32
4995-0000	Ground Lease Revenue	3,750.00	1.37	45,000.00	4.28
4996-0000	Partnership Management Fee	42,032.73	15.39	129,387.20	12.31
4997-0000	Residual Receipts Income	9,248.00	3.39	9,249.00	0.88
4998-0000	Resident Service Mgmt Fee	34,811.00	12.74	34,811.00	3.31
4999-0000	TOTAL OTHER REVENUE	273,144.17	100.00	1,051,058.97	100.00
5999-0000	TOTAL REVENUE	273,144.17	100.00	1,051,058.97	100.00
6000-0000	EXPENSES				
6001-0000	OPERATING EXPENSES				
6024-0000	Landscaping				
6024-0001	Landscape Supplies	0.00	0.00	3,950.00	0.38
6024-9999	Total Landscaping	0.00	0.00	3,950.00	0.38
6055-0000	Property and Liability Insurance	407.52	0.15	407.52	0.04
6110-0000	Real Estate Taxes	0.00	0.00	1,081.00	0.10
6215-0000	Common Area Repairs/Appliances	0.00	0.00	1,435.00	0.14
6216-0000	Total Repairs/Appliances	0.00	0.00	1,435.00	0.14
6340-0000	TOTAL OPERATING EXPENSES	407.52	0.15	6,873.52	0.65
6350-0000	UTILITIES				
6385-0000	Telephone-Utilities	0.00	0.00	3,229.19	0.31
6390-0000	TOTAL UTILITIES	0.00	0.00	3,229.19	0.31
7170-0000	Meetings/Meals	3,647.55	1.34	6,890.99	0.66
7171-0000	Entertainment	293.19	0.11	2,832.37	0.27
7175-0000	Auto & Mileage	0.00	0.00	14.00	0.00
7215-0000	Computers - Support and Consultants	0.00	0.00	615.00	0.06
7260-0000	Office Supplies	0.00	0.00	71.86	0.01
7270-0000	Postage	16.10	0.01	69.22	0.01
7275-0000	Dues and Subscriptions	0.00	0.00	5,199.00	0.49
7310-0000	Legal	0.00	0.00	528.00	0.05
7315-0000	Audit & Accounting	0.00	0.00	8,650.00	0.82
7320-0000	Consulting	0.00	0.00	27,000.00	2.57
7355-0000	Bank Charges	0.00	0.00	3.00	0.00
7365-0000	Charitable Contributions	6,970.00	2.55	190,793.57	18.15
7370-0000	Employee Gifts	83.64	0.03	380.83	0.04
7410-0000	Misc tax, license, permits	275.00	0.10	470.00	0.04
7415-0000	TOTAL ADMINISTRATIVE	11,285.48	4.13	243,517.84	23.17
7419-0000	TAXES AND INSURANCE				
7440-0000	Taxes	0.00	0.00	150.00	0.01
7445-0000	Insurance-Property and Liability	0.00	0.00	1,165.50	0.11
7499-0000	TOTAL TAXES AND INSURANCE	0.00	0.00	1,315.50	0.13
8000-0000	FINANCIAL EXPENDITURES				
8010-0000	Interest Expense	0.00	0.00	10,000.27	0.95
8510-0000	Interest Income	-35,064.72	-12.84	-107,167.12	-10.20
8530-0000	Change in Market Value	-4,382.80	-1.60	-79,720.98	-7.58
8540-0000	Dividends Reinvested	0.00	0.00	115,993.10	11.04
8599-0000	TOTAL FINANCIAL INC(-)/EXP(+)	-30,681.92	-11.23	-133,438.97	-12.70
8600-0000	TOTAL EXPENSES	-18,988.92	-6.95	121,497.08	11.56
9990-0000	NET INCOME	292,133.09	106.95	929,561.89	88.44

SAN DIEGO INTERFAITH HOUSING FOUNDATION

Board of Directors

Name	Title	Address	Interest/Compensation
<u>SMYTH, GREGORY</u>	CHAIRMAN	7956 Lester Avenue Lemon Grove, CA 91945	0%/\$0/Volunteer
<u>TCHANG-FROST, GENEVIEVE</u>	VICE CHAIR	7956 Lester Avenue Lemon Grove, CA 91945	0%/\$0/Volunteer
<u>KOHN, STEVEN</u>	SECRETARY	7956 Lester Avenue Lemon Grove, CA 91945	0%/\$0/Volunteer
<u>GARDNER JR, J DAVID</u>	TREASURER	7956 Lester Avenue Lemon Grove, CA 91945	0%/\$0/Volunteer
<u>GAZE, JUDY</u>	Member	7956 Lester Avenue Lemon Grove, CA 91945	0%/\$0/Volunteer
<u>BALL, ROGER L.</u>	Member	7956 Lester Avenue Lemon Grove, CA 91945	0%/\$0/Volunteer
<u>BRUNSON, DOUG</u>	Member	7956 Lester Avenue Lemon Grove, CA 91945	0%/\$0/Volunteer
<u>BALESTRERI, TRUDY</u>	Member	7956 Lester Avenue Lemon Grove, CA 91945	0%/\$0/Volunteer
<u>ADLER, KAI</u>	Member	7956 Lester Avenue Lemon Grove, CA 91945	0%/\$0/Volunteer
<u>HALL, MIKE</u>	Member	7956 Lester Avenue Lemon Grove, CA 91945	0%/\$0/Volunteer

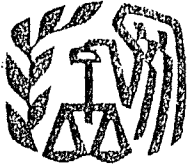
Department of the Treasury

District Director
Internal Revenue Service

Date: MAY 16 1972 In reply refer to: LA-EO-72-762
Code 421: 1103:EE

Tel. 213--688--4553

San Diego Interfaith Housing
Foundation,
2100 Charter Oil Building,
San Diego, California 92101



Purpose: Charitable
File Returns with Internal Revenue Service Center: Philadelphia, Pa.
Accounting Period Ending: December 31,
Address Inquiries to District Director of Internal Revenue: Los Angeles, Calif.

Gentlemen:

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

We have further determined you are not a private foundation within the meaning of section 509(a) of the Code, because you are an organization described in section 509(a)(2).

You are not liable for social security (FICA) taxes unless you file a waiver of exemption certificate as provided in the Federal Insurance Contributions Act. You are not liable for the taxes imposed under the Federal Unemployment Act (FUTA).

Since you are not a private foundation, you are not subject to the excise taxes under Chapter 42 of the Code. However, you are not automatically exempt from other Federal excise taxes.

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

If your purposes, character, or method of operation is changed, you must let us know so we can consider the effect of the change on your exempt status. Also, you must inform us of all changes in your name or address.

(L-178 (12-71))

(over)

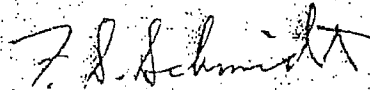
If your gross receipts each year are normally more than \$5,000, you are required to file Form 990, Return of Organization Exempt From Income Tax, by the 15th day of the fifth month after the end of your annual accounting period. The law imposes a penalty of \$10 a day, up to a maximum of \$5,000, for failure to file a return on time.

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

You need an employer identification number even if you have no employees. If an employer identification number was not entered on your application, a number will be assigned to you and you will be advised of it. Please use that number on all returns you file and in all correspondence with the Internal Revenue Service.

Please keep this determination letter in your permanent records.

Sincerely yours,



District Director

() () ()

This letter amends and up-dates our determination letter of November 10, 1970.



FRANCHISE TAX BOARD

1025 P STREET
SACRAMENTO, CALIFORNIA 95814

December 9, 1970

San Diego Interfaith
Housing Foundation
2100 Charter Oil Building
San Diego, CA 92101

In reply refer to:
L:JCS:lc

Purpose: charitable
Report Required: return or report
Form of Organization: corporation
Accounting Period Ending: December 31
Private Foundation: no

Gentlemen:

Based on the information submitted and provided your present operations continue unchanged or conform to those proposed in your application, you are exempt from State franchise or income tax under Section 23701d, Revenue and Taxation Code. Any change in operation, character or purpose of the organization must be reported immediately to this office so that we may determine the effect on your exempt status. Any change of name or address also must be reported.

You are required to file an annual information return, report or statement, as indicated above, on or before the 15th day of the 5th month after the close of your accounting period.

State franchise or income tax returns are not required unless you have income subject to the unrelated business income tax under Section 23731 of the Code. If you have such income, Form 109 must be filed annually by the 15th day of the 3rd month following the close of your accounting period.

Contributions made to you are deductible by donors as provided by Sections 17214, 17215, 17216 and 24357 of the Code.

Organizations incorporating and foreign corporations qualifying to do business in California have 30 days to complete incorporation or qualifying. This approval will expire unless incorporation or qualification is completed within 30 days.

Exemption from federal income or other taxes and other state taxes requires separate applications.

Very truly yours,

James C. Stewart

James C. Stewart
Counsel

☐ cc: Secretary of State (Corp)
cc: Registrar of Charitable Trusts

HOUSING AUTHORITY OF
THE CITY OF SAN DIEGO

RESOLUTION NUMBER HA-_____

DATE OF FINAL PASSAGE _____

A RESOLUTION OF THE HOUSING AUTHORITY OF THE CITY OF SAN DIEGO AUTHORIZING THE EXECUTION AND DELIVERY OF A MULTIFAMILY HOUSING REVENUE BOND IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$12,000,000 TO FINANCE THE ACQUISITION AND REHABILITATION OF A MULTIFAMILY RENTAL HOUSING FACILITY KNOWN AS MISSION TERRACE APARTMENTS, AND APPROVING AND AUTHORIZING RELATED DOCUMENTS AND ACTIONS.

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

WHEREAS, Mission Terrace Housing Partners, L.P., a California limited partnership (Borrower), has requested that the Authority borrow funds and loan the funds to the Borrower to finance Borrower's acquisition and rehabilitation of a multifamily residential rental housing facility known as Mission Terrace Apartments (Project), consisting of 76 apartment units located at 10210 San Diego Mission Road in the City of San Diego; and

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

WHEREAS, the Authority intends to issue its Housing Authority of the City of San Diego Multifamily Housing Revenue Bond (Mission Terrace Apartments) Series 2020D (Bond) in an

aggregate principal amount not to exceed \$12,000,000, which Bond may be designated in one or more subseries, evidencing a loan made by Zions Bancorporation, N.A. dba California Bank & Trust (Bank) to the Authority to fund a loan to the Borrower; and

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

WHEREAS, the City Council of the City of San Diego approved the Authority's issuance of the Bond after publication of a TEFRA notice and the holding of a TEFRA public hearing on October 1, 2019, as required by the Internal Revenue Code of 1986, as amended (Code), and applicable United States Treasury Regulations; and

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

WHEREAS, CDLAC has allocated to the Project \$12,000,000 of the State of California ceiling for private activity bonds under section 146 of the Code; and

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

WHEREAS, the following documents are presented for consideration:

(1) The form of Indenture of Trust (Indenture of Trust), by and among the Authority, the trustee named therein (Trustee) and the Bank, including the form of the Bond attached to the Indenture of Trust as Exhibit A; and

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

(3) The form of Regulatory Agreement and Declaration of Restrictive Covenants (Regulatory Agreement), by and among the Authority, the Trustee and the Borrower.

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

WHEREAS, Mitigated Negative Declaration No. 92-0725 was prepared and adopted for the Project, by the City, along with the adoption of the Mitigation, Monitoring and Reporting Program (MMRP) on February 1, 1994 by Resolution No. R-283352. The project was reviewed in accordance with the California Environmental Quality Act (CEQA) Guidelines section 15162(a) and determined that no new additional impacts and/or mitigation measures are required beyond those that were analyzed in the original environmental document. All the impacts were adequately addressed and disclosed in Mitigated Negative Declaration No. 92-0725; NOW, THEREFORE,

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

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

Section 2. Authorization of Bond. For the purpose of financing the acquisition, rehabilitation and construction of the Project, the Authority approves the execution and delivery of the Bond in one series, with one or more subseries, in an aggregate principal amount not to exceed \$12,000,000. The Bond shall be executed and delivered in the principal amount and shall bear interest (which shall not exceed 12% per annum) and mature (not later than 45 years from the

date of execution and delivery thereof) as provided in the Indenture of Trust. The Bond shall be in substantially the form attached as Exhibit A to the Indenture of Trust, with such appropriate variations, omissions, insertions, and provisions as are required or permitted by the Indenture of Trust. The Bond shall be a special, limited obligation of the Authority and shall be payable as to principal and interest, and the obligations of the Authority under the Indenture of Trust shall be paid and satisfied, solely from the revenues, receipts and other moneys and assets pledged under the Indenture of Trust.

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

Section 4. Approval of the Indenture of Trust. The Indenture of Trust, in the form on file in the Housing Commission offices, is approved. The Chairman, the Vice Chairman, the Executive Director, the Executive Vice President & Chief Operating Officer, the Vice President Housing Finance, and the Secretary or a Deputy Secretary of the Authority, or the designee of any such officer (collectively, Designated Officers) are each authorized to execute and deliver the Indenture of Trust in such form, together with such changes as may be approved by the Designated Officer executing the same, upon consultation with the General Counsel to the Authority, such

execution to constitute conclusive evidence of the approval of all changes from the form of the Indenture of Trust approved in this Resolution.

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

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

Section 7. Actions Ratified and Authorized. All prior actions taken by the officers, employees, and agents of the Authority with respect to the issuance and sale of the Bond are approved, confirmed, and ratified, and the Designated Officers are each authorized, for and in the name and on behalf of the Authority, to take any and all actions and execute and deliver any and all certificates, agreements (including a tax certificate and agreement), and other documents, including but not limited to those described in any of the documents approved by this Resolution, which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and delivery of the Bond and the making of the Loan in accordance with the Act and this Resolution.

Section 8. Further Consents, Approvals and Other Actions. All consents, approvals, notices, orders, requests, and other actions permitted or required by any of the documents authorized by this Resolution or otherwise appropriate in the administration of the Bond and the lending program financed by the Bond, including without limitation any of the foregoing which may be necessary or desirable in connection with any amendment of such documents, any transfer of the Project, any substitution of security for the Bond, or any prepayment or redemption of the Bond may be taken or given by any of the Designated Officers, in consultation with the Authority's General Counsel, without further authorization by the Board, and the Designated Officers are authorized and directed to give any such consent, approval, notice, order or request and to take any such action that such officer may deem necessary or desirable to further the purposes of this Resolution.

Section 9. Severability. If any section, paragraph, or provision of this Resolution shall be held to be invalid or unenforceable for any reason, the invalidity or unenforceability of such section, paragraph, or provision shall not affect any remaining provisions of this Resolution.

Section 10. Effective Date. This Resolution shall take effect immediately upon its adoption.

APPROVED: MARA W. ELLIOTT, General Counsel

By _____
Marguerite E. Middaugh
Deputy General Counsel

MEM:jdf
01/10/2020
Or.Dept: Housing Authority
Doc. No.: 2288956

January 9, 2020

To: Housing Authority of the City of San Diego

From: Joshua Meyer, Esq.
Toger Swanson, Esq.

Re: Mission Terrace Apartments

Summary of Blanks in Documents to be Considered on January 10, 2020

If approved by the Housing Authority of the City of San Diego (the “**Issuer**”), the proposed Multifamily Housing Revenue Bond (the “**Bond**”) for Mission Terrace Apartments is expected to be issued in February 2020. The proposed forms of legal agreements relating to the Bond consist of an Indenture of Trust, Loan Agreement and Regulatory Agreement and Declaration of Restrict Covenants (collectively, the “**Financing Agreements**”) and contain certain blanks and bracketed items that generally relate to transaction pricing and closing timing.

Zions Bancorporation, N.A. DBA California Bank & Trust (the “**Bondowner Representative**”) will set the interest rate closer to the closing date. The final amounts are dependent upon the interest rate and final underwriting from the Bondowner Representative. The amounts of all financing sources will be finalized prior to closing.

The following table provides a summary of the blanks in the Financing Agreements and indicates the parties responsible for providing the requisite information. Capitalized terms used below have the definitions ascribed to them in the related agreement.

DOCUMENT	LOCATION	ITEM	RESPONSIBLE PARTY
Indenture of Trust	Throughout and Definitions	<ul style="list-style-type: none"> Dates Dollar amounts Name of Investor Limited Partner Issuer's Annual Fee Sophisticated Investor definition 	Bond Counsel, Issuer & Bondowner Representative
	Section 2.02	Bracketed Information regarding Interest and Maturity Date	Bond Counsel
	Section 2.05	Bracketed information regarding Participation Interest	Issuer (see prior email from Mr. Swanson dated 12/18/19)
	Section 3.01	Name of Title Company	Bond Counsel
	Section 3.04	Costs of Issuance Fund Deposits	Bond Counsel
	Section 8.01(n)	Authority Fee annual payment date	Bond Counsel
	Section 11.06	Equity Investor and Equity Investor's Counsel Notice Addresses	Equity Partner's Counsel
Loan Agreement	Throughout and Definitions	<ul style="list-style-type: none"> Dates Dollar amounts Percentages Name of LPA Trustee Fee Amount 	Borrower & Bondowner Representative
	Section 3.02	Developer Fee Payment Schedule	Borrower
	Section 3.03	Limitation on Disbursement Date	Borrower
	Exhibit	Legal Description	Borrower
Regulatory Agreement	Throughout	<ul style="list-style-type: none"> Dates Dollar amounts 	Bond Counsel & Funding Lender

	Section 1	Confirmation of Authority Fee	Bond Counsel & Funding Lender
	Section 10	Name of Equity Investor	Equity Investor's Counsel
	Section 20	Equity Investor and Equity Investor's Counsel Notice Addresses	Equity Investor's Counsel
	Exhibit A	Legal Description	Borrower or Title



SAN DIEGO
HOUSING
COMMISSION

MEMORANDUM

To: Marguerite Middaugh

From: J.P. Correia

Date: January 7, 2020

Subject: Mission Terrace Apartments - Related Entity Letter

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

On January 28, 2020, the San Diego Housing Commission will seek Housing Authority approval for the issuance of up to \$12,000,000 in tax-exempt multifamily housing revenue bonds (Bonds) to finance the acquisition with rehabilitation of a multifamily residential rental housing facility known as the Mission Terrace Apartments (Project). The proposed Bonds will be a special limited obligation of the Housing Authority, payable solely from the operating revenues and assets comprising the Project. The proposed Bonds issuance has been structured as a private placement and no Official Statement or other offering document will be used to market the Bonds to investors.

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

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

Cordially yours,

J.P. Correia
Project Manager
San Diego Housing Commission

F:\Mission Terrace Related Entity Letter City Atty memo\010610.aOC



SAN DIEGO
HOUSING
COMMISSION

January 6, 2020

Marguerite Middaugh
Deputy City Attorney
Civil Advisory Division
San Diego City Attorney's Office
1200 Third Avenue, Suite 1620
San Diego, CA 92101

Subject: Mission Terrace Apartments - Related Entity Letter


Dear Marguerite:

The San Diego Housing Commission (Housing Commission), as administrator for the Housing Authority of the City of San Diego (Housing Authority), acknowledges that pursuant to Municipal Code §22.4101 et. Seq. (Code), the Disclosure Practices Working Group (Group) has the responsibility to review the form and content of information disclosed by the City of San Diego in connection with securities issued by Related Entities (as defined in the Code). To help the Group fulfill this responsibility, the Housing Commission submits this letter for approval by the Group. The Housing Commission understands and agrees that it will not docket any Preliminary Official Statement nor any other offering document for consideration by the City Council prior to submitting this letter to the Group.

The Housing Commission understands that it is responsible for preparing this letter because the Housing Authority is a Related Entity of the City of San Diego. The Housing Commission makes the following certification related to the proposed multifamily housing revenue bonds for the rental housing facility known as the Mission Terrace Apartments, located at 10210 San Diego Mission Road, San Diego, CA.

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

Related Entity: Housing Authority of the City of San Diego

Authorized Officer: 
Emily S. Jacobs
Senior Vice President
Housing Finance & Portfolio Management
Real Estate Division
San Diego Housing Commission

Dated: 1.7.2020

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INDENTURE OF TRUST

by and among

HOUSING AUTHORITY OF THE CITY OF SAN DIEGO,
as Issuer

and

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,
as Trustee

and

ZIONS BANCORPORATION, N.A. DBA CALIFORNIA BANK & TRUST,
as Initial Bondowner Representative

Dated as of [_____] 1, 2020

relating to:

[\$12,000,000]
Housing Authority of the City of San Diego
Multifamily Housing Revenue Bond
(Mission Terrace Apartments)
Series 2020D

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INDENTURE OF TRUST

THIS INDENTURE OF TRUST, dated as of [_____] 1, 2020 (this “Indenture”), is by and among the **HOUSING AUTHORITY OF THE CITY OF SAN DIEGO**, a public body corporate and politic of the State of California (herein called the “Issuer”), and **THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.**, a national banking association, as Trustee hereunder (herein called the “Trustee”), and **ZIONS BANCORPORATION, N.A. DBA CALIFORNIA BANK & TRUST**, as initial purchaser of the Bond hereunder (herein called the “Bondowner Representative”).

W I T N E S S E T H:

WHEREAS, in accordance with the Housing Authorities Law, Chapter 1 of Part 2 of Division 24 of the California Health and Safety Code (the “Act”), the Issuer is empowered to issue bonds to finance the acquisition, rehabilitation, construction and development of multifamily rental housing for persons of low and moderate income; and

WHEREAS, the Issuer proposes to issue pursuant to the Act, its Multifamily Housing Revenue Bond (Mission Terrace Apartments), Series 2020D (the “Bond”); and

WHEREAS, Mission Terrace Housing Partners, L.P., a California limited partnership (the “Borrower”), has applied to the Issuer for financial assistance for the purpose of providing all or part of the funds with which to pay the cost of the acquisition, equipping, construction or rehabilitation of a 76-unit (plus one manager’s unit) multifamily rental housing project at 10210 San Diego Mission Road, San Diego, California, known as Mission Terrace Apartments (the “Project”); and

WHEREAS, the provision of the Loan (as hereinafter defined), is authorized by the Act and will accomplish a valid public purpose of the Issuer, and the Issuer has determined that it is in the public interest to issue the Bond in the maximum principal amount of \$[12,000,000] for the purpose of providing funding necessary for the acquisition, equipping, construction or rehabilitation of the Project; and

WHEREAS, pursuant to a Loan Agreement dated as of even date herewith (the “Loan Agreement”) among the Issuer, the Bondowner Representative and the Borrower, the Issuer has agreed to issue the Bond and lend the proceeds thereof to the Borrower (the “Loan”) and the Borrower has agreed to (a) apply the proceeds of the Loan to pay a portion of the costs of acquisition, equipping, construction or rehabilitation of the Project, (b) make payments sufficient to pay the principal of and interest on the Bond when due (whether at maturity, by redemption, acceleration or otherwise), and (c) observe the other covenants and agreements and make the other payments set forth therein; and

WHEREAS, in order to provide for the authentication and delivery of the Bond, to establish and declare the terms and conditions upon which the Bond is to be issued and to secure the payment of the principal thereof and of the interest and premium, if any, thereon, the Issuer has authorized the execution and delivery of this Indenture; and

WHEREAS, the Issuer has determined that all conditions, things and acts required by the Act, and by all other laws of the State of California, to exist, have happened and have been performed in satisfaction of conditions precedent to and in connection with the issuance of the Bond exist, have happened, and have been performed in due time, form and manner as required by law, and the Issuer is now duly authorized and empowered, pursuant to each and every requirement of law, to issue the Bond for the purpose, in the manner and upon the terms herein provided; and

WHEREAS, the Issuer has determined that all acts and proceedings required by law necessary to make the Bond, when executed by the Issuer, authenticated and delivered by the Trustee and duly issued, the valid, binding and legal limited obligation of the Issuer, and to constitute this Indenture a valid and binding agreement for the uses and purposes herein set forth, in accordance with its terms, have been done and taken; and the execution and delivery of this Indenture have been in all respects duly authorized.

A G R E E M E N T:

NOW, THEREFORE, THIS INDENTURE WITNESSETH, that in order to secure the payment of the principal of, and the interest and premium, if any, on, the Bond at any time issued and Outstanding under this Indenture, according to their tenor, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, and to declare the terms and conditions upon and subject to which the Bond is to be issued and received, and for and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Bond by the owner thereof, and for other valuable consideration the receipt and sufficiency of which is hereby acknowledged, the Issuer covenants and agrees with the Trustee, for the equal and proportionate benefit of the respective registered owner from time to time of the Bond, as follows:

ARTICLE I

DEFINITIONS AND GENERAL PROVISIONS

Section 1.01. Definitions. Unless the context otherwise requires, the terms defined in this Section 1.01 shall, for all purposes of this Indenture and of the Loan Agreement and of any indenture supplemental hereto or agreement supplemental thereto, have the meanings herein specified, as follows:

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

The term “**Agreement**” or “**Loan Agreement**” shall mean the Loan Agreement, dated as of [_____] 1, 2020, among the Issuer, the Borrower and the Bondowner Representative, pursuant to which the Issuer agrees to lend the proceeds of the Bond to the Borrower, as originally executed or as it may from time to time be supplemented or amended in accordance with its terms.

The term “**Annual Fee**,” when used with reference to the Issuer, means the Issuer’s ongoing annual fee defined as the “**Authority Fee**” in the Regulatory Agreement.

The term “**Authorized Amount**” shall mean \$[12,000,000], the authorized maximum principal amount of the Bond.

The term “**Authorized Attesting Officer**” shall mean the Secretary or Deputy Secretary of the Issuer, or such other officer or official of the Issuer who, in accordance with the laws of the State, the bylaws or other governing documents of the Issuer, or practice or custom, regularly attests or certifies official acts and records of the Issuer, and includes any assistant or deputy officer to the principal officer or officers exercising such responsibilities.

The term “**Authorized Borrower Representative**” shall mean any person who at the time and from time to time may be designated as such, by written certificate furnished to the Issuer, the Bondowner Representative and the Trustee containing the specimen signature of such person and signed on behalf of the Borrower by a managing member or general partner of the Borrower, as applicable, which certificate may designate an alternate or alternates and such persons as designated in the Loan Agreement.

The term “**Authorized Issuer Representative**” shall mean the Chairman of the Issuer, the Vice Chairman of the Issuer, the Executive Director of the Issuer, the Executive Vice President of Real Estate and Chief Strategy Officer of the San Diego Housing Commission (the “Housing Commission”), the Vice President of Real Estate Finance of the Housing Commission, the Executive Vice President and Chief of Staff of the Housing Commission or any other officer authorized to bind the Issuer pursuant to the Authorizing Resolution of the Issuer adopted on [____], 2020.

The term “**Bond**” shall mean the Housing Authority of the City of San Diego Multifamily Housing Revenue Bond (Mission Terrace Apartments), Series 2020D, issued and Outstanding hereunder.

The term “**Bond Counsel**” shall mean (i) Kutak Rock LLP, or (ii) any attorney at law or other firm of attorneys selected by the Issuer, of nationally recognized standing in matters pertaining to the federal tax status of interest on bonds issued by states and political subdivisions, and duly admitted to practice law before the highest court of any state of the United States of America, but shall not include counsel for the Borrower.

The term “**Bond Fund**” shall mean the fund by that name established pursuant to Section 5.02 hereof.

The term “**Bondowner Representative**” shall mean (a) Zions Bancorporation, N.A. dba California Bank & Trust and (b) any successor entity that is the owner of the Bond or any entity selected by the owner of the Bond.

The term “**Bond Year**” shall mean the one-year period beginning on [____] 1 in each year and ending the last day in [____] in the following year, except that the first Bond Year shall begin on the Closing Date and end on [____], 2021.

The term “**Borrower**” or “**Partnership**” shall mean Mission Terrace Housing Partners, L.P., a California limited partnership, and its respective successors and assigns under the applicable provisions of the Loan Agreement and the Regulatory Agreement.

The term “**Business Day**” means a day of the week (but not a Saturday, Sunday, or holiday) on which the offices of Lender are open to the public for carrying on substantially all of Lender’s business functions.

The term “**Certificate of the Issuer**” shall mean a certificate of the Issuer signed by an Authorized Issuer Representative. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

The term “**Certified Resolution**” shall mean a copy of a resolution of the Issuer, certified by the Secretary or Deputy Secretary of the Issuer, to have been duly adopted by the Issuer and to be in full force and effect on the date of such certification.

The term “**Closing Date**” shall mean [____], 2020, the date of initial delivery of the Bond and funding of the Initial Disbursement.

The term “**Code**” or “**Internal Revenue Code**” means the Internal Revenue Code of 1986, as amended, and with respect to a specific section thereof, such reference shall be deemed to include (a) the regulations promulgated by the United States Department of the Treasury under such section, (b) any successor provision of similar import hereafter enacted, (c) any corresponding provision of any subsequent Internal Revenue Code and (d) the regulations promulgated under the provisions described in (b) and (c).

The term “**Construction Fund**” shall mean the fund by that name established pursuant to Section 3.03 hereof which includes a Bond Proceeds Account therein.

The term “**Deed of Trust**” shall mean the Construction and Permanent Trust Deed with Assignment of Rents, Security Agreement and Fixture Filing, executed by the Borrower in favor of the Issuer as beneficiary (the beneficial interest under which is being assigned, concurrent with recording, by the Issuer to the Trustee) for the purpose of securing the obligations of the Borrower under the Loan Agreement, as such deed of trust may be originally executed or as from time to time supplemented or amended.

The term “**Default Rate**” means the interest rate then in effect on the Bond plus five percent (5.0%), not to exceed the Maximum Rate.

The term “**Disbursed Amount**” means the portion of the Loan and the Bond funded and Outstanding from time to time, as indicated on the Bond and in the records of the Trustee.

The term “**Disbursement Agreement**” shall have the meaning contained in the Loan Agreement.

The term “**Event of Default**” as used herein other than with respect to defaults under the Loan Agreement shall have the meaning specified in Section 7.01 hereof, and as used in the Loan Agreement shall have the meaning specified in Section 6.01 thereof.

The term “**Fair Market Value**” means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm’s length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of Section 1273 of the Code) and, otherwise, the term “Fair Market Value” means the acquisition price in a bona fide arm’s length transaction (as referenced above) if (a) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code, (b) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Code, (c) the investment is a United States Treasury Obligation-State and Local Government Series that is acquired in accordance with applicable regulations of the United States Department of the Treasury, Bureau of Public Debt, or (d) the investment is the Local Agency Investment Fund of the State of California, but only if at all times during which the investment is held its yield is reasonably expected to be equal to or greater than the yield on a reasonably comparable direct obligation of the United States.

The term “**Holder**,” “**holder**,” “**Bondholder**,” “**Owner**” or “**Bondowner**” shall mean the person in whose name the Bond is registered.

The term “**Indenture**” shall mean this Indenture of Trust, as originally executed or as it may from time to time be supplemented, modified or amended by any supplemental indenture entered into pursuant to the provisions hereof.

The term “**Initial Disbursement**” means the initial advance of the proceeds of the Bond on the Closing Date in an amount equal to at least \$50,001.

The term “**Interest Payment Date**” shall mean the first calendar day of each month, commencing [_____] 1, 2020.

The term “**Investment Securities**” shall mean any of the following (including any funds comprised of the following, which may be funds maintained or managed by the Trustee and its affiliates), but only to the extent that the same are acquired at Fair Market Value:

(a) United States Treasury notes, bonds, bills, and other obligations for which the full faith and credit of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, are pledged for the payment of principal and interest (including State and Local Government Series);

(b) shares of an investment company (1) registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, (2) whose only investments are in (i) securities described in the preceding clause (a), (ii) general obligation tax-exempt securities rated “A” or better by the Rating Agency, or (iii) repurchase agreements or reverse repurchase agreements fully collateralized by those securities if the repurchase agreements or reverse repurchase agreements are entered into only with those primary dealers which report to the Federal Reserve Bank of New York or with the 100 largest United States commercial banks, and (3) which are rated Am or Am-g or better by

the Rating Agency, including money market funds for which the Trustee and its affiliates provide investment advisory or other management services;

(c) any security which is a general obligation of any state or any local government with taxing powers which is rated “A” or better by the Rating Agency;

(d) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated “A-1” by the Rating Agency and matures in 270 days or less; or

(e) any other investment which is a lawful investment for funds of the Issuer hereunder approved in writing by the Bondowner Representative.

The term “**Investor’s Letter**” shall mean a letter from a purchaser of the Bond in the form Exhibit B hereto.

The term “**Investor Limited Partner**” shall mean [**RedStone Entity**], its successors and assigns.

The term “**Issuance Costs**” shall mean all costs and expenses of issuance of the Bond, including, but not limited to: (a) underwriters’ discount and fees; (b) counsel fees, including Bond Counsel and Borrower’s counsel, as well as any other specialized counsel fees incurred in connection with the issuance of the Bond or the Loan; (c) the Issuer’s issuance fee (being 0.25% of the original authorized principal amount of the Bond) plus expenses incurred in connection with the issuance of the Bond, including fees of any counsel or advisor to the Issuer, and the Issuer administrative fee for processing the request of the Borrower to issue the Bond; (d) Bondowner Representative’s fees and Bondowner Representative’s counsel fees; (e) Trustee’s fees and Trustee’s counsel fees; (f) paying agent’s and certifying and authenticating agent’s fees related to issuance of the Bond; (g) accountant’s fees related to issuance of the Bond; (h) fees and expenses of Lender’s counsel; (i) publication costs associated with the financing proceedings; and (j) costs of engineering and feasibility studies necessary to the issuance of the Bond.

The term “**Issuer**” shall mean the Housing Authority of the City of San Diego, a public body corporate and politic of the State of California, duly organized and existing under the Constitution and laws of the State of California, the issuer of the Bond hereunder, and its successors and assigns.

The term “**Lender**” shall mean Zions Bancorporation, N.A. dba California Bank & Trust, and its successors and assigns as owner of the Bond.

The term “**Loan**” shall mean the loan of the proceeds of the Bond made by the Issuer to the Borrower pursuant to the Loan Agreement for the purpose of financing the acquisition and construction or rehabilitation by the owner of the Project.

The term “**Loan Documents**” shall have the meaning given such term in the Loan Agreement.

The term “**Maturity Date**” shall mean [_____] 1, 20[___].

The term “**Maximum Rate**” shall mean the lesser of (i) 12% per annum or (ii) the maximum interest rate permitted by law.

The term “**Note**” shall mean the promissory note evidencing the obligation of the Borrower to repay the Loan, in the form required by the Loan Agreement, as amended or supplemented from time to time.

The term “**Opinion of Counsel**” shall mean a written opinion of counsel, who may be counsel for the Issuer, Bond Counsel, counsel for the Trustee or counsel for the Bondowner Representative.

The term “**Outstanding**,” when used as of any particular time with reference to the Bond, shall mean a principal amount of the Bond equal to the purchase price paid by the Bondowner Representative to the Trustee under this Indenture except:

(a) Any portion of the Bond theretofore canceled by the Trustee or surrendered to the Trustee for cancellation;

(b) Any portion of the Bond for the payment or redemption of which moneys or securities in the necessary amount (as provided in Section 10.01) shall have theretofore been deposited with the Trustee (whether upon or prior to the maturity or the redemption date of such Bond); and

(c) A Bond in lieu of or in substitution for which another Bond shall have been authenticated and delivered by the Trustee pursuant to the terms of Section 2.05.

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

The term “**Principal Office**” shall mean the corporate trust office of the Trustee located at the address set forth in Section 11.06 hereof, or at such other place as the Trustee shall designate by notice given under said Section 11.06.

The term “**Principal Payment Date**” shall mean any date on which principal of the Loan is due and payable under the Note.

The term “**Project**” means the multifamily rental housing facility to be acquired, rehabilitated and equipped by the Borrower with the proceeds of the Loan located at 10210 San Diego Mission Road in the City of San Diego or equipment, as it may at any time exist, and any structures, buildings, fixtures or equipment acquired in substitution for, as a renewal or replacement of, or a modification or improvement to, all or any part of such facilities, and a fee interest in the land on which such housing is situated.

The term “**Project Costs**” has the meaning given such term in the Regulatory Agreement.

The term “**Qualified Project Costs**” shall have the meaning ascribed thereto in the Regulatory Agreement.

The term “**Rating Agency**” shall mean Standard & Poor’s Ratings Services, a division of the McGraw-Hill Companies Inc., or its successors and assigns or, if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized rating agency designated by the Issuer.

The term “**Rebate Analyst**” shall mean (i) Kutak Rock LLP, or (ii) any certified public accountant, financial analyst or bond counsel, or any firm of the foregoing, or financial institution (which may include the Trustee) experienced in making the arbitrage and rebate calculations required pursuant to Section 148 of the Code, selected by and at the expense of the Borrower, with the prior written consent of the Issuer, to make the computations required under this Indenture and the Loan Agreement.

The term “**Redemption Date**” shall mean any date designated as a date upon which the Bond is to be redeemed pursuant to this Indenture.

The term “**Regulations**” shall mean the Income Tax Regulations promulgated or proposed by the Department of the Treasury pursuant to the Code from time to time or pursuant to any predecessor statute to the Code.

The term “**Regulatory Agreement**” shall mean that Regulatory Agreement and Declaration of Restrictive Covenants of even date herewith, by and among the Issuer, the Trustee and the Borrower related to the Project, as amended, supplemented or restated from time to time.

The term “**Reserved Rights**” means those certain rights of the Issuer, its officers, attorneys, accountants, employees, agents and consultants under the Loan Documents to indemnification and to payment or reimbursement of fees and expenses of the Issuer, including the Issuer’s Annual Fee, as well as the fees and expenses of counsel and indemnity payments, its right to give and receive notices and to enforce notice and reporting requirements and restrictions on transfer of ownership, its right to inspect and audit the books, records and premises of the Borrower and of the Project, its right to collect attorney’s fees and related expenses, its right to specifically enforce the Borrower’s covenant to comply with applicable federal tax law and State law (including the Act and the rules and regulations of the Issuer), its rights to give or withhold consent to amendments, changes, modifications and alterations to the Loan Documents as specifically set forth herein and therein, and to the extent not included above, the rights specifically reserved by the Issuer under this Indenture and the Regulatory Agreement.

The term “**Responsible Officer**” of the Trustee or the Bondowner Representative shall mean any officer of the Trustee or the Bondowner Representative, as the case may be, assigned to administer its duties hereunder.

The term “**Revenues**” means all amounts pledged hereunder to the payment of principal of and premium, if any, and interest on the Bond, consisting of any repayments of the Loan required or permitted to be made by the Borrower pursuant to Sections A and C of the Note, but such term shall not include payments to the United States, the Issuer or the Bondowner Representative

pursuant to Sections 2.05, 2.06, 4.01, 5.03 and 8.08 of the Loan Agreement, Sections 6.07 or 8.06 hereof or pursuant to the Regulatory Agreement.

The term “**Sophisticated Investor**” means a “qualified institutional buyer” as defined in Rule 144A promulgated under the Securities Act of 1933, as amended, or an institutional “accredited investor” as defined in Sections 501(a)(1) through (3) of Regulation D promulgated under the Securities Act of 1933, as amended [**CONSIDER PARTICIPATION INTERESTS**].

The term “**supplemental indenture**” or “**indenture supplemental hereto**” shall mean any indenture hereafter duly authorized and entered into by and among the Bondowner Representative, the Issuer and the Trustee in accordance with the provisions of this Indenture.

The term “**Tax Certificate**” means the Tax Certificate as to Arbitrage and the Provisions of Sections 103 and 141-150 of the Internal Revenue Code of 1986, dated the Closing Date executed and delivered by the Issuer and the Borrower on the Closing Date.

The terms “**Written Consent**,” “**Written Demand**,” “**Written Direction**,” “**Written Election**,” “**Written Notice**,” “**Written Order**,” “**Written Request**” and “**Written Requisition**” of the Issuer or the Borrower shall mean, respectively, a written consent, demand, direction, election, notice, order, request or requisition signed on behalf of the Issuer by an Authorized Issuer Representative, or on behalf of the Borrower by an Authorized Borrower Representative.

Section 1.02. Rules of Construction.

(a) The singular form of any word used herein, including the terms defined in Section 1.01, shall include the plural, and vice versa, unless the context otherwise requires. The use herein of a pronoun of any gender shall include correlative words of the other genders.

(b) All references herein to “Articles,” “Sections” and other subdivisions hereof are to the corresponding Articles, Sections or subdivisions of this Indenture as originally executed; and the words “herein,” “hereof,” “hereunder” and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or subdivision hereof.

(c) The headings or titles of the several Articles and Sections hereof, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not affect the meaning, construction or effect of this Indenture.

ARTICLE II

THE BOND

Section 2.01. Authorization. There is hereby authorized to be issued a bond of the Issuer designated as “Housing Authority of the City of San Diego Multifamily Housing Revenue Bond (Mission Terrace Apartments), Series 2020D” in the initial aggregate principal amount of up to \$[12,000,000], subject to funding over time, as provided herein. No Bond may be issued hereunder

except in accordance with this Article. The maximum aggregate principal amount of the Bond which may be issued and Outstanding under this Indenture shall not exceed the Authorized Amount.

Section 2.02. Terms of Bond. The Bond shall be substantially in the form set forth in Exhibit A hereto with necessary or appropriate variations, omissions and insertions as permitted or required by this Indenture, including any supplemental indenture.

The Bond shall be issuable only as a single fully registered Bond, without coupons in the principal amount equal to the aggregate of the purchase price of the Bond advanced from time to time by the owner of the Bond (which principal amount shall be, on the Closing Date, equal to the amount of the Initial Disbursement). Notwithstanding the foregoing, no purchase price of the Bond shall be funded after [December 31, 2023] unless there is delivered to the Trustee an opinion of Bond Counsel to the effect that such funding will not adversely affect the exclusion from gross income for purposes of federal income taxation of interest on the Bond. The Bond shall be dated the Closing Date, shall mature on and be payable in full on the Maturity Date, and shall be subject to redemption prior to maturity as provided in Article IV.

[The Bond shall bear interest, payable on each Interest Payment Date, at the Adjustable Fixed Rate as defined in and pursuant to and in accordance with the terms of the Note (subject to such exceptions and conditions as are set forth in the Note).] Notwithstanding the foregoing, the Bond shall bear interest at the Default Rate upon the occurrence of an Event of Default hereunder or under the Loan Agreement or at a Taxable Rate as defined in the Note upon a Notice of Taxability as defined in the Note. In no event may the interest rate on the Bond exceed the Maximum Rate. Interest on the Bond shall be computed on the basis of a 360-day year and actual days elapsed.

The Bond shall bear interest from the date to which interest has been paid on the Bond next preceding the date of its authentication, unless it is authenticated as of an Interest Payment Date for which interest has been paid, in which event it shall bear interest from such Interest Payment Date, or unless it is authenticated on or before the first Interest Payment Date, in which event it shall bear interest from the Closing Date.

The Bond shall be issued as a certificated instrument and shall not be held in book-entry form.

Section 2.03. Payment of Bond. Payment of the principal of and interest on the Bond shall be made in lawful money of the United States to the person appearing on the Bond registration books of the Trustee as the registered owner thereof on the applicable Interest Payment Date, such principal and interest to be paid by check mailed on the Interest Payment Date by first class mail, postage prepaid, to the registered owner at its address as it appears on such registration books, except that the Trustee may, at the request of any registered owner of Bond, make payments of principal and interest on the Bond by wire transfer to the account within the United States designated by such owner to the Trustee in writing, any such designation to remain in effect until withdrawn in writing. Notwithstanding the foregoing, unless otherwise notified in writing by the Bondowner Representative, the Trustee shall make all payments of principal of and interest on the

Bond to the Bondowner Representative to the extent funds are on deposit with the Trustee for such payments under this Indenture.

Section 2.04. Execution of Bond. The Bond shall be executed on behalf of the Issuer by the manual or facsimile signature of the Executive Director, and attested by the manual or facsimile signature of an Authorized Attesting Officer. Any facsimile signatures shall have the same force and effect as if said persons had manually signed said Bond. Any reproduction of the official seal of the Issuer on the Bond shall have the same force and effect as if the official seal of the Issuer had been impressed on the Bond. In case any officer whose manual or facsimile signature shall appear on any Bond shall cease to be such officer before the delivery of such Bond such signature or such facsimile shall nevertheless be valid and sufficient for all purposes, the same as if he had remained in office until delivery, and also any Bond may bear the facsimile signatures of, or may be signed by, such Persons as at the actual time of the execution of such Bond shall be the proper officers to sign such Bond although at the date of such Bond such Persons may not have been such officers.

Only such Bond as shall bear thereon a certificate of authentication in the form set forth in Exhibit A, manually executed by the Trustee, shall be valid or obligatory for any purpose or entitled to the benefits of this Indenture and such certificate of the Trustee shall be conclusive evidence that the Bond so authenticated have been duly authenticated and delivered hereunder and are entitled to the benefits of this Indenture.

Section 2.05. Transfer of Bond.

(a) The Bond may, in accordance with the terms of this Indenture but in any event subject to the provisions of Section 2.05(b) hereof, be transferred upon the books of the Trustee required to be kept pursuant to the provisions of Section 2.06, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation at the Principal Office of the Trustee, accompanied by a written instrument of transfer in a form acceptable to the Trustee, duly executed. Whenever the Bond shall be surrendered for transfer, the Issuer shall execute and the Trustee shall authenticate and deliver a new, fully registered Bond.

(b) The following shall apply to all transfers of the Bond after the initial delivery of the Bond:

(i) the Bond, in the form attached hereto as Exhibit A, shall be a physical certificated instrument, and shall not be held in a book-entry only system unless approved in advance in writing by the Issuer in its sole discretion;

(ii) the Bond shall be transferred only in whole and only to an entity that qualifies as a Sophisticated Investor, which must execute and deliver the form of Investor's Letter [**CONSIDER PARTICIPATION PROVISIONS**];

(iii) each transferee of the Bond shall deliver to the Issuer an Investor's Letter, wherein the transferee agrees, among other matters, not to

sell participating interests in the Bond without the prior written consent of the Issuer; and

(iv) the Trustee shall not authenticate or register a Bond unless the conditions of this Section 2.05(b) have been satisfied.

(c) The Trustee shall require the payment by the Bondholder requesting any such transfer of any tax, fee or other governmental charge required to be paid with respect to such transfer, but any such transfer shall otherwise be made without charge to the Bondholder requesting the same nor to the Borrower. The cost of printing any Bond and any services rendered or any expenses incurred by the Trustee in connection therewith shall be paid by the Borrower.

(d) The Bondowner Representative shall indemnify and defend the Issuer, and the officers, employees, attorneys and agents of the Issuer against any claim brought by any transferor or transferee of the Bond in respect of the Bond, this Indenture or any of the Loan Documents in the event that there occurs a transfer of the Bond that is not permitted pursuant to this Section 2.05. Failure to comply with Section 2.05(b) shall cause any purported transfer to be null and void.

Section 2.06. Bond Register. The Issuer hereby appoints the Trustee as registrar and authenticating agent for the Bond. The Trustee will keep or cause to be kept at its Principal Office sufficient books for the registration, notation of principal and transfer of the Bond, which shall at all reasonable times upon reasonable notice be open to inspection by the Issuer and the Borrower; and, upon presentation for such purpose, the Trustee as registrar shall, under such reasonable regulations as it may prescribe, transfer or cause to be transferred, on said books, the Bond as hereinbefore provided.

The ownership of the registered Bond shall be proved by the bond registration books held by the Trustee. The Trustee and the Issuer may conclusively assume that such ownership continues until written notice to the contrary is served upon the Trustee. The fact and the date of execution of any request, consent or other instrument and the amount and distinguishing numbers of the Bond held by the person so executing such request, consent or other instrument may also be proved in any other manner which the Trustee may deem sufficient. The Trustee may nevertheless, in its discretion, require further proof in cases where it may deem further proof desirable.

Any request, consent, or other instrument or writing of the Holder of any Bond shall bind every future Holder of the Bond and the Holder of every Bond issued in exchange thereof or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Issuer in accordance therewith or reliance thereon.

ARTICLE III

ISSUANCE OF BOND; APPLICATION OF PROCEEDS

Section 3.01. Authentication and Delivery of the Bond. Upon the execution and delivery of this Indenture, the Issuer shall execute the Bond and deliver it to the Trustee. Upon satisfaction of the conditions set forth in this Section, and without any further action on the part of

the Issuer, the Trustee shall authenticate the Bond in a principal amount not exceeding the Authorized Amount, and shall deliver the Bond pursuant to a Written Order of the Issuer. Prior to the authentication and delivery of the Bond by the Trustee, the initial owner of the Bond shall have executed and delivered to the Trustee the form of Investor's Letter attached hereto as Exhibit B and there shall have been delivered to the Trustee each of the following:

(a) a Certified Resolution authorizing issuance and sale of the Bond and execution and delivery by the Issuer of the Indenture, the Loan Agreement and the Regulatory Agreement;

(b) original executed counterparts of this Indenture, the Loan Agreement, the Deed of Trust, the Regulatory Agreement and all of the other Loan Documents (as defined in the Loan Agreement), all in form and content satisfactory to the Bondowner Representative (as evidenced by the authentication and delivery of the Bond to the Bondowner Representative and acceptance thereof), and the original executed Note;

(c) a Written Order of the Issuer to the Trustee to authenticate and deliver the Bond as directed in such Written Order, upon payment of the Initial Disbursement by the Bondowner Representative and transfer thereof to the Trustee, for the account of the Issuer for deposit in the Construction Fund and immediate disbursement into escrow with [_____] Title Company as directed by the Issuer;

(d) evidence satisfactory to the Issuer of arrangements to pay all costs associated with the issuance and sale of the Bond; and

(e) one or more opinions of Bond Counsel and the City of San Diego Attorney's Office with respect to the due execution and delivery of the Indenture, Loan Agreement and Bond and the exclusion from gross income of the Bondholder of interest on the Bond for federal income tax purposes.

Section 3.02. Application of Proceeds of Bond/Draw Down Provisions. The Initial Disbursement and subsequent disbursements of the proceeds received from the sale of the Bond shall be made in accordance with Section 3.03 of this Indenture. The Bondowner Representative shall fund the purchase price of the Bond from time to time by funding advances of principal of the Loan pursuant to the Loan Agreement and Disbursement Agreement. Amounts funded in such manner shall be deposited by the Bondowner Representative with the Trustee and shall be deposited into the Construction Fund in accordance with Section 3.03(a) of this Indenture. The Trustee shall note such amount in its records, and the Trustee's records, absent manifest error, shall be dispositive of the amount Outstanding. Such amounts shall constitute the Disbursed Amount, and shall begin to accrue interest, only upon disbursement by the Bondowner Representative to the Trustee for deposit in the Construction Fund. Notwithstanding anything herein to the contrary, the purchase price of the Bond funded by the Bondowner Representative may not exceed \$[12,000,000] (and the Trustee shall not record any advances which would cause the principal amount of the Bond to exceed such amount). In no event may additional amounts be funded after [December 31, 2023] unless there is delivered to the Trustee an opinion of Bond

Counsel to the effect that such funding will not adversely affect the exclusion from gross income for purposes of federal income taxation of interest on the Bond.

Section 3.03. Disbursement of Bond Proceeds; Establishment of Construction Fund.

There is hereby created and established with the Trustee a separate fund which shall be designated the “Construction Fund,” which fund shall be applied only as provided in this Section. Within the Construction Fund there shall be created a Bond Proceeds Account to be held by the Trustee. The Initial Disbursement on the Closing Date shall be disbursed by the Bondowner Representative pursuant to the Loan Agreement and deposited with the Trustee into the Bond Proceeds Account of the Construction Fund for payment to or upon the order of the Borrower to pay Qualified Project Costs.

(a) The Bondowner Representative shall fund the Loan from time to time in accordance with the Loan Agreement and the Disbursement Agreement. Each advance of the Loan shall be treated as a concurrent funding of Bondowner Representative’s purchase of a further drawdown of the Bond. The Bondowner Representative shall deposit the proceeds of each drawdown on the Bond with the Trustee for deposit into the Bond Proceeds Account of the Construction Fund. Funds on deposit in the Construction Fund, and any interest earnings thereon, shall be transferred by the Trustee to the Borrower (or, at the direction of the Bondowner Representative, to such contractors or subcontractors as specified in writing to the Trustee by the Lender) (i) for the payment of Project Costs (as defined in the Regulatory Agreement) approved by the Bondowner Representative; and (ii) as provided in the first sentence of the next subsection, interest on the Bond when due.

(b) Advances of the Loan funded by the Bondowner Representative as payments of interest due on the Bond until the Borrower places the project in service for federal tax purposes shall be paid without a disbursement request directly by the Bondowner Representative to the Holder when due. Bondowner Representative shall provide a written statement of such advances to the Trustee, the Borrower and the Issuer. Except as provided in the preceding sentence, the Issuer hereby authorizes and directs the disbursement by the Trustee of the amounts deposited in the Construction Fund in accordance with this Indenture to or upon the order of the Borrower (or, at the direction of the Bondowner Representative, to such contractors or subcontractors as specified in writing to the Trustee by the Lender) from time to time upon receipt by the Trustee of a disbursement request from the Borrower in the form attached hereto as Exhibit C, and a written consent executed by the Bondowner Representative evidencing a determination of the Bondowner Representative that the conditions to disbursement contained in the Disbursement Agreement have been satisfied or waived.

(c) The Trustee shall maintain, or cause to be maintained, accurate records regarding the disbursement of the proceeds of the Bond in accordance with Section 3.02 and this Section 3.03 hereof, and shall provide copies thereof to the Issuer and the Borrower upon their written request. Additionally, the Trustee shall provide the Borrower with a monthly statement regarding activity in each of the

funds and accounts created under this Indenture, including the Construction Fund and the Bond Fund in the immediately preceding month.

(d) The Trustee, the Bondowner Representative and the Issuer shall not be responsible for the application by the Borrower of monies disbursed to the Borrower in accordance with this Section 3.03.

If an Event of Default under and as defined in the Loan Agreement occurs and the maturity of the Bond is accelerated in accordance with Section 4.01(b) hereof, the Trustee will, to the extent necessary, use moneys in the Construction Fund and Bond Fund to make payments on the Bond.

Section 3.04. Costs of Issuance Fund. There is hereby created and established with the Trustee a separate fund which shall be designated the “Costs of Issuance Fund,” which fund shall be applied only as provided in this Section. On the Closing Date, the Borrower shall, from its own funds, deposit with the Trustee the amount of \$[4,000], which amount the Trustee shall deposit in the Costs of Issuance Fund. Amounts in the Costs of Issuance Fund shall be paid by the Trustee on or after the Closing Date to: (a) the Trustee the sum of \$1,000 for its counsel fee; and (b) the California Debt and Investment Advisory Commission (“CDIAC”) an amount up to \$[3,000] upon delivery of an invoice to the Trustee from CDIAC. Amounts remaining in the Costs of Issuance Fund 90 days after the Closing Date shall be returned to the Borrower and the Trustee shall close the Costs of Issuance Fund.

Section 3.05. Issuer Annual Fee. The Trustee shall collect the Issuer’s Annual Fee from the Borrower when due from the Borrower and remit it to the Issuer at the times specified in the definition of “Authority Fee” in the Regulatory Agreement. The Trustee may establish a fund or account in its records to deposit and remit the Annual Fee to the Issuer.

ARTICLE IV

REDEMPTION OF BOND

Section 4.01. Circumstances of Redemption. The Bond is subject to redemption upon the circumstances, on the dates and at the prices set forth as follows:

(a) The Bond shall be subject to redemption in whole or in part on any date, at a price equal to the principal amount of the Bond to be redeemed plus interest accrued thereon to the date fixed for redemption, plus any applicable prepayment premium, as provided in the Note, the Loan Agreement or the Disbursement Agreement; provided, however, that any other charges then due and payable pursuant to the Note, the Loan Agreement or the Disbursement Agreement shall be paid in full (or, in connection with a partial redemption of the Bond, paid in proportion to the amount of the Bond being so redeemed) on the redemption date.

(b) The Bond shall be subject to mandatory redemption in whole upon the occurrence of an event of default under the Loan Agreement, the Disbursement Agreement or any other of the Loan Documents (subject to all applicable notice and cure provisions contained therein), at the written direction of the Bondowner Representative, at a redemption price equal to the principal amount of the Bond

then Outstanding, plus accrued interest thereon to the date of redemption, plus any applicable prepayment premium, as provided in the Note, the Loan Agreement or the Disbursement Agreement.

(c) [Reserved].

(d) [Reserved].

(e) The Bond shall be subject to mandatory redemption, at the direction of the Bondowner Representative (given in accordance with the Loan Agreement or the Deed of Trust), in whole or in part on any date, from insurance proceeds received in connection with a partial or total casualty loss of the Project or a condemnation award in connection with a partial or complete taking of the Project, but only to the extent such proceeds or award are not used to repair, replace or restore the Project, at a price equal to the principal amount of the Bond to be redeemed plus interest accrued thereon to the date fixed for redemption and any additional amount payable pursuant to the Note, the Loan Agreement or the Disbursement Agreement.

The Bondowner Representative is hereby authorized and directed, and hereby agrees, to fix the date for any such redemption and to provide written notice thereof to the Trustee, and, if Revenues are available, to cause the Trustee to redeem the Bond so called on the date so fixed by the Bondowner Representative. The Bondowner need not surrender its Bond in connection with any redemption of the Bond unless the Bond is redeemed in whole.

Section 4.02. No Notice of Redemption. No notice of redemption of the Bond need be given to the Bondowner by the Trustee, but the Bondowner Representative shall give notice of any redemption under Section 4.01(b) to the Issuer at the same time such notice is given to the Trustee; provided such notice shall not be a condition precedent to any redemption and neither failure to give such notice nor any defect in such notice shall affect the validity of any redemption hereunder.

Section 4.03. Effect of Redemption. If moneys for payment of the redemption price of the Bond are being held by the Trustee, the Bond shall, on the redemption date selected by the Borrower or Bondowner Representative, as applicable, become due and payable at the redemption price specified herein, interest on the principal amount of the Bond so called for redemption shall cease to accrue upon actual redemption, said principal amount of Bond shall cease to be entitled to any lien, benefit or security under this Indenture, and the holder of the Bond shall have no rights in respect thereof except to receive payment of the redemption price thereof and receive proceeds of exercise by the Trustee of rights and remedies under the Note, the Loan Agreement, the Deed of Trust, the Disbursement Agreement and the other Loan Documents.

ARTICLE V

REVENUES

Section 5.01. Pledge of Revenues. All of the Revenues are hereby irrevocably pledged to the punctual payment of the principal of and interest on the Bond. The Issuer also hereby transfers in trust, grants a security interest in and assigns to the Trustee, for the benefit of the holder

from time to time of the Bond, all of its right, title and interest in (excluding the Reserved Rights) (a) the Revenues, but excluding any amounts calculated as excess investment earnings under Section 6.07 hereof, (b) all amounts on deposit in any fund or account created hereunder and held by the Trustee, but excluding any amounts calculated as excess investment earnings under Section 6.07 hereof, (c) the Loan Agreement (except for the Reserved Rights under Sections 2.05, 2.06, 4.01, 5.03 and 8.08 of the Loan Agreement and amounts payable to the United States of America pursuant to the Regulatory Agreement and Tax Certificate, (d) the Note, and (e) any other amounts or agreements referenced in the Loan Agreement as security for the repayment of the Bond (collectively, the "Trust Estate"). The Note has been endorsed to the Trustee, and the Deed of Trust is delivered in favor of the Issuer and assigned to the Trustee.

All Revenues received by the Trustee and all amounts on deposit in the funds and accounts created hereunder and held by the Trustee (other than amounts held pursuant to Section 3.05 for the benefit of the Issuer and amounts held in the Rebate Fund pursuant to Section 6.07 hereof) shall be held in trust for the benefit of the holders from time to time of the Bond, but shall nevertheless be disbursed, allocated and applied solely for the uses and purposes hereinafter set forth in this Article V.

THE BOND IS A LIMITED, SPECIAL OBLIGATION OF THE ISSUER, PAYABLE SOLELY AND ONLY FROM THE TRUST ESTATE AND ANY OTHER REVENUES, FUNDS AND ASSETS PLEDGED UNDER THIS INDENTURE. NONE OF THE ISSUER, THE CITY OF SAN DIEGO, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS SHALL BE DIRECTLY, INDIRECTLY, CONTINGENTLY OR MORALLY OBLIGATED TO USE ANY OTHER MONEYS OR ASSETS TO PAY ALL OR ANY PORTION OF THE DEBT SERVICE DUE ON THE BOND OR TO SATISFY ANY OTHER MONETARY OBLIGATIONS OF THE ISSUER UNDER THE LOAN DOCUMENTS, TO LEVY OR TO PLEDGE ANY FORM OF TAXATION WHATEVER THEREFOR OR TO MAKE ANY APPROPRIATION FOR ITS PAYMENT. THE REPAYMENT OF THE BOND IS NOT SECURED BY A PLEDGE OF THE FAITH AND CREDIT OF THE ISSUER, THE CITY OF SAN DIEGO, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS NOR DOES THE BOND CONSTITUTE INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION. THE ISSUER HAS NO TAXING POWER.

NEITHER THE MEMBERS OF THE BOARD OF COMMISSIONERS OF THE ISSUER NOR THE OFFICERS, DIRECTORS, EMPLOYEES OR AGENTS OF THE ISSUER SHALL BE PERSONALLY LIABLE FOR THE AMOUNTS OWING UNDER THIS INDENTURE, THE BOND OR ANY OF THE OTHER LOAN DOCUMENTS; AND THE BONDHOLDER'S REMEDIES IN THE EVENT OF A DEFAULT UNDER THE LOAN SHALL BE LIMITED TO THOSE REMEDIES SET FORTH IN ARTICLE VII HEREOF AND, IF A DEFAULT ALSO EXISTS UNDER THE LOAN AGREEMENT OR THE NOTE, TO COMMENCE FORECLOSURE UNDER THE DEED OF TRUST AND THE OTHER LOAN DOCUMENTS AND THE EXERCISE OF THE POWER OF SALE OR OTHER RIGHTS GRANTED THEREUNDER. IN THE EVENT OF A DEFAULT HEREUNDER OR UNDER THE BOND, THE BONDHOLDER SHALL NOT HAVE THE RIGHT TO PROCEED DIRECTLY AGAINST THE ISSUER OR THE RIGHT TO OBTAIN A DEFICIENCY JUDGMENT FROM THE ISSUER AFTER FORECLOSURE.

NOTHING CONTAINED IN THE FOREGOING SHALL LIMIT ANY RIGHTS OR REMEDIES THE ISSUER, TRUSTEE OR BONDHOLDER MAY HAVE AGAINST THE BORROWER.

The Issuer shall not be liable for payment of the principal of or interest on the Bond or any other costs, expenses, losses, damages, claims or actions, of any conceivable kind on any conceivable theory, under or by reason of or in connection with this Indenture, the Bond or any other documents, except only to the extent amounts are received for the payment thereof from the Borrower under the Loan Agreement.

Section 5.02. Bond Fund. There is hereby created and established with the Trustee a separate fund which shall be designated the “Bond Fund,” which fund shall be applied only as provided in this Section.

The Trustee shall credit to the Bond Fund from time to time, upon receipt thereof, all Revenues, including (i) income received from the investment of moneys on deposit in the Bond Fund, and (ii) any other Revenues, including insurance proceeds, condemnation awards and other Loan payments or prepayments received from or for the account of the Borrower.

Except as provided in Section 10.02, moneys in the Bond Fund shall be used solely for the payment of the principal of and premium, if any, and interest on the Bond as the same shall become due, whether at maturity or upon redemption or acceleration or otherwise.

On each date on which principal of or interest on the Bond is due and payable, the Trustee shall pay such amount from the Bond Fund.

Section 5.03. Investment of Moneys. Except as otherwise provided in this Section, any moneys in any of the funds and accounts to be established by the Trustee pursuant to this Indenture shall be invested by the Trustee in Investment Securities selected and directed in writing by the Borrower, with respect to which payments of principal thereof and interest thereon are scheduled or otherwise payable not later than one day prior to the date on which it is estimated that such moneys will be required by the Trustee. In the absence of such directions, the Trustee shall invest such monies in Investment Securities described in clause (b) of the definition thereof. The Trustee shall have no liability or responsibility for any loss resulting from any investment made in accordance with this Section 5.03, except for those arising from the willful misconduct or fraud on the part of the Trustee.

Except as otherwise provided in the next sentence, all investments of amounts deposited in any fund or account created by or pursuant to this Indenture, or otherwise containing gross proceeds of the Bond (within the meaning of Section 148 of the Code) shall be acquired, disposed of, and valued (as of the date that valuation is required by this Indenture or the Code) at Fair Market Value. Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under applicable provisions of the Code shall be valued at their present value (within the meaning of Section 148 of the Code). The Trustee shall have no duty to determine Fair Market Value or present value hereunder.

For the purpose of determining the amount in any fund or account, all Investment Securities credited to such fund or account shall be valued at the lower of cost or par (which shall be measured exclusive of accrued interest) after the first payment of interest following purchase.

Any interest, profit or loss on such investment of moneys in any fund or account shall be credited or charged to the respective funds or accounts from which such investments are made. Subject to the requirements of the Tax Certificate, the Trustee may sell or present for redemption any obligations so purchased whenever it shall be necessary in order to provide moneys to meet any payment, and the Trustee shall not be liable or responsible for any loss resulting from such sale or redemption.

The Trustee may make any and all investments permitted under this Section 5.03 through its own trust or banking department or any affiliate and may pay said department reasonable, customary fees for placing such investments. The Trustee and its affiliates may act as principal, agent, sponsor, advisor or depository with respect to Investment Securities under this Section 5.03.

The Issuer (and the Borrower by its execution of the Loan Agreement) acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Issuer or the Borrower the right to receive brokerage confirmations of security transactions as they occur, the Issuer and the Borrower will not receive such confirmations to the extent permitted by law. The Trustee will furnish the Borrower and the Issuer (to the extent requested by it) periodic cash transaction statements which shall include detail for all investment transactions, if any, made by the Trustee hereunder.

Section 5.04. Enforcement of Obligations. Upon the occurrence of an Event of Default actually known to a Responsible Officer of the Bondowner Representative, the Bondowner Representative shall, pursuant to Section 7.08 hereof, be entitled in its sole discretion to take all steps, actions and proceedings, or to direct the Trustee to take all steps and proceedings: (a) to enforce the terms, covenants and conditions of, and preserve and protect the priority of its interest in and under, the Loan Agreement, the Regulatory Agreement and the Deed of Trust, and (b) to request compliance with all covenants, agreements and conditions on the part of the Issuer contained in this Indenture with respect to the Revenues.

ARTICLE VI

COVENANTS OF THE ISSUER

Section 6.01. Payment of Principal and Interest. The Issuer shall punctually pay, but only out of Revenues as herein provided, the principal and the interest (and premium, if any) to become due in respect of the Bond issued hereunder at the times and places and in the manner provided herein and in the Bond, according to the true intent and meaning thereof. When and as paid in full, the Bond shall be delivered to the Trustee and shall forthwith be destroyed.

Section 6.02. Preservation of Revenues; Amendment of Documents. The Issuer shall not take any action to interfere with or impair the pledge and assignment hereunder of Revenues and the assignment to the Trustee, of rights of the Issuer under the Loan Agreement and the Deed of Trust and other collateral documents, or the Trustee's or the Bondowner Representative's

enforcement of any rights hereunder or thereunder, shall not take any action to impair the validity or enforceability of the Loan Agreement or the Deed of Trust and other collateral documents, and shall not waive any of its rights under or any other provision of or permit any amendment of the Loan Agreement or the Deed of Trust and other collateral documents, without the prior written consent of the Bondowner Representative.

Section 6.03. Compliance with Indenture. The Issuer shall not issue, or permit to be issued, any Bond secured or payable in any manner out of Revenues other than in accordance with the provisions of this Indenture; it being understood that the Issuer reserves the right to issue obligations payable from and secured by sources other than the Revenues and the assets assigned herein. The Issuer shall faithfully observe and perform all the covenants, conditions and requirements hereof. So long as the Bond is Outstanding, the Issuer shall not create any pledge, lien or charge of any type whatsoever upon all or any part of the Revenues, other than the lien of this Indenture.

Section 6.04. Further Assurances. Whenever and so often as requested so to do by the Bondowner Representative, the Issuer, at the expense of the Borrower, shall promptly execute and deliver or cause to be executed and delivered all such other and further instruments, documents or assurances, and promptly do or cause to be done all such other and further things, as may be necessary or reasonably required in order to further and more fully vest in the Bondowner Representative and the Bondholder all of the rights, interests, powers, benefits, privileges and advantages conferred or intended to be conferred upon them by this Indenture and to perfect and maintain as perfected such rights, interests, powers, benefits, privileges and advantages.

Section 6.05. No Arbitrage. The Issuer shall not take, nor knowingly permit nor suffer to be taken by the Trustee or otherwise, any action with respect to the gross proceeds of the Bond which would cause the Bond to be an “arbitrage bond” within the meaning of Section 148(a) of the Code and Regulations promulgated thereunder. The Issuer will, additionally, comply with its obligations under and pursuant to the Tax Certificate.

Section 6.06. Limitation of Expenditure of Proceeds. To the best knowledge of the Issuer, and based upon the Borrower’s representations in the Borrower Cost Certificate dated the Closing Date, not less than 97% of the face amount of the Bond, plus premium (if any) paid on the purchase of the Bond by the original purchaser thereof from the Issuer, less original issue discount, will be used for Qualified Project Costs and less than 25% of such amount will be used for acquisition of land or an interest in land.

Section 6.07. Rebate of Excess Investment Earnings to United States. The Rebate Fund shall be established by the Trustee and held and applied as provided in this Section. On any date on which any amounts are required by applicable federal tax law to be rebated to the federal government, amounts shall be deposited into the Rebate Fund by the Borrower for such purpose. All money at any time deposited in the Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement (as defined in the Tax Certificate) and as calculated by the Rebate Analyst, for payment to the United States Government, and neither the Issuer, the Borrower nor the Bondholder shall have any rights in or claim to such moneys. All amounts deposited into or on deposit in the Rebate Fund shall be governed by this Section and by the Tax Certificate. The Trustee shall conclusively be deemed to have complied with such

provisions if it follows the written instructions of the Issuer, Bond Counsel or the Rebate Analyst, including supplying all necessary information in the manner set forth in the Tax Certificate, and shall not be required to take any actions under the Tax Certificate in the absence of written instructions from the Issuer, Bond Counsel or the Rebate Analyst.

Within 55 days of the end of each fifth Bond Year and/or within 55 days of payment in full of the Bond, the Trustee shall request and the Borrower shall cause the Rebate Analyst to calculate the amount of rebatable arbitrage, in accordance with Section 148(f)(2) of the Code and Section 1.148-3 of the Rebate Regulations (taking into account any exceptions with respect to the computation of the rebatable arbitrage, described, if applicable, in the Tax Certificate (e.g., the temporary investments exceptions of Section 148(f)(4)(B) and (C) of the Code)), for this purpose treating the last day of the applicable Bond Year as a computation date, within the meaning of Section 1.148-1(b) of the Rebate Regulations (the “Rebatable Arbitrage”).

Within 55 days of the end of each fifth Bond Year and within 55 days of payment in full of the Bond, upon the written direction of the Issuer, Bond Counsel or the Rebate Analyst, an amount shall be deposited to the Rebate Fund by the Trustee from amounts provided by the Borrower, if and to the extent required so that the balance in the Rebate Fund shall equal the amount of Rebatable Arbitrage so calculated in accordance with the preceding paragraph.

The Trustee shall pay, as directed by the Issuer, Bond Counsel or the Rebate Analyst, to the United States Treasury, out of amounts in the Rebate Fund on the earlier of:

- (i) Not later than 60 days after the end of (A) the fifth Bond Year, and (B) each applicable fifth Bond Year thereafter, an amount equal to at least 90% of the Rebatable Arbitrage calculated as of the end of such Bond Year; or
- (ii) Not later than 60 days after the payment of the Bond in full, an amount equal to 100% of the Rebatable Arbitrage calculated as of the end of such applicable Bond Year, and any income attributable to the Rebatable Arbitrage, computed in accordance with Section 148(f) of the Code.

Each payment required to be made under this Section shall be made to the Internal Revenue Service Center at the address provided in such direction on or before the date on which such payment is due, and shall be accompanied by Internal Revenue Service Form 8038-T, which shall be prepared by the Rebate Analyst and provided to the Trustee.

Notwithstanding any provision of this Indenture to the contrary, the obligation to remit payment of the Rebatable Arbitrage to the United States and to comply with all other requirements of this Section 6.07, Section 2.06 of the Loan Agreement, the requirements of the Regulatory Agreement and the requirements of the Tax Certificate shall survive the defeasance or payment in full of the Bond.

Any funds remaining in the Rebate Fund after redemption and payment of all of the Bond and payment and satisfaction of any Rebate Requirement, or provision made therefor in accordance with the written direction of the Issuer, the Rebate Analyst or Bond Counsel, shall be withdrawn and remitted to the Borrower.

The Trustee shall keep such records of the computations made pursuant to this Section 6.07 as are required under Section 148(f) of the Code to the extent furnished to the Trustee. The Borrower shall or shall cause the Rebate Analyst to provide to the Issuer copies of all rebate computations made pursuant to this Section 6.07. The Trustee shall keep and make available to the Borrower such records concerning the investments of the gross proceeds of the Bond and the investments of earnings from those investments made by the Trustee as may be requested by the Borrower in order to enable the Borrower to cause the Rebate Analyst to make the aforesaid computations as are required under Section 148(f) of the Code.

Notwithstanding the foregoing, the computations and payments of Rebatable Arbitrage need not be made to the extent that neither the Issuer nor the Borrower will thereby fail to comply with any requirements of Section 148(f) of the Code based on an opinion of Bond Counsel, to the effect that such failure will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bond, a copy of which shall be provided to the Trustee, at the expense of the Borrower.

Section 6.08. Limitation on Issuance Costs. To the best knowledge of the Issuer, from the proceeds of the Bond received from the original purchaser thereof and investment earnings thereon, an amount not in excess of two percent (2%) of the face amount of the Bond will be used to pay for, or provide for the payment of, Issuance Costs.

Section 6.09. Federal Guarantee Prohibition. The Issuer shall take no action if the result of the same would be to cause the Bond to be “federally guaranteed” within the meaning of Section 149(b) of the Code.

Section 6.10. Prohibited Facilities. To the best knowledge of the Issuer, no portion of the proceeds of the Bond will be used to provide any airplane, skybox or other private luxury box, health club facility, facility primarily used for gambling, or store the principal business of which is the sale of alcoholic beverages for consumption off premises. To the best knowledge of the Issuer, no portion of the proceeds of the Bond will be used for an office unless the office is located on the premises of the facilities constituting the Project and unless not more than a de minimis amount of the functions to be performed at such office is not related to the day-to-day operations of the Project.

Section 6.11. Use Covenant. The Issuer shall not use any proceeds of the Bond or any other funds of the Issuer, directly or indirectly, in any manner, and shall not take any other action or actions, which would result in the Bond being treated as an obligation not described in Section 142(d) of the Code by reason of the Bond not meeting the requirements of Section 142(d) of the Code.

Section 6.12. Immunities and Limitations of Responsibility of Issuer. The Issuer shall be entitled to the advice of counsel (who, except as otherwise provided, may be counsel for the Bondholder), and the Issuer shall be wholly protected as to action taken or omitted in good faith in reliance on such advice. The Issuer may rely conclusively on any communication or other document furnished to it hereunder and reasonably believed by it to be genuine. The Issuer shall not be liable for any action (a) taken by it in good faith and reasonably believed by it to be within its discretion or powers hereunder, or (b) in good faith omitted to be taken by it because such action

was reasonably believed to be beyond its discretion or powers hereunder, or (c) taken by it pursuant to any direction or instruction by which it is governed hereunder, or (d) omitted to be taken by it by reason of the lack of any direction or instruction required hereby for such action; nor shall it be responsible for the consequences of any error of judgment reasonably made by it. The Issuer shall in no event be liable for the application or misapplication of funds or for other acts or defaults by any person and shall be liable only for its willful misconduct. When any payment or consent or other action by it is called for hereby, it may defer such action pending receipt of such evidence (if any) as it may require in support thereof. The Issuer shall not be required to take any remedial action (other than the giving of notice) unless indemnity in a form acceptable to the Issuer is furnished for any expense or liability to be incurred in connection with such remedial action, other than liability for failure to meet the standards set forth in this Section. The Issuer shall be entitled to reimbursement from the Borrower for its expenses reasonably incurred or advances reasonably made, with interest at the rate at which interest accrues from time to time on the Bond, in the exercise of its rights or the performance of its obligations hereunder, to the extent that it acts without previously obtaining indemnity. No permissive right or power to act which the Issuer may have shall be construed as a requirement to act; and no delay in the exercise of a right or power shall affect its subsequent exercise of the right or power. The Borrower has indemnified the Issuer against certain acts and events as set forth in Section 4.01 of the Loan Agreement and Section 7 of the Regulatory Agreement. Such indemnities shall survive payment of the Bond and discharge of this Indenture.

Anything in this Indenture to the contrary notwithstanding, it is expressly understood by the parties to this Indenture that (a) the Issuer and the Trustee may rely exclusively on the truth and accuracy of any certificate, opinion, notice or other instrument furnished to the Issuer or the Trustee or the Bondowner Representative as to the existence of any fact or state of affairs, (b) the Issuer shall not be under any obligation under this Indenture to perform any record keeping or to provide any legal services, it being understood that such services shall be performed or caused to be performed by the Trustee or by the Bondowner Representatives, and (c) none of the provisions of this Indenture shall require the Issuer or the Trustee to expend or risk its own funds or otherwise to incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers under this Indenture, unless it shall first have been adequately indemnified to its satisfaction against any costs, expenses and liability which it may incur as a result of taking such action.

Section 6.13. No Recourse. No recourse under or upon any obligation, covenant or agreement contained in this Indenture or in the Bond shall be had against the members of the Board of Commissioners of the Issuer nor the officers, directors, employees or agents (past, present or future) of the Issuer, either directly or through the Issuer or its governing body or otherwise, for the payment for or to the Issuer or any receiver thereof, or for or to the Holder of the Bond issued hereunder, or otherwise, of any sum that may be due and unpaid by the Issuer or its governing body upon the Bond. Any and all personal liability of every nature whether at common law or in equity or by statute or by constitution or otherwise of any such member, officer, commissioner, director or employee, as such, to respond by reason of any act of omission on his/her part or otherwise, for the payment for or to the Holder of the Bond issued hereunder or otherwise of any sum that may remain due and unpaid upon the Bond hereby secured is, by the acceptance hereof, expressly waived and released as a condition of and in consideration for the execution of the Indenture and the issuance of the Bond.

Section 6.14. Limitation of Liability of Issuer and Its Officers, Employees and Agents.

No recourse under or upon any obligation, covenant, warranty or agreement contained in this Indenture or in the Bond, or under any judgment obtained against the Issuer, or the enforcement of any assessment, or any legal or equitable proceedings by virtue of any constitution or statute or otherwise, or under any circumstances under or independent of this Indenture, shall be had against the members of the Board of Commissioners of the Issuer nor the officers, directors, employees or agents of the Issuer, as such, past, present or future, either directly or through the Issuer or otherwise, for the payment for or to the Issuer or any receiver of the Issuer, or for or to the owner of the Bond, or otherwise, of any sum that may be due and unpaid by the Issuer upon the Bond. Any and all personal liability of every nature whether at common law or in equity or by statute or by constitution or otherwise of the members of the Board of Commissioners of the Issuer nor the officers, directors, employees thereof, as such, by reason of any act of omission on his or her part or otherwise, for the payment for or to the owners of the Bond or otherwise of any sum that may remain due and unpaid upon the Bond secured by this Indenture or any of them is, by the acceptance of the Bond, expressly waived and released as a condition of and in consideration for the execution of this Indenture and the issuance of the Bond. Anything in this Indenture to the contrary notwithstanding, it is expressly understood by the parties to this Indenture that (a) the Issuer may rely exclusively on the truth and accuracy of any certificate, opinion, notice or other instrument furnished to the Issuer by the Trustee, the Borrower, the Bondowner Representative or any Bondholder as to the existence of any fact or state of affairs, (b) the Issuer shall not be under any obligation under this Indenture to perform any record keeping or to provide any legal services, it being understood that such services shall be performed or caused to be performed by the Trustee, the Bondowner Representative or by any Bondholder and (c) none of the provisions of this Indenture shall require the Issuer to expend or risk its own funds or otherwise to incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers under this Indenture, unless it shall first have been adequately indemnified to its satisfaction against any costs, expenses and liability which it may incur as a result of taking such action. No recourse for the payment of any part of the principal of, premium, if any, or interest on the Bond or for the satisfaction of any liability arising from, founded upon or existing by reason of the issuance, purchase or ownership of the Bond shall be had against the members of the Board of Commissioners of the Issuer nor the officers, directors, employees or agents of the Issuer, as such, all such liability being expressly released and waived as a condition of and as a part of the consideration for the execution of this Indenture and the issuance of the Bond. No covenant, stipulation, obligation or agreement of the Issuer contained in this Indenture shall be deemed to be a covenant, stipulation, obligation or agreement of any present or future member, officer, agent or employee of the Issuer or the members of the Board of Commissioners of the Issuer nor the officers, directors, employees or agents thereof in other than that person's official capacity. No member of the Board of Commissioners of the Issuer nor any officer, director, employee or agents of the Issuer shall be individually or personally liable for the payment of the principal or redemption price of or interest on the Bond or be subject to any personal liability or accountability by reason of the issuance of the Bond.

ARTICLE VII

DEFAULT

Section 7.01. Events of Default; Acceleration; Waiver of Default. Each of the following events shall constitute an “Event of Default” hereunder (subject to the final paragraph of this Article VII):

- (a) failure to pay interest on the Bond when due;
- (b) failure to pay the principal of the Bond on the date fixed for payment thereof, whether upon the maturity thereof or pursuant to Section 4.01 hereof; and
- (c) failure by the Issuer or the Borrower to perform or observe any other of the covenants, agreements or conditions on its part in this Indenture or in the Bond contained, and the continuation of such failure for a period of 30 days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Issuer, the Borrower, the Investor Limited Partner and the Trustee by the Bondowner Representative.

No default specified in (c) above shall constitute an Event of Default unless the Issuer or the Borrower shall have failed to correct such default within the applicable period; provided, however, that if the default shall be such that it cannot be corrected within such period, it shall not constitute an Event of Default if corrective action is instituted by the Issuer or the Borrower within the applicable period and diligently pursued until the default is corrected; and provided, further, that the time elapsed until completion of corrective action shall not exceed 60 days without the consent of the Bondowner Representative, which consent shall not be unreasonably withheld. With regard to any alleged default concerning which notice is given to the Borrower under the provisions of (c) above, the Issuer hereby grants the Borrower full authority for the account of the Issuer to perform any covenant or obligation the non-performance of which is alleged in said notice to constitute a default in the name and stead of the Issuer with full power to do any and all things and acts to the same extent that the Issuer could do and perform any such things and acts and with power of substitution.

Following the occurrence of an Event of Default, the Bondowner Representative may, (i) by notice in writing to the Trustee, the Issuer and the Borrower, declare the principal of all the Bond then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in this Indenture or in the Bond contained to the contrary notwithstanding, and/or (ii) pursue and direct the Trustee to pursue, such other remedies as are permitted under applicable law. Upon any such declaration of acceleration, the Trustee, at the direction of the Bondowner Representative, shall fix a date for payment of the Bond.

The preceding paragraph, however, is subject to the condition that if, at any time after the principal of the Bond shall have been so declared due and payable, and before any trustee’s sale or foreclosure sale shall have occurred or judgment or decree for the payment of the moneys due shall have been obtained or entered as hereinafter provided, there shall have been deposited with

the Trustee a sum sufficient to pay all the principal of the Bond matured or required to be redeemed prior to such declaration and all matured installments of interest (if any) upon the Bond, with interest on such overdue installments of principal and prepayment premium, to the extent applicable, and the reasonable fees and expenses of the Trustee, its agents and counsel, and any and all other defaults actually known to a Responsible Officer of the Trustee (other than in the payment of principal of and interest on the Bond due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Bondowner Representative to be adequate shall have been made therefor, then the Bondowner Representative, by written notice to the Issuer and the Trustee, may, on behalf of the holder of the Bond, rescind and annul such declaration and its consequences and waive such default; but no such rescission, annulment or waiver shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

Notwithstanding the foregoing, or anything else to the contrary herein, no default by the Borrower under the Loan Agreement shall constitute an event of default with respect to the Bond (including, without limitation, a failure to make any payment due with respect to the Bond as a consequence of the Borrower's failure to make any payment due under the Loan Agreement). The Issuer's, Trustee's, Borrowers' and Bondowner Representative's remedies with respect to a default under the Loan Documents shall be as set forth under the Loan Documents. Notwithstanding the foregoing, the Bondowner Representative may, upon the acceleration of the Borrower's obligations under the Loan Documents, direct the Trustee to accelerate the maturity of the Bond and apply any funds available hereunder for such purpose as provided herein (after paying the fees and expenses of the Trustee and the Issuer). Any Bond remaining outstanding shall be deemed paid upon transfer, to or at the direction of the Bondowner Representative, of the Loan Documents and all security therefor free and clear of the lien of this Indenture.

The Investor Limited Partner shall be entitled to cure any Event of Default hereunder within the time frame provided to the Borrower hereunder. The Issuer and the Trustee agree that cure of any default or Event of Default made or tendered by the Investor Limited Partner shall be deemed to be a cure by the Borrower and shall be accepted or rejected on the same basis as if made or tendered by the Borrower.

Section 7.02. Institution of Legal Proceedings by Bondowner Representative. If one or more of the Events of Default shall occur, the Bondowner Representative in its discretion may proceed to protect or enforce its rights or the rights of the holder of the Bond under the Act or under this Indenture, the Note and/or the Loan Agreement, by a suit in equity or action at law, either for the specific performance of any covenant or agreement contained herein or therein, or in aid of the execution of any power herein or therein granted, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Bondowner Representative shall deem most effectual in support of any of its rights or duties hereunder.

Section 7.03. Application of Moneys Collected by Bondowner Representative. Any moneys collected by the Bondowner Representative and the Trustee pursuant to Section 7.02 shall be deposited with the Trustee and applied in the order following, at the date or dates fixed by the Bondowner Representative with written notice to the Trustee and, in the case of distribution of such moneys on account of principal (or premium, if any) or interest, upon presentation of the

Bond and stamping thereon the payment, if only partially paid, and upon surrender thereof, if fully paid:

First: For payment of all amounts due to the Bondowner Representative and to Trustee under Section 8.06.

Second: For deposit in the Bond Fund to be applied to payment of the principal of the Bond then due and unpaid and interest thereon with application as between principal and interest as the Bondowner Representative shall determine in its sole discretion; and if there is more than one Bondowner, ratably to such Bondowners entitled thereto without discrimination or preference.

Third: For payment of all other amounts due from the Borrower to any person hereunder or under the Loan Agreement, the Note or the other Loan Documents.

Fourth: To the Borrower.

Section 7.04. Effect of Delay or Omission to Pursue Remedy. No delay or omission of the Trustee, Bondowner Representative or of any holder of the Bond to exercise any right or power arising from any default shall impair any such right or power or shall be construed to be a waiver of any such default or acquiescence therein, and every power and remedy given by this Article VII to the Trustee, Bondowner Representative or to the holder of the Bond may be exercised from time to time and as often as shall be deemed by the Bondowner Representative expedient. In case the Bondowner Representative shall have proceeded to enforce any right under this Indenture, and such proceedings shall have been discontinued or abandoned because of waiver or for any other reason, or shall have been determined adversely to the Bondowner Representative, then and in every such case the Issuer, the Trustee, the Bondowner Representative and the holder of the Bond, severally and respectively, shall be restored to their former positions and rights hereunder in respect to the Trust Estate; and all remedies, rights and powers of the Issuer, the Trustee, the Bondowner Representative and the holder of the Bond shall continue as though no such proceedings had been taken.

Section 7.05. Remedies Cumulative. No remedy herein conferred upon or reserved to the Trustee, Bondowner Representative or to any holder of the Bond hereunder is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity.

Section 7.06. Covenant to Pay Bond in Event of Default. The Issuer covenants that, upon the happening of any Event of Default, the Issuer will pay to the Trustee upon demand, but only out of Revenues and subject to all the limitations on liability of the Issuer set forth herein, for the benefit of the holder of the Bond, the whole amount then due and payable thereon (by declaration or otherwise) for interest or for principal, or both, as the case may be, and all other sums which may be due hereunder or secured hereby, including reasonable compensation to the Trustee, the Bondowner Representative, their agents and counsel, and any expenses or liabilities incurred by the Trustee or Bondowner Representative hereunder. In case the Issuer shall fail to pay the same forthwith upon such demand, the Trustee, at the direction of the Bondowner Representative, as trustee of an express trust, and upon being indemnified by the Bondholder to its

satisfaction, shall institute proceedings at law or in equity in any court of competent jurisdiction to recover judgment for the whole amount due and unpaid, together with costs and reasonable attorneys' fees, subject, however, to the condition that such judgment, if any, shall be limited to, and payable solely out of Revenues and any other assets pledged, transferred or assigned to the Trustee under Section 5.04 as herein provided and not otherwise. The Bondowner Representative shall be entitled to recover such judgment as aforesaid, either before or after or during the pendency of any proceedings for the enforcement of this Indenture, and the right of the Bondowner Representative to recover such judgment shall not be affected by the exercise of any other right, power or remedy for the enforcement of the provisions of this Indenture.

Section 7.07. Bondowner Representative Appointed Agent for Bondholder. The Bondowner Representative is hereby appointed the agent of the holder of the Bond Outstanding hereunder for the purpose of filing any claims relating to the Bond.

Section 7.08. Power of Bondowner Representative to Control Proceedings. Notwithstanding any other provision of this Indenture, the Bondowner Representative shall have exclusive control of the remedies set forth herein upon an Event of Default. In the event that the Bondowner Representative, upon the happening of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties hereunder, it shall have full power, in the exercise of its sole discretion for the best interests of the holders of the Bond, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action. The Trustee shall, upon receipt of acceptable indemnity as provided in Section 8.01(d) and the written direction of the Bondowner Representative, take such actions as shall be contained in such direction to enforce the Deed of Trust and other Loan Documents in accordance with applicable law.

Section 7.09. Limitation on Bondholder's Right to Sue. No holder of any Bond issued hereunder shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon this Indenture, except through the actions of the Bondowner Representative. However, the right of the holder of the Bond to receive payment of the principal of (and premium, if any) and interest on such Bond out of Revenues, as herein and therein provided, on and after the respective due dates expressed in such Bond shall not be impaired or affected without the consent of such holder, notwithstanding the foregoing provisions of this Section or any other provision of this Indenture.

ARTICLE VIII

THE TRUSTEE AND AGENTS

Section 8.01. Duties, Immunities and Liabilities of Trustee. In consideration of the recitals hereinabove set forth and for other valuable consideration, the Issuer hereby agrees to employ the Trustee (at the expense of the Borrower) to receive, hold, invest and disburse the moneys received pursuant to the Loan Agreement for credit to the various funds and accounts established by this Indenture; to authenticate, deliver and transfer the Bond; and to apply and disburse the payments received from the Borrower pursuant to the Loan Agreement to the owner of the Bond; and to perform certain other functions; all as herein provided and subject to the terms and conditions of this Indenture. The Trustee shall perform such duties and only such duties as

are specifically set forth in this Indenture and no additional covenants or duties of the Trustee shall be implied in this Indenture. The Trustee is authorized and directed to enter into the Loan Documents to which it is a party, solely in its capacity as Trustee.

No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action or its own negligent failure to act, except that:

(a) The duties and obligations of the Trustee shall be determined solely by the express provisions of this Indenture, the Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and in the absence of bad faith on the part of the Trustee, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificate or opinion furnished to the Trustee conforming to the requirements of this Indenture;

(b) At all times (i) the Trustee shall not be liable for any act or omission unless the Trustee or its agent was negligent or engaged in willful misconduct; and (ii) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Issuer, accompanied by an opinion of Bond Counsel as provided herein, or in accordance with the directions of the Bondowner Representative or in accordance with the directions of the holder of the Bond relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this Indenture;

(c) The Trustee shall not be required to take notice or be deemed to have notice of (i) any default hereunder or under the Loan Agreement, except defaults under Section 7.01(a) or (b) hereof, unless a Responsible Officer of the Trustee shall be specifically notified in writing of such default by the Issuer, the Bondowner Representative or the owner of the Bond, or (ii) any default under the Regulatory Agreement unless a Responsible Officer of the Trustee shall be specifically notified in writing of such default by the Issuer;

(d) Before taking any action under the Regulatory Agreement, Article VII hereof or this Section at the request or direction of the Bondholder or the Bondowner Representative, the Trustee may require that a satisfactory indemnity be furnished by the Bondholder, for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its negligence or willful misconduct in connection with any action so taken;

(e) Upon any application or request by the Issuer or the Bondowner Representative to the Trustee to take any action under any provision of this Indenture or the Regulatory Agreement, the Issuer or Bondowner Representative, as applicable, shall furnish to the Trustee a certificate stating that all conditions precedent, if any, provided for in this Indenture relating to the proposed action have

been complied with, and an Opinion of Counsel stating that in the opinion of such counsel all such conditions precedent, if any, have been complied with, except that in the case of any such application or request as to which the furnishing of such documents is specifically required by any provision of this Indenture relating to such particular application or request, no additional certificate or opinion need be furnished;

(f) The Trustee may execute any of the powers hereunder or perform any duties hereunder either directly or through agents or attorneys;

(g) Neither the Issuer nor the Borrower shall be deemed to be agents of the Trustee for any purpose, and the Trustee shall not be liable for any noncompliance of any of them in connection with their respective duties hereunder or in connection with the transactions contemplated hereby;

(h) The Trustee shall be entitled to rely upon telephonic notice for all purposes whatsoever so long as the Trustee reasonably believes such telephonic notice has been given by a person authorized to give such notice;

(i) The immunities extended to the Trustee also extend to its directors, officers and employees;

(j) Under no circumstances shall the Trustee be liable in its individual capacity for the obligations evidenced by the Bond, it being the sole obligation of the Trustee to administer, for the benefit of the Bondholder, the various funds and accounts established hereunder;

(k) No permissive power, right or remedy conferred upon the Trustee hereunder shall be construed to impose a duty to exercise such power, right or remedy;

(l) The Trustee shall not be liable for any action taken or not taken by it in accordance with the direction of the holder of the Bond or the Bondowner Representative related to the exercise of any right, power or remedy available to the Trustee;

(m) The Trustee shall have no duty to review any financial statements or budgets filed with it by the Borrower under the Loan Agreement;

(n) The Trustee acknowledges that Borrower has an obligation to pay certain fees to the Issuer pursuant to Section 17 of the Regulatory Agreement. The Trustee further acknowledges that in order to preserve the tax-exempt status of interest on the Bond, the Borrower must comply with requirements for rebate of excess investment earnings to the federal government to the extent applicable. The Trustee agrees to use commercially reasonable efforts to send the Borrower a notification or reminder of: (i) its payment obligations under said Section 17 of the Regulatory Agreement 30 days preceding each annual payment date therefor, commencing with the payment date on [_____] 1, 2021, and ending on the date

set forth in the Regulatory Agreement; and (ii) the Borrower's obligation to make payments to the Rebate Fund as provided herein; and

(o) The Trustee shall not be considered in breach of or in default in its obligations hereunder or progress in respect thereto in the event of enforced delay ("unavoidable delay") in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, Acts of God or of the public enemy or terrorists, acts of a government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosion, mob violence, riot, inability to procure or general sabotage or rationing of labor, equipment, facilities, sources of energy, material or supplies in the open market, litigation or arbitration involving a party or others relating to zoning or other governmental action or inaction pertaining to the project, malicious mischief, condemnation, and unusually severe weather or delays of suppliers or subcontractors due to such causes or any similar event and/or occurrences beyond the control of the Trustee.

None of the provisions contained in this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur individual financial liability in the performance of any of its duties as Trustee or in the exercise of any of its rights or powers as Trustee. Whether or not therein expressly so provided, every provision of this Indenture, the Loan Agreement, the Regulatory Agreement or any other document relating to the conduct, powers or duties of, or affecting the liability of, or affording protection to, the Trustee shall be subject to the provisions of this Article VIII.

Section 8.02. Right of Trustee to Rely Upon Documents, Etc. Except as otherwise provided in Section 8.01:

(a) The Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, facsimile transmission, electronic mail, demand, direction, election, requisition, bond or other paper or document reasonably believed by it to be genuine and to have been signed and presented by the proper party or parties;

(b) Any consent, demand, direction, election, notice, order or request of the Issuer mentioned herein shall be sufficiently evidenced by a Written Consent, Written Demand, Written Direction, Written Election, Written Notice, Written Order or Written Request of the Issuer, and any resolution of the Issuer may be evidenced to the Trustee by a Certified Resolution;

(c) The Trustee may consult with counsel (who may be counsel for the Issuer, counsel for the Trustee or Bond Counsel) and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance with the opinion of such counsel;

(d) Whenever in the administration of this Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of negligence or bad faith on the part of the Trustee, be deemed to be conclusively proved and established by a Certificate of the Issuer or a certificate of the Bondowner Representative; and such Certificate of the Issuer or a certificate of the Bondowner Representative shall, in the absence of negligence or bad faith on the part of the Trustee, be full warrant to the Trustee for any action taken or suffered by it under the provisions of this Indenture upon the faith thereof;

(e) The Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit; and

(f) The Trustee agrees to accept and act upon facsimile transmission of written instructions and/or directions pursuant to this Indenture provided, however, that: (i) subsequent to such facsimile transmission of written instructions and/or directions the Trustee shall forthwith receive the originally executed instructions and/or directions, (ii) such originally executed instructions and/or directions shall be signed by a person as may be designated and authorized to sign for the party signing such instructions and/or directions, and (iii) the Trustee shall have received a current incumbency certificate containing the specimen signature of such designated person.

Section 8.03. Trustee Not Responsible for Recitals. The recitals contained herein and in the Bond shall be taken as the statements of the Issuer, and the Trustee assumes no responsibility for the correctness of the same or for the correctness of the recitals in the Loan Agreement or the Regulatory Agreement. The Trustee shall have no responsibility with respect to any information, statement or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the Bond. The Trustee makes no representations as to the value or condition of any assets pledged or assigned as security for the Bond, or as to the right, title or interest of the Issuer therein, or as to the security provided thereby or by this Indenture, the Loan Agreement or the Deed of Trust, or as to the compliance of the Project with the Act, or as to the tax-exempt status of the Bond, or as to the technical or financial feasibility of the Project, or as to the validity or sufficiency of this Indenture as an instrument of the Issuer or of the Bond as an obligation of the Issuer. The Trustee shall not be accountable for the use or application by the Issuer of the Bond authenticated or delivered hereunder or of the use or application of the proceeds of such Bond by the Issuer or the Borrower or their agents.

Section 8.04. Intervention by Trustee. The Trustee may intervene on behalf of the owners of the Bond in any judicial proceeding to which the Issuer or Bondowner Representative is a party and which, in the opinion of the Trustee and its counsel, has a substantial bearing on the interests of the owner of the Bond and, subject to the provisions of Section 8.01(d), shall do so if requested in writing by the owner of the Bond or the Bondowner Representative.

Section 8.05. Moneys Received by Trustee to be Held in Trust. All moneys received by the Trustee shall, until used or applied as herein provided, be held in trust for the purposes for which they were received, but need not be segregated from other funds except to the extent required by law or as otherwise provided herein. The Trustee shall be under no liability for interest on any moneys received by it hereunder except such as it may agree with the Issuer to pay thereon.

Section 8.06. Compensation and Indemnification of Trustee, Bondowner Representative and Agents.

(a) The Bondowner Representative and the Trustee shall be entitled to receive compensation from the Borrower for their services as Bondowner Representative and Trustee, respectively, as provided in Section 2.06 of the Loan Agreement, and shall be indemnified by the Borrower as provided in Section 4.01 of the Loan Agreement and Section 7 of the Regulatory Agreement. The Bondowner Representative and the Trustee each acknowledges and agrees that, unless otherwise agreed to in writing by the Issuer, the Issuer shall not be responsible for the fees and expenses of the Bondowner Representative and the Trustee, and is providing no indemnification to the Bondowner Representative and the Trustee.

(b) If any property, other than cash, shall at any time be held by the Bondowner Representative or the Trustee subject to this Indenture, or any supplemental indenture, as security for the Bond, the Bondowner Representative or the Trustee, if and to the extent authorized by a receivership, bankruptcy or other court of competent jurisdiction or by the instrument subjecting such property to the provisions of this Indenture as such security for the Bond, shall be entitled to but not obligated to make advances for the purpose of preserving such property or of discharging tax liens or other prior liens or encumbrances thereon. The rights of the Bondowner Representative and the Trustee to compensation for services and to payment or reimbursement for expenses, disbursements, liabilities and advances shall have and each of the Bondowner Representative and Trustee is hereby granted a lien and a security interest prior to the Bond in respect of all property and funds held or collected by the Bondowner Representative or the Trustee as such, except funds held in trust by the Bondowner Representative or the Trustee for the benefit of the holders of a particular principal amount of the Bond, which amounts shall be held solely for the benefit of the Bondholder and used only for the payment of principal of and premium, if any, and interest on the Bond. The Bondowner Representative's and the Trustee's rights to immunities, indemnities and protection from liability hereunder and their rights to payment of their fees and expenses shall survive such Bondowner Representative's and the Trustee's resignation or removal and final payment of the Bond.

Section 8.07. Qualifications of Trustee. There shall at all times be a trustee hereunder, which shall be a corporation, banking association or trust company, in each case having trust powers, doing business and having a corporate trust office in California and shall

(a) either (i) have a combined capital and surplus of at least \$50,000,000 and be subject to supervision or examination by federal or state authority or (ii) be a wholly-owned subsidiary of a bank, trust company or bank holding company meeting on an aggregate basis the tests set out in clause (i) and

(b) be able to comply with the terms and conditions of this Indenture, including, without limitation, Sections 8.10 through 8.13 hereof, and to comply with the terms of the Loan Agreement applicable thereto.

If such corporation, banking association, or trust company publishes reports of conditions at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this Section the combined capital and surplus of such corporation, banking association or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section, the Trustee shall resign immediately in the manner and with the effect specified in Section 8.08(b) below.

Section 8.08. Removal, Resignation and Appointment of Successor Trustee.

(a) ***Removal of Trustee.*** The Issuer may remove the Trustee at any time unless an Event of Default occurs and is then continuing, and shall remove the Trustee if at any time requested to do so by an instrument or concurrent instruments in writing signed by the holder of the Bond (or its attorney duly authorized in writing) or the Bondowner Representative or if at any time the Trustee shall cease to be eligible in accordance with Section 8.07 hereof, or shall become incapable of acting, or shall be adjudged bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or any substantial portion thereof or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Trustee and thereupon the Borrower shall appoint a successor Trustee by an instrument in writing. Any successor Trustee appointed by the Borrower under this Section 8.08 shall be subject to the approval of the Bondowner Representative and the Issuer, which approval shall not unreasonably be withheld or delayed.

(b) ***Resignation of Trustee.*** The Trustee may at any time resign by giving written notice of such resignation by first class mail, postage prepaid, to the Issuer and to the Bondholder. Upon receiving such notice of resignation, the Borrower shall appoint a successor Trustee by an instrument in writing with the written consent of the Bondowner Representative and the Issuer. The Trustee shall not be relieved of its duties until such successor Trustee has accepted appointment.

(c) ***Appointment of Successor Trustee.*** Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon the acceptance of appointment of the successor Trustee; provided, however, that under any circumstances the successor Trustee shall be qualified as provided in subsection (a) of this Section. If no qualified successor Trustee shall have been appointed and have accepted appointment within 45 days following giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or the Bondholder may at the expense of the Borrower petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under this Indenture shall signify its acceptance of such appointment by executing and delivering to the Issuer and its predecessor Trustee a written acceptance thereof, and to the predecessor Trustee an instrument indemnifying the predecessor Trustee for any costs or claims arising during the time the successor Trustee serves as Trustee hereunder, and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee herein; but, nevertheless at the written request of the Issuer or the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance, including a quitclaim deed, and further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under this Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trust and conditions herein set forth. Upon request of the successor Trustee, the Issuer shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, the Issuer shall mail or cause the successor Trustee to mail, by first class mail, postage prepaid, a notice of the succession of such Trustee to the trusts hereunder to the Bondholder at the address shown on the registration books. If the Issuer fails to mail such notice within 15 days after acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the Issuer.

Section 8.09. Merger or Consolidation of Trustee. Any corporation or association into which the Trustee may be merged or with which it may be consolidated, or any corporation or association resulting from any merger or consolidation to which the Trustee shall be a party, or any corporation or association succeeding to the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder without the execution or filing of any paper or any further act on the part of any of the parties hereto, anything herein to the contrary notwithstanding, provided that such successor Trustee shall be eligible under the provisions of the first sentence of Section 8.07.

Section 8.10. Nondiscrimination; Penalties. The Trustee shall not discriminate in its employment practices against any employee or applicant for employment because of the applicant's of race, religion, creed, color, ethnic group identification, sex, sexual preference, source of income (e.g. TANF, SSI), mental or physical disability, age, national origin or marital status. All subcontracts awarded under this Indenture shall contain a like provision.

Section 8.11. Compliance with Laws. The Trustee shall keep itself fully informed of the Issuer's policies and regulations of the Issuer and of all state, and federal laws in any manner affecting the performance of this Indenture, and must at all times comply with such local codes, ordinances, and regulations and all applicable laws as they may be amended from time to time.

Section 8.12. Drug-Free Workplace Policy. The Trustee acknowledges that pursuant to the Federal Drug-Free Workplace Act of 1989, the unlawful manufacture, distribution, dispensation, possession, or use of a controlled substance is prohibited on Issuer premises. The Trustee agrees that any violation of this prohibition by Trustee, its employees, agents or assigns will be deemed a material breach of this Indenture.

Section 8.13. Compliance with Americans with Disabilities Act. The Trustee shall be in full compliance with all federal and state laws, including those of the Americans with Disabilities Act, 42 U.S.C. 12101 et seq., and its implementing regulations and the American Disabilities Act Amendments Act (ADAAA) Pub. L. 110-325 and all subsequent amendments (the "ADA"). Under the ADA, the Trustee shall provide for reasonable accommodations to allow qualified individuals access to and participation in their programs, services and activities in accordance with the ADA. In addition, the Trustee shall not discriminate against individuals with disabilities nor against persons due to their relationship or association with a person with a disability. Any subcontract entered into by the Trustee, relating to this Indenture, to the extent allowed hereunder, shall be subject to the provisions of this Section.

Section 8.14. Proprietary or Confidential Information of the Issuer. The Trustee understands and agrees that, in the performance of the work or services under this Indenture or in contemplation thereof, the Trustee may have access to private or confidential information which may be owned or controlled by the Issuer and that such information may contain proprietary or confidential details, the disclosure of which to third parties may be damaging to the Issuer. The Trustee agrees that all information disclosed by the Issuer to the Trustee shall be held in confidence and used only in performance of this Indenture. The Trustee shall exercise the same standard of care to protect such information as a reasonably prudent contractor would use to protect its own proprietary data.

Section 8.15. Audit and Inspection of Records. The Trustee agrees to maintain and make available to the Issuer, during regular business hours, accurate books and accounting records relating to its work under this Indenture. The Trustee will permit the Issuer to audit, examine and make excerpts and transcripts from such books and records, and to make audits of all invoices, materials, payrolls, records or personnel and other data related to all other matters covered by this Indenture, whether funded in whole or in part under this Indenture. The Trustee shall maintain such data and records in an accessible location and condition for a period of not less than five years after final payment under this Indenture or until after final audit has been resolved, whichever is

later. The State of California or any federal agency having an interest in the subject matter of this Indenture shall have the same rights conferred upon the Issuer by this Section.

Section 8.16. Subcontracting. Trustee is prohibited from subcontracting this Indenture or any part of it unless such subcontracting is first approved by the Issuer in writing. Neither party shall, on the basis of this Indenture, contract on behalf of or in the name of the other party. A contract made in violation of this provision shall confer no rights on any party and shall be null and void.

Section 8.17. Paying Agents. The Trustee, with the written approval of the Issuer and the Bondowner Representative, may appoint and at all times have one or more paying agents in such place or places as the Trustee may designate, for the payment of the principal of, and the interest (and premium, if any) on, the Bond. It shall be the duty of the Trustee to make such arrangements with any such paying agent as may be necessary and feasible to assure, to the extent of the moneys held by the Trustee for such payment, the availability of funds for the prompt payment of the principal of and interest and premium, if any, on the Bond presented at either place of payment. The paying agent initially appointed hereunder is the Trustee.

ARTICLE IX

MODIFICATION OF INDENTURE

Section 9.01. Modification of Indenture. The Issuer and the Trustee, with the prior written consent of the Bondowner Representative, may from time to time and at any time enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of any supplemental indenture. The Bondowner Representative may, if it so elects, direct the Trustee to join with the Issuer in the execution of such supplemental indenture, unless such supplemental indenture affects the rights or obligations of the Borrower or any general partner or limited partner of the Borrower hereunder or under the Loan Agreement or any other document, in which case the Issuer, Trustee and Bondowner Representative may enter into such supplemental indenture only if the Bondowner Representative has received the Borrower's, or such general partner's or limited partner's, as applicable, written consent thereto.

Promptly after the execution by the Issuer, the Trustee and the Bondowner Representative of any supplemental indenture pursuant to the provisions of this Section, if the Bondowner Representative is not the sole owner of the Bond then Outstanding, the Trustee shall give the Bondowner, by first class mail, a notice setting forth in general terms the substance of such supplemental indenture. Any failure of the Trustee to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplemental indenture.

Section 9.02. Effect of Supplemental Indenture. Upon the execution of any supplemental indenture pursuant to the provisions of this Article IX, this Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Indenture of the Issuer, the Trustee, the Bondowner Representative and the

holder of the Bond shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments, and all the terms and conditions of any such supplemental indenture shall be part of the terms and conditions of this Indenture for any and all purposes.

Section 9.03. Opinion of Counsel as to Supplemental Indenture. Subject to the provisions of Section 8.01, the Trustee and the Bondowner Representative shall be entitled to receive, and shall be fully protected in relying upon, an Opinion of Counsel as conclusive evidence that any supplemental indenture executed pursuant to the provisions of this Article IX is authorized and permitted by this Indenture.

Section 9.04. Notation of Modification on Bond; Preparation of New Bond. A Bond authenticated and delivered after the execution of any supplemental indenture pursuant to the provisions of this Article IX may bear a notation, in form approved by the Bondowner Representative and the Issuer as to any matter provided for in such supplemental indenture, and if such supplemental indenture shall so provide, a new Bond, so modified as to conform, in the opinion of the Bondowner Representative and the Issuer, to any modification of this Indenture contained in any such supplemental indenture, may be prepared and executed by the Issuer and authenticated by the Trustee and delivered without cost to the holder of the Bond then Outstanding, upon surrender for cancellation of such Bond in equal aggregate principal amounts.

ARTICLE X

DEFEASANCE

Section 10.01. Discharge of Indenture. If the entire indebtedness on the Bond Outstanding shall be paid and discharged in any one or more of the following ways:

- (a) by the payment of the principal of (including redemption premium, if any) and interest on the Bond Outstanding; or
- (b) by the delivery to the Trustee, for cancellation by it, of the Bond Outstanding;

and if all other sums payable hereunder by the Issuer shall be paid and discharged, then and in that case this Indenture shall cease, terminate and become null and void, and the Trustee shall forthwith execute proper instruments acknowledging satisfaction of and discharging this Indenture. The fees, expenses and charges of the Trustee (including reasonable counsel fees) must be paid in order to effect such discharge. The satisfaction and discharge of this Indenture shall be without prejudice to the rights of the Trustee to charge and be reimbursed by the Borrower for any expenditures which it may thereafter incur in connection herewith. Following such discharge and payment and payment of any amounts owed to: (i) the Issuer, Trustee or Bondowner Representative under the Regulatory Agreement or any Loan Document; and (ii) the United States of America pursuant to Section 6.07 hereof, any funds remaining on deposit herein shall be disbursed to the Borrower.

The Issuer or the Borrower may at any time surrender to the Trustee for cancellation by it any Bond previously authenticated and delivered which the Issuer or the Borrower lawfully may

have acquired in any manner whatsoever, and such Bond upon such surrender and cancellation shall be deemed to be paid and retired.

Section 10.02. Payment of Bond after Discharge of Indenture. Notwithstanding any provisions of this Indenture, any moneys deposited with the Trustee or any paying agent in trust for the payment of the principal of, or interest or premium on, the Bond remaining unclaimed for two years after the principal of the Outstanding Bond has become due and payable (whether at maturity or upon call for redemption or by declaration as provided in this Indenture), shall then be paid to the Borrower, and the holder of such Bond shall thereafter be entitled to look only to the Borrower for payment thereof, and only to the extent of the amount so paid to the Borrower, and all liability of the Trustee or any paying agent with respect to such moneys shall thereupon cease. In the event of the payment of any such moneys to the Borrower as aforesaid, the holder of the Bond in respect of which such moneys were deposited shall thereafter be deemed to be unsecured creditors of the Borrower for amounts equivalent to the respective amounts deposited for the payment of the Bond and so paid to the Borrower (without interest thereon).

ARTICLE XI

MISCELLANEOUS

Section 11.01. Successors of the Issuer. All the covenants, stipulations, promises and agreements contained in this Indenture, by or on behalf of the Issuer, shall bind and inure to the benefit of its successors and assigns, whether so expressed or not. If any of the powers or duties of the Issuer shall hereafter be transferred by any law of the State of California, and if such transfer shall relate to any matter or thing permitted or required to be done under this Indenture by the Issuer, then the body or official who shall succeed to such powers or duties shall act and be obligated in the place and stead of the Issuer as in this Indenture provided.

Section 11.02. Limitation of Rights to Parties and Bondholder. Nothing in this Indenture or in the Bond expressed or implied is intended or shall be construed to give to any person other than the Issuer, the Trustee, the Bondowner Representative, the Borrower and the holder of the Bond issued hereunder any legal or equitable right, remedy or claim under or in respect of this Indenture or any covenant, condition or provision therein or herein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Issuer, the Trustee, the Bondowner Representative, the Borrower and the holder of the Bond issued hereunder.

Section 11.03. Waiver of Notice. Whenever in this Indenture the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Section 11.04. Destruction of the Bond. Whenever in this Indenture provision is made for the cancellation by the Trustee and the delivery to the Issuer of the Bond, the Trustee may, in lieu of such cancellation and delivery, destroy the Bond and deliver a certificate of such destruction to the Issuer.

Section 11.05. Separability of Invalid Provisions. In case any one or more of the provisions contained in this Indenture or in the Bond shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of this Indenture, but this Indenture shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein.

Section 11.06. Notices. It shall be sufficient service of any notice, request, demand or other paper on the Issuer, the Trustee, the Bondowner Representative, or the Borrower if the same shall, except as otherwise provided herein, be duly mailed by first class mail, postage prepaid, or given by telephone or telecopier and confirmed by such mail, and to the other parties and addressed as follows:

The Issuer: San Diego Housing Commission/Housing Finance
Suite 300
1122 Broadway
San Diego, CA 92101
Attention: Ted Miyahara
Facsimile: (619) 578-7356

with a copy to:
(which shall not constitute
notice to the Issuer) Office of the San Diego City Attorney
Suite 1620
1200 Third Avenue
San Diego, CA 92101
Attention: Bret Bartolotta, Esq.
Facsimile: (619) 236-7215

The Bondowner Representative: Zions Bancorporation, N.A. dba California Bank &
Trust
1900 Main Street, Suite 200
Irvine, CA 92614
Attention: Michelle Ortega
Telephone: (949) 251-7703
Facsimile: (949) 251-7731

with a copy to: Sheppard, Mullin, Richter & Hampton, LLP
650 Town Center Drive, 10th Floor
Costa Mesa, CA 92626
Attention: Ken Fox, Esq.

The Trustee: The Bank of New York Mellon Trust Company, N.A.
400 South Hope Street, Suite 500
Los Angeles, California 90071
Attn: Senior Transaction Manager
Office: 213 630 6260
Fax: 213 630 6215

The Borrower: Mission Terrace Housing Partners, L.P.
c/o San Diego Interfaith Housing Foundation

7956 Lester Avenue
Lemon Grove, CA 91945
Attention: Matthew Jumper

with a copy to:

Bocarsly Emden Cowan Esmail & Arndt LLP
633 West 5th Street, 64th Floor
Los Angeles, CA 90071
Attention: Nicole Deddens, Esq.

with a copy to:

[EQUITY INVESTOR NOTICE ADDRESS]
[ADDRESS]

Attention: [_____]

with a copy to:

Applegate, Thorne-Thomsen
[EQUITY INVESTOR COUNSEL ADDRESS]

Attention: [_____]

The Issuer, the Trustee, the Bondowner Representative and the Borrower may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

Section 11.07. Authorized Representatives. Whenever under the provisions of this Indenture the approval of the Issuer or the Borrower is required for any action, and whenever the Issuer or the Borrower is required to deliver any notice or other writing, such approval or such notice or other writing shall be given, respectively, on behalf of the Issuer by the Authorized Issuer Representative or on behalf of the Borrower by the Authorized Borrower Representative, and the Issuer, the Trustee, the Bondowner Representative and the Borrower shall be authorized to act on any such approval or notice or other writing and neither party hereto nor the Borrower shall have any complaint against the others as a result of any such action taken.

Section 11.08. Evidence of Rights of Bondholder. Any request, consent or other instrument required by this Indenture to be signed and executed by the Bondholder may be in any number of concurrent writings of substantially similar tenor and may be signed or executed by the Bondholder in person or by agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, or of the ownership of the Bond, shall be sufficient for any purpose of this Indenture and shall be conclusive in favor of the Bondowner Representative, the Trustee and of the Issuer if made in the manner provided in this Section.

(a) The fact and date of the execution by any person of any such request, consent or other instrument or writing may be proved by the affidavit of a witness of such execution or by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the person signing such request, consent or other instrument or writing acknowledged to him the execution thereof.

(b) The ownership of the Bond shall be proved by the Bond register maintained pursuant to Section 2.06 hereof. The fact and the date of execution of any request, consent or other instrument and the amount and distinguishing numbers of the Bond held by the person so executing such request, consent or other instrument may also be proved in any other manner which the Trustee may deem sufficient. The Trustee may nevertheless, in its discretion, require further proof in cases where it may deem further proof desirable.

(c) Any request, consent or vote of the holder of the Bond shall bind every future holder of the Bond and the holder of any Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Bondowner Representative, the Trustee or the Issuer in pursuance of such request, consent or vote.

(d) [Reserved].

(e) In lieu of obtaining any demand, request, direction, consent or waiver in writing, the Trustee may call and hold a meeting with the Bondholder upon such notice and in accordance with such rules and regulations as the Bondowner Representative considers fair and reasonable for the purpose of obtaining any such action.

Section 11.09. [Reserved]

Section 11.10. Holidays. If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in this Indenture, is not a Business Day, such payment may be made or act performed or right exercised on the next succeeding Business Day with the same force and effect as if done on the date provided therefor in this Indenture and, in the case of any payment, no interest shall accrue for the period from and after such date.

Section 11.11. Execution in Several Counterparts. This Indenture may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts shall together constitute but one and the same instrument.

Section 11.12. Governing Law, Venue. The formation, interpretation and performance of this Indenture shall be governed by the laws of the State of California. Venue for all litigation arising from or in connection with the Bond or this Indenture shall be in San Diego, California.

Section 11.13. Successors. Whenever in this Indenture either the Issuer, the Trustee or the Bondowner Representative is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Indenture contained by or on behalf of the Issuer, the Trustee or the Bondowner Representative shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 11.14. Non-Waiver of Rights. The omission by either party at any time to enforce any default or right reserved to it, or to require performance of any of the terms, covenants, or provisions hereof by the other party at the time designated, shall not be a waiver of any such

default or right to which the party is entitled, nor shall it in any way affect the right of the party to enforce such provisions thereafter.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the HOUSING AUTHORITY OF THE CITY OF SAN DIEGO has caused this Indenture to be signed in its name and The Bank of New York Mellon Trust Company, N.A., in token of its acceptance of the trust created hereunder, and the Bondowner Representative have each caused this Indenture to be signed in its name, all as of the day and year first above written.

HOUSING AUTHORITY OF THE CITY OF
SAN DIEGO, as Issuer

By _____
Richard C. Gentry
Executive Director

ATTEST:

Scott Marshall
Deputy Secretary

[Issuer's Signature Page to *Mission Terrace* Indenture of Trust]

[Trustee's Signature Page to *Mission Terrace* Indenture of Trust]

**THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A.**

By _____

Name: Deborah Young

Title: Vice President

[Bondowner Representative's Signature Page to *Mission Terrace* Indenture of Trust]

ZIONS BANCORPORATION, N.A., DBA
CALIFORNIA BANK & TRUST, as
Bondowner Representative

By: _____

Name:

Title:

EXHIBIT A

FORM OF BOND

THIS BOND MAY BE TRANSFERRED ONLY AS PERMITTED IN SECTION 2.05 OF THE INDENTURE AND MAY BE OWNED ONLY BY A SOPHISTICATED INVESTOR (DEFINED AS A QUALIFIED INSTITUTIONAL BUYER AS DEFINED IN RULE 144A OR AN INSTITUTIONAL ACCREDITED INVESTOR AS DEFINED IN RULE 501, EACH AS PROMULGATED UNDER THE SECURITIES ACT OF 1933, AS AMENDED) [CONSIDER PARTICIPATION INTERESTS] AND THE HOLDER HEREOF, BY THE ACCEPTANCE OF THIS BOND, REPRESENTS THAT IT IS A SOPHISTICATED INVESTOR, AND ACKNOWLEDGES THAT IT CAN ONLY TRANSFER THIS BOND IN WHOLE TO SOPHISTICATED INVESTORS IN ACCORDANCE WITH THE LIMITATIONS SET FORTH IN ARTICLE II OF THE INDENTURE HEREINAFTER DEFINED. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY OF SAN DIEGO OR THE STATE OF CALIFORNIA IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR PREMIUM OR INTEREST ON THIS BOND.

No. R-_____

UNITED STATES OF AMERICA
STATE OF CALIFORNIA

**HOUSING AUTHORITY OF THE CITY OF SAN DIEGO
MULTIFAMILY HOUSING REVENUE BOND
(MISSION TERRACE APARTMENTS)
SERIES 2020D**

REGISTERED OWNER: ZIONS BANCORPORATION, N.A. DBA CALIFORNIA
BANK & TRUST

PRINCIPAL SUM: UP TO [TWELVE MILLION] DOLLARS (\$[12,000,000])

ISSUE DATE: [____], 2020

INTEREST RATE: [VARIABLE][FIXED]

The Housing Authority of the City of San Diego, a public body, corporate and politic of the State of California, duly organized under the laws of the State of California (herein called the “Issuer”), for value received, hereby promises to pay (but only out of Revenues as hereinafter provided) to the Registered Owner identified above or registered assigns, on [_____] 1, 20[___] (subject to prior redemption as provided in the Indenture) the sum of up to [TWELVE MILLION] Dollars (\$[12,000,000]) in lawful money of the United States, with interest thereon from the date of disbursement until paid at the above Interest Rate or as otherwise described below. The actual unpaid principal hereof shall be equal to the funds disbursed by the Bondowner Representative under the Indenture and the Loan Agreement to fund the Loan, less any portion of the principal

hereof redeemed pursuant to the Indenture. Capitalized terms used in this Bond and not defined herein shall have the meanings given such terms in the Indenture referenced below, or in the Note dated as of [_____] 1, 2020, made by Mission Terrace Housing Partners, L.P., a California limited partnership (the “Borrower”), to the order of the Issuer.

[The Bond shall bear interest, payable on each Interest Payment Date from the Closing Date to the Maturity Date at the Adjustable Fixed Rate pursuant to and in accordance with the terms of the Note.] Notwithstanding the foregoing, the Bond shall bear interest at the below-defined Default Rate (not to exceed the Maximum Rate) under the conditions set forth therein and upon the occurrence of an Event of Default hereunder or under the Loan Agreement. Interest on the Bond shall be computed on the basis of a 360-day year and actual days elapsed.

This Bond shall bear interest from the date to which interest has been paid on this Bond next preceding the date of authentication hereof, unless this Bond is authenticated as of an Interest Payment Date for which interest has been paid, in which event it shall bear interest from such Interest Payment Date, or unless it is authenticated on or before the first Interest Payment Date, in which event it shall bear interest from the Closing Date.

In the event the Issuer fails to make the timely payment of any monthly payment, the Issuer shall pay interest on the then Outstanding Balance at a default rate (the “Default Rate”) equal to the interest rate then in effect under this Bond plus five percent (5%); provided, however, that such rate shall under no circumstances exceed the lesser of 12% per annum or such other maximum rate permitted by law. Upon a Notice of Taxability, as defined in the Note, this Bond shall bear interest the Taxable Rate as defined in the Note, provided, however, that such rate shall under no circumstances exceed the lesser of 12% per annum or such other maximum rate permitted by law.

This Bond shall be subject to prepayment via monthly mandatory sinking fund redemption in the amounts and as the dates set forth in the Note (as that term is defined in the Indenture).

This Bond is a duly authorized bond of the Issuer designated as “Housing Authority of the City of San Diego Multifamily Housing Revenue Bond (Mission Terrace Apartments), Series 2020D” (the “Bond”), in the initial maximum principal amount of up to \$[12,000,000]. This Bond is issued in accordance with Chapter 1 of Part 2 of Division 24 of the Health and Safety Code of the State of California (the “Act”) and a resolution of the Board of Commissioners of the Issuer (the “Resolution”) and issued under and secured by an Indenture of Trust, dated as of [_____] 1, 2020 (the “Indenture”), among the Issuer, The Bank of New York Mellon Trust Company, N.A., as the Trustee and Zions Bancorporation, N.A. dba California Bank & Trust, as initial Bondowner Representative. Reference is hereby made to the Indenture and all indentures supplemental thereto for a description of the rights thereunder of the owner of the Bond, of the nature and extent of the security, of the rights, duties and immunities the Trustee and the Bondowner Representative, and of the rights and obligations of the Issuer thereunder, to all of the provisions of which Indenture the holder of this Bond, by acceptance hereof, assents and agrees. The proceeds of the Bond will be used to make a loan to the Borrower pursuant to a Loan Agreement, dated as of [_____] 1, 2020 (the “Loan Agreement”) among the Issuer, Zions Bancorporation, N.A. dba California Bank & Trust, as initial Bondowner Representative and Lender, and the Borrower, to finance the acquisition, rehabilitation and construction of a residential rental project located in the City of San Diego, California.

THIS BOND IS A LIMITED, SPECIAL OBLIGATION OF THE ISSUER, PAYABLE SOLELY AND ONLY FROM THE TRUST ESTATE AND ANY OTHER REVENUES, FUNDS AND ASSETS PLEDGED UNDER THE INDENTURE. NONE OF THE ISSUER, THE CITY OF SAN DIEGO, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS SHALL BE DIRECTLY, INDIRECTLY, CONTINGENTLY OR MORALLY OBLIGATED TO USE ANY OTHER MONEYS OR ASSETS TO PAY ALL OR ANY PORTION OF THE DEBT SERVICE DUE ON THIS BOND OR TO SATISFY ANY OTHER MONETARY OBLIGATIONS OF THE ISSUER UNDER THE LOAN DOCUMENTS, TO LEVY OR TO PLEDGE ANY FORM OF TAXATION WHATEVER THEREFOR OR TO MAKE ANY APPROPRIATION FOR ITS PAYMENT. THE REPAYMENT OF THIS BOND IS NOT SECURED BY A PLEDGE OF THE FAITH AND CREDIT OF THE ISSUER, THE CITY OF SAN DIEGO, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS NOR DOES THE BOND CONSTITUTE INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION. THE ISSUER HAS NO TAXING POWER.

NEITHER THE MEMBERS OF THE BOARD OF COMMISSIONERS OF THE ISSUER NOR THE OFFICERS, DIRECTORS, EMPLOYEES OR AGENTS OF THE ISSUER SHALL BE PERSONALLY LIABLE FOR THE AMOUNTS OWING UNDER THE INDENTURE, THIS BOND OR ANY OF THE OTHER LOAN DOCUMENTS; AND THE BONDHOLDER'S REMEDIES IN THE EVENT OF A DEFAULT UNDER THE LOAN SHALL BE LIMITED TO THOSE REMEDIES SET FORTH IN ARTICLE VII THEREOF AND, IF A DEFAULT ALSO EXISTS UNDER THE LOAN AGREEMENT OR THE NOTE, TO COMMENCE FORECLOSURE UNDER THE DEED OF TRUST AND THE OTHER LOAN DOCUMENTS AND THE EXERCISE OF THE POWER OF SALE OR OTHER RIGHTS GRANTED THEREUNDER. IN THE EVENT OF A DEFAULT UNDER THE INDENTURE OR THIS BOND, THE BONDHOLDER SHALL NOT HAVE THE RIGHT TO PROCEED DIRECTLY AGAINST THE ISSUER OR THE RIGHT TO OBTAIN A DEFICIENCY JUDGMENT FROM THE ISSUER AFTER FORECLOSURE. NOTHING CONTAINED IN THE FOREGOING SHALL LIMIT ANY RIGHTS OR REMEDIES THE ISSUER, TRUSTEE OR BONDHOLDER MAY HAVE AGAINST THE BORROWER.

THIS BOND, TOGETHER WITH INTEREST THEREON, AND REDEMPTION PREMIUM, IF ANY SHALL ALWAYS BE PAYABLE SOLELY FROM THE REVENUES AND INCOME DERIVED FROM THE TRUST ESTATE AND IS AND SHALL ALWAYS BE A VALID CLAIM OF THE OWNER THEREOF ONLY AGAINST THE REVENUES AND INCOME DERIVED FROM THE TRUST ESTATE, WHICH REVENUES AND INCOME SHALL BE USED FOR NO OTHER PURPOSE THAN TO PAY THE PRINCIPAL INSTALLMENTS OF, REDEMPTION PREMIUM, IF ANY, AND INTEREST ON THIS BOND, EXCEPT AS MAY BE EXPRESSLY AUTHORIZED OTHERWISE IN THE INDENTURE AND IN THE LOAN AGREEMENT.

This Bond is a limited obligation of the Issuer and, as and to the extent set forth in the Indenture, is payable solely from, and secured by a pledge of and lien on, the Revenues (as that term is defined in the Indenture), consisting primarily of amounts paid by the Borrower pursuant to the Loan Agreement.

This Bond shall be subject to redemption prior to maturity, at a price and upon such terms as are provided in the Indenture. No notice of redemption of this Bond need be given to the registered owner of this Bond, and the owner of this Bond, by acceptance hereof, expressly waives any requirement for any notice of redemption.

The principal of this Bond may be declared due and payable upon the conditions, in the manner and with the effect provided in the Indenture.

This Bond is transferable by the registered owner hereof, in person, or by its attorney duly authorized in writing, at the Principal Office of the Trustee, but only in the manner, subject to the limitations (including those contained in Section 2.05(b) of the Indenture) and upon payment of the charges provided in the Indenture, and upon surrender and cancellation of this Bond. Upon such transfer a new fully registered Bond will be issued to the transferee in exchange therefor. The Issuer and the Trustee may treat the registered owner hereof as the absolute owner hereof for all purposes, and the Issuer and the Trustee shall not be affected by any notice to the contrary.

The schedule of drawings attached as Exhibit A hereto shall be used by the Trustee to record the payment of the purchase price of this Bond from time to time (such purchase price to be paid from time to time by the Holder of this Bond as provided in the Indenture and the Loan Agreement), which shall evidence the principal amount of this Bond purchased by the Bondowner Representative from time to time. The Bondowner Representative shall credit any advanced funds toward the purchase price of this Bond on the schedule of drawings attached hereto as Exhibit A. The total amount outstanding under the Bond may not exceed \$[12,000,000] at any time and no portion of the purchase price therefor shall be funded after [December 31, 2023] unless there is delivered to the Trustee an opinion of Bond Counsel to the effect that such funding will not adversely affect the exclusion from gross income for purposes of federal income taxation of interest on the Bond.

The Indenture contains provisions permitting the Issuer, the Trustee and the Bondowner Representative to execute supplemental indentures adding provisions to, or changing or eliminating any of the provisions of, the Indenture, subject to the limitations set forth in the Indenture.

The Issuer hereby certifies that all of the conditions, things and acts required to exist, to have happened and to have been performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by the Constitution and statutes of the State of California (including the Act).

This Bond shall not be entitled to any benefit under the Indenture, or become valid or obligatory for any purpose, until the certificate of authentication hereon endorsed shall have been manually signed by the Trustee.

In the event of any conflict between the terms of this Bond and the terms of the Indenture, the terms of the Indenture shall control.

[Remainder of Page Intentionally Left Blank]

The Issuer has caused this Bond to be executed in its name by the facsimile signature of its authorized representative under its official seal, or a facsimile, all as of the date first written above.

HOUSING AUTHORITY OF THE CITY OF
SAN DIEGO

By _____
Richard C. Gentry
Executive Director

[SEAL]

ATTEST:

Deputy Secretary

FORM OF CERTIFICATE OF AUTHENTICATION

This is the Bond described in the within-mentioned Indenture and has been authenticated and registered on _____.

THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A., as Trustee

By: _____

Name: Deborah Young

Title: Vice President

FORM OF ASSIGNMENT

For value received, the undersigned do(es) hereby sell, assign and transfer unto

(Name, Address and Tax Identification or Social Security Number of Assignee)
the within Bond and do(es) hereby irrevocably constitute and appoint attorney,

to transfer the same on the registration books of the Trustee, with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

NOTICE: Signature(s) must be guaranteed by an eligible guarantor.

NOTICE: The signature on this assignment must correspond with the name(s) as written on the face of the within Bond in every particular without alteration or enlargement or any change whatsoever.

SCHEDULE OF DRAWINGS

<u>Purchase Amount</u>	<u>Purchase Date</u>	<u>Outstanding Principal</u>	<u>Signature of Trustee</u>
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EXHIBIT B
FORM OF INVESTOR'S LETTER

[Date]

Housing Authority of the City of San Diego
San Diego, California

Kutak Rock LLP
Omaha, Nebraska

The Bank of New York Mellon Trust Company, N.A.
400 South Hope Street, Suite 500
Los Angeles, California 90071

\$[12,000,000]
Housing Authority of the City of San Diego
Multifamily Housing Revenue Bond
(Mission Terrace Apartments)
Series 2020D

Ladies and Gentlemen:

The undersigned (the "Investor") hereby represents and warrants to you as follows:

(a) The Investor is a Sophisticated Investor, as defined in Section 1.01 of the Indenture of Trust, dated as of [_____] 1, 2020 (the "Indenture of Trust"), among the Issuer, Zions Bancorporation, N.A. dba California Bank & Trust, N.A. and The Bank of New York Mellon Trust Company, N.A., as Trustee.

(b) The Investor has sufficient knowledge and experience in financial and business matters, including the purchase and ownership of tax-exempt obligations, and is capable of evaluating the merits and risks of its investment in the Bond. The Investor is able to bear the economic risk of, and an entire loss of, an investment in the Bond.

(c) The Investor is acquiring the Bond solely for its own account for investment purposes, and does not presently intend to make a public distribution of, or to resell or transfer, all or any part of the Bond, except as permitted by Section 2.05 of the Indenture of Trust.

(d) The Investor understands that the Bond has not been registered under the Securities Act of 1933, as amended, or under any state securities laws. The Investor agrees that it will comply with any applicable state and federal securities laws then in effect with respect to any disposition of the Bond by it, and further acknowledges that any current exemption from registration of the Bond does not affect or diminish such requirements.

(e) The Investor is familiar with the conditions, financial and otherwise, of the Borrower (as such term is used in the Indenture of Trust) and understands that the Borrower has no significant assets other than the Project (as defined in the Indenture of Trust) for payment of the Loan (as defined in the Indenture of Trust). Further, the Investor understands that the Bond involves a high degree of risk. Specifically, and without in any manner limiting the foregoing, the Investor understands and acknowledges that, among other risks, the Bond is payable solely from payments made by the Borrower on the Loan. The Investor has been provided an opportunity to ask questions of, and the Investor has received answers from, representatives of the Borrower regarding the terms and conditions of the Bond and the Loan. The Investor has obtained all information requested by it in connection with the issuance of the Bond as it regards necessary to evaluate all merits and risks of its investment in the Bond. The Investor has reviewed the documents executed in conjunction with the issuance of the Bond, including, without limitation, the Bond, the Indenture of Trust, the Note (as such term is defined in the Indenture of Trust) and the Loan Agreement.

(f) The Investor has entered into no arrangements with the Borrower or with any affiliate in connection with the Bond, other than as disclosed in writing to the Issuer.

(g) The Investor has authority to purchase the Bond and to execute this letter and any other instruments and documents required to be executed by the Investor in connection with its purchase of the Bond. The individual who is signing this letter on behalf of the Investor is a duly appointed, qualified, and acting officer of the Investor and is authorized to cause the Investor to make the certificates, representations and warranties contained herein by execution of this letter on behalf of the Investor.

(h) In entering into this transaction, the Investor has not relied upon any representations or opinions of the Issuer relating to the legal consequences or other aspects of its investment in the Bond, nor has it looked to, nor expected, the Issuer to undertake or require any credit investigation or due diligence reviews relating to the Borrower, its financial condition or business operations, the Project, including the financing or management thereof, or any other matter pertaining to the merits or risks of the transactions contemplated by the Indenture of Trust and the Loan Agreement, or the adequacy of the funds pledged to secure repayment of the Bond.

(i) The Investor understands that the Bond is not secured by any pledge of any moneys received or to be received from taxation by the Issuer, the City of San Diego, the State of California or any political subdivision or taxing district thereof; that the Bond will never represent or constitute a general obligation or a pledge of the faith and credit of the Issuer, the City of San Diego, the State of California or any political subdivision thereof; that no right will exist to have taxes levied by the State of California or any political subdivision thereof for the payment of principal and interest on the Bond; and that the liability of the Issuer with respect to the Bond is subject to further limitations as set forth in the Bond and the Indenture of Trust.

(j) The Investor has been informed that the Bond (i) has not been and will not be registered or otherwise qualified for sale under the "Blue Sky" laws and regulations of any jurisdiction, (ii) will not be listed on any stock or other securities exchange, and (iii) will carry no rating from any rating service.

(k) The Investor acknowledges that it has the right to sell and transfer the Bond, subject to compliance with the transfer restrictions set forth in Section 2.05 of the Indenture of Trust, including in certain circumstances the requirement for the delivery to the Issuer of an investor's letter in the same form as this letter, including this paragraph. Failure to comply with the provisions of Section 2.05 of the Indenture of Trust shall cause the purported transfer to be null and void. The Investor agrees to indemnify and hold harmless the Issuer with respect to any claim asserted against the Issuer that arises with respect to any sale, transfer or other disposition of the Bond by the Investor or any transferee thereof in violation of the provisions of the Indenture of Trust.

(l) None of the Issuer, the Board of Commissioners, or any of its employees or agents will have any responsibility to the Investor for the accuracy or completeness of information obtained by the Investor from any source regarding the Borrower or its financial condition or regarding the Bond, the provision for payment thereof, or the sufficiency of any security therefor. No written information has been provided by the Issuer to the Investor with respect to the Bond. The Investor acknowledges that, as between the Investor and all of such parties, the Investor has assumed responsibility for obtaining such information and making such review as the Investor deemed necessary or desirable in connection with its decision to purchase the Bond.

(m) The Investor acknowledges that the Bond is exempt from the requirements of Rule 15c2-12 of the Securities and Exchange Commission and that the Issuer has not undertaken to provide any continuing disclosure with respect to the Bond.

(n) The Investor acknowledges that interest on the Bond is not excludable from gross income of the owner thereof for federal income tax purposes for any period during which the Bond is owned by a person who is a substantial user of the facilities financed by the Bond or any person considered to be related to such substantial user (within the meaning of Section 147(a) of the Internal Revenue Code of 1986, as amended).

The Investor acknowledges that the ownership of the Bond by the Investor is subject to the certifications, representations and warranties herein to the addressees hereto. Capitalized terms used herein and not otherwise defined herein have the meanings given such terms in the Indenture of Trust.

Very truly yours,

ZIONS BANCORPORATION, N.A. DBA
CALIFORNIA BANK & TRUST, as Bond
Purchaser

By: _____
Name:
Title:

EXHIBIT C

FORM OF CONSTRUCTION FUND DISBURSEMENT REQUEST

DRAW NUMBER []

To: The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”) under that certain Indenture of Trust, dated as of [_____] 1, 2020 (the “Indenture”), among the Trustee, the Housing Authority of the City of San Diego and Zions Bancorporation, N.A. dba California Bank & Trust, as the initial Bondowner Representative.

1. You are requested to disburse funds from the Bond Proceeds Account of the Construction Fund pursuant to Section 3.03 of the Indenture as Draw Number [] in the aggregate amount of \$[_____] in the amount(s), to the person(s) and for the purpose(s) set forth on Schedule I attached hereto and incorporated herein by reference. Capitalized terms not defined herein have the meanings assigned thereto in the Indenture.

2. The undersigned certifies that:

(i) there has been received no notice (A) of any lien, right to lien or attachment upon, or claim affecting the right of the payee to receive payment of, any of the moneys payable under such requisition to any of the persons, firms or corporations named therein, and (B) that any materials, supplies or equipment covered by such requisition are subject to any lien or security interest, or if any notice of any such lien, attachment, claim or security interest has been received, such lien, attachment, claim or security interest has been released, discharged, insured or bonded over or will be released, discharged, insured or bonded over upon payment of the requisition;

(ii) such requisition contains no items representing payment on account of any percentage entitled to be retained at the date of the certificate;

(iii) the obligation stated on the requisition has been incurred in or about the acquisition, equipping, construction or rehabilitation of the Project, each item is a proper charge against the Construction Fund, and the obligation has not been the basis for a prior requisition that has been paid;

(iv) such requisition contains no items representing any Issuance Costs or any other amount constituting an issuance cost under Section 147(g) of the Code;

(v) not less than 97% of the sum of: (A) the amounts requisitioned by this Requisition to be funded with the proceeds of the Bond plus (B) all amounts allocated to the Bond previously disbursed from the Construction Fund, have been or will be applied by the Borrower to pay Qualified Project Costs;

(vi) as of the date hereof no event or condition has happened or is happening or exists that constitutes, or that with notice or lapse of time or both, would constitute, an

Event of Default under this Indenture or under the Loan Agreement or, to our knowledge, an Event of Default under the Indenture; and

(vii) such requisition complies with all applicable requirements of the Regulatory Agreement, as well as with all applicable requirements of the Loan Agreement and the Tax Certificate.

3. The Borrower has obtained written consent of the Bondowner Representative, as evidenced by its signature below.

Dated: _____

MISSION TERRACE HOUSING PARTNERS, L.P. ,
a California limited partnership

By: Mission Terrace Interfaith Housing Corporation,
a California nonprofit public benefit corporation,
its Managing General Partner

By _____
Name: Matthew B. Jumper
Title: President

APPROVED:

ZIONS BANCORPORATION, NA.
CALIFORNIA BANK & TRUST,
as Bondowner Representative

By: _____
Name: Steven Herman
Title: Senior Vice President

SCHEDULE I

<u>Amount</u>	<u>Person</u>	<u>Purpose</u>

LOAN AGREEMENT

among

HOUSING AUTHORITY OF THE CITY OF SAN DIEGO,

as the Issuer

ZIONS BANCORPORATION, N.A. DBA CALIFORNIA BANK & TRUST

as initial the Bondowner Representative

and

MISSION TERRACE HOUSING PARTNERS, L.P.,
a California limited partnership

as the Borrower

Dated as of [_____] 1, 2020

relating to:

[\$12,000,000]
Housing Authority of the City of San Diego
Multifamily Housing Revenue Bond
(Mission Terrace Apartments)
Series 2020D

The interests of the Issuer in this Agreement and the Note, excluding the Reserved Rights, have been assigned to The Bank of New York Mellon Trust Company, N.A., as trustee, pursuant to an Assignment of Deed of Trust and Related Documents dated as of [_____] 1, 2020 by the Issuer for the benefit of The Bank of New York Mellon Trust Company, N.A., as trustee.

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LOAN AGREEMENT

THIS LOAN AGREEMENT (this “Agreement”) is made and entered into and dated as of [_____] 1, 2020, by and among the **HOUSING AUTHORITY OF THE CITY OF SAN DIEGO**, a body corporate and politic of the State of California (together with any successors and assigns, as issuer of the Bond, (the “Issuer”); **ZIONS BANCORPORATION, N.A. DBA CALIFORNIA BANK & TRUST**, and its successors and assigns (the “Bondowner Representative”), and **MISSION TERRACE HOUSING PARTNERS, L.P.**, a California limited partnership (the “Borrower”).

W I T N E S S E T H:

WHEREAS, the Issuer is a body corporate and politic created under the laws of the State of California (the “State”); and

WHEREAS, pursuant to Chapter 1 of Part 2 of Division 24 of the California Health and Safety Code (the “Act”), the Issuer is empowered to issue its revenue bonds to finance the acquisition, rehabilitation, construction, equipping and development of multifamily rental housing; and

WHEREAS, the Borrower has requested the Issuer to issue its Multifamily Housing Revenue Bond (Mission Terrace Apartments) Series 2020D (the “Bond”) for the purpose of making a loan (the “Loan”) to finance, in part, the acquisition, rehabilitation and construction of a multifamily rental housing project known as the Mission Terrace Apartments, located at 10210 San Diego Mission Road, San Diego, California, on land which is more particularly described on Exhibit A (the “Land”) which Land, together with the improvements located thereon (the “Improvements”) is collectively referred to as the “Property” or the “Project;” and the Bond shall be issued pursuant to an Indenture of Trust dated as of [_____] 1, 2020 by and among the Issuer, The Bank of New York Mellon Trust Company, N.A., as trustee (“Trustee”) and the Bondowner Representative (the “Indenture”); and

WHEREAS, the Issuer deems it desirable and in keeping with its purpose to issue the Bond and lend the proceeds thereof to the Borrower for the purposes described above under the terms and conditions contained in this Agreement; and

WHEREAS, to evidence the Loan, the Borrower is executing in favor of the Issuer, that certain promissory note payable to the order of the Issuer in the original maximum principal amount of \$[12,000,000] (the “Note”), which Note provides for the repayment of the Loan in amounts sufficient to pay, when due, the principal of, premium, if any, and interest on the Bond, and the Borrower has executed or caused to be executed and delivered to the Issuer the Construction and Permanent Trust Deed, with Assignment of Rents, Security Agreement and Fixture Filing (the “Deed of Trust”) with respect to the Project, which Deed of Trust shall be assigned by the Issuer to the Trustee as trustee pursuant to that certain Assignment of Deed of Trust and Related Documents (the “Assignment of Deed of Trust”), dated as of [_____] 1, 2020, to secure, among other things, the payments due under the Note and this Agreement; and

WHEREAS, the execution and delivery of this Agreement and the issuance of the Bond have been duly and validly authorized by the Issuer.

NOW, THEREFORE, the Issuer, the Borrower and the Bondowner Representative, each in consideration of the representations, covenants and agreements of the other as set forth herein, mutually represent, covenant and agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Defined Terms. Capitalized terms used in this Agreement and not otherwise defined have the meanings set forth for those terms in the Indenture.

“*Act*” has the meaning set forth in the recitals to this Agreement

“*Affiliate*” means any person or entity directly or indirectly controlling, controlled by, or under direct or indirect common control with, another identified person or entity. A person or entity will be deemed to control a corporation or other entity if such person or entity possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of such corporation or other entity, whether through the ownership of voting securities, by contract or otherwise.

“*Agreement*” has the meaning set forth in the preamble to this Agreement.

“*Assignment of Deed of Trust*” has the meaning set forth in the recitals to this Agreement.

“*Bond*” has the meaning set forth in the recitals to this Agreement.

“*Bondowner Representative*” means Zions Bancorporation, N.A. dba California Bank & Trust, a California banking corporation and successors as defined in Section 1.01 of the Indenture.

“*Borrower*” has the meaning set forth in the preamble to this Agreement.

“*Borrower’s Governing Agreement*” means that [Amended and Restated Agreement of Limited Partnership], under which the Investor Limited Partner is admitted as a limited partner of the Borrower, which agreement is to be executed and delivered substantially concurrently with the execution and delivery of this Agreement.

“*Code*” has the meaning set forth in the Indenture.

“*Deed of Trust*” has the meaning set forth in the recitals to this Agreement.

“*Default*” has the meaning set forth in Section 6.01.

“*Developer Fee*” has the meaning set forth in Section 3.02.

“*Disbursement Agreement*” means that Disbursement Agreement dated as of [_____] 1, 2020 between the Borrower and the Bondowner Representative.

“*Disbursements*” means disbursements of funds by the Bondowner Representative to pay total Project Costs, which disbursements are made from proceeds of the Loan or other funds held by the Bondowner Representative in Pledged Accounts that are available for that purpose.

“*Draw Request*” means a disbursement request as described in Exhibit B to the Disbursement Agreement.

“*Event of Default*” has the meaning set forth in Section 6.01.

“*Guarantor*” has the meaning set forth in the Disbursement Agreement.

“*Guaranty*” has the meaning set forth in the Disbursement Agreement.

“*Improvements*” has the meaning set forth in the recitals to this Agreement.

“*Indemnified Costs*” means all liabilities, claims, actions, causes of action, judgments, orders, damages, costs, expenses, fines, penalties and losses (including sums paid in settlement of claims and all consultant, expert and legal expenses), incurred by any Indemnified Party in connection with the Loan or the Loan Documents.

“*Indemnified Parties*” means the Trustee, the Issuer and its officers, attorneys, accountants, employees, agents and consultants, past, present and future, and its successors and assigns, as well as the Bondowner Representative, its parents, subsidiaries and other Affiliates, assignees of the Bondowner Representative’s interest in the Bond or the Loan, owners of participation or other interests in the Loan, and the officers, attorneys, accountants, employees, agents and consultants of each of them.

“*Indenture*” has the meaning set forth in the recitals to this Agreement.

“*Investor Limited Partner*” has the meaning set forth in the Disbursement Agreement.

“*Issuer*” has the meaning set forth in the preamble to this Agreement.

“*Land*” has the meaning set forth in the recitals to this Agreement.

“*Loan*” has the meaning set forth in the recitals to this Agreement.

“*Loan Closing*” means the issuance of the Bond and the recording of the Deed of Trust.

“*Loan Documents*” means, collectively, this Agreement, the Disbursement Agreement, the Note, the Deed of Trust, the other Security Documents and all other documents that evidence, guarantee or secure the Loan.

“*Loan Proceeds*” means the proceeds of the Loan in the maximum principal amount set forth in this Agreement.

“*Note*” has the meaning set forth in the recitals to this Agreement.

“*Pledged Accounts*” has the meaning set forth in Exhibit B.

“*Project*” has the meaning set forth in the recitals to this Agreement.

“*Property*” has the meaning set forth in the recitals to this Agreement.

“*Regulatory Agreement*” means that Regulatory Agreement and Declaration of Restrictive Covenants dated as of [_____] 1, 2020 among the Issuer, the Borrower and the Trustee.

“*Security Documents*” means the Deed of Trust, such assignments of the Project contracts as the Bondowner Representative may require and such other security documents as the Bondowner Representative may require as security for the Loan, the Note and related obligations.

“*State*” has the meaning set forth in the recitals to this Agreement.

“*Treasury Regulations*” means Title 26 of the Code of Federal Regulations.

“*Trustee*” has the meaning set forth in the recitals to this Agreement.

“*Trustee Ongoing Fee*” means that ongoing fee of \$1,250, payable annually in arrears on each [_____] 1, commencing [_____] 1, 2021.

ARTICLE II

ISSUANCE OF BOND; PAYMENT OF ISSUANCE AND OTHER COSTS; ASSIGNMENTS BY THE ISSUER

Section 2.01. Issuance of Bond. Upon execution of this Agreement, the other Loan Documents, the Indenture and the occurrence of all conditions precedent to issuance, or as soon thereafter as practicable, the Issuer will execute the Bond and the Trustee will authenticate and deliver the Bond to the Bondowner Representative, or to its order, upon payment of the purchase price and filing with the Bondowner Representative of the opinion of Bond Counsel as to the legality of the Bond and the furnishing of all other documents required to be furnished before such delivery. The proceeds of the Bond will be deposited with the Trustee and disbursed in accordance with the Indenture and this Agreement.

Section 2.02. No Warranty by the Issuer. THE BORROWER AGREES THAT, BECAUSE THE COMPONENTS OF THE PROJECT HAVE BEEN AND ARE TO BE DESIGNATED AND SELECTED BY IT, THE ISSUER HAS NOT MADE AN INSPECTION OF THE PROJECT OR OF ANY FIXTURE OR OTHER ITEM CONSTITUTING A PORTION THEREOF, AND THE ISSUER MAKES NO WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED OR OTHERWISE, WITH RESPECT TO THE SAME OR THE LOCATION, USE, DESCRIPTION, DESIGN, MERCHANTABILITY, FITNESS FOR USE FOR ANY PARTICULAR PURPOSE, CONDITION OR DURABILITY THEREOF, OR AS TO THE QUALITY OF THE MATERIAL OR WORKMANSHIP THEREIN, IT BEING AGREED THAT ALL RISKS INCIDENT THERETO ARE TO BE BORNE BY THE BORROWER. IN THE EVENT OF ANY DEFECT OR DEFICIENCY OF ANY NATURE IN THE PROJECT OR ANY FIXTURE OR OTHER ITEM CONSTITUTING A PORTION THEREOF, WHETHER PATENT OR LATENT, THE ISSUER SHALL HAVE NO RESPONSIBILITY OR LIABILITY WITH RESPECT THERETO. THE PROVISIONS OF THIS SECTION 2.02 HAVE BEEN

NEGOTIATED AND ARE INTENDED TO BE A COMPLETE EXCLUSION AND NEGATION OF ANY WARRANTIES OR REPRESENTATIONS BY THE ISSUER, EXPRESS OR IMPLIED, WITH RESPECT TO THE PROJECT OR ANY FIXTURE OR OTHER ITEM CONSTITUTING A PORTION THEREOF, WHETHER ARISING PURSUANT TO THE UNIFORM COMMERCIAL CODE OR ANY OTHER LAW NOW OR HEREAFTER IN EFFECT. IN ADDITION, THE BORROWER ACKNOWLEDGES, REPRESENTS AND WARRANTS THAT IT UNDERSTANDS THE NATURE AND STRUCTURE OF THE PROJECT; THAT IT IS FAMILIAR WITH THE PROVISIONS OF ALL OF THE DOCUMENTS AND INSTRUMENTS RELATING TO THE FINANCING OF THE PROJECT TO WHICH IT OR THE ISSUER IS A PARTY OR OF WHICH IT IS A BENEFICIARY; THAT IT UNDERSTANDS THE RISKS INHERENT IN SUCH TRANSACTIONS, INCLUDING WITHOUT LIMITATION THE RISK OF LOSS OF THE PROJECT; AND THAT IT HAS NOT RELIED ON THE ISSUER FOR ANY GUIDANCE OR EXPERTISE IN ANALYZING THE FINANCIAL OR OTHER CONSEQUENCES OF SUCH FINANCING TRANSACTIONS OR OTHERWISE RELIED ON THE ISSUER IN ANY MANNER EXCEPT TO ISSUE THE BOND IN ORDER TO PROVIDE FUNDS FOR THE LOAN.

Section 2.03. Payment of Costs of Issuance by the Borrower. The Borrower agrees that it will provide any and all funds required for the prompt and full payment of all costs of issuance of the Bond not otherwise paid from proceeds of the Bond, including, but not limited to, the following items:

- (a) all reasonable legal (including Bond Counsel and counsel to the Borrower, the Issuer, the Trustee, and the Bondowner Representative), abstractors', title insurance, financial, engineering, environmental, construction services, survey, appraisal and accounting fees and expenses, administrative fees, printing and engraving costs and other expenses incurred and to be incurred by the Borrower, the Issuer, the Bondowner Representative on or before or in connection with issuance of the Bond;
- (b) premiums on all insurance required to be secured and maintained during the term of this Agreement;
- (c) all recording fees and other taxes, charges, assessments, license or registration fees of every nature whatsoever incurred and to be incurred in connection with this financing (other than a tax on the income of the Issuer or the Bondowner Representative);
- (d) all reasonable initial fees and expenses of the Bondowner Representative, the Issuer and the Trustee (including, without limitation, the Issuer's Authority Fee as defined in the Regulatory Agreement);
- (e) [reserved]; and
- (f) fees payable to the California Debt Limit Allocation Committee ("CDLAC"), the California Debt and Investment Advisory Commission ("CDIAC") and the California Tax Credit Allocation Committee ("CTCAC") with respect to the Bond and the financing of the Project; and other reasonable costs of issuance of the Bond.

Section 2.04. Assignment of Certain Rights. Pursuant to the Indenture and the Assignment of Deed of Trust, the Issuer has assigned the Revenues and has assigned, without recourse or liability, to the Trustee, certain of the Issuer's rights under this Agreement and the Note, including the right to receive certain payments hereunder (but excluding the Reserved Rights, among them the Issuer's rights to payments under Sections 2.05, 2.06, 4.01 and 8.08 of this Agreement, which have not been assigned), and hereby directs the Borrower to make payments, required herein or under the Note to be made to the Issuer, either to the Trustee or as otherwise directed by the Bondowner Representative. The Borrower assents to such assignment and will make such payments under this Agreement directly to the Trustee or as otherwise directed by the Bondowner Representative without defense or set off by reason of any dispute between the Borrower, the Issuer, the Trustee, or the Bondowner Representative.

Section 2.05. Issuer Fees. The Borrower shall timely pay the fees payable to the Issuer as defined as the Authority Fee in the Regulatory Agreement as and when billed by the Trustee.

Section 2.06. Payment of Other Amounts by the Borrower. The Borrower shall promptly and timely pay all other amounts due to the Issuer, the Trustee (including, but not limited to the Trustee Ongoing Fee), the Rebate Analyst, the Bondowner Representative or any of them under the Indenture, the Note, Disbursement Agreement, Regulatory Agreement and any other of the Loan Documents. The Borrower shall be personally liable under this Agreement, the Note, the Deed of Trust and all other Loan Documents for the repayment of amounts owing under this Agreement, the Note or for the performance of any other obligations of the Borrower under this Agreement, the Note, the Deed of Trust and the other Loan Documents.

ARTICLE III

DISBURSEMENT

Section 3.01. Disbursement by Bondowner Representative. The Bondowner Representative shall make or authorize disbursements of the Loan upon satisfaction (or waiver by the Bondowner Representative) of the conditions set forth in the Disbursement Agreement.

Section 3.02. Developer Fee. Notwithstanding anything to the contrary contained in the Borrower's Governing Agreement or any other document, except to the extent otherwise set forth below, for so long as the Loan and all interest accrued thereon and other amounts payable by the Borrower in connection therewith have not been paid in full, the Borrower will not pay any developer fee, developer overhead, developer profit or similar amount (collectively, "Developer Fee") to any Affiliate of the Borrower in an aggregate amount in excess of \$[_____]. So long as no Event of Default has occurred and is continuing, the Borrower may make payments of Developer Fee as follows:

- (a) At Loan Closing: \$[_____]
- (b) At 100% completion of improvements: \$[_____]
- (c) Upon conversion and payoff of the Loan: \$[_____]

- (d) Deferred in accordance with the \$[_____] partnership agreement:

Total \$[_____]

Section 3.03. Limitations on Disbursements. Notwithstanding recording of the Deed of Trust or anything contained in this Agreement, the Bondowner Representative will not be required to make any Disbursement unless and until the Borrower has satisfied all applicable conditions to such Disbursement set forth in the Disbursement Agreement. No Disbursement of the Loan shall be made after [December 31, 2023], notwithstanding anything to the contrary contained in any construction or rehabilitation contract or any other document unless there is first delivered to the Trustee an opinion of Bond Counsel to the effect that such Disbursement will not adversely affect the exclusion of interest on the Bond from gross income for federal income tax purposes.

ARTICLE IV

COVENANTS OF BORROWER

The Borrower will keep and perform each of the covenants set forth below, except to the extent that the Bondowner Representative hereafter specifically waives compliance in writing, which waiver may be given or withheld by the Bondowner Representative in its sole discretion.

Section 4.01. Indemnity. Borrower shall indemnify, defend and hold each of the Indemnified Parties harmless from and against any and all liabilities, claims, actions, proceedings, damages, costs and expenses (including all reasonable attorney's fees, including, but not limited to, the fees and costs of any of such party's in-house counsel and legal staff) arising out of or resulting from:

- (a) The Loan, the Loan Documents, the Indenture, the Regulatory Agreement or the execution or amendment or performance thereof or in connection with the transactions contemplated therein, including the issuance, sale and/or resale of the Bond.
- (b) Any finder's fee, brokerage commission, loan commission or other sum in connection with the consummation of the transactions contemplated hereby.
- (c) The development of the Project, rehabilitation and construction of the Improvements or the ownership, operation or use of the Project.
- (d) Any declaration of taxability of interest on the Bond, or allegations (or regulatory inquiry) that interest on the Bond is taxable, for federal tax purposes.
- (e) Any act or omission of the Borrower or any of its agents, contractors, servants, employees or licensees in connection with the Loan or the Project, the operation of the Project, or the condition, environmental or otherwise, occupancy, use, possession, conduct or management of work done in or about, or from the planning, design, acquisition, installation or construction of, the Project or any part thereof.

(f) Any lien or charge upon payments by the Borrower to the Issuer and/or the Bondowner Representative hereunder, or any taxes (including, without limitation, all ad valorem taxes and sales taxes), assessments, impositions and other charges imposed on the Issuer in respect of any portion of the Project.

(g) Any violation of any environmental law, rule or regulation with respect to, or the release of any toxic substance from, the Project or any part thereof.

(h) The defeasance, prepayment and/or redemption, in whole or in part, of the Bond.

(i) Any untrue statement or misleading statement or alleged untrue statement or alleged misleading statement of a material fact by the Borrower contained in any closing certificate, offering statement or disclosure or continuing disclosure document for the Bond or any of the documents relating to the Bond to which the Borrower is a party, or any omission or alleged omission from any offering statement or disclosure or continuing disclosure document for the Bond of any material fact necessary to be stated therein in order to make the statements made therein by the Borrower, in the light of the circumstances under which they were made, not misleading.

(j) The Bondowner Representative's acceptance or administration of the Indenture, or the exercise or performance of any of its powers or duties as Bondowner Representative thereunder or under any of the documents relating to the Bond to which it is a party.

The liability of Borrower under this indemnity shall not be limited or impaired in any way by (i) the release, reconveyance, foreclosure or other termination of the Deed of Trust, the payment in full of the Loan, any bankruptcy or other bankruptcy proceeding, or any other event whatsoever; (ii) any provision in the Loan Documents or the Indenture or applicable law limiting Borrower's liability or any Indemnified Party's recourse or rights to a deficiency judgment; or (iii) any change, extension, release, inaccuracy, breach or failure to perform by any party under the Loan Documents or the Indenture. Borrower's liability hereunder is direct and primary and not secondary as a guarantor or surety.

This indemnity is not intended to give rise to, and shall not give rise to, a right of Bondowner Representative to claim payment of the principal and accrued interest with respect to the Loan as a result of an claim under this Section 4.01. Notwithstanding anything to the contrary contained in this Section 4.01, the provisions of this Section 4.01 shall not extend to any claim or liability to the extent arising out of or resulting from the willful misconduct of the Issuer, each of its respective officers, members governing members or partners, directors, employees, attorneys and agents, past, present and future, or the gross negligence or willful misconduct of any other Indemnified Party.

In the event that any action or proceeding is brought against any Indemnified Party with respect to which indemnity may be sought hereunder, Borrower, upon written notice from such Indemnified Party, shall assume the investigation and defense thereof, including the employment of counsel reasonably acceptable to such Indemnified Party, and shall assume the payment of all

expenses related thereto, with full power to litigate, compromise or settle the same in its sole discretion; provided that such Indemnified Party shall have the right to review and approve or disapprove any such compromise or settlement. Each Indemnified Party shall have the right to employ separate counsel in any such action or proceeding and participate in the investigation and defense thereof, and Borrower shall pay the reasonable fees and expenses of such separate counsel; provided, however, that such Indemnified Party may only employ separate counsel at the expense of Borrower if, in the judgment of such Indemnified Party, a conflict of interest exists by reason of common representation or if all parties commonly represented do not agree as to the action (or inaction) of counsel.

Notwithstanding any transfer of the Project to another owner in accordance with the provisions of this Agreement, Borrower shall remain obligated to indemnify each Indemnified Party pursuant to this Section 4.01 if such subsequent owner fails to indemnify any party entitled to be indemnified hereunder, unless such Indemnified Party has consented to such transfer and to the assignment of the rights and obligations of Borrower hereunder.

The rights of any persons to indemnity hereunder and to payment of fees and reimbursement of expenses pursuant to this Agreement shall survive the final payment or defeasance of the Loan and the Bond and, in the case of Bondowner Representative and the Trustee, any resignation or removal. The provisions of this Section 4.01 shall survive the termination of this Agreement.

With respect to the Issuer, the Regulatory Agreement shall control in any conflicts between this Section 4.01 and Section 7 of the Regulatory Agreement.

Section 4.02. Certain Government Regulations. The Borrower will not: (1) be or become subject at any time to any governmental requirements, or be included on any list of any government agency (including, without limitation, the U.S. Office of Foreign Asset Control list) that prohibits or limits the Bondowner Representative from making any advance or extension of credit to the Borrower or from otherwise conducting business with the Borrower, or (2) fail to provide documentary and other evidence of the Borrower's identity as may be requested by the Bondowner Representative at any time to enable the Bondowner Representative to verify its identity or to comply with any such applicable requirements, including, without limitation, Section 326 of the USA Patriot Act of 2001, 31 U.S.C. Section 5318.

Section 4.03. Sale of Bond in Secondary Market. The Borrower acknowledges the possibility that the Bondowner Representative may desire to facilitate the marketability of the Bond to a purchaser in the secondary market as permitted by the Indenture, and the Borrower agrees to execute such other documents as are required to effectuate such resale of the Bond by the Bondowner Representative, provided that the same do not change the economic terms of the transactions described herein or expand the liabilities of the parties hereunder.

ARTICLE V

REPRESENTATIONS, WARRANTIES AND COVENANTS OF BORROWER

The Borrower promises that each and every representation and warranty set forth below is true, accurate and correct as of the date of this Agreement. Each Draw Request will be deemed to be a reaffirmation, as of the date such Draw Request is submitted to the Bondowner Representative, of each and every representation and warranty made by the Borrower in this Agreement. The Borrower represents and warrants to the Issuer and the Bondowner Representative as follows:

Section 5.01. Tax Status of Bond. The Borrower hereby covenants, represents and agrees as follows: (a) that the Borrower will not take or permit any action to be taken that would adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Bond and, if it should take or permit any such action, the Borrower will take all lawful actions to rescind such action promptly upon having knowledge thereof; and (b) that the Borrower will take such action or actions, including amending the Loan, the Regulatory Agreement and this Agreement, as determined reasonably necessary in the opinion of Bond Counsel to comply fully with all applicable rules, rulings, policies, procedures, regulations or other official statements promulgated or proposed by the United States Department of the Treasury or the Internal Revenue Service under the Code. The Borrower further covenants and agrees that it will direct all investments in compliance with the Code. The Borrower covenants and agrees to cause to be calculated by the Rebate Analyst and pay to the Trustee any amounts owing to the United States as rebatable arbitrage in accordance with the procedures set forth in the Tax Certificate and Section 6.07 of the Indenture

Section 5.02. Incorporation of Tax Certificate. The covenants, representations, warranties and agreements of the Borrower set forth in the Tax Certificate are incorporated by reference herein as if fully set forth herein.

Section 5.03. Tax Covenants. The Borrower shall comply with the requirements and conditions of the Tax Certificate and the Regulatory Agreement. Without limiting the foregoing and notwithstanding anything to the contrary in this Agreement, the Borrower will not take, or permit to be taken on its behalf, any action which would cause interest on the Bond to be included in gross income for federal income tax purposes and will take such reasonable action as may be necessary to continue such exclusion from gross income, including:

(a) the Borrower will not use the proceeds of the Bond, or any other funds which may be deemed to be proceeds of the Bond pursuant to Section 148 of the Code, in the manner which will cause the Bond to be an “arbitrage bond” within the meaning of such section, and will comply with the requirements of such Section throughout the term of the Bond;

(b) the Borrower will prepare and file any statements required to be filed by it in order to maintain such exclusion;

(c) the Borrower will pay to the United States any amount required to be paid by the Issuer or the Borrower pursuant to Section 148(f) of the Code, at the times, in the amounts and at the places required in order to maintain the exclusion of interest on the Bond from gross income for federal income tax purposes, and the Borrower shall compute, or cause to be computed, such amounts annually until the earlier of (i) the date required by the Code, or (ii) the date on which the Bond is no longer outstanding;

(d) not less than 95% of the net proceeds of the Bond (within the meaning of Section 142(a) of the Code) shall be used to pay Qualified Project Costs;

(e) in order to satisfy the requirements set forth in subpart (4) of the definition of “program investment” that appears in Section 1.148-1(b) of the Treasury Regulations (which requirements must be met in order for the Loan to qualify as a program investment within the meaning of that section), neither the Borrower nor any related person will purchase the Bond in an amount related to the amount of the Loan;

(f) no changes will be made to the Project, no actions will be taken by the Borrower, and the Borrower will not omit to take any actions, which will in any way adversely affect the tax exempt status of the interest on the Bond;

(g) if the Borrower becomes aware of any circumstance, event or condition which would result in the interest payable on the Bond becoming includable in gross income for federal income tax purposes, the Borrower will promptly give written notice of such circumstance, event or condition to the Issuer and the Bondowner Representative;

(h) the full amount of each disbursement from the Loan will be applied to pay or to reimburse the Borrower for the payment of Project Costs and, after taking into account any proposed disbursement, (i) at least 95% of the net proceeds (as defined in Section 150 of the Code) of the Bond will be used to pay Qualified Project Costs to provide a qualified residential rental project (as defined in Section 142(d) of the Code), (ii) less than 25% of the net proceeds of the Bond will have been disbursed to pay or to reimburse the Borrower for the cost of acquiring land, (iii) not more than 2% of the proceeds of the Bond will have been used for Issuance Costs (as defined in the Indenture), and (iv) none of the proceeds of the Bond (as defined for purposes of Section 147(g) of the Code) will be disbursed to provide working capital;

(i) the Borrower will cause all of the residential units (except the one manager’s unit) in the Project to be rented or available for rental on a basis which satisfies applicable requirements of the Act, the Code and the Regulatory Agreement;

(j) all leases for the Project will comply with all applicable laws and, as applicable, for units rented to low and very-low income tenants, as provided in the Regulatory Agreement;

(k) in connection with any lease or grant by the Borrower of the use of the Project, the Borrower will require that the lessee or user of any portion of the Project not use that portion of the Project in any manner which would violate the covenants set forth in this Agreement or the Regulatory Agreement;

(l) no portion of the proceeds of the Loan shall be used to provide any airplane, skybox or other private luxury box, health club facility, facility primarily used for gambling, or store the principal business of which is the sale of alcoholic beverages for consumption off premises, and no portion of the proceeds of the Loan shall be used for an office unless (i) the office is located on the premises of the facilities constituting the Project and (ii) not more than a de minimis amount of the functions to be performed at such office is not related to the day-to-day operations of the Project; and

(m) no proceeds of the Bond will be used for the acquisition of any tangible property or an interest therein, other than land or an interest in land, unless the first use of such property was pursuant to such acquisition; provided, however, that this limitation shall not apply with respect to any building (and the equipment therefor) if construction expenditures (as defined in the Code) with respect to such building equal or exceed 15% of the portion of the cost of acquiring such building (and equipment) financed with proceeds of the Bond; and provided, further, that this limitation shall not apply with respect to any structure other than a building if construction expenditures with respect to such structure equal or exceed one hundred percent (100%) of the portion of the cost of acquiring such structure financed with the proceeds of the Bond.

In any matter relating to the exclusion of interest on the Bond from gross income for federal income tax purposes, the terms and provisions of the Tax Certificate and the Regulatory Agreement shall control in the event of any conflict between this Agreement and the Tax Certificate or Regulatory Agreement, as applicable.

ARTICLE VI

DEFAULT AND REMEDIES

Section 6.01. Events of Default. Any of the following, without limitation, shall constitute an “Event of Default” (and the term “Default” shall mean any of the following, whether or not any requirement for notice or lapse of time has been satisfied); provided, that any of the Borrower’s partners (if the Borrower is a limited partnership) or members (if the Borrower is a limited liability company) may, but are not obligated to, cure a Default and such cure shall be accepted by the Bondowner Representative as if made by the Borrower:

(a) Any representation or warranty made by the Borrower to or for the benefit of the Bondowner Representative herein or elsewhere in connection with the Loan, including but not limited to any representation in connection with the security therefor, shall prove to have been incorrect or misleading in any material respect when made (or becomes incorrect or misleading in any material respect thereafter); or

(b) The Borrower shall fail to pay any sum when due under this Agreement, the Deed of Trust, the Note or any other Loan Document which is not cured within the time provided for cure under Section 6.1 of the Disbursement Agreement, provided that the use of any reserve held hereunder, under the Indenture or the Disbursement Agreement to pay any such amount shall not be an Event of Default hereunder; or

(c) Other than a failure described in (b) above, the Borrower or any other party thereto (other than the Issuer, the Trustee or the Bondowner Representative) shall fail to perform its obligations under any other covenant or agreement contained in this Agreement, the Deed of Trust, the Note or any other Loan Document, which is not cured within any notice and cure period set forth in the other applicable document.

Section 6.02. Remedies.

(a) ***Withholding of Disbursements.*** After the occurrence of an Event of Default, the Bondowner Representative's obligation to lend or disburse funds under the Loan Documents will automatically terminate, and the Bondowner Representative in its sole discretion may withhold any one or more Disbursements. The Bondowner Representative may also withhold any one or more Disbursements after the occurrence and during the continuance of a Default unless and until the Borrower cures such Default prior to the occurrence of an Event of Default. No Disbursement by the Bondowner Representative will constitute a waiver of any Default unless the Bondowner Representative agrees otherwise in writing in each instance.

(b) ***Acceleration.*** After the occurrence of an Event of Default, all of the Borrower's obligations under the Loan Documents will become immediately due and payable at the option of the Bondowner Representative and in the Bondowner Representative's sole discretion without notice of default, presentment or demand for payment, protest or notice of nonpayment or dishonor, or other notices or demands of any kind.

(c) ***Pledged Accounts, Etc.*** After the occurrence and during the continuance of an Event of Default, the Bondowner Representative in its sole discretion, may apply the funds in the Pledged Accounts, and any other cash or cash equivalents of the Borrower or Guarantor held by or subject to the control of the Bondowner Representative (including but not limited to funds drawn under any letter of credit provided to the Bondowner Representative in connection with the Loan and funds in the Construction Fund), or any portion thereof to payment of the Borrower's obligations under the Loan Documents; provided, however, that such application of funds will not cure or be deemed to cure any Event of Default. Nothing in this Agreement will obligate the Bondowner Representative to apply all or any portion of any such funds on account of any Event of Default or to repayment of such obligations. The Borrower further agrees, and expressly acknowledges the reliance of the Bondowner Representative hereon, that any and all application of the funds in any Pledged Account or the Construction Fund to or upon any of such obligations will be, and will be irrevocably deemed to be, a realization upon and foreclosure of the security interests and liens granted the Bondowner Representative in such funds and will not be, or be deemed to be, the exercise of a right of set-off.

(d) ***Continuation of Construction, Etc.*** After the occurrence of any Event of Default, the Bondowner Representative will have the right, in its sole discretion and the Trustee may, upon receipt of written direction of the Bondowner Representative, to enter and take possession of the Property, whether in person, by agent or by court-appointed receiver, and to take any and all actions that the Bondowner Representative in its sole

discretion may consider necessary or appropriate to preserve and protect the Property or to complete construction and/or rehabilitation of the Project, including making changes in plans, specifications, work or materials and entering into, modifying or terminating any contractual arrangements, all subject to the Bondowner Representative's right at any time to discontinue any work without liability. In addition, with or without taking possession of the Property, the Bondowner Representative will have the right but not the obligation to cure any and all defaults by the Borrower under any of the Requirements, the Project contracts or other contracts relating to the Property. If the Bondowner Representative or the Trustee chooses to complete construction and/or rehabilitation of the Improvements or to cure any of such defaults, the Bondowner Representative or the Trustee will not assume any liability to the Borrower or any other person or entity for completing construction and/or rehabilitation of the Project, or for the manner or quality of their construction, or for curing any such defaults, and the Borrower expressly waives any such liability. If the Bondowner Representative or the Trustee exercises any of the rights or remedies provided in this subsection, that exercise will not make the Bondowner Representative or the Trustee, or cause the Bondowner Representative or the Trustee to be deemed to be, a partner or joint venturer of the Borrower or a mortgagee in possession. The Bondowner Representative in its sole discretion, or the Trustee at the written direction of the Bondowner Representative, may choose to complete construction in its own name. All sums expended by the Bondowner Representative or the Trustee in completing construction or curing the Borrower's defaults will be considered to have been an additional Disbursement to the Borrower bearing interest at the Default Rate and will be secured by the Loan Documents. For these purposes the Bondowner Representative, in its sole discretion, may reallocate any line item or cost category of the budget contained in the Disbursement Agreement, and may make use of any available the Borrower's sources of funds.

(e) ***Other Remedies; Cumulative Remedies.*** After the occurrence of an Event of Default, the Bondowner Representative may exercise, or direct the Trustee in writing to exercise, any and all other rights and remedies available to it under any of the Loan Documents or under applicable law. All rights and remedies available to the Bondowner Representative will be cumulative and not exclusive.

(f) ***Delegation of Enforcement Rights.*** The Issuer acknowledges that the Bondowner Representative, by making funds available to the Borrower by means of the Bondowner Representative's purchase of the Bond under the Indenture is in effect the party making the Loan to the Borrower. Accordingly, the Issuer hereby delegates to the Bondowner Representative the exercise of all the rights and remedies exercisable by either the Issuer or the Trustee under the Loan Documents (except for the "Reserved Rights" as defined in the Indenture), including, without limitation, approval rights under the Loan Documents and all rights and remedies under the Loan Documents arising from a Default or Event of Default, including those rights and remedies set forth Sections 3.6, 3.9, 3.12 and 3.13 of the Deed of Trust, and as otherwise provided in the Note.

Section 6.03. Waiver of the Right of Setoff. The Borrower will make all payments provided for under the terms of this Agreement, the Note and the other Loan Documents without offset or deduction. In the event of any litigation by the Bondowner Representative to enforce the

terms of the Loan Documents, the Borrower will not assert any counterclaim against the Bondowner Representative therein (other than compulsory counterclaims), but will assert the same only by means of a separate action.

ARTICLE VII

PLEDGED ACCOUNTS; RESERVE ACCOUNTS.

Section 7.01. Grant of Security Interest. The Borrower hereby pledges and assigns to the Bondowner Representative and grants the Bondowner Representative a security interest in and lien upon each of the Pledged Accounts and all funds from time to time on deposit therein to secure all of the Borrower's obligations under the Note, this Agreement and the other Loan Documents. All income taxes payable with respect to income on each Pledged Account, if any, will be paid by the Borrower. The tax identification number associated with each Pledged Account will be that of the Borrower. If required by the Bondowner Representative, the Borrower shall execute the Bondowner Representative's form of Assignment of Deposit Account with respect to each of the Pledged Accounts.

Section 7.02. [Reserved].

Section 7.03. Reserve Accounts. If the Borrower, as a matter of convenience, deposits or causes to be deposited with the Bondowner Representative the operating and reserve accounts for the Project, or any of them that do not constitute Pledged Accounts, the Bondowner Representative will not have a security interest in any such account unless such a security interest is created by a writing that specifically grants to the Bondowner Representative a security interest in the account in question as security for the Loan. Nothing herein constitutes a waiver by the Bondowner Representative of any right of setoff against any such account.

ARTICLE VIII

MISCELLANEOUS

Section 8.01. No Waiver; Consents. Each consent or waiver by the Bondowner Representative of any of its rights or remedies under this Agreement or the other Loan Documents must be in writing and executed by the Bondowner Representative, and no waiver will be construed as a continuing waiver. No waiver will be implied from the Bondowner Representative's delay in exercising or failure to exercise any right or remedy against the Borrower or any security. Consent by the Bondowner Representative to any act or omission by the Borrower will not be construed as a consent to any other or subsequent act or omission or as a waiver of the requirement for the Bondowner Representative's consent to be obtained in any future or other instance.

Section 8.02. Purpose and Effect of the Bondowner Representative's Approval. The Bondowner Representative's approval of any matter in connection with the Loan will be for the sole purpose of protecting the Bondowner Representative's security and rights. In no event will the Bondowner Representative's approval be a representation of any kind with regard to the matter being approved. Without limiting the generality of the preceding sentence, the Borrower acknowledges that the Bondowner Representative has no duty to the Borrower or any third party

regarding compliance with laws or regulations affecting low income housing tax credits or any other tax matter with respect to the Loan or the Project.

Section 8.03. Singular and Plural. As used in this Agreement and the other Loan Documents, singular terms include the plural and vice versa as the context may require.

Section 8.04. No Third Parties Benefited. This Agreement is made and entered into for the sole protection and benefit of the Issuer in its said capacity, the Bondowner Representative, the Borrower, and their permitted successors and assigns. No trust fund is created by this Agreement and no other persons or entities will have any right of action under this Agreement or any right to the Loan Proceeds. The Bondowner Representative will not be obligated to provide any assurances, commitments, obligations or agreements to or for the benefit of any person or entity other than the Borrower.

Section 8.05. Notices. All notices given under this Agreement must be in writing and given as provided in the Indenture with respect to the giving of notices thereunder.

Section 8.06. Authority to File Notices. The Borrower irrevocably appoints the Bondowner Representative as its attorney-in-fact, with full power of substitution, to file for record, at the Borrower's cost and expense and in the Borrower's name, any notices of commencement or completion, notices of cessation of labor, or any other notices that the Bondowner Representative in its sole discretion may consider necessary or desirable to protect its security for the Loan, if the Borrower fails to do so.

Section 8.07. Actions. The Issuer, the Trustee and the Bondowner Representative will have the right, but not the obligation, to commence, appear in, and defend any action or proceeding that might affect its security or its rights, duties or liabilities relating to the Loan, the Property or any of the Loan Documents. The Borrower will pay promptly on demand all of the Issuer's, the Trustee's and the Bondowner Representative's reasonable out-of-pocket costs, expenses, and reasonable attorneys' fees and all expenses of the Issuer's and the Bondowner Representative's respective counsel incurred in those actions or proceedings.

Section 8.08. Legal and Other Expenses. The Borrower will reimburse the Issuer, the Trustee and the Bondowner Representative within five days after written demand for all costs and expenses reasonably incurred by the Issuer, the Trustee, the Bondowner Representative or either of them in connection with the administration, interpretation, enforcement or performance of the Loan. Without limiting the generality of the foregoing in the event of any Default, or in the event that any dispute arises relating to the interpretation, enforcement or performance of any of the Loan Documents, the Issuer, the Trustee and the Bondowner Representative will be entitled to collect from the Borrower on demand all reasonable fees and expenses incurred in connection therewith, including but not limited to fees of attorneys, accountants, appraisers, environmental inspectors, consultants, expert witnesses, arbitrators, mediators and court reporters. Without limiting the generality of the foregoing, the Borrower will pay all such reasonable costs and expenses incurred in connection with: (a) arbitration or other alternative dispute resolution proceedings, trial court actions and appeals; (b) bankruptcy or other insolvency proceedings of the Borrower or other party liable for any of the obligations of this Agreement or the other Loan Documents or any party having any interest in any security for any of those obligations; (c) judicial

or nonjudicial foreclosure on, or appointment of a receiver for, any of the Property; (d) post-judgment collection proceedings; (e) all claims, counterclaims, cross-claims and defenses asserted in any of the foregoing whether or not they arise out of or are related to this Agreement; (f) all preparation for any of the foregoing; and (g) all settlement negotiations with respect to any of the foregoing. Whenever the Borrower is obligated to pay or reimburse the Issuer or the Bondowner Representative for any attorneys' fees, those fees will include the allocated costs, as determined by the Issuer or the Bondowner Representative, as the case may be, for services of in-house counsel.

Section 8.09. Applicable Law. This Agreement will be governed by the law of the State, without regard to any provisions or principles thereof relating to choice of law or conflict-of-laws, except as may be preempted by federal law.

Section 8.10. Time of Essence. Time is of the essence in the performance of this Agreement and each and every term hereof.

Section 8.11. Force Majeure. If the construction or rehabilitation of the Improvements is directly affected and delayed by fire, earthquake or other acts of God, inclement weather that could not reasonably be anticipated by the Borrower, strike, lockout, acts of public enemy, riot, insurrection, terrorism, or governmental regulation of the sale or transportation of materials, supplies or labor, the Borrower must notify the Bondowner Representative in writing within 10 business days after the event occurs that causes the delay.

Section 8.12. Integration and Amendments; Conflicts. The Loan Documents (a) integrate all the terms and conditions mentioned in or incidental to this Agreement, (b) supersede all oral negotiations and prior writings with respect to their subject matter including, but not limited to, any loan commitment by the Bondowner Representative, and (c) are intended by the parties as the final expression of the entire agreement with respect to the Loan and as the complete and exclusive statement of the terms and conditions agreed to by the parties. No representation, understanding, promise or condition will be enforceable against any party unless it is contained in the Loan Documents. If there is any conflict between the terms, conditions and provisions of this Agreement and those of any other agreement or instrument, including any other Loan Document, the terms, conditions and provisions of this Agreement will control. This Agreement may not be modified or amended except by a written agreement signed by the parties hereto.

Section 8.13. Binding Effect; Successors and Assigns; Disclosure. This Agreement will become effective only when it has been executed by the Borrower and the Bondowner Representative and thereafter will be binding upon and inure to the benefit of the Borrower and the Bondowner Representative and their respective successors and assigns, except that the Borrower will not have the right to assign its rights hereunder or any interest herein without the prior written consent of the Bondowner Representative, which may be granted or withheld in the Bondowner Representative's sole discretion and otherwise subject to the provisions of Section 10 of the Regulatory Agreement. The Bondowner Representative may sell, assign or grant participations in all or any part of its rights and obligations under this Agreement and the other Loan Documents, but only in accordance with the terms of the Indenture. The Bondowner Representative may disclose information about the Loan, the Borrower, Guarantor, the Property

and other relevant matters to the Bondowner Representative's Affiliates, potential purchasers of, assignees of, and participants in, the Loan, and to derivative counterparties and rating agencies.

Section 8.14. Captions. All captions or headings to sections, subsections and other divisions of this Agreement and the addenda and exhibits to this Agreement are only for the convenience of the parties and will not be construed to have any effect or meaning with respect to the other content thereof.

Section 8.15. Incorporation. The recitals, exhibits and addenda of and to this Agreement are incorporated herein and all provisions thereof will be deemed to be binding provisions of this Agreement.

Section 8.16. Relationship of Parties; No Fiduciary Duty. The Borrower acknowledges that neither the Issuer nor the Bondowner Representative has any fiduciary relationship with, or fiduciary duty to, the Borrower or any other person or entity arising out of or in connection with this Agreement, any of the other Loan Documents, and the relationship between the Issuer and the Bondowner Representative and the Borrower in connection herewith and therewith is solely that of creditor and debtor. None of this Agreement, the other Loan Documents create a joint venture among the parties.

Section 8.17. Limitation on the Issuer's Liability. The Issuer shall not be obligated to pay the principal of, premium, if any, or interest on the Bond, except from Revenues. Any obligation or liability of the Issuer created by or arising out of this Agreement (including without limitation any liability created by or arising out of the representations, warranties or covenants set forth herein or otherwise) shall not impose a debt or pecuniary liability upon the Issuer or a charge upon its general credit, but shall be payable solely out of Revenues. Neither the issuance of the Bond nor the delivery of this Agreement shall, directly or indirectly or contingently, obligate the Issuer to make any appropriation for payment of the Bond. Nothing in the Bond or this Agreement or the proceedings of the Issuer authorizing the Bond or in the Act or in any other related document shall be construed to authorize the Issuer to create a debt of the Issuer within the meaning of any constitutional or statutory provision of the State. No breach of any pledge, obligation or agreement of the Issuer hereunder may impose any pecuniary liability upon the Issuer or any charge upon its general credit.

THE BOND IS A LIMITED, SPECIAL OBLIGATION OF THE ISSUER, PAYABLE SOLELY AND ONLY FROM THE TRUST ESTATE AND ANY OTHER REVENUES, FUNDS AND ASSETS PLEDGED UNDER THE INDENTURE. NONE OF THE ISSUER, THE CITY OF SAN DIEGO, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS SHALL BE DIRECTLY, INDIRECTLY, CONTINGENTLY OR MORALLY OBLIGATED TO USE ANY OTHER MONEYS OR ASSETS TO PAY ALL OR ANY PORTION OF THE DEBT SERVICE DUE ON THE BOND OR TO SATISFY ANY OTHER MONETARY OBLIGATIONS OF THE ISSUER UNDER THE LOAN DOCUMENTS, TO LEVY OR TO PLEDGE ANY FORM OF TAXATION WHATEVER THEREFOR OR TO MAKE ANY APPROPRIATION FOR ITS PAYMENT. THE REPAYMENT OF THE BOND IS NOT SECURED BY A PLEDGE OF THE FAITH AND CREDIT OF THE ISSUER, THE CITY OF SAN DIEGO, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS NOR DOES THE BOND CONSTITUTE

INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION. THE ISSUER HAS NO TAXING POWER.

No recourse under or upon any obligation, covenant, warranty or agreement contained in the Indenture, this Agreement or in the Bond, or under any judgment obtained against the Issuer, or the enforcement of any assessment, or any legal or equitable proceedings by virtue of any constitution or statute or otherwise, or under any circumstances under or independent of the Indenture or this Agreement, shall be had against the officers, attorneys, accountants, employees, agents and consultants of the Issuer, as such, past, present or future of the Issuer, either directly or through the Issuer or otherwise, for the payment for or to the Issuer or any receiver of the Issuer, or for or to the owner of the Bond, or otherwise, of any sum that may be due and unpaid by the Issuer upon the Bond. Any and all personal liability of every nature whether at common law or in equity or by statute or by constitution or otherwise of the officers, attorneys, accountants, employees, agents and consultants, as such, by reason of any act of omission on his or her part or otherwise, for the payment for or to the owners of the Bond or otherwise of any sum that may remain due and unpaid upon the Bond secured by the Indenture or any of them is, by the acceptance of the Bond, expressly waived and released as a condition of and in consideration for the execution of the Indenture and this Agreement and the issuance of the Bond.

Anything in this Agreement to the contrary notwithstanding, it is expressly understood by the parties to this Agreement that (a) the Issuer may rely exclusively on the truth and accuracy of any certificate, opinion, notice or other instrument furnished to the Issuer by the Trustee, the Borrower, the Bondowner Representative or any Bondholder as to the existence of any fact or state of affairs, (b) the Issuer shall not be under any obligation under the Indenture or this Agreement to perform any record keeping or to provide any legal services, it being understood that such services shall be performed or caused to be performed by the Trustee, the Bondowner Representative or by any Bondholder and (c) none of the provisions of the Indenture, this Agreement, the Regulatory Agreement or any Loan Document shall require the Issuer to expend or risk its own funds or otherwise to incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers under the Indenture, this Agreement, the Regulatory Agreement and any Loan Document unless it shall first have been adequately indemnified to its satisfaction against any costs, expenses and liability which it may incur as a result of taking such action. It is recognized that notwithstanding any other provision of this Agreement, neither the Borrower nor any bondholder shall look to the Issuer or any of its officers, attorneys, accountants, employees, agents and consultants for damages suffered by the Borrower or such Bondholder as a result of the failure of the Issuer to perform any covenant, undertaking or obligation under this Agreement, the Bond, the Regulatory Agreement, any of the Loan Documents or any of the other documents referred to herein, or as a result of the incorrectness of any representation made by the Issuer in any of such documents, nor for any other reason except for representations made by the Issuer in any certificate of the Issuer and the opinion of counsel to the Issuer delivered on the Closing Date.

No recourse for the payment of any part of the principal of, premium, if any, or interest on the Bond or for the satisfaction of any liability arising from, founded upon or existing by reason of the issuance, purchase or ownership of the Bond shall be had against the officers, attorneys, accountants, employees, agents and consultants of the Issuer, as such, all such liability being expressly released and waived as a condition of and as a part of the consideration for the execution

of the Indenture and this Agreement and the issuance of the Bond. No covenant, stipulation, obligation or agreement of the Issuer contained in the Indenture, this Agreement, the Regulatory Agreement or any Loan Document shall be deemed to be a covenant, stipulation, obligation or agreement of any present or future officer, attorney, accountant, employee, agent and consultant of the Issuer in other than that person's official capacity. No officer, attorney, accountant, employee, agent or consultant of the Issuer shall be individually or personally liable for the payment of the principal or redemption price of or interest on the Bond or be subject to any personal liability or accountability by reason of the issuance of the Bond.

Section 8.18. Counterparts. This Agreement may be executed in counterparts, each of which will be an original, and all of which together will constitute but one and the same instrument.

ARTICLE IX

WAIVER OF JURY TRIAL; JUDICIAL REFERENCE

EACH OF THE BORROWER, ISSUER AND THE BONDOWNER REPRESENTATIVE (FOR ITSELF AND ITS SUCCESSORS, ASSIGNS AND PARTICIPANTS) HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER BY THE BORROWER, THE ISSUER AND THE BONDOWNER REPRESENTATIVE AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

The Borrower, the Issuer and the Bondowner Representative agree that, in the event any legal proceeding is filed in a court of the State (the "Court") by or against any party hereto in connection with any controversy, dispute or claim directly or indirectly arising out of or relating to this Agreement or the transactions contemplated hereby (whether based on contract, tort or any other theory) (each, a "Claim") and the waiver set forth in the preceding paragraph is not enforceable in such action or proceeding.

With the exception of the matters specified below, any Claim will be determined by a general reference proceeding in accordance with the provisions of California Code of Civil Procedure Sections 638 through 645.1. The parties intend this general reference agreement to be specifically enforceable in accordance with California Code of Civil Procedure Section 638. Except as otherwise provided in the Loan Documents, venue for the reference proceeding will be in the state or federal court in the county or district where venue is otherwise appropriate under applicable law.

The following matters shall not be subject to a general reference proceeding: (a) non-judicial foreclosure of any security interests in real or personal property, (b) exercise of self-help remedies (including, without limitation, set-off), (c) appointment of a receiver and (d) temporary, provisional or ancillary remedies (including, without limitation, writs of attachment, writs of possession, temporary restraining orders or preliminary injunctions). This Agreement does not limit the right of any party to exercise or oppose any of the rights and remedies described in clauses (a) - (d) and any such exercise or opposition does not waive the right of any party to a reference proceeding pursuant to this Agreement.

Upon the written request of the Borrower, the Issuer or the Bondowner Representative, the Borrower, the Issuer and the Bondowner Representative shall select a single referee, who shall be a retired judge or justice. If the parties do not agree upon a referee within ten days of such written request, then, any party may request the court to appoint a referee pursuant to California Code of Civil Procedure Section 640(b).

All proceedings and hearings conducted before the referee, except for trial, shall be conducted without a court reporter, except when any party so requests, a court reporter will be used and the referee will be provided a courtesy copy of the transcript. The party making such request shall have the obligation to arrange for and pay costs of the court reporter, provided that such costs, along with the referee's fees, shall ultimately be borne by the party who does not prevail, as determined by the referee.

The referee may require one or more prehearing conferences. The Borrower, the Issuer and the Bondowner Representative shall be entitled to discovery, and the referee shall oversee discovery in accordance with the rules of discovery, and may enforce all discovery orders in the same manner as any trial court judge in proceedings at law in the State. The referee shall apply the rules of evidence applicable to proceedings at law in the State and shall determine all issues in accordance with applicable state and federal law. The referee shall be empowered to enter equitable as well as legal relief and rule on any motion which would be authorized in a trial, including, without limitation, motions for default judgment or summary judgment. The referee shall report his decision, which report shall also include findings of fact and conclusions of law.

The Borrower, the Issuer and the Bondowner Representative recognize and agree that all claims resolved in a general reference proceeding pursuant hereto will be decided by a referee and not by a jury.

In the event of any inconsistency between the provisions of this article and any other provision of the Loan Documents, this Article will control.

ARTICLE X

WAIVER OF SPECIAL DAMAGES

TO THE EXTENT PERMITTED BY APPLICABLE LAW, BORROWER SHALL NOT ASSERT, AND HEREBY WAIVES, ANY CLAIM AGAINST THE BONDOWNER REPRESENTATIVE, THE ISSUER OR EITHER OF THEM ON ANY THEORY OF LIABILITY, FOR SPECIAL, INDIRECT, CONSEQUENTIAL OR PUNITIVE DAMAGES (AS

OPPOSED TO DIRECT OR ACTUAL DAMAGES) ARISING OUT OF, IN CONNECTION WITH, OR AS A RESULT OF, THIS AGREEMENT OR ANY AGREEMENT OR INSTRUMENT CONTEMPLATED HEREBY, THE TRANSACTIONS, THE LOAN OR THE USE OF THE PROCEEDS THEREOF.

ARTICLE XI

USA PATRIOT ACT NOTIFICATION

The Bondowner Representative hereby notifies the Borrower that pursuant to the requirements of Section 326 of the USA Patriot Act of 2001 31 U.S.C. Section 5318 (the “Patriot Act”), it is required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow the Borrower Representative to identify the Borrower in accordance with the Patriot Act.

[Remainder of page intentionally left blank]

ISSUER:

HOUSING AUTHORITY OF THE CITY OF
SAN DIEGO, as Issuer

By _____
Richard C. Gentry
Executive Director

ATTEST:

Scott Marshall
Deputy Secretary

[Issuer Signature page for *Mission Terrace* Loan Agreement]

BORROWER:

MISSION TERRACE HOUSING PARTNERS, L.P.,
a California limited partnership

By: Mission Terrace Interfaith Housing Corporation,
a California nonprofit public benefit corporation,
its Managing General Partner

By _____
Name: Matthew B. Jumper
Title: President

Address for Borrower:

Mission Terrace Housing Partners, L.P.
7956 Lester Avenue
Lemon Grove, California 91945
Attention: Matthew Jumper

[Borrower Signature page for *Mission Terrace* Loan Agreement]

BONDOWNER REPRESENTATIVE:

ZIONS BANCORPORATION, N.A. DBA
CALIFORNIA BANK & TRUST,
a California banking corporation

By: _____

Name: Steven Herman

Title: Senior Vice President

[Bondowner Representative Signature page for *Mission Terrace* Loan Agreement]

EXHIBIT A

LEGAL DESCRIPTION

The land referred to is situated in the County of San Diego, State of California, and is described as follows:

[TO BE PROVIDED]

EXHIBIT B

ACCOUNTS

1. **Required Pledged Accounts.** The Borrower will maintain each of the following deposit accounts (the “Pledged Accounts”) with the Bondowner Representative until the date that all funds therein have been released therefrom and no provisions exist for further deposits thereto.

(a) **Borrower’s Funds Account.** An account (the “the Borrower’s Funds Account”) into which the Borrower’s funds are to be deposited as required by the Bondowner Representative pursuant to the terms of the Disbursement Agreement in order to maintain the Loan In Balance as provided in the Disbursement Agreement. The Borrower’s Funds Account will be established only if and when needed.

(b) **Tax Credit Equity Account.** An account (the “Tax Credit Equity Account”) into which deposits of equity contributions by Investor Limited Partner are to be deposited as provided in the Disbursement Agreement.

2. **Interest on Accounts.** The Pledged Accounts will bear interest at a rate or rates applicable to the type of account used therefor as generally offered to the public by the Bondowner Representative, except that the Borrower’s Funds Account will not bear interest.

3. **Release of Funds From Accounts.** The Bondowner Representative will permit funds to be released from the Pledged Accounts as follows, provided that after the occurrence and during the continuance of an Event of Default, the Bondowner Representative may apply any or all funds in the Pledged Accounts to repayment of amounts owing to the Bondowner Representative under the Note and the other Loan Documents:

(a) [Reserved].

(b) [Reserved].

(c) **Borrower’s Funds Account.** The Bondowner Representative will make Disbursements from the Borrower’s Funds Account to pay Hard Costs and Soft Costs in accordance with the budget contained in the Disbursement Agreement.

(d) **Tax Credit Equity Account.** The Bondowner Representative will release funds from the Tax Credit Equity Account as provided in the Disbursement Agreement.

**REGULATORY AGREEMENT AND
DECLARATION OF RESTRICTIVE COVENANTS**

by and among

HOUSING AUTHORITY OF THE CITY OF SAN DIEGO

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.

and

MISSION TERRACE HOUSING PARTNERS, L.P.

relating to

\$[12,000,000]
Housing Authority of the City of San Diego
Multifamily Housing Revenue Bond
(Mission Terrace Apartments)
Series 2020D

Dated as of [_____] 1, 2020

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**REGULATORY AGREEMENT AND
DECLARATION OF RESTRICTIVE COVENANTS**

THIS REGULATORY AGREEMENT AND DECLARATION OF RESTRICTIVE COVENANTS (this “Regulatory Agreement”), dated as of [_____] 1, 2020, by and between the **HOUSING AUTHORITY OF THE CITY OF SAN DIEGO**, a public body corporate and politic, duly organized and existing under the Constitution and the laws of the State of California (together with any successor to its rights, duties and obligations, the “Authority”), **THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.**, a national banking association, as trustee for the Bond defined herein (the “Trustee”) and **MISSION TERRACE HOUSING PARTNERS, L.P.**, a California limited partnership (the “Borrower”).

W I T N E S S E T H :

WHEREAS, the Authority is a California housing authority acting under the Housing Authorities Law, Chapter 1 of Part 2 of Division 24 of the California Health and Safety Code (the “Act”); and

WHEREAS, pursuant to the Act, the Authority is authorized to issue bonds or notes to finance the acquisition, rehabilitation, construction and equipping of multifamily rental housing for families and individuals of low income and very low income within the City of San Diego, California (the “City”); and

WHEREAS, the Authority is a political subdivision (within the meaning of that term in the Regulations of the Department of Treasury and the rulings of the Internal Revenue Service prescribed and promulgated pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”)); and

WHEREAS, on October 1, 2019, the legislative body of the Authority adopted a resolution (the “Resolution”) authorizing the issuance of a revenue bond in connection with financing the acquisition, rehabilitation, construction, and equipping of a 77-unit (including a manager’s unit) multifamily rental housing project located in the City; and

WHEREAS, in furtherance of the purposes of the Act and the Resolution and as a part of the Authority’s plan of financing residential rental housing, the Authority has issued its Housing Authority of the City of San Diego Multifamily Housing Revenue Bond (Mission Terrace Apartments) Series 2020D in the aggregate principal amount of \$[12,000,000] (the “Bond”) to Zions Bancorporation, N.A. dba California Bank & Trust (the “Lender”), whose proceeds will be used to make a loan to the Borrower (the “Loan”) to enable the Borrower to finance the acquisition, construction, rehabilitation and equipping of the Project (as defined herein) for the public purpose of providing decent, safe and sanitary housing for families and individuals of low income and very low income; and

WHEREAS, the Authority, Borrower and Lender have entered into a Loan Agreement (as defined herein), providing the terms and conditions under which the Authority will make the Loan to the Borrower to finance the acquisition, construction, rehabilitation and equipping of the Project; and

WHEREAS, all things necessary to make the Bond, when issued as provided in the Indenture of Trust (defined herein), the valid, binding, and limited obligation of the Authority according to the import thereof, and to constitute the Indenture of Trust a valid assignment of the amounts pledged to the payment of the principal of, and premium, if any, and interest on the Bond, have been done and performed, and the creation, execution, and delivery of the Indenture of Trust, and the execution and issuance of the Bond, subject to the terms thereof, in all respects have been duly authorized; and

WHEREAS, the Authority has obtained an allocation for the Project of a portion of the State of California's private activity bond volume cap, within the meaning of Section 146 of the Code, in accordance with the procedures established by the California Debt Limit Allocation Committee; and

WHEREAS, the Code and the regulations and rulings promulgated with respect thereto and the Act prescribe that the use and operation of the Project be restricted in certain respects, and in order to ensure that the Project will be owned and operated in accordance with the Code and the Act, the Authority and the Borrower have determined to enter into this Regulatory Agreement in order to set forth certain terms and conditions relating to the acquisition, construction, rehabilitation, equipping and operation of the Project;

NOW, THEREFORE, in consideration of the mutual covenants and undertakings set forth herein, and other good and valuable consideration, the receipt and sufficiency of which hereby are acknowledged, the Authority, the Trustee and the Borrower hereby agree as follows:

Section 1. Definitions and Interpretation. The following terms shall have the respective meanings assigned to them in this Section 1, unless the context in which they are used clearly requires otherwise:

“Adjusted Income” means the adjusted income of all persons who intend to reside in one residential unit, calculated in the manner determined by the Secretary of the Treasury pursuant to Section 142(d)(2)(B) of the Code.

“Affiliate” means (i) a Person whose relationship with the Borrower would result in a disallowance of losses under Section 267 or 707(b) of the Code, (ii) a Person who together with the Borrower are members of the same controlled group of corporations (as defined in Section 1563(a) of the Code, except that “more than 50 percent” shall be substituted for “at least 80 percent” each place it appears therein), (iii) a partnership and each of its partners (and their spouses and minor children) whose relationship with the Borrower would result in a disallowance of losses under Section 267 or 707(b) of the Code or (iv) an S Corporation and each of its shareholders (and their spouses and minor children) whose relationship with the Borrower would result in a disallowance of losses under Section 267 or 707(b) of the Code.

“Area” means the San Diego County, California, Primary Metropolitan Statistical Area.

“Authority Fee” means (i) on the Closing Date, the Authority's up-front administrative fee in the amount of \$[30,000], which amount is equal to 0.25% of the maximum principal amount of the Bond (\$[12,000,000]), and (ii) on each subsequent anniversary of the Closing Date during the

Qualified Project Period in an amount equal to the greater of \$[10,000] or 0.125% of the principal amount of the Bond outstanding.

“*Bond*” has the meaning given to it in the recitals hereto.

“*Borrower’s Tax Certificate*” means the Borrower Cost Certificate dated the Closing Date, with respect to the Bond and the use of its proceeds, executed by the Borrower.

“*CDLAC*” means the California Debt Limit Allocation Committee.

“*CDLAC Conditions*” has the meaning set forth in Section 27 hereof.

“*CDLAC Resolution*” means Resolution No. 19-192 adopted by CDLAC on December 11, 2019, awarding an allocation of \$12,000,000 to the Project and the Bond.

“*Certificate of Continuing Program Compliance*” means the certificate with respect to the Project to be filed by the Borrower with the Authority and the Trustee, which shall be substantially in the form attached hereto as Appendix B.

“*Closing Date*” means the date of delivery of the Bond.

“*Code*” has the meaning given to it in the recitals hereto.

“*Completion Date*” has the meaning given to it in the Loan Agreement.

“*Event of Default*” has the meaning given to it in Section 15 hereof.

“*Income Certification*” means the Income Computation and Certification Form in substantially the form attached hereto as Appendix C.

“*Indenture of Trust*” means the Indenture of Trust, dated as of [_____] 1, 2020, among the Authority, the Lender, and The Bank of New York Mellon Trust Company, N.A., as Trustee, pursuant to which the Bond has been issued, as amended or supplemented from time to time.

“*Inducement Date*” means October 1, 2019, with respect to the Authority’s declaration of intent to issue multifamily housing revenue obligations in an aggregate principal amount not to exceed \$12,000,000, in connection with the Project.

“*Lender*” means Zions Bancorporation, N.A. dba California Bank & Trust. “*Loan*” has the meaning given to it in the recitals hereto.

“*Loan Agreement*” means the Loan Agreement dated as of [_____] 1, 2020, by and among the Authority, Borrower and Lender, as amended, supplemented or restated from time to time.

“*Low Income Tenants*” means individuals or families with an Adjusted Income that does not exceed 60% of the Median Income for the Area as adjusted in a manner consistent with the determination of lower income families under Section 8 of the United States Housing Act of 1937 and adjusted for household size. In no event, however, will the occupants of a residential unit be

considered to be Low Income Tenants if all the occupants are students, as defined in Section 152(f)(2) of the Code, as such may be amended, no one of which is entitled to file a joint federal income tax return. Currently, Section 152(f)(2) defines a student as an individual enrolled as a full-time student during each of five calendar months during the calendar year in which occupancy of the unit begins at an educational organization which normally maintains a regular faculty and curriculum and normally has a regularly enrolled body of students in attendance or is an individual pursuing a full-time course of institutional on-farm training under the supervision of an accredited agent of such an educational organization or of a state or political subdivision thereof.

“Low Income Units” means the dwelling units in the Project designated for occupancy by Low Income Tenants pursuant to Section 4(a) of this Regulatory Agreement.

“Median Income for the Area” means the median gross income for the Area as most recently determined by the Secretary of Treasury pursuant to Section 142(d)(2)(B) of the Code.

“Project” means the Project Facilities and the Project Site.

“Project Costs” mean to the extent authorized by the Code, the Regulations and the Act, any and all costs incurred by the Borrower with respect to the acquisition, construction, rehabilitation and equipping of the Project, whether paid or incurred prior to or after the sixtieth day preceding the sixtieth day prior to the Inducement Date, including, without limitation, costs for site preparation, the planning of housing and related facilities and improvements, the acquisition of property, the removal or demolition of existing structures, the construction and rehabilitation of housing and related facilities and improvements, and all other work in connection therewith, and all costs of financing, including, without limitation, the costs of consultant, accounting and legal services, other expenses necessary or incident to determining the feasibility of the Project, administrative and other expenses necessary or incident to the Project and the financing thereof (including reimbursement to any municipality, county or entity for expenditures made for the Project) and all other costs approved by Bond Counsel.

“Project Facilities” mean the buildings, structures and other improvements on the Project Site that are being financed with proceeds of the Bond, and all fixtures and other property owned by the Borrower and located on, or used in connection with, such buildings, structures and other improvements. Project Facilities do not include retail sales facilities, leased office space, commercial facilities or recreational, fitness, parking or business facilities available to members of the general public.

“Project Site” means the parcel or parcels of real property described in Appendix A, which is attached hereto and by this reference incorporated herein, and all rights and appurtenances thereunto appertaining.

“Qualified Project Costs” means costs paid with respect to the Project that meet each of the following requirements: (i) the costs are properly chargeable to a capital account (or would be so chargeable with a proper election by the Borrower or but for a proper election by the Borrower to deduct such costs) in accordance with general Federal income tax principles and in accordance with Regulations § 1.103-8(a)(1), provided, however, that only such portion of interest accrued during construction or rehabilitation of the Project shall be eligible to be a Qualified Project Cost

as bears the same ratio to all such interest as the Qualified Project Costs bear to all Project Costs; and provided further that interest accruing after the date of completion of the Project shall not be a Qualified Project Cost; and provided still further that if any portion of the Project is being constructed or rehabilitated by an Affiliate (within the meaning of the Code) (whether as a general contractor or a subcontractor), Qualified Project Costs shall include only (A) the actual out-of-pocket costs incurred by such Affiliate in constructing or rehabilitating the Project (or any portion thereof), (B) any reasonable fees for supervisory services actually rendered by the Affiliate, and (C) any overhead expenses incurred by the Affiliate that are directly attributable to the work performed on the Project, and shall not include, for example, intercompany profits resulting from members of an affiliated group (within the meaning of Section 1504 of the Code) participating in the construction of the Project or payments received by such Affiliate due to early completion of the Project (or any portion thereof); (ii) the costs are paid with respect to a qualified residential rental project or projects within the meaning of Section 142(d) of the Code, (iii) the costs are paid after the earlier of 60 days prior to the Inducement Date to reimburse costs paid with respect to the Project (within the meaning of § 1.150-2 of the Regulations) or the date of issue of the Bond, and (iv) if the Project Costs were previously paid and are to be reimbursed with proceeds of the Bond such costs were (A) costs of issuance of the Bond, (B) preliminary capital expenditures (within the meaning of Regulations § 1.150-2(f)(2)) with respect to the Project (such as architectural, engineering and soil testing services) incurred before commencement of construction or rehabilitation of the Project that do not exceed 20% of the aggregate issue price of the Bond (as defined in Regulations § 1.148-1), or (C) were capital expenditures with respect to the Project that are reimbursed no later than 18 months after the later of the date the expenditure was paid or the date the Project is placed in service (but no later than three years after the expenditure is paid).

“Qualified Project Period” means the period beginning on the first day on which at least 10% of the dwelling units in the Project are first occupied and ending on the later of (a) the date that is 55 years after the date on which 50% of the dwelling units in the Project are occupied, (b) the first day on which no tax exempt bonds or notes with respect to the Project are Outstanding, or (c) the date on which any assistance provided with respect to the Project under Section 8 of the United States Housing Act of 1937 terminates.

“Qualified Rehabilitation Expenditures” means any amount properly chargeable to the Project’s capital account which is incurred no earlier than 60 days prior to the Inducement Date by the person acquiring the building or property (or additions or improvements to property) or by the seller of the property under a sales contract between the Borrower and the seller of the Project to the Borrower in connection with the rehabilitation of a building. In the case of an integrated operation contained in a building before its acquisition, such term includes rehabilitating existing equipment in such building or replacing it with equipment having substantially the same function. *“Qualified Rehabilitation Expenditures”* do not include any amount which is incurred after the date that is two years after the later of the date on which the building was acquired by the Borrower or the date on which the Bond was issued. *“Qualified Rehabilitation Expenditures”* do not include any expenditure described in Section 47(c)(2)(B) of the Code. All amounts constituting Qualified Rehabilitation Expenditures must be depreciated on a straight-line basis over 27.5 years (unless otherwise provided in the Code).

“Regulations” means the Income Tax Regulations promulgated or proposed by the Department of the Treasury pursuant to the Code from time to time.

“Rehabilitation Completion Certificate” means the certificate of completion of rehabilitation of the Project required to be delivered to the City, CDLAC and the Trustee by the Borrower substantially in the form of Exhibit F hereof or such other form required or otherwise provided by CDLAC from time to time.

“Tax Credit Investor” has the meaning given to it under Section 10 hereof.

“Tax-Exempt” means with respect to interest on any obligations of a state or local government, including the Bond, that such interest is excluded from gross income for federal income tax purposes; provided, however, that such interest may be includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating other tax liabilities, including any alternative minimum tax or environmental tax, under the Code.

“Very Low Income Tenants” means individuals or families with an Adjusted Income that does not exceed 50% of the Median Income for the Area as adjusted in a manner consistent with the determination of lower income families under Section 8 of the United States Housing Act of 1937 and adjusted for household size. In no event, however, will the occupants of a residential unit be considered to be Very Low Income Tenants if all the occupants are students, as defined in Section 152(f)(2) of the Code, as such may be amended, no one of which is entitled to file a joint federal income tax return.

“Very Low Income Units” means the dwelling units in the Project designated for occupancy by Very Low Income Tenants pursuant to Section 4(k) of this Regulatory Agreement.

Capitalized terms that are not defined herein shall have the meanings assigned to them in the Indenture of Trust.

Unless the context clearly requires otherwise, as used in this Regulatory Agreement, words of the masculine, feminine or neuter gender shall be construed to include each other gender when appropriate and words of the singular number shall be construed to include the plural number, and vice versa, when appropriate. This Regulatory Agreement and all the terms and provisions hereof shall be construed to effectuate the purposes set forth herein and to sustain the validity hereof.

The defined terms used in the preamble and recitals of this Regulatory Agreement have been included for convenience of reference only, and the meaning, construction and interpretation of all defined terms shall be determined by reference to this Section 1 notwithstanding any contrary definition in the preamble or recitals hereof. The titles and headings of the sections of this Regulatory Agreement have been inserted for convenience of reference only, and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof or be considered or given any effect in construing this Regulatory Agreement or any provisions hereof or in ascertaining intent, if any question of intent shall arise.

In the event of any conflict between this Regulatory Agreement and the CDLAC Conditions, the most restrictive requirement shall govern.

Section 2. Acquisition, Construction, Rehabilitation and Equipping of the Project. The Borrower hereby represents, as of the date hereof, and covenants, warrants and agrees as follows:

(a) The Borrower has incurred a substantial binding obligation to acquire, rehabilitate, construct and equip the Project, pursuant to which the Borrower is obligated to expend at least 5% of the aggregate net sale proceeds of the Bond.

(b) The Borrower's reasonable expectations respecting the total cost of the acquisition, rehabilitation and equipping of the Project and the disbursement of Bond proceeds are accurately set forth in the Borrower's Tax Certificate.

(c) The Borrower will proceed with due diligence to complete the acquisition, rehabilitation, construction and equipping of the Project and will proceed with due diligence to complete the same. Notwithstanding anything herein to the contrary, no Project Costs relating to the acquisition of the Project or any assets relating thereto (including, without limitation, rights and interests with respect to development of the Project) shall constitute "Qualified Project Costs" unless, at the time Bond proceeds are expended to pay such costs, the Borrower and the seller of such assets are not "related parties" as such term is defined in Section 1.150-1(b) of the Regulations. The Borrower reasonably expects to complete the acquisition and rehabilitation of the Project and to expend the full amount of the proceeds of the Loan for Project Costs prior to the date which is 24 months after the Closing Date.

(d) The statements made in the various certificates delivered by the Borrower to the Authority or Lender are true and correct as of the Closing Date.

(e) The Borrower (and any person related to it within the meaning of Section 147(a)(2) of the Code) will not take or omit to take, as is applicable, any action if such action or omission would in any way cause the proceeds from the sale of the Bond to be applied in a manner contrary to the requirements of the Indenture of Trust, the Loan Agreement or this Regulatory Agreement.

(f) The Borrower shall comply with all applicable requirements of Section 65863.10 of the California Government Code, including, if applicable, the requirements for providing notices in Sections (b), (c), (d) and (e) thereof.

(g) The Borrower has or shall, prior to the date which is 24 months (unless extended pursuant to subsection (i) below) after the Closing Date, expend proceeds of the Bond equal to not less than 15% of the amount of Bond proceeds expended to acquire the Project (exclusive of any acquisition costs attributable to land) on Qualified Rehabilitation Expenditures which expenditures shall be confirmed in writing through a Rehabilitation Completion Certificate delivered to the Issuer and the Trustee not later than 25 months (unless extended pursuant to subsection (j) below) after the Closing Date.

(h) The Borrower shall, on the Completion Date, evidence the Completion Date by providing a Rehabilitation Completion Certificate to CDLAC, the Trustee and the Issuer, signed by an Authorized Borrower Representative, stating the total cost of the Project and identifying the total acquisition cost (which shall specify the costs attributable to land and the costs attributable to buildings) and the total Qualified Project Costs and Qualified Rehabilitation Expenditures and further stating that (A) rehabilitation of the

Project has been completed substantially in accordance with the plans, specifications and work orders therefor, and all labor, services, materials and supplies used in construction or rehabilitation have been paid for, and (B) all other facilities necessary in connection with the Project have been acquired, rehabilitated, constructed and installed substantially in accordance with the plans, specifications, work write-up and work orders therefor and all costs and expenses incurred in connection therewith have been paid. Notwithstanding the foregoing, such certificate may state that it is given without prejudice to any rights of the Borrower against third parties for the payment of any amount not then due and payable which exist at the date of such certificate or which may subsequently exist.

(i) The foregoing certificate evidencing the Completion Date shall be delivered to the Trustee no later than the date 24 months from the Closing Date unless the Borrower delivers to the Trustee a certificate of the Issuer consenting to an extension of such date, accompanied by an opinion of Bond Counsel to the effect that such extension will not result in interest on the Bond being included in gross income for federal income tax purposes. The Borrower agrees to spend additional moneys for payment of any costs of the Project sufficient to reduce the portion of Bond proceeds (A) spent on land by the Borrower relative to the Project Site to an amount that is less than 25% of the amount of Bond proceeds spent by the Borrower relative to the Project Site for all purposes and (B) spent on costs of the Project paid or incurred by or on account of the Borrower or any related person (as such term is used in Section 147(a)(2) of the Code) on or after the date 60 days prior to the Inducement Date and chargeable to the capital account of the Project (or so chargeable either with a proper election by the Borrower to deduct such amounts, within the meaning of Treasury Regulation Section 1.103-8(a)(1)) so that the amount of Bond proceeds expended on such Qualified Project Costs is at least 97% of the amount of Bond proceeds spent for all purposes related to the Project, except that, upon receipt by the Borrower, the Trustee and the Issuer of an approving opinion of Bond Counsel, the percentage of such amounts so used may be 95%.

Section 3. Residential Rental Property. The Borrower hereby acknowledges and agrees that the Project will be owned, managed and operated as a “qualified residential rental project” (within the meaning of Section 142(d) of the Code) until the expiration of the Qualified Project Period. To that end, and for the term of this Regulatory Agreement, the Borrower hereby represents, as of the date hereof, and covenants, warrants and agrees as follows:

(a) The Project is being acquired, constructed, rehabilitated and equipped for the purpose of providing multifamily residential rental property, and the Borrower shall own, manage and operate the Project as a project to provide multifamily residential rental property comprised of a building or structure or several interrelated buildings or structures, together with any functionally related and subordinate facilities, and no other facilities, in accordance with applicable provisions of Section 142(d) of the Code and Section 1.103-8(b) of the Regulations, and the Act, and in accordance with such requirements as may be imposed thereby on the Project from time to time.

(b) All of the dwelling units in the Project will be similarly constructed units, and, to the extent required by the Code and the Regulations, each dwelling unit in the Project will contain complete separate and distinct facilities for living, sleeping, eating, cooking and sanitation for a single person or a family, including a sleeping area, bathing and sanitation facilities and cooking facilities equipped with a cooking range, refrigerator and sink; provided that any tenant may, but shall not be obligated to, provide a refrigerator for the unit to be occupied.

(c) None of the dwelling units in the Project will at any time be utilized on a transient basis, or will ever be used as a hotel, motel, dormitory, fraternity house, sorority house, rooming house, nursing home, hospital, sanitarium, rest home, retirement house or trailer court or park.

(d) No part of the Project will at any time be owned or used as a condominium or by a cooperative housing corporation, nor shall the Borrower take any steps in connection with a conversion to such ownership or uses. Other than obtaining a final subdivision map on the Project and a Final Subdivision Public Report from the California Department of Real Estate], the Borrower has not and shall not take any steps in connection with a conversion of the Project to a condominium or cooperative ownership except with the prior written approving opinion of Bond Counsel that by reason of any such action the interest on the Bond (if it is outstanding) will not become includable in gross income for federal income tax purposes.

(e) All of the dwelling units (except for the manager's unit described in (g) below) will be available for rental on a continuous basis to members of the general public, and the Borrower has not and will not give preference to any particular class or group in renting the dwelling units in the Project, except to the extent that dwelling units are required to be leased or rented to Low Income Tenants, Very Low Income Tenants, or holders of Section 8 certificates or vouchers.

(f) The Project Site consists of a parcel or parcels that are contiguous except for the interposition of a road, street or stream, and all of the Project Facilities will comprise a single geographically and functionally integrated project for residential rental property, as evidenced by the ownership, management, accounting and operation of the Project.

(g) No dwelling unit in any building in the Project shall be occupied by the Borrower unless the building contains five or more dwelling units, in which case one unit may be occupied by the Borrower or by persons related to or affiliated with the Borrower such as a resident manager or maintenance personnel. Subject to the foregoing limitation, up to a total of one unit in the Project may be occupied by a resident manager or maintenance personnel.

(h) Should involuntary noncompliance with the provisions of Section 1.103-8(b) of the Regulations be caused by fire, seizure, requisition, foreclosure, transfer of title by deed in lieu of foreclosure, change in a federal law or an action of a federal agency after the Closing Date that prevents the Authority from enforcing the requirements of the Regulations, or condemnation or similar event, the Borrower covenants

that, within a “reasonable period” determined in accordance with the Regulations, it will either prepay the Loan and cause the Bond to be redeemed or apply any proceeds received as a result of any of the preceding events to reconstruct the Project to meet the requirements of Section 142(d) of the Code and the Regulations.

(i) The Borrower shall not discriminate on the basis of race, religion, creed, color, ethnic group identification, sex, sexual preference, source of income (e.g. TANF, SSI), mental or physical disability, age, national origin or marital status in the rental, lease, use or occupancy of the Project or in connection with the employment or application for employment of persons for the operation and management of the Project.

(j) Following the expiration or termination of the Qualified Project Period, Low Income Units and Very Low Income Units shall remain available to the Low Income Tenants and Very Low Income Tenants, respectively, then occupying such units at the date of expiration or termination of the Qualified Project Period at a rent not greater than the rent determined pursuant to Sections 4(a) and 4(j) below, as applicable, until the earliest of any of the following occurs:

(i) The household’s income exceeds 140% of the income at which such household would qualify as a Low Income Tenant or a Very Low Income Tenant.

(ii) The household voluntarily moves or is evicted for “good cause.” For these purposes, “good cause” means the nonpayment of rent or allegation of facts necessary to prove major, or repeated minor, violations of material provisions of the lease agreement that detrimentally affect the health and safety of other persons or the structure, the fiscal integrity of the Project, or the purposes or special programs of the Project.

(iii) Fifty-five years after the Closing Date.

(iv) The Borrower pays the relocation assistance and benefits to such Low Income Tenants or Very Low Income Tenants, as provided in Section 7264(b) of the Government Code of the State of California.

(k) The Authority may but shall not be required to monitor the Borrower’s compliance with the provisions of subparagraph (j) above.

(l) The Borrower shall file with the Internal Revenue Service on or before each March 31 as long as the Bond remains outstanding, a completed IRS Form 8703, or successor form, and deliver to the Authority a written copy thereof.

Section 4. Low Income Units and Very Low Income Units. Pursuant to the requirements of Section 142(d) of the Code and applicable provisions of the Act, the Borrower hereby represents, as of the date hereof, and warrants, covenants and agrees as follows:

(a) During the Qualified Project Period, not less than 40% of the units in the Project shall be designated as Low Income Units and shall be continuously occupied by or held available for occupancy by Low Income Tenants at monthly rents that do not exceed

one-twelfth of the amount obtained by multiplying 30% times 60% of the Median Income for the Area, as adjusted for household size. Household size is determined under Section 34312.3(c)(1)(B) and (c)(2)(B) of the California Health and Safety Code consistent with Section 42(g)(2)(C) of the Code. Such Low Income Units shall be of comparable quality and offer a range of sizes and number of bedrooms comparable to those units that are available to other tenants and shall be distributed throughout the Project. Borrower hereby certifies that on the Closing Date at least 50% of dwelling units in the Project are occupied by tenants providing an Income Certification or other certification delivered in connection with a governmental housing subsidy program. Based on the foregoing, the beginning date of the Qualified Project Period is the Closing Date and the earliest ending date of the Qualified Project Period is 15 years after the Closing Date.

(b) A unit occupied by a Low Income Tenant who, at the commencement of the occupancy, is a Low Income Tenant shall be treated as occupied by a Low Income Tenant until a recertification of such tenant's income in accordance with Section 4(c) below demonstrates that such tenant no longer qualifies as a Low Income Tenant and thereafter such unit shall be treated as any residential unit of comparable or smaller size in the Project occupied by a new resident other than a Low Income Tenant. Moreover, a unit previously occupied by a Low Income Tenant and then vacated shall be considered occupied by a Low Income Tenant until reoccupied, other than for a temporary period, at which time the character of the unit shall be redetermined. In no event shall such temporary period exceed 31 days.

(c) Immediately prior to a Low Income Tenant's occupancy of a Low Income Unit, the Borrower will obtain and maintain on file an Income Certification from each Low Income Tenant occupying a Low Income Unit, dated immediately prior to the initial occupancy of such Low Income Tenant in the Project. In addition, the Borrower will provide such further information as may be required in the future by the State of California, the Authority, the Act, Section 142(d) of the Code and the Regulations, as the same may be amended from time to time, or in such other form and manner as may be required by applicable rules, rulings, policies, procedures or other official statements now or hereafter promulgated, proposed or made by the Department of the Treasury or the Internal Revenue Service with respect to obligations issued under Section 142(d) of the Code. The Borrower shall verify that the income provided by an applicant is accurate by taking one or more of the following steps as a part of the verification process: (i) obtain a federal income tax return for the most recent tax year, (ii) obtain a written verification of income and employment from the applicant's current employer, (iii) if an applicant is unemployed or did not file a tax return for the previous calendar year, obtain other verification of such applicant's income satisfactory to the Authority or (iv) such other information as may be reasonably requested by the Authority.

Copies of the most recent Income Certifications for Low Income Tenants shall be attached to the quarterly report to be filed with the Authority and the Trustee as required in (d) below.

(d) Immediately prior to the first anniversary date of the occupancy of a Low Income Unit by one or more Low Income Tenants, and on each anniversary date thereafter,

the Borrower shall recertify the income of the occupants of each Low Income Unit by obtaining a completed Income Certification based upon the current income of each occupant of the unit. In the event the recertification demonstrates that such household's income exceeds 140% of the income at which such household would qualify as Low Income Tenants, such household will no longer qualify as Low Income Tenants and, to the extent necessary to comply with the requirements of Section 4(a) above, the Borrower will rent the next available unit of comparable or smaller size to one or more Low Income Tenants.

(e) Upon commencement of the Qualified Project Period, and within 15 days of the last day of each quarter thereafter during the term of this Regulatory Agreement, the Borrower shall advise the Authority and the Trustee of the status of the occupancy of the Project by delivering to the Authority and the Trustee a Certificate of Continuing Program Compliance.

(f) The Borrower shall maintain complete and accurate records pertaining to the Low Income Units, and shall permit any duly authorized representative of the Authority, Lender, the Trustee, Department of the Treasury or Internal Revenue Service to inspect the books and records of the Borrower pertaining to the Project, including those records pertaining to the occupancy of the Low Income Units.

(g) The Borrower shall submit to the Secretary of the Treasury annually on the anniversary date of the start of the Qualified Project Period, or such other date as is required by the Secretary, a certification that the Project continues to meet the requirements of Section 142(d) of the Code, and shall provide a copy of such certification to the Authority.

(h) The Borrower shall accept as tenants, on the same basis as all other prospective tenants, persons who are recipients of federal certificates or vouchers for rent subsidies pursuant to the existing program under Section 8 of the United States Housing Act of 1937, or its successor. The Borrower shall not apply selection criteria to Section 8 certificate or voucher holders that are more burdensome than criteria applied to all other prospective tenants. The Borrower shall not collect any additional fees or payments from a Low Income Tenant except security deposits or other deposits required of all tenants. The Borrower shall not collect security deposits or other deposits from a Section 8 certificate or voucher holder in excess of those allowed under the Section 8 Program. The Borrower shall not discriminate against applicants for Low Income Units on the basis of source of income (i.e., TANF or SSI), and the Borrower shall consider a prospective tenant's previous rent history of at least one year as evidence of the ability to pay the applicable rent (ability to pay shall be demonstrated if an applicant can show that the same percentage or more of the applicant's income has been paid for rent in the past as will be required to be paid for the rent applicable to the Low Income Unit to be occupied, provided that such Low Income Tenant's expenses have not materially increased).

(i) Each lease pertaining to a Low Income Unit shall contain a provision to the effect that the Borrower has relied on the Income Certification and supporting information supplied by the applicant in determining qualification for occupancy of the Low Income Unit, and that any material misstatement in such certification (whether or not intentional)

will be cause for immediate termination of such lease. Each lease will also contain a provision that failure to cooperate with the annual recertification process reasonably instituted by the Borrower pursuant to Section 4(c) above may, at the option of the Borrower, disqualify the unit as a Low Income Unit, or provide grounds for termination of the lease.

(j) Prior to the Closing Date, the Borrower agrees to provide to the Authority a copy of the form of application and lease to be provided to prospective Low Income Tenants. The term of the lease shall be not less than 30 days.

(k) In addition to the requirements set forth in Section 4(a), the Borrower shall satisfy the following requirements:

(i) As required by the Authority, not less than 8 of the units in the Project (i.e., 10% of the units in the Project) shall be Very Low Income Units and shall be rented to, or made available for rental to, Very Low Income Tenants on the same terms and conditions, and subject to the same requirements, as are set forth in this Section 4 with respect to the Low Income Units, except that monthly rents shall not exceed one-twelfth of the amount obtained by multiplying 30% times 50% of the Median Income for the Area, adjusted as provided in Section 4(a) above (but without regard to the final paragraph thereof).

(ii) Pursuant to the CDLAC Conditions and for the entire term of the Regulatory Agreement, the Project shall consist of 76 units plus 1 manager unit of which at least 38 units shall be rented or held vacant for Very Low Income Tenants and 38 units shall be rented or held vacant for rental for Low Income Tenants.

(k) The Borrower shall ensure the Project complies with the provisions of Section 52080(g) of the California Health and Safety Code.

Section 5. Tax Status of the Bond. The Borrower and the Authority each hereby represents, as of the date hereof, and warrants, covenants and agrees that:

(a) It will not knowingly take or permit, or omit to take or cause to be taken, as is appropriate, any action that would adversely affect the exclusion from gross income for federal income tax purposes or the exemption from California personal income taxation of the interest on the Bond and, if it should take or permit, or omit to take or cause to be taken, any such action, it will take all lawful actions necessary to rescind or correct such actions or omissions promptly upon obtaining knowledge thereof;

(b) It will take such action or actions as may be necessary, in the written opinion of Bond Counsel filed with the Authority and Lender, to comply fully with the Act and all applicable rules, rulings, policies, procedures, Regulations or other official statements promulgated, proposed or made by the Department of the Treasury or the Internal Revenue Service pertaining to obligations issued under Section 142(d) of the Code to the extent necessary to maintain the exclusion from gross income for federal income tax purposes of interest on the Bond; and

(c) The Borrower, at the Borrower's expense, will file of record such documents and take such other steps as are necessary, in the written opinion of Bond Counsel filed with the Authority, the Trustee and Lender, in order to ensure that the requirements and restrictions of this Regulatory Agreement will be binding upon all owners of the Project, including, but not limited to, the execution and recordation of this Regulatory Agreement in the real property records of the County of San Diego.

(d) The Borrower will not enter into any agreements that would result in the payment of principal of or interest on the Bond being "federally guaranteed" within the meaning of Section 149(b) of the Code.

(e) The Borrower hereby reaffirms the arbitrage certifications made by it in the Tax Certificate, and such certifications are hereby incorporated herein as covenants of the Borrower by this reference.

(f) The Borrower hereby agrees to comply with the requirements of Section 148(f) of the Code and to rebate excess investment earnings to the federal government.

(g) The Borrower hereby covenants to include the requirements and restrictions contained in this Regulatory Agreement in any documents transferring any interest in the Project to another person to the end that such transferee has notice of, and is bound by, such restrictions, and to obtain the agreement from any transferee to abide by all requirements and restrictions of this Regulatory Agreement.

(h) The Borrower shall assure that the proceeds of the Bond are used in a manner such that the Bond will satisfy the requirements of Section 142(d) of the Code relating to qualified residential rental projects.

(i) The Bond upon issuance and delivery shall be considered "private activity bonds" within the meaning of the Code with respect to which CDLAC has transferred a portion of the State of California's private activity bond allocation (within the meaning of Section 146 of the Code) equal to the principal amount of the Bond.

(j) The Authority and the Borrower covenant that not less than 97% of the net proceeds of the Bond (within the meaning of Section 150(a)(3) of the Code) will be paid for Qualified Project Costs.

(k) The Authority and the Borrower covenant that less than 25% of the proceeds of the Bond shall be used, directly or indirectly, for the acquisition of land.

(l) The Authority and the Borrower covenant that no proceeds of the Bond shall be used directly or indirectly to provide any airplane, skybox or other private luxury box, health club facility, facility used for gambling or store the principal business of which is the sale of alcoholic beverages for consumption off premises, and no portion of the proceeds of the Bond shall be used for an office unless (i) the office is located on the premises of the facilities constituting the Project and (ii) not more than a de minimis

amount of the functions to be performed at such office is not related to the day-to-day operations of the Project.

(m) The Borrower shall not take, or permit or suffer to be taken by the Lender, Trustee or otherwise, any action with respect to the proceeds of the Bond that, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the date of issuance of the Bond would have caused the Bond to be “arbitrage bonds” within the meaning of Section 148 of the Code.

(n) In accordance with Section 147(b) of the Code, the average maturity of the Bond does not exceed 120% of the average reasonably expected economic life of the facilities being financed by the Bond.

(o) The Authority and the Borrower covenant that, from the proceeds of the Bond and investment earnings thereon, an amount not in excess of 2% of the proceeds of the Bond, will be used for costs of issuance of the Bond, all within the meaning of Section 147(g)(1) of the Code. For this purpose, if the fees of the Agent and the Holder are retained as a discount on the purchase of the Bond, such retention shall be deemed to be an expenditure of proceeds of the Bond for said fees.

(p) The proceeds of the Bond will be allocated to expenses actually paid with proceeds of the Bond unless, prior to the date that is the later of 18 months (i) after the expenditure is paid, or (ii) after the Project financed with proceeds of the Bond is placed in service, the Borrower makes a different allocation of such expenditures to different contemporaneous purposes. In any event, such alternative allocation must occur no later than 60 days after the fifth anniversary of the Closing Date (or 60 days after the retirement of the Bond if earlier).

(q) [Reserved].

(r) [Reserved].

The Borrower hereby covenants to notify any subsequent owner of the Project of the requirements and restrictions contained in this Regulatory Agreement in any documents transferring any interest in the Project to another person to the end that such transferee has notice of such restrictions, and to obtain the agreement from any transferee to abide by all requirements and restrictions of this Regulatory Agreement; provided that the covenants contained in this paragraph shall not apply to the Lender or its designee should the Lender or its designee become the owner of the Project by foreclosure, deed in lieu of foreclosure or comparable conversion of the Loan Documents.

Section 6. Modification of Special Tax Covenants. The Borrower, the Trustee and the Authority hereby agree as follows:

(a) To the extent any amendments to the Act, the Regulations or the Code shall, in the written opinion of Bond Counsel filed with the Authority, the Trustee and Lender, impose requirements upon the ownership or operation of the Project more restrictive than those imposed by this Regulatory Agreement that must be complied with in order to

maintain the exclusion from gross income for federal income tax purposes of interest on the Bond, this Regulatory Agreement shall be deemed to be automatically amended to impose such additional or more restrictive requirements.

(b) To the extent any amendments to the Act, the Regulations or the Code shall, in the written opinion of Bond Counsel filed with the Authority, the Trustee, Lender and Borrower, impose requirements upon the ownership or operation of the Project less restrictive than imposed by this Regulatory Agreement, this Regulatory Agreement may be amended or modified to provide such less restrictive requirements but only by written amendment approved and signed by the Authority, the Trustee and Borrower, approved by the Lender, and approved by the written opinion of Bond Counsel that such amendment will not affect the exclusion from gross income for federal income tax purposes of interest on the Bond.

(c) The Borrower, the Authority and, if applicable, the Trustee, shall execute, deliver and, if applicable, the Borrower or the Authority shall file of record any and all documents and instruments necessary to effectuate the intent of this Section 6, and each of the Borrower and the Authority hereby appoints the Trustee as its true and lawful attorney-in-fact to execute, deliver and, if applicable, file of record (it being understood that the Trustee has no duty or obligation to take such action) on behalf of the Borrower or the Authority, as is applicable, any such document or instrument (in such form as may be approved in writing by Bond Counsel) if either the Borrower or the Authority defaults in the performance of its obligations under this subsection (c); provided, however, that unless directed in writing by the Authority or the Borrower, the Trustee shall take no action under this subsection without first notifying the Borrower or the Authority, or both of them, as is applicable, and without first providing the Borrower or the Authority, or both of them, as is applicable, an opportunity to comply with the requirements of this Section 6. Nothing in this subsection (c) shall be construed to allow the Trustee to execute an amendment to this Regulatory Agreement on behalf of the Authority or the Borrower.

Section 7. Indemnification. The Borrower hereby releases the Authority, Lender and Trustee and their respective officers and employees, past, present and future, from, and covenants and agrees to indemnify, hold harmless and defend the Authority, Lender and Trustee and their respective officers, members, directors, officials, agents and employees and each of them, past, present and future (collectively, the “Indemnified Parties” and individually, an “Indemnified Party”) from and against, any and all claims, losses, costs, damages, demands, expenses, taxes, suits, judgments, actions and liabilities of whatever nature, joint or several (including, without limitation, actual out-of-pocket costs of investigation, reasonable attorneys’ fees, actual out-of-pocket litigation and court costs, amounts paid in settlement, and amounts paid to discharge judgments), made directly or indirectly (a) by or on behalf of any person arising from any cause whatsoever in connection with transactions contemplated hereby or otherwise in connection with the Project, Bond, or execution or amendment of any document relating thereto; (b) arising from any cause whatsoever in connection with the approval of financing for the Project, the making of the Loan or otherwise; (c) arising from any act or omission of the Borrower or any of its agents, servants, employees or licensees, in connection with the Loan or the Project; (d) arising in connection with the issuance and sale, resale or reissuance of the Bond or any certifications or representations made by any person (other than the Authority or the party seeking indemnification

in connection therewith) or the carrying out by the Borrower of any of the transactions contemplated by the Bond, the Indenture of Trust, the Loan Agreement or this Regulatory Agreement; (e) arising in connection with the operation of the Project, or the conditions, environmental or otherwise, occupancy, use, possession, conduct or management of work done in or about, or from the planning, design, acquisition, construction or equipping of, the Project or any part thereof; and (f) arising out of or in connection with the Lender's or Trustee's exercise of their respective powers or duties under the Loan Agreement, this Regulatory Agreement or the Indenture of Trust, as applicable, or any other related agreements to which the Lender, or Trustee are a party; except (i) in the case of the foregoing indemnification of the Lender or Trustee or any of their respective officers, members, directors, agents and employees, to the extent such damages are caused by the negligence or willful misconduct of such person and (ii) in the case of the foregoing indemnification of the Authority or any of its officers, members, directors, officials, agents and employees, to the extent such damages are caused by the willful misconduct of such person.

This indemnification shall extend to and include, without limitation, all reasonable costs, counsel fees, expenses and liabilities incurred in connection with any such claim, or proceeding brought with respect to such claim, except (i) in the case of the foregoing indemnification of the Lender or Trustee or any of their respective Indemnified Parties to the extent such damages are caused by the negligence or willful misconduct of such Indemnified Party, and (ii) in the case of the foregoing indemnification of the Authority or any of its Indemnified Parties to the extent such damages are caused by the willful misconduct of such Indemnified Party.

In the event that any action or proceeding is brought against any Indemnified Party with respect to which indemnity may be sought hereunder, the Borrower, upon written notice from the Indemnified Party, shall assume the investigation and defense thereof, including the employment of counsel selected by the Indemnified Party and approved by the Borrower (which approval shall not be unreasonably withheld); and the Borrower shall assume the payment of all reasonable fees and expenses related thereto, with full power to litigate, compromise or settle the same in its sole discretion; provided that the Authority shall have the right to review and approve or disapprove any such compromise or settlement. The Borrower specifically acknowledges and agrees that it has an immediate and independent obligation to defend each Indemnified Party from any claim that actually or potentially falls within this Section 7 even if such claim is or may be groundless, fraudulent or false, which obligation arises at the time such claim is tendered to the Borrower by any Indemnified Party and continues at all times thereafter. Each Indemnified Party shall have the right to employ separate counsel in any such action or proceeding and participate in the investigation and defense thereof, and the Borrower shall pay the reasonable fees and expenses of such separate counsel; provided, however, that unless such separate counsel is employed with the approval of the Borrower, which approval shall not be unreasonably withheld, the Borrower shall not be required to pay the fees and expenses of such separate counsel unless the Indemnified Party reasonably determines that a conflict exists between the interests of the Borrower and such Indemnified Party, in which case the Borrower shall pay the reasonable fees and expenses of such separate counsel.

The Borrower also shall pay and discharge and shall indemnify and hold harmless the Authority, Lender and Trustee from (i) any lien or charge upon payments by the Borrower to the Authority, Lender and Trustee hereunder arising out of Borrower's actions or inactions and (ii) any

taxes (including, without limitation, all ad valorem taxes and sales taxes), assessments, impositions and other charges in respect of any portion of the Project. If any such claim is asserted, or any such lien or charge upon payments, or any such taxes, assessments, impositions or other charges, are sought to be imposed, the Authority shall give prompt notice to the Borrower, and the Borrower shall have the sole right and duty to assume, and will assume, the defense thereof, with full power to litigate, compromise or settle the same in its sole discretion.

Notwithstanding any transfer of the Project to another owner in accordance with the provisions of Section 10 of this Regulatory Agreement, the Borrower shall remain obligated to indemnify the Indemnified Parties pursuant to this Section 7 for all claims arising from events occurring prior to such transfer, unless at the time of transfer the Authority has consented to indemnification under this Section 7 from such subsequent owner for all claims arising from events occurring prior to such transfer. If the Authority has consented to any transfer of the Project in accordance with the provisions of Section 10 of this Regulatory Agreement, the Borrower shall not be obligated to indemnify the Indemnified Parties pursuant to this Section 7 for actions or inactions of the transferee arising after such transfer, but shall remain obligated to provide indemnity for claims related to actions or inactions occurring prior to such transfer.

In addition to the foregoing, the Borrower will pay upon demand all of the fees and expenses paid or incurred by the Lender, Trustee or Authority in enforcing the provisions hereof.

The provisions of this Section 7 shall survive the term of the Bond and this Regulatory Agreement.

The obligations of the Borrower under this Section are independent of any other contractual obligation of the Borrower to provide indemnity to the Indemnified Parties, and the obligation of the Borrower to provide indemnity hereunder shall not be interpreted, construed or limited in light of any other separate indemnification obligation of the Borrower. The Indemnified Parties shall be entitled simultaneously to seek indemnity under this Section and any other provision under which they are entitled to indemnity.

All obligations of the Borrower under this Regulatory Agreement for the payment of money, including claims for indemnification and damages, shall not be secured by or in any manner constitute a lien on the Project, and neither the Authority nor the Lender shall have the right to enforce such obligations other than directly against the Borrower pursuant to Section 17 of this Regulatory Agreement.

Section 8. Consideration. The Authority has issued the Bond to make the Loan, to finance the Project, all for the purpose, among others, of inducing the Borrower to acquire, rehabilitate, equip and operate the Project. In consideration of the issuance of the Bond by the Authority, the Borrower has entered into this Regulatory Agreement and has agreed to restrict the uses to which the Project can be put on the terms and conditions set forth herein.

Section 9. Reliance. The Authority and the Borrower hereby recognize and agree that the representations, warranties, covenants and agreements set forth herein may be relied upon by all persons, including but not limited to the Trustee, interested in the legality and validity of the Bond, and in the exclusion from gross income for federal income tax purposes of interest on the Bond

and the exemption from California personal income taxation of the interest on the Bond. In performing its duties and obligations hereunder, the Authority and the Trustee may rely upon statements and certificates of the Borrower, the Low Income Tenants and Very Low Income Tenants, and upon audits of the books and records of the Borrower pertaining to the Project. In addition, the Authority and the Trustee may consult with counsel, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by the Authority, Lender and Trustee under this Regulatory Agreement in good faith and in conformity with such opinion; provided, however, if there are conflicting opinions among the counsel selected by such parties, the opinion of Bond Counsel shall govern the interpretation and enforcement of this Regulatory Agreement.

Section 10. Sale or Transfer of the Project; Syndication. The Borrower intends to hold the Project for its own account, has no current plans to sell, transfer or otherwise dispose of the Project, and hereby covenants and agrees not to sell, transfer or otherwise dispose of the Project, or any portion thereof (other than for individual tenant use as contemplated hereunder), without obtaining the prior written consent of the Authority (except as provided in the next succeeding paragraph) and receipt by the Authority (except as provided in the next succeeding paragraph) of (i) such certifications as deemed necessary by the Authority to establish that the Borrower shall not be in default under this Regulatory Agreement or under the Loan Agreement or, if any such defaults exist, the purchaser or assignee undertakes to cure such defaults to the satisfaction of the Authority, (ii) a written instrument by which the Borrower's purchaser or transferee has assumed in writing and in full the Borrower's duties and obligations under this Regulatory Agreement, (iii) an opinion of counsel for the transferee that the transferee has duly assumed the obligations of the Borrower under this Regulatory Agreement and that such obligations and this Regulatory Agreement are binding on the transferee, (iv) documentation from the transferee reflecting the transferee's experience or, should the transferee choose to have a property manager run the Project, a property manager's experience with owning and/or operating multifamily housing projects such as the Project and with use and occupancy restrictions similar to those contained in this Regulatory Agreement, (v) evidence of satisfaction of compliance with the provisions of Section 27(d)(i) related to notice to CDLAC of transfer of the Project and (vi) an opinion of Bond Counsel addressed to the Authority to the effect that such transfer will not cause interest on the Bond to become includable in the gross income of the recipients thereof for federal income tax purposes.

No transfer of the Project shall operate to release the Borrower from its obligations under this Regulatory Agreement with respect to any action or inaction taken prior to such transfer. Nothing contained in this Section 10 shall affect any provision of the Loan Documents to which the Borrower is a party that requires the Borrower to obtain the consent of the Lender as a precondition to sale, transfer or other disposition of, or any direct or indirect interest in, the Project or of any direct or indirect interest in the Borrower or that gives the Lender the right to accelerate the maturity of the Loan under the Loan Agreement, or to take some other similar action with respect to the Loan, upon the sale, transfer or other disposition of the Project. Notwithstanding anything contained in this Section 10 to the contrary, neither the consent of the Authority nor the delivery of items (i) through (vi) of the preceding paragraph shall be required in the case of a foreclosure or deed in lieu of foreclosure (including, without limitation, a foreclosure or transfer of title by deed in lieu thereof pursuant to the Deed of Trust) or comparable conversion of the Loan made pursuant to the Loan Agreement, whereby the Lender or any of its designees, or a third-party purchaser from the Lender or any of its designees becomes the owner of the Project, and nothing

contained in this Section 10 shall otherwise affect the right of the Lender or any of its designees, or any such third-party purchaser, to foreclose on the Project or to accept a deed in lieu of foreclosure or to effect a comparable conversion of the Loan made pursuant to the Loan Agreement. Consent of the Authority and delivery of items (i) through (vi) (or, if the Bond is no longer outstanding, (i) through (v)) of the preceding paragraph shall be required for any future transfer of the Project to be made subsequent to any transfer described in the preceding sentence.

It is hereby expressly stipulated and agreed that any sale, transfer or other disposition of the Project in violation of this Section 10 shall be null, void and without effect, shall cause a reversion of title to the Borrower, and shall be ineffective to relieve the Borrower of its obligations under this Regulatory Agreement. Not less than 30 days prior to consummating any sale, transfer or disposition of any interest in the Project, the Borrower shall deliver to the Authority, Lender and Trustee a notice in writing explaining the nature of the proposed transfer.

Notwithstanding the above, the following transfers will be permitted without the consent of the Authority, subject to the requirement contained in the final sentence of this paragraph: (a) a transfer of partnership interests in Borrower to or by [INVESTOR]., or its successors and assigns (the "Tax Credit Investor"), under the [amended and restated partnership agreement of the Borrower (the "Partnership Agreement")] and/or [SLP INVESTOR], the special limited partner of the Borrower under the Partnership Agreement (the "Special Limited Partner"), or their respective designees pursuant to the Partnership Agreement; (b) a transfer of the limited partner interests in the Borrower of the Tax Credit Investor and/or the Special Limited Partner to an affiliate of such Tax Credit Investor and/or Special Limited Partner; (c) a transfer of the limited liability company or limited partnership interests, as applicable, in the Tax Credit Investor and/or the Special Limited Partner to nonaffiliates of such Tax Credit Investor and/or Special Limited Partner with notice to the Authority, Lender and Trustee; and (d) the removal and replacement of the general partners of the Borrower under the Partnership Agreement (the "General Partner") pursuant to the Partnership Agreement. Prior to any transfer of limited liability company or limited partnership interests or removal of the General Partner permitted in (c) and (d) above, the Authority shall receive an opinion of Bond Counsel acceptable to the Authority to the effect that such transfer will not cause interest on the Bond to become includable in the gross income of the recipients thereof for federal income tax purposes.

Section 11. Term. Except as provided in Section 3(j) and Section 7 above, which provisions shall continue beyond the Qualified Project Period, and, except as provided in the second paragraph of this Section 11, this Regulatory Agreement and all and several of the terms hereof shall become effective upon its execution and delivery and shall remain in full force and effect during the Qualified Project Period, or for such longer period as is provided in Sections 3(j) and 7 above, and in the CDLAC Resolution referred to in Section 27 below, it being expressly agreed and understood that the provisions hereof are intended to survive the retirement of the Bond and expiration of the Indenture of Trust, Loan Agreement and Loan. Notwithstanding any other provisions of this Regulatory Agreement to the contrary, this entire Regulatory Agreement, or any of the provisions or sections hereof, may be terminated prior to the expiration of the Qualified Project Period upon agreement by the Authority, Lender (if any Bond is outstanding) and Borrower only if there shall have been received by the Authority and the Lender an opinion of Bond Counsel that such termination will not adversely affect the exclusion from gross income for federal income

tax purposes of interest on the Bond or the exemption from State personal income taxation of the interest on the Bond.

The terms of this Regulatory Agreement to the contrary notwithstanding (except as to the provisions of Section 7), this Regulatory Agreement, and each and all of the terms hereof, shall automatically terminate and be of no further force or effect in the event of an involuntary noncompliance by the Borrower with the provisions of this Regulatory Agreement caused by (i) fire, seizure, requisition, change in a federal law or an action of a federal agency after the Closing Date that prevents the Authority or the Trustee from enforcing the provisions of this Regulatory Agreement, or (ii) foreclosure on the Project or delivery of a deed in lieu of foreclosure (including, without limitation, a foreclosure or transfer of title by deed in lieu thereof pursuant to the Deed of Trust) or condemnation or a similar event, but only if within a reasonable period thereafter the Bond is redeemed or retired or amounts received as a consequence of such event are used to provide a project that meets the requirements of the Code set forth in this Regulatory Agreement; provided, however, that the preceding provisions of this sentence shall cease to apply and the restrictions contained herein shall be reinstated if, at any time subsequent to the termination of such provisions as the result of the foreclosure on the Project or the delivery of a deed in lieu of foreclosure or a similar event, the Borrower or any Affiliate obtains an ownership interest in the Project for federal income tax purposes. Assuming that the Bond is redeemed as described in the preceding sentence and otherwise notwithstanding the foregoing, in the event that a senior lender holding a first priority deed of trust encumbering the Project elects to foreclose, or accept a deed in lieu of foreclosure, after the occurrence of a default under its loan that is secured by a first priority deed of trust, such senior lender shall have the option to either (a) require that the Authority terminate this Regulatory Agreement, or (b) enter into an agreement with the Authority that this Regulatory Agreement will remain on the title to the Project and the senior lender or its affiliated entity will comply with the provisions of this Regulatory Agreement, except that the senior lender or its affiliated entity will be permitted to increase the rents applicable to all the dwelling units in the Project to a level that is the lower of market or those rents that may be charged to lower income households, as defined in Section 50079.5 of the California Health and Safety Code. Upon the termination of the terms of this Regulatory Agreement, the parties hereto agree to execute, deliver and record appropriate instruments of release and discharge of the terms hereof; provided, however, that the execution and delivery of such instruments shall not be necessary or a prerequisite to the termination of this Regulatory Agreement in accordance with its terms. Borrower agrees that the reasonable fees and costs of the Authority, Lender and Trustee and their respective legal counsel in connection with the termination of this Regulatory Agreement shall be paid by the Borrower.

Section 12. Covenants To Run With the Land. The Borrower hereby subjects the Project (including the Project Site) to the covenants, reservations and restrictions set forth in this Regulatory Agreement. The Authority and the Borrower hereby declare their express intent that the covenants, reservations and restrictions set forth herein shall be deemed covenants running with the land and shall pass to and be binding upon the Borrower's successors in title to the Project; provided, however, that on the termination of this Regulatory Agreement said covenants, reservations and restrictions shall expire. Each and every contract, deed or other instrument hereafter executed covering or conveying the Project or any portion thereof shall conclusively be held to have been executed, delivered and accepted subject to such covenants, reservations and

restrictions, regardless of whether such covenants, reservations and restrictions are set forth in such contract, deed or other instruments.

Section 13. Burden and Benefit. The Authority and the Borrower hereby declare their understanding and intent that the burden of the covenants set forth herein touch and concern the land in that the Borrower's legal interest in the Project is rendered less valuable thereby. The Authority and the Borrower hereby further declare their understanding and intent that the benefit of such covenants touch and concern the land by enhancing and increasing the enjoyment and use of the Project by Low Income Tenants and Very Low Income Tenants and by furthering the public purposes for which the Bond was issued.

Section 14. Uniformity; Common Plan. The covenants, reservations and restrictions hereof shall apply uniformly to the entire Project in order to establish and carry out a common plan for the use, development and improvement of the Project Site.

Section 15. Enforcement. If the Borrower defaults in the performance or observance of any of its covenants, agreements or obligations set forth in this Regulatory Agreement, and if such default remains uncured for a period of 60 days after notice thereof shall have been given (a) by the Authority to the Borrower, Lender, the Trustee and Tax Credit Investor or (b) by the Lender to the Authority, the Trustee, Tax Credit Investor and Borrower (provided, however, that the Authority may at its sole option extend such period if the Borrower provides the Authority and Lender with an opinion of Bond Counsel to the effect that such extension will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bond (if outstanding)), then the Authority or the Trustee may declare an "Event of Default" to have occurred hereunder and shall provide written notice thereof to the Borrower and Lender, as applicable, and, at the Authority's option, may take any one or more of the following steps:

- (i) by mandamus or other suit, action or proceeding at law or in equity, require the Borrower to perform its obligations and covenants hereunder or enjoin any acts or things which may be unlawful or in violation of the rights of the Authority or the Trustee hereunder;
- (ii) have access to and inspect, examine and make copies of all of the books and records of the Borrower pertaining to the Project; or
- (iii) take such other action at law or in equity as may appear necessary or desirable to enforce the obligations, covenants and agreements of the Borrower hereunder.

The Borrower hereby agrees that specific enforcement of the Borrower's agreements contained herein is the only means by which the Authority may fully obtain the benefits of such agreements made by the Borrower herein, and the Borrower therefore agrees to the imposition of the remedy of specific performance against it in the case of any Event of Default by the Borrower.

The Lender shall have the right, in accordance with this Section 15 and subject to the applicable provisions of the Indenture of Trust, to exercise any or all of the rights or remedies of the Authority or Trustee hereunder; provided that prior to taking any such act, the Lender shall give the Authority and the Trustee written notice of its intended action. All fees, costs and

expenses of the Lender (including, without limitation, reasonable attorneys' fees) incurred in taking any action pursuant to this Section 15 shall be the sole responsibility of the Borrower.

Notwithstanding anything contained in this Regulatory Agreement, the Indenture of Trust or the Loan Agreement to the contrary, the occurrence of an Event of Default shall not be deemed, under any circumstances whatsoever, to be a default under the Loan Documents except as may be otherwise specified, as applicable, in the Loan Documents.

The Authority or Trustee may not, upon the occurrence of an Event of Default, seek, in any manner, to foreclose on the Deed of Trust, to cause the Lender to redeem the Bond, or to declare the principal of the Bond and the interest accrued on the Bond to be immediately due and payable or to cause the Lender to take any action under any of Loan Documents or any other documents if such action would or could have the effect of achieving any one or more of the actions, events or results described above. The occurrence of an Event of Default shall not impair, defeat or render invalid the lien of the Deed of Trust.

The rights of the Lender under this Section are in addition to all rights conferred upon the Lender under the Indenture of Trust and other Funding Loan Documents, and in no way limit those rights.

Section 16. Recording and Filing. The Borrower shall cause this Regulatory Agreement and all amendments and supplements hereto and thereto to be recorded and filed in the real property records of the County of San Diego and in such other places as the Authority and Lender may reasonably request. The Borrower shall pay all fees and charges incurred in connection with any such recording.

Section 17. Payment of Fees. The Borrower shall pay to the Authority the issuance and annual (ongoing) Authority Fee on the dates and in the amounts set forth in the definition thereof. Notwithstanding any prepayment of the Loan or any discharge of the Indenture of Trust, except as set forth in the following paragraph, throughout the term of this Regulatory Agreement, the Borrower shall continue to pay to the Authority the Authority Fee, and, following the occurrence of an Event of Default, to the Authority and Lender reasonable compensation for any services rendered by any of them hereunder and reimbursement for all expenses reasonably incurred by any of them as a result of such Event of Default. The Authority Fee referenced in this section shall in no way limit amounts payable by the Borrower under Section 7 hereof, or arising after an Event of Default in connection with the Authority's or Lender's enforcement of the provisions of this Regulatory Agreement.

In the event that the Bond is prepaid in part or in full prior to the end of the term of this Regulatory Agreement, the Authority Fee for the remainder of the term of this Regulatory Agreement, at the option of the Authority, shall continue to be payable to the Authority for the number of years remaining under the Regulatory Agreement. At the option of the Authority, the Authority Fee shall be paid by the Borrower at the time of the prepayment of the Bond and shall be a lump sum amount equal to the present value (based on a discount rate equal to the combined yield on the Bond, as determined by the Authority at the time of prepayment) of the Authority Fee, calculated based on the amount of the Bond outstanding immediately preceding such prepayment,

for the number of years remaining in the Qualified Project Period under this Regulatory Agreement.

During any period that the Lender or any of its respective agents owns the Project, it shall be responsible to make payments under this Section 17 accruing during such period. The Lender shall not be liable for the payment of any compensation or any fees, costs, expenses or penalties otherwise payable for any period of time that it was not or is not the owner of the Project.

Section 18. Governing Law. This Regulatory Agreement shall be governed by the laws of the State of California.

Section 19. Amendments. Except as provided in Sections 6(a) and 27(e) hereof, this Regulatory Agreement shall be amended (i) only with the prior written consent of the Lender and (ii) by a written instrument executed by the parties hereto or their successors in title, and duly recorded in the real property records of the County of San Diego. The parties hereto acknowledge that for so long as the Bond is outstanding, the Lender is a third-party beneficiary to this Regulatory Agreement. Any amendment to this Regulatory Agreement shall be accompanied by an opinion of Bond Counsel to the effect that such amendment will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bond.

Section 20. Notice. All notices, certificates or other communications shall be sufficiently given and shall be deemed given on the date personally delivered or on the third business day following the date on which the same have been mailed by certified mail, return receipt requested, postage prepaid and addressed as follows:

The Trustee:	The Bank of New York Mellon Trust Company, N.A. 400 South Hope Street, Suite 500 Los Angeles, California 90071 Attn: Senior Transaction Manager Office: 213 630 6260 Fax: 213 630 6215
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The Authority:	San Diego Housing Commission/Housing Finance Suite 300 1122 Broadway San Diego, CA 92101 Attention: Ted Miyahara Facsimile: (619) 578-7356
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with a copy to: (which shall not constitute notice to the Authority)	Office of the San Diego City Attorney Suite 1620 1200 Third Avenue San Diego, CA 92101 Attention: Bret Bartolotta, Esq. Facsimile: (619) 236-7215
--	--

with a copy to:
(which shall not constitute
notice to the Authority)

Jones Hall, A Professional Law Corporation
Suite 1700
475 Sansome Street
San Francisco, CA 94111
Attention: Josh D. Anzel, Esq.
Facsimile: (415) 276-2088

The Lender:

Zions Bancorporation, N.A. dba California Bank &
Trust
1900 Main Street, Suite 200
Irvine, CA 92614
Attention: Michelle Ortega
Telephone: (949) 251-7703
Facsimile: (949) 251-7731

with a copy to:

Sheppard, Mullin, Richter & Hampton, LLP
650 Town Center Drive, 10th Floor
Costa Mesa, CA 92626
Attention: Ken Fox, Esq.

The Borrower:

Mission Terrace Housing Partners, L.P.
7956 Lester Avenue
Lemon Grove, California 91945
Attention: Matthew Jumper
Telephone: (

with a copy to:

Bocarsly Emden Cowan Esmail & Arndt LLP
633 West 5th Street, 64th Floor
Los Angeles, CA 90071
Attention: Nicole Deddens, Esq.

The Tax Credit Investor:

[EQUITY INVESTOR NOTICE ADDRESS]

with a copy to:

Applegate, Thorne-Thomsen

[EQUITY INVESTOR COUNSEL ADDRESS]

If to CDLAC:

California Debt Limit Allocation Committee
Room 311
915 Capitol Mall
Sacramento, CA 95814
Attention: Executive Director

Any of the foregoing parties may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates, documents or other communications shall be sent. Copies of notices sent by any party hereto shall be sent concurrently to the Trustee.

Section 21. Severability. If any provision of this Regulatory Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining portions hereof shall not in any way be affected or impaired thereby.

Section 22. Multiple Counterparts. This Regulatory Agreement may be executed in multiple counterparts, all of which shall constitute one and the same instrument, and each of which shall be deemed to be an original.

Section 23. Compliance by Borrower. The Trustee shall not be responsible for monitoring or verifying compliance by the Borrower with its obligations under this Regulatory Agreement. The Borrower acknowledges and agrees to all provisions of the Indenture of Trust applicable to it, including, without limitation, Section 6.07 thereunder.

Section 24. General Obligation of Borrower; Limitations on Recourse to Borrower. Except as provided in Section 7 of this Regulatory Agreement, no subsequent owner of the Project shall be liable or obligated to pay damages for the breach or default of any obligation of or covenant by any prior owner (including the Borrower) under this Regulatory Agreement. Such obligations are the obligations of the person who was the owner at the time the default or breach was alleged to have occurred, and such owner shall remain liable for any and all damages occasioned thereby even after such person ceases to be the owner of the Project, and no person seeking such damages shall have recourse against the Project.

Section 25. Third-party Beneficiaries. The parties to this Regulatory Agreement recognize and agree that the terms of this Regulatory Agreement and the enforcement of those terms are essential to the security of the owners of the Bond and are entered into for their benefit. The Lender, on behalf of the owners of the Bond, shall have contractual rights in this Regulatory Agreement and shall be entitled (but not obligated) to enforce, separately or jointly with the Authority, or to cause the Authority to enforce, the terms of this Regulatory Agreement. The Lender is intended to be and shall be a third-party beneficiary of this Regulatory Agreement, and the Lender shall have the right (but not the obligation) to enforce the terms of this Regulatory Agreement insofar as this Regulatory Agreement sets forth obligations of the Borrower.

CDLAC is also intended to be and shall be a third-party beneficiary of this Regulatory Agreement to the limited extent that it shall be entitled to enforce, in accordance with Section 15 hereof, the terms of the CDLAC Resolution.

Section 26. Damage, Destruction or Condemnation of the Project. In the event that the Project is damaged or destroyed or title to the property, or any part thereof, is taken through the exercise or the threat of the exercise of the power of eminent domain, the Borrower shall comply with all applicable requirements of the other Loan Documents.

Section 27. CDLAC Requirements. In addition to other requirements set forth herein and to the extent not prohibited by the requirements set forth in Sections 4 and 5 hereof, the Borrower hereby agrees to comply with each of the requirements of CDLAC set forth in this Section 27, as follows:

- (a) The Borrower shall comply with the CDLAC Resolution, which is attached hereto as Appendix D, and the CDLAC Conditions set forth in Exhibit A thereto

(collectively, the “CDLAC Conditions”), which conditions are incorporated herein by reference and made a part hereof. The Borrower will prepare and submit to the Authority:

(i) not later than February 1 of each year, until the Project is completed, and on February 1 every three years thereafter (such that the next succeeding year shall be the beginning of each such three-year period) until the end of the Qualified Project Period, a Certification of Compliance II for Qualified Residential Rental Projects, in substantially the form attached hereto as Appendix E or otherwise required or provided by CDLAC from time to time after the date hereof (“CDLAC Compliance Certificate”), executed by an authorized representative of the Borrower; such CDLAC Compliance Certificate shall be prepared pursuant to the terms of the CDLAC Conditions;

(ii) a Certificate of Completion, in substantially the form attached hereto as Appendix F or otherwise required or provided by CDLAC from time to time after the date hereof, executed by an authorized representative of the Borrower certifying among other things to the substantial completion of the Project; and

(iii) not later than February 1 of every third year following the submission of the Certificate of Completion, until the later of the end of the Qualified Project Period or the period described in paragraph (c), below, a project status report, as required or provided by the California Tax Credit Allocation Committee or equivalent documentation required or otherwise provided by CDLAC from time to time after the date hereof, executed by an authorized representative of the Borrower.

Compliance with the terms of the CDLAC Conditions not contained within this Regulatory Agreement, but referred to in the CDLAC Conditions, are the responsibility of the Borrower to report to the Authority.

(b) The Borrower acknowledges that the Authority shall monitor the Borrower’s compliance with the terms of the CDLAC Conditions. The Borrower acknowledges that the Authority will prepare and submit to CDLAC, not later than March 1 of each year, until the Project is completed, and on March 1 every three years thereafter (such that the next succeeding year shall be the beginning of each such three-year period) until the end of the Qualified Project Period, a Self-Certification Certificate in the form provided by CDLAC. The Borrower will cooperate fully with the Authority in connection with such monitoring and reporting requirements.

(c) Except as otherwise provided in Section 11 of this Regulatory Agreement, this Regulatory Agreement shall terminate on the date 55 years after the date on which at least 50% of the units in the Project are first occupied or otherwise after the commencement of the Qualified Project Period.

(d) The Borrower shall notify CDLAC in writing of: (i) any change in ownership of the Project; (ii) any change in the issuer of the Bond; (iii) any change in the name of the Project or the property manager; (iv) any default under the Indenture of Trust,

the Loan Agreement or this Regulatory Agreement, including, but not limited to, such defaults associated with the Tax-Exempt status of the Bond, and the income and rental requirements as provided in Sections 4 and 5 hereof and the CDLAC Conditions; or (v) termination of this Regulatory Agreement.

(e) CDLAC shall have the right, but not the obligation, to deliver revised CDLAC Conditions to the Borrower after the Closing Date, at any time, that are not more restrictive than the original CDLAC Conditions; provided however, that, with the prior written consent of the Lender, which will not be unreasonably withheld: (i) any changes in the terms and conditions of the CDLAC Conditions prior to the recordation against the Project in the real property records of the County of San Diego of a regulatory agreement between Borrower and the California Tax Credit Allocation Committee ("TCAC Regulatory Agreement") shall be limited to such changes as are necessary to correct any factual errors or to otherwise conform the CDLAC Conditions to any change in facts or circumstances applicable to the Borrower or the Project; and (ii) after recordation of the TCAC Regulatory Agreement, any changes in the terms and conditions of the CDLAC Conditions shall be limited to such changes as are necessary to conform Items 1, 6, 7, 10, 11, 12, 14, 15, 16, 18, 19, 20, 21, 22, 23, 24, 25, 26 and/or 37 of Exhibit A to the CDLAC Conditions to any change in terms and conditions requested by Borrower and approved by CDLAC. The Authority may, in its sole and absolute discretion, require the Borrower to enter into an amendment to this Regulatory Agreement reflecting the revised CDLAC Conditions, which amendment shall be executed by the parties hereto or their successor in title and duly recorded in the official real estate records of the County of San Diego. The Borrower shall pay any costs and expenses in connection therewith and provide CDLAC with a copy of that recorded amendment reflecting the revised CDLAC Conditions.

Any of the foregoing requirements of the CDLAC Conditions contained in this Section 27 may be expressly waived by CDLAC, in its sole discretion, in writing, but (i) no waiver by CDLAC of any requirement of this Section 27 shall, or shall be deemed to, extend to or affect any other provision of this Regulatory Agreement except to the extent the Authority has received an opinion of Bond Counsel that any such provision is not required by the Act and may be waived without adversely affecting the exclusion from gross income of interest on the Bond for federal income tax purposes; and (ii) any requirement of this Section 27 shall be void and of no force and effect if the Authority and the Borrower receive a written opinion of Bond Counsel to the effect that compliance with any such requirement would cause interest on the Bond to cease to be Tax-Exempt or to the effect that compliance with such requirement would be in conflict with the Act or any other state or federal law.

Section 28. Annual Reporting Covenant. No later than January 31 of each calendar year (commencing January 31, 2021), the Borrower, on behalf of the Authority, agrees to provide to the California Debt and Investment Advisory Commission, by any method approved by the California Debt and Investment Advisory Commission, with a copy to the Authority, the annual report information required by Section 8855(k)(1) of the California Government Code. This covenant shall remain in effect until the later of the date (i) the Bond is no longer Outstanding or (ii) the proceeds of the Bond have been fully spent.

Section 29. The Trustee. The Trustee shall act as specifically provided herein and in the Indenture of Trust and may exercise such additional powers as are reasonably incidental hereto and thereto. The Trustee shall have no duty to act with respect to enforcement of the Borrower's performance hereunder as described in Section 15 unless it shall have actual knowledge of any such default as provided in Section 15 and the Trustee has received written direction from the Lender and has been indemnified to its satisfaction. The Trustee may act as the agent of and on behalf of the Authority, and any act required to be performed by the Authority as herein provided shall be deemed taken if such act is performed by the Trustee. In connection with any such performance, the Trustee is acting solely as Trustee under the Indenture of Trust and not in its individual capacity, and, except as expressly provided herein, all provisions of the Indenture of Trust relating to the rights, privileges, powers and protections of the Trustee shall apply with equal force and effect to all actions taken (or omitted to be taken) by the Trustee in connection with this Regulatory Agreement. Neither the Trustee nor any of its officers, directors or employees shall be liable for any action taken or omitted to be taken by it or them hereunder or in connection herewith except for its or their own gross negligence or willful misconduct.

No provision of this Regulatory Agreement shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or indemnity satisfactory to it against such risk or liability is not reasonably assured to it.

The Authority shall be responsible for the monitoring of the Borrower's compliance with the terms of this Regulatory Agreement. The Trustee shall not be responsible for such monitoring.

After the date on which no Bond remains Outstanding, as provided in the Indenture of Trust, the Trustee shall no longer have any duties or responsibilities under this Regulatory Agreement and all references to the Trustee in this Regulatory Agreement shall be deemed references to the Authority.

IN WITNESS WHEREOF, the Authority, the Trustee and the Borrower have executed this Regulatory Agreement by duly authorized representatives, all as of the date first written hereinabove.

HOUSING AUTHORITY OF THE CITY OF
SAN DIEGO

By _____
Richard C. Gentry
Executive Director

ATTEST:

Scott Marshall
Deputy Secretary

[Issuer Signature Page to *Mission Terrace* Regulatory Agreement]

NOTARY ACKNOWLEDGMENT STATEMENT

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 _____)

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

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

WITNESS my hand and official seal.

Signature _____ [SEAL]

MISSION TERRACE HOUSING PARTNERS, L.P. ,
a California limited partnership

By: Mission Terrace Interfaith Housing Corporation,
a California nonprofit public benefit corporation,
its Managing General Partner

By _____
Name: Matthew B. Jumper
Title: President

[Borrower Signature Page to *Mission Terrace* Regulatory Agreement]

NOTARY ACKNOWLEDGMENT STATEMENT

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 _____)

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

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

WITNESS my hand and official seal.

Signature _____ [SEAL]

THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A., as Trustee

By _____

Name: Deborah Young

Title: Vice President

[Trustee Signature Page to *Mission Terrace* Regulatory Agreement]

NOTARY ACKNOWLEDGMENT STATEMENT

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 _____)

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

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

WITNESS my hand and official seal.

Signature _____ [SEAL]

APPENDIX A
[LEGAL DESCRIPTION]

APPENDIX B

CERTIFICATE OF CONTINUING PROGRAM COMPLIANCE

The undersigned, _____, being duly authorized to execute this certificate on behalf of Mission Terrace Housing Partners, L.P., a California limited partnership (the “Borrower”), hereby represents and warrants that:

1. The undersigned has read and is familiar with the provisions of the following documents associated with the Borrower’s participation in the Housing Authority of the City of San Diego’s (the “Authority”) Multifamily Housing Revenue Bond (Mission Terrace Apartments) Series 2020D, such documents including:

(a) the Regulatory Agreement and Declaration of Restrictive Covenants (the “Regulatory Agreement”) dated as of [_____] 1, 2020 by and among the Borrower, The Bank of New York Mellon Trust Company, N.A. and the Authority; and

(b) the promissory note dated [_____] 1, 2020, from the Borrower to the Authority, representing the Borrower’s obligation to repay the Loan.

2. As of the date of this certificate, the following percentages of residential units in the Project (i) are occupied by Very Low Income Tenants or Low Income Tenants (as such terms are defined in the Regulatory Agreement) or (ii) are currently vacant and being held available for such occupancy and have been so held continuously since the date a Very Low Income Tenant or Low Income Tenant vacated such unit:

		Studio	1 Bedroom	2 Bedrooms	Total
Occupied by Very Low Income Tenants:	% Unit Nos.:	_____	_____	_____	_____
Held vacant for occupancy continuously since last occupied by a Very Low Income Tenant:	% Unit Nos.:	_____	_____	_____	_____
Occupied by Low Income Tenants:	No. of Units:	_____	_____	_____	_____
Held vacant for occupancy continuously since last occupied by a Low Income Tenant:	No. of Units:	_____	_____	_____	_____

3. The Borrower hereby certifies that to the best of its knowledge the Borrower is not in default under any of the terms of the above documents and no event has occurred which, with the passage of time, would constitute an event of default thereunder, with the exception of the following [state actions being taken to remedy default].

MISSION TERRACE HOUSING PARTNERS, L.P. ,
a California limited partnership

By: Mission Terrace Interfaith Housing Corporation,
a California nonprofit public benefit corporation,
its Managing General Partner

By _____
Name: Matthew B. Jumper
Title: President

APPENDIX C

INCOME COMPUTATION AND CERTIFICATION

NOTE TO APARTMENT OWNER: This form is designed to assist you in computing Annual Income in accordance with the method set forth in the Department of Housing and Urban Development ("HUD") Regulations (24 CFR 5.609). You should make certain that this form is at all times up to date with the HUD Regulations. All capitalized terms used herein shall have the meaning set forth in the Regulatory Agreement.

Re: Mission Terrace, San Diego, CA _____

I/We, the undersigned state that I/we have read and answered fully, frankly and personally each of the following questions for all persons who are to occupy the unit being applied for in the above apartment project. Listed below are the names of all persons who intend to, reside in the unit:

1	2	3	4	5
Name of Members of the Household	Relationship to Head of Household	Social Security Number	Age	Place of Employment
_____	HEAD	_____	_____	_____
_____	SPOUSE	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

Income Computation

6. The total anticipated income, calculated in accordance with this paragraph 6, of all persons (except children under 18 years) listed above for the 12-month period beginning the earlier of the date that I/we plan to move into a unit or sign a lease for a unit is \$_____.

Included in the total anticipated income listed above are:

(a) The full amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services;

(b) The net income from the operation of a business or profession. Expenditures for business expansion or amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation of assets used in a business or profession may be deducted, based on straight line depreciation, as provided in Internal Revenue Service regulations. Any withdrawal of cash or assets from the operation of a business or profession will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested in the operation by the family;

(c) Interest, dividends, and other net income of any kind from real or personal property. Expenditures for amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation is permitted only as authorized in paragraph (6)(b) of this section. Any withdrawal of cash or assets from an investment will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested by the family. Where the family has net family assets in excess of \$5000, annual income shall include the greater of the actual income derived from all net family assets or a percentage of the value of such assets based on the current passbook savings rate, as determined by the Department of Housing and Urban Development;

(d) The full amount of periodic amounts received from Social Security, annuities, insurance policies, retirement funds, pensions, disability or death benefits, and other similar types of periodic receipts, including a lump-sum amount or prospective monthly amounts for the delayed start of a periodic amount except deferred periodic amounts from supplemental security income and social security benefits that are received in a lump sum amount or in prospective monthly amounts;

(e) Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation and severance pay except lump-sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and worker's compensation), capital gains and settlement for personal or property losses (excluding payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation and severance pay);

(f) Welfare assistance. If the welfare assistance payment includes an amount specifically designated for shelter and utilities that is subject to adjustment by the welfare assistance agency in accordance with the actual cost of shelter and utilities, the amount of welfare assistance income to be included as income shall consist of:

(1) The amount of the allowance or grant exclusive of the amount specifically designated for shelter or utilities; plus

(2) The maximum amount that the welfare assistance agency could in fact allow the family for shelter and utilities. If the family's welfare assistance is ratably reduced from the standard of need by applying a percentage, the amount calculated under this paragraph shall be the amount resulting from one application of the percentage;

(g) Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from organizations or from persons not residing in the dwelling;

(h) All regular pay, special pay and allowances of a member of the Armed Forces except the special pay to a family member serving in the Armed Forces who is exposed to hostile fire.

Excluded from such anticipated income are:

(a) Income from employment of children (including foster children) under the age of 18 years;

(b) Payments received for the care of foster children or foster adults (usually persons with disabilities, unrelated to the tenant family, who are unable to live alone);

(c) Lump-sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and worker's compensation), capital

gains and settlement for personal or property losses except payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation and severance pay;

(d) Amounts received by the family that are specifically for, or in reimbursement of, the cost of medical expenses for any family member;

(e) Income of a live-in aide, as defined by 24 CFR §5.403;

(f) The full amount of student financial assistance paid directly to the student or to the educational institution;

(g) The special pay to a family member serving in the Armed Forces who is exposed to hostile fire;

(h) (1) Amounts received under training programs funded by the Department of Housing and Urban Development;

(2) Amounts received by a person with a disability that are disregarded for a limited time for purposes of Supplemental Security Income eligibility and benefits because they are set aside for use under a Plan to Attain Self-Sufficiency (PASS);

(3) Amounts received by a participant in other publicly assisted programs which are specifically for or in reimbursement of out-of-pocket expenses incurred (special equipment, clothing, transportation, child care, etc.) and which are made solely to allow participation in a specific program;

(4) Amounts received under a resident service stipend. A resident service stipend is a modest amount (not to exceed \$200 per month) received by a resident for performing a service for the Public Housing Authority or owner, on a part-time basis, that enhances the quality of life in the development. Such services may include, but are not limited to, fire patrol, hall monitoring, lawn maintenance, and resident initiatives coordination. No resident may receive more than one such stipend during the same period of time;

(5) Incremental earnings and benefits resulting to any family member from participation in qualifying State or local employment training programs (including training programs not affiliated with a local government) and training of a family member as resident management staff. Amounts excluded by this provision must be received under employment training programs with clearly defined goals and objectives, and are excluded only for the period during which the family member participates in the employment training program;

(i) Temporary, nonrecurring or sporadic income (including gifts);

(j) Reparation payments paid by a foreign government pursuant to claims filed under the laws of that government by persons who were persecuted during the Nazi era;

(k) Earnings in excess of \$480 for each full-time student 18 years old or older (excluding the head of household and spouse);

(l) Adoption assistance payments in excess of \$480 per adopted child;

(m) Deferred periodic amounts from supplemental security income and social security benefits that are received in a lump sum amount or in prospective monthly amounts.

(n) Amounts received by the family in the form of refunds or rebates under State or local law for property taxes paid on the dwelling unit;

(o) Amounts paid by a State agency to a family with a member who has a developmental disability and is living at home to offset the cost of services and equipment needed to keep the developmentally disabled family member at home; or

(p) Amounts specifically excluded by any other Federal statute from consideration as income for purposes of determining eligibility or benefits under a category of assistance programs that includes assistance under any program to which the exclusions set forth in 24 CFR §5.609(c) apply.

7. Do the persons whose income or contributions are included in item 6 above

(a) have savings, stocks, bonds, equity in real property or other form of capital investment (excluding the values of necessary items of personal property such as furniture and automobiles and interests in Indian trust land)?

☐ Yes ☐ No

(b) have they disposed of any assets (other than at a foreclosure or bankruptcy sale) during the last two years at less than fair market value?

☐ Yes ☐ No

(c) If the answer to (a) or (b) above is yes, does the combined total value of all such assets owned or disposed of by all such persons total more than \$5,000?

☐ Yes ☐ No

(d) If the answer to (c) above is yes, state:

(1) the combined total value of all such assets: \$_____;

(2) the amount of income expected to be derived from such assets in the 12-month period beginning on the date of initial occupancy in the unit that you propose to rent: \$_____; and

(3) the amount of such income, if any, that was included in item 6 above:

\$_____

8. (a) Are all of the individuals who propose to reside in the unit full-time students*?

☐ Yes ☐ No

*A full-time student is an individual enrolled as a full-time student during each of 5 calendar months during the calendar year in which occupancy of the unit begins at an educational organization which normally maintains a regular faculty and curriculum and normally has a regularly enrolled body of students in attendance or is an individual pursuing a full-time course of institutional on farm training under the supervision of an accredited agent of such an educational organization or of a state or political subdivision thereof.

(b) If the answer to 8(a) is yes, is at least 2 of the proposed occupants of the unit a husband and wife entitled to file a joint federal income tax return?

____ Yes ____ No

9. Neither myself nor any other occupant of the unit I/we propose to rent is the owner of the rental housing project in which the unit is located (hereinafter the "Borrower"), has any family relationship to the Borrower; or owns directly or indirectly any interest in the Borrower. For purposes of this paragraph, indirect ownership by an individual shall mean ownership by a family member, ownership by a corporation, partnership, estate or trust in proportion to the ownership or beneficial interest in such corporation, partnership, estate or trust held by the individual or a family member; and ownership, direct or indirect, by a partner of the individual.

10. This certificate is made with the knowledge that it will be relied upon by the Borrower to determine maximum income for eligibility to occupy the unit; and I/we declare that all information set forth herein is true, correct and complete and based upon information I/we deem reliable and that the statement of total anticipated income contained in paragraph 6 is reasonable and based upon such investigation as the undersigned deemed necessary.

11. I/we will assist the Borrower in obtaining any information or documents required to verify the statements made herein, including either an income verification from my/our present employer(s) or copies of federal tax returns for the immediately preceding calendar year.

12. I/we acknowledge that I/we have been advised that the making of any misrepresentation or misstatement in this declaration will constitute a material breach of my/our agreement with the Borrower to lease the unit and will entitle the Borrower to prevent or terminate my/our occupancy of the unit by institution of an action for ejection or other appropriate proceedings.

I/we declare under penalty of perjury that the foregoing is true and correct.

Executed this ____ day of ____ in the County of San Diego, California.

Applicant

Applicant

[Signature of all persons (except children under the age of 18 years) listed in number 2 above required]

FOR COMPLETION BY BORROWER ONLY:

1. Calculation of eligible income:
 - a. Enter amount entered for entire household in 6 above: \$
 - b. (1) If the answer to 7(c) above is yes, enter the total amount entered in 7(d)(2), subtract from that figure the amount entered in 7(d)(3) and enter the remaining balance (\$_____)
 - (2) Multiply the amount entered in 7(d)(1) times the current passbook savings rate as determined by HUD to determine what the total annual earnings on the amount in 7(d)(1) would be if invested in passbook savings (\$_____), subtract from that figure the amount entered in 7(d)(3) and enter the remaining balance (\$_____);
 - (3) Enter at right the greater of the amount calculated under (1) or (2) above: \$
 - c. TOTAL ELIGIBLE INCOME \$
(Line 1.a plus line 1.b(3)):
2. The amount entered in line 1.c:
____ Qualifies the applicant(s) as a Low Income Tenant(s) ____ or a Very Low Income Tenant(s) ____ [check applicable box, if any]
____ Does not qualify the applicant(s) as a Low Income Tenant(s) ____ , or a Very Low Income Tenant(s) ____ [check applicable box, if any].
3. Number of apartment unit assigned: ____
Bedroom Size ____ Rent: \$
4. This apartment unit [was/was not] last occupied for a period of 31 or more consecutive days by persons whose aggregate anticipated annual income as certified in the above manner upon their initial occupancy of the apartment unit qualified them as Low Income Tenants ____ or Very Low Income Tenants ____ [check applicable box].
5. Method used to verify applicant(s) income:
____ Employer income verification.
____ Copies of tax returns.
____ Other (_____)

Manager

INCOME VERIFICATION
(for employed persons)

The undersigned employee has applied for a rental unit located in a project financed under the Housing Authority of the City of San Diego Multifamily Housing Revenue Bond Program for persons of lower income. Every income statement of a prospective tenant must be stringently verified. Please indicate below the employee's current annual income from wages, overtime, bonuses, commissions or any other form of compensation received on a regular basis.

Annual wages	_____
Overtime	_____
Bonuses	_____
Commissions	_____
Other Income	_____
Total current income	_____

I hereby certify that the statements above are true and complete to the best of my knowledge.

_____ Signature	_____ Date	_____ Title
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I hereby grant you permission to disclose my income to _____ in order that they may determine my income eligibility for rental of an apartment located in their project which has been financed under the Housing Authority of the City of San Diego Multifamily Housing Revenue Bond Program.

_____ Signature	_____ Date
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Please send to:

INCOME VERIFICATION
(for self-employed persons)

I hereby attach copies of my individual federal and state income tax returns for the immediately preceding calendar year and certify that the information shown in such income tax returns is true and complete to the best of my knowledge.

Signature

Date

APPENDIX D
CDLAC RESOLUTION

APPENDIX E

CDLAC COMPLIANCE CERTIFICATE

CERTIFICATION of COMPLIANCE II **for QUALIFIED RESIDENTIAL RENTAL PROJECT**

Project Name: Mission Terrace Apartments

Name of Bond Issuer: Housing Authority of the City of San Diego

1. Project Name Change: No____ Yes____

(If project name has changed since the award of allocation please note the original project name as well as the new project name.)

If yes provide old and new Project Name _____

2. CDLAC Application No.: 19-575

3. Bond Issuer Change: No____ Yes____

(If Bond Issuer has changed since the award as a result of refinance or refunding of an allocation please note the original Issuer as well as the new Issuer.)

If yes provide the Name of existing and New Issuer _____

Contact Information _____

4. Change in Borrower No____ Yes____

(If Borrower has changed since the award affecting the CDLAC resolution please note the original Borrower as well as the new Borrower.)

If yes provide the Name of the existing and New Borrower _____

Contact Information _____

5. Change in Management Company No____ Yes____

If yes provide the Name of the New Management Company _____

6. Has the Qualified Project Period commenced? No____ Yes____

No____ Yes____ Already Submitted Certification

If yes please submit the Certificate of Qualified Project Period (one time only)

7. Has the project been completed and placed in service?

No____ Yes____ Already Submitted Certification

If yes please submit Completion Certification (one time only)

8. Have any of the following events occurred associated with the bond allocation including but not limited to: defaults associated with rents and income requirements, Bond Default or a Qualified Bond Default.

No____ Yes____

If so, please describe and explain?

9. Has a termination of the Regulatory Agreement occurred or is a termination planned in the next year? Has proper noticing occurred?

No____ Yes____

If so, please describe and explain?

10.	Federally Bond Restricted Units (Reflected in PSR)	Other Restrictions (Reflected in PSR)	Total (Reported in CDLAC Resolution)
	_____ at 50% AMI	_____ at 50% AMI	_____ at 50% AMI
	_____ at 60% AMI	_____ at 60% AMI	_____ at 60% AMI

11. Please indicate the distribution of the CDLAC restricted 10% of the 50% AMI units

Bedroom Type	# of Units in PSR	# of Units in CDLAC Resolution
1 Bedroom	_____	_____
2 Bedroom	_____	_____
3 Bedroom	_____	_____

12. If the Project has committed to and is currently providing the service amenities for a term as specified in the CDLAC resolution, please verify the services are being provided: on a regular and ongoing basis, which are provided free of charge and all hour requirements are being met:

- ☐ After-school Programs
☐ Educational, health and wellness, or skill building classes
☐ Health and Wellness services and programs (not group classes)
☐ Licensed Childcare provided for a minimum of 20 hours per week (Monday-Friday)
☐ Bona-Fide Service Coordinator/ Social Worker

Is the service being offered on an ongoing basis and provided free of charge (childcare excepted)?

No _____ Yes _____

Are all hour requirements being met?

No _____ Yes _____

Attach evidence demonstrating that the above listed services are being provided and have met the requirements in the CDLAC Resolution. Including but not limited to MOUs and or contracts associated with the services rendered, a 12-month schedule (current reporting year) of the services offered, flyers, sign-up sheets, etc.

"Pursuant to Section 13 of Resolution No. _____ (the "Resolution"), adopted by the California Debt Limit Allocation Committee (the "Committee") on _____, I, _____, an Officer of the Borrower, hereby certify under penalty of perjury that, as of the date of this Certification, the above-mentioned Project is in compliance with the terms and conditions set forth in the Resolution as outlined above. I further certify that I have read and understand the CDLAC Resolution, which specifies that once the Bonds are issued, the terms and conditions set forth in the Resolution Exhibit A, shall be enforceable by the Committee through an action for specific performance, negative points, withholding future allocation or any other available remedy.

Signature of Officer

Printed Name of Officer

Title of Officer

Date

APPENDIX F

CDLAC REHABILITATION COMPLETION CERTIFICATE

CERTIFICATE of COMPLETION for QUALIFIED RESIDENTIAL RENTAL PROJECTS

- 1) Project Name: Mission Terrace Apartments
(If project name has changed since the award of allocation please note the original project name as well as the new project name.)
- 2) CDLAC Application No.: 19-575
- 3) Name of Bond Issuer: Housing Authority of the City of San Diego
- 4) Name of Borrower: Mission Terrace Housing Partners, L.P., a California limited partnership
(If Borrower has changed name since the award please note the original Borrower as well as the new Borrower.)
- 5) The undersigned hereby certifies that all work on the Project was substantially completed as of _____, 20____

The undersigned hereby further certifies that:

- (a) the aggregate amount disbursed on the Loan to date is \$_____
 - (b) all amounts disbursed from proceeds of the Bond have been applied to pay or reimburse the undersigned for the payment of Project Costs and none of the amounts disbursed from the proceeds of the Bond have been applied to pay or reimburse any party for the payment of costs or expenses other than Project Costs; and
 - (c) at least 95 percent of the amounts disbursed from the proceeds of the Bond have been applied to pay or reimburse the Borrower for the payment of Qualified Project Costs (as that term is used in the Regulatory Agreement) and less than 25 percent of the amounts disbursed from the proceeds of the Bond, exclusive of amounts applied to pay the costs of issuing the Bond, have been applied to pay or reimburse the Borrower for the cost of acquiring land.
 - (d) the cost of the bond issuance was equal to or less than 2% of the bond proceeds issued.
- 6) The undersigned hereby certifies the project meets the general federal rule for a Qualified Project Period.
____ Yes ____ No
- (a) 10% of the dwelling units in the project financed in part from the proceeds of the captioned Bond were first occupied on _____, 20____ and
 - (b) 50% of the dwelling units in the project financed in part from the proceeds of the captioned Bond were first occupied on _____, 20____.
- 7) If no to 6) the undersigned hereby certifies the project meets the special federal rule for a Qualified Project Period.
____ Yes ____ No

(Project qualifies if it is an acquisition/rehabilitation where no more than 90% of the units were not available for occupancy within 60 days of the earlier of the project acquisition or the Bond Issuance Date.)

- (a) Bond was issued on _____, 20____
- (b) Property was acquired on _____, 20____
- (c) The date 10% of the units were available to occupy (within 60 days of the earlier of the acquisition or bond issuance) _____, 20____

Signature of Officer

Printed Name of Officer

Title of Officer

Phone Number



The City of San Diego
Item Approvals

Item Subject: Final Bond Authorization for Mission Terrace Apartments

Contributing Department	Approval Date
DOCKET OFFICE	01/10/2020

Approving Authority	Approver	Approval Date
HOUSING COMMISSION FINAL DEPARTMENT APPROVER	MARSHALL, SCOTT	01/02/2020
EXECUTIVE VICE PRESIDENT	DAVIS, JEFF	01/10/2020
CITY ATTORNEY	MIDDAUGH, MARGUERITE	01/13/2020