



REPORT TO THE HOUSING AUTHORITY OF THE CITY OF SAN DIEGO

DATE ISSUED: April 28, 2022

REPORT NO: HAR22-014

ATTENTION: Chair and Members of the Housing Authority of the City of San Diego
For the Agenda of May 24, 2022

SUBJECT: Final Multifamily Revenue Note Authorization for Merge 56 Affordable Apartments

COUNCIL DISTRICT: 5

REQUESTED ACTION

Authorize the issuance of a tax-exempt Housing Authority of the City of San Diego Multifamily Housing Revenue Note (Note) in an amount not to exceed \$16,000,000 and a taxable note not to exceed \$2,000,000 to fund Merge 56 Affordable, LP's construction of the Merge 56 Affordable Apartments, a new affordable rental housing development at 8201 Merge Avenue, San Diego, in the Torrey Highlands subarea community plan neighborhood, which will consist of 47 units that will remain affordable for 55 years for individuals and families earning between 30 percent to 60 percent of the San Diego Area Median Income (AMI), including one restricted manager's unit.

STAFF RECOMMENDATION

That the Housing Authority of the City of San Diego (Housing Authority) take the following actions:

- 1) Authorize the issuance of a tax-exempt Housing Authority Multifamily Housing Revenue Note not to exceed \$16,000,000 and a taxable note not to exceed \$2,000,000 to fund Merge 56 Affordable, LP.'s construction of Merge 56 Affordable Apartments (Merge 56 Affordable), a new affordable rental housing development at 8201 Merge Avenue, San Diego, in the Torrey Highlands subarea community plan neighborhood, which will consist of 47 units that will remain affordable for 55 years for individuals and families earning 30 percent to 60 percent of San Diego's Area Median Income (AMI), including one restricted manager's unit.
- 2) Authorize the San Diego Housing Commission's (Housing Commission) Interim President & CEO, or designee, to execute any and all documents that are necessary to effectuate the transaction and implement these approvals in a form approved by the General Counsel of the Housing Authority and of the Housing Commission and the Note Counsel, and to take such actions as are necessary, convenient, and/or appropriate to implement these approvals upon advice of both General Counsel and/or the Note Counsel. Housing Commission staff will notify the Housing Authority and the City Attorney's Office about any subsequent amendments or modifications to the transaction, and other required documents, including amendments to any documents.

SUMMARY

A Development Summary is at Attachment 1.

Table 1 – Development Details

Address	8201 Merge Avenue, San Diego
Council District	5
Community Plan Area	Torrey Highlands Subarea Community Plan
Developer	Rise Urban Partners L.L.C.
Development Type	New Construction
Construction Type	Type V (Four stories)
Parking Type	67 parking spaces (surface parking)
Mass Transit	The nearest bus service is the Metropolitan Transit System’s Route 20 at Rancho Penasquitos Boulevard and Carmel Mountain Road, approximately two miles from the subject site.
Housing Type	Multifamily
Lot Size	One parcel totaling .73 acres 31,799 square feet
Units	47 (47 restricted/affordable units)
Density	64.38 dwelling units per acre (64 units ÷ .73 acres)
Unit Mix	47 affordable rental units: seven one-bedroom units, 24 two-bedroom units, 11 three-bedroom units, four four-bedroom units, and one one-bedroom restricted manager’s unit
Gross Building Area	56,256 square feet
Net Rentable Area	41,257 square feet
Affordable Units in Service by Council District	Council District 5 includes 1,612 affordable rental housing units currently in service, which represents 6.5 percent of the 24,551 affordable rental housing units in service citywide.

Background

On July 9, 2021, the Housing Commission (Report No. HCR21-077) approved taking certain preliminary steps to authorize the issuance of up to \$16,000,000 of tax-exempt Multifamily Housing Revenue Notes to finance the new construction of Merge 56, and held a TEFRA public hearing pursuant to Section 147(f) of the Internal Revenue Code of 1986.

The Housing Commission Board of Commissioners is authorized to hold TEFRA hearings pursuant to Multifamily Mortgage Revenue Note Program Policy Amendments that the Housing Authority approved March 9, 2021 (Report No. HAR20-043; Resolution No. HA-1906).

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On December 8, 2021, the California Debt Limit Allocation Committee (CDLAC) approved a \$16,000,000 tax-exempt Notes allocation, and the California Tax Credit Allocation Committee (CTCAC) approved a 4 percent tax credits allocation.

The Development

Merge 56 Affordable will be a 47-unit, new construction, affordable housing development, including one manager's unit. The Merge 56 Affordable development will be located at 8201 Merge Avenue (Attachment 2 – Site Map).

Merge 56 Affordable will consist of seven one-bedroom units, 24 two-bedroom units, 11 three-bedroom units, four four-bedroom units, and one one-bedroom restricted manager's unit, within one four-story building. The development will provide five units rent restricted to households with income up to 30 percent of AMI (currently \$36,350 per year for a family of four), five units rent restricted to households with income up to 50 percent of AMI (currently \$60,600 per year for a family of four), and 37 units rent restricted to households with income up to 60 percent of AMI (currently \$72,720 per year for a family of four).

The development's units will include air conditioning, refrigerator, oven, dishwasher, disposal, blinds, computer access, and cable television prewiring. Site amenities include a children's play area, a bicycle and walking trail, a community room, a services room, laundry facilities and a leasing office. Merge 56 Affordable will be a four-story, wood-frame building, with exterior stucco and on a concrete slab-on-grade foundation.

The Property

The affordable development will be built on a .73-acre vacant site at 8201 Merge Avenue, San Diego. Merge 56 Affordable is part of the Sea Breeze Properties Merge 56 overall master-planned development. The Merge 56 master development will have approximately 485,000 square feet of office space, 40,000 square feet of retail, 242 single-family market-rate homes, and the 47 affordable units of Merge 56 Affordable multifamily housing. These proposed affordable units are the only multifamily housing development in the master-planned community. The proposed Merge 56 Affordable development will satisfy the master-planned community's affordable housing Master Affordable Housing Agreement requirement. The project is currently in the rough grading stage. Main streets, sidewalks and utilities are in the process of being installed. Merge 56 Affordable's land is being donated by the master developer for zero cost.

Services

All Things Are Possible Family Services (ATAP) will be Merge 56 Affordable's Services Provider. ATAP provides youth, adult, senior, veteran and family supportive services in apartment communities located in 35 California cities, and one city each in Arizona, Florida, Georgia and Nevada. For Merge 56 Affordable, ATAP shall provide 84 hours per year of adult educational classes. Classes and services include but are not limited to financial literacy, computer training, homebuyer education, GED, resume building, job search, food distribution, positive and supportive parenting, ESL and community/family-building events. ATAP shall also provide 63 hours per year of health and wellness services and programs. Services will provide individualized support to tenants, including but not limited to referral-based resource programs for families that relate to transportation, document preparation assistance,

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financial affairs, counseling referrals, crisis intervention, counseling and emotional support, government insurance entitlements, physical and mental health assessment, nutrition, exercise, health information/awareness, smoking cessation and access to local resources for resident families.

CDLAC's allocation approval resolution requires that the development provide the following for 15 years: instructor-led adult educational, health and wellness, or skill building classes for residents. This includes financial literacy, computer training, homebuyer education, GED classes, resume building classes, nutrition class, exercise class, health information/awareness, art class, parenting class, on-site food cultivation and preparation classes, and programs for smoking cessation, health/wellness, and visiting nurses.

Prevailing Wages

The proposed development is not subject to payment of California State nor federal prevailing wages because the developer is not proposing to use either California State or federal financing that requires prevailing wages.

Appraisal

Integra Realty Resources' May 18, 2021, appraisal of the subject site valued the property at \$2,750,000.

Relocation

The subject property is vacant. No relocation is necessary.

Accessibility

CTCAC requires wheelchair accessibility in 10 percent of the units, and 4 percent of the units are required to have communication features for residents with visual and/or hearing impairment. The same units can satisfy both of these accessibility requirements. The Merge 56 Affordable units will be accessible in accordance with the Americans with Disabilities Act. The same units can satisfy both of these accessibility requirements. The completed development will be fully accessible for visitors.

Project Sustainability

Merge 56 Affordable will comply with the CTCAC minimum energy-efficiency construction standards for new construction. The development's features will include Energy Star-rated efficient appliances and a solar component for the common area's electrical load. Water conservation will be promoted via low-water-use fixtures in kitchens and bathrooms, low-flow toilets, and low-water-use, native-plants landscaping with water-efficient irrigation controls.

Development Team

The development team will be led by Rise Urban Partners L.L.C. (Rise), a joint venture of Trestle Development L.L.C. (Trestle) and Rob Morgan. Trestle is the developer of the 61-unit Mississippi El Cajon Boulevard new construction development that received Housing Commission tax-exempt Note funding. Trestle and Rob Morgan report that they have developed more than 500 housing units in the last seven years. Trestle has received two previous Housing Commission financings: a \$700,000 residual receipts loan for the Nook at East Village and a tax-exempt bond issuance for Mississippi ECB. Trestle is in full compliance on its previous Housing Commission-funded loan. Based upon the developer's past experience and performance, Housing Commission staff determined that the developer has the capacity

to successfully complete the proposed Merge 56 Affordable project. The proposed borrower will be Merge 56 Affordable, LP, which will include AOF SD MGP LLC as its Managing General Partner, Merge 56 Affordable LLC as the Administrative General Partner, and Redstone Equity Partners as the tax credit investor limited partner (Attachment 3 – Organization Chart).

Table 2 - Development Team Summary

<u>ROLE</u>	<u>FIRM/CONTACT</u>
Developer	Rise Urban Partners L.L.C.
Owner/Borrower	Merge 56 Affordable, LP
Managing General Partner	AOF SD MGP LLC
Administrative General Partner	Merge 56 Affordable LLC
Tax Credit Investor Limited Partner	Redstone Equity Partners
Architect	Safdie Rabines Architects, San Diego
General Contractor	Good and Roberts LLC (an affiliate of CW Driver)
Property Management	Hyder & Company Management
Construction and Permanent Lender	Pacific Western Bank
Tenant Services Provider	All Things Are Possible Family Service (ATAP)

Property Management

Merge 56 Affordable will be managed by Hyder & Company Management (Hyder). Established in 1973, Hyder is headquartered in San Marcos. It has broad experience implementing a wide range of federal and state housing programs. The company now serves more than 90 properties, 6,000 residential units, and 15,000 residents.

FINANCING STRUCTURE

Merge 56 Affordable has an estimated total development cost of \$29,566,248 (\$629,069 per unit).

Financing will include a combination of sources as described in Table 3. The developer’s pro forma is included as Attachment 4 and summarized below. No Housing Commission cash loan funds are proposed for Merge 56 Affordable.

Table 3 – The Merge 56 Affordable Estimated Sources and Uses of Financing

Financing Sources	Amount	Financing Uses	Amount	Per Unit
Note financed permanent loan	\$7,405,000	Land acquisition	\$0	\$0
		Off-site improvements	\$1,235,001	\$262,277
Contributed developer fee MGP loan	2,276,741	Construction cost	15,249,683	324,461
Sea Breeze 56 L.L.C. master developer’s infrastructure work	5,598,427	Financing costs	1,303,870	27,742
Solar investment tax credit	65,000	Soft costs	805,800	17,145
Accrued interest on soft debt	245,000	Permits and fees	5,705,874	121,402
NOI during construction	150,000	Reserves	430,000	9,149
Deferred developer fee	736,080	Developer’s fee	3,812,821	81,124

Four percent tax credit equity	13,090,000	Architect & engineer	1,208,138	25,705
Total Sources	\$29,566,248	Total Uses	\$29,566,248	\$629,069

Developer Fee

\$3,812,821 - gross developer fee

- 736,080 - minus developer’s deferred developer fee

\$3,076,741 - net cash developer fee

On April 25, 2017, the Housing Authority approved the “Request for Approval of Updated Developer Fees” (Report No. HAR17-011; Resolution No. HA-1727). That report approved certain developer fee guidelines for multifamily loans and Note issuances. Attachment 1 to that report stated: “Developer Fee [for] 4% tax credits, in project costs: 15% eligible basis....” The proposed developer’s fee complies with the HAR 17-011 “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 that were used to evaluate the proposed development and make a funding recommendation. The key performance indicators listed in Table 4 are commonly used by industry professionals and affordable housing developers.

Table 4 – Key Performance Indicators

Development Cost Per Unit	$\$29,566,248 \div 47 \text{ units} =$	\$629,069
Housing Commission Subsidy Per Unit	No Subsidy. Not Applicable =	\$0
Land Cost Per Unit	Donated land =	\$0
Gross Building Square Foot Hard Cost	$\$15,249,683 \div 56,256 \text{ sq. ft.} =$	\$271
Net Rentable Square Foot Hard Cost	$\$15,249,683 \div 41,257 \text{ sq. ft.} =$	\$370

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 recent years are listed in Table 5.

These developments are similar in terms of new construction, target population, and construction type and are provided as a comparison to the subject development.

Table 5 – Comparable Development Projects

New Construction Name	Year	Units	Total Development Cost	Cost Per Unit	SDHC Subsidy Per Unit	Gross Hard Cost Per Square Foot
Subject – Merge 56 Affordable	2022	47	\$29,566,248	\$629,069	\$0	\$271
Hilltop Family Housing	2020	113	\$54,305,415	\$480,579	\$73,451	\$279
East Block Family	2019	78	\$40,562,897	\$520,037	\$0	\$355
Keeler Court	2019	71	\$35,692,466	\$502,711	\$0	\$262
Ulric Street I	2019	96	\$46,427,114	\$483,616	\$72,917	\$264

Merge 56 Affordable’s total development cost per unit is higher than is usually proposed for affordable multifamily developments due to a number of extenuating factors including: nationwide inflationary price increases for lumber and materials, cost constraints of obtaining necessary materials due to limitations of available trucking/transportation personnel, large three- and four-bedroom units make up one third of the development’s units, and an estimated \$5,705,874 (\$121,402/unit) for permits and fees required by the City of San Diego. These fees include the applicable City Facilities Benefit Assessment (FBA), which provides funds for public facilities in the community plan area, and the City Development Impact Fee (DIF), which is collected to mitigate the public facilities impacts of new development. These FBA and DIF fees vary depending upon the applicable community planning area. Merge 56 Affordable is located within the Torrey Highland’s community plan area. The FBA fees for the Torrey Highlands community are among the highest in the City. The Merge 56 Torrey Highlands area’s FBA is \$65,642 per unit higher than the FBA for the nearby Rancho Penasquitos community area.

TAX-EXEMPT MULTIFAMILY HOUSING REVENUE NOTES

Proposed Housing Note Financings

The Housing Commission utilizes the Housing Authority’s tax-exempt borrowing status to pass on lower interest rate financing (and make 4 percent low-income housing tax credits available) to developers of affordable rental housing. The Housing Authority’s ability to issue Notes is limited under the U.S. Internal Revenue Code. To issue Notes for a development, the Housing Authority must first submit an application to the California Debt Limit Allocation Committee (CDLAC) for a Note allocation. On July 9, 2021, prior to submitting applications to CDLAC, the proposed development was presented to the Housing Commission (Report HCR21-077). A Note inducement resolution was obtained prior to the application submittal to CDLAC. On September 9, 2021, an application was submitted to CDLAC for a Note allocation of up to \$16,000,000. On December 8, 2021, CDLAC approved the \$16,000,000 Note allocation, and CTCAC approved an allocation of 4 percent tax credits. The developer proposes that the Notes be issued through a tax-exempt private placement Note issuance. This will meet all requirements of the Housing Commission’s Multifamily Housing Revenue Bond Program policy and will fully comply with the City of San Diego’s (City) ordinance on Bond disclosure. In addition, the developer proposes that the Housing Authority issue up to \$2,000,000 in taxable obligations, which do not require an allocation from CDLAC.

The financing amount that will ultimately be set will be based upon development costs, revenues and interest rates prevailing at the time of issuance of the Notes. The financing proceeds will be used for both construction financing and permanent financing. Attachment 5 provides a general description of the Multifamily Housing Revenue Bond Program and the actions that must be taken by the Housing Authority and by the City Council to initiate and finalize proposed financings.

Public Disclosure and Bond Authorization

The tax-exempt debt, in the form of a note, will be sold through a private placement, purchased directly by Pacific Western Bank (PWB). PWB is a “qualified institutional buyer” within the meaning of the U.S. securities laws. At closing, PWB will sign an “Investor’s Letter” certifying, among other things, that it is buying the Notes for its own account and not for public distribution. Because the Notes are being sold through a private placement, an Official Statement will not be used. In addition, the Notes will be neither subject to continuing disclosure requirements, nor credit enhanced, nor rated. Under the private placement structure for this transaction, PWB will make a loan to the Housing Authority pursuant to the terms of a Bank Loan Agreement among PWB, the Housing Authority, and US Bank as the Fiscal Agent. The loan made by PWB to the Housing Authority (Bank Loan) will be evidenced by the Notes, which will obligate the Housing Authority to pay PWB the amounts it receives from the Borrower, as described below. The Housing Authority and the Borrower will enter into a Borrower Loan Agreement pursuant to which the proceeds of the Bank Loan will be advanced to the Borrower. In return, the Borrower agrees to pay the Fiscal Agent amounts sufficient for the Fiscal Agent to make payments on the Notes. The Housing Authority’s obligation to make payments on the Notes is limited to amounts the Fiscal Agent receives from the Borrower under the Borrower Loan Agreement, and no other funds of the Housing Authority are pledged to make payments on the note. The transfer of the Notes to any subsequent purchaser will comply with Housing Commission’s “Bond Issuance and Post-Issuance Compliance Policy” (policy number PO300.301).

Moreover, any subsequent Note holder will be required to represent to the Housing Authority that it is a qualified institutional buyer or accredited investor who is buying the Notes 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 Notes. The following documents will be executed on behalf of the Housing Authority with respect to the note: the Bank Loan Agreement, the Borrower Loan Agreement, the Assignment Agreement, 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 Bond Counsel. The Notes will be issued pursuant to the Bank Loan Agreement. Based upon instructions contained in the Bank Loan Agreement and the Borrower Loan Agreement, PWB will disburse the Note proceeds for eligible costs and will, pursuant to an assignment from the Housing Authority, receive payments from the Borrower. The Borrower Loan Agreement sets out the terms of repayment and the security for the loan made by the Housing Authority to the Borrower, and the Housing Authority assigns its rights to receive repayments under the loan to PWB. 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 Agreement, and other loan documents, will assign the Housing Authority’s rights and responsibilities as the issuer to PWB. It will be signed by the Housing Authority for the benefit of PWB. Rights and responsibilities that are assigned to PWB 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 PWB to protect its financial interests as the Note holder.

Financial Advisor’s Recommendation

Quint & Thimmig will be the Note Counsel. CSG Advisors will be the Financial Advisor. The Financial Advisor’s analysis and recommendation is included as Attachment 6.

AFFORDABLE HOUSING IMPACT

Affordability

The Merge 56 Affordable development will be subject to applicable tax credit and Note regulatory agreements, which will restrict affordability of 47 units for 55 years. The rent and occupancy restrictions required by the CTCAC will be applicable.

Table 6 – Merge 56 Affordable and Monthly Estimated Rent Table

Unit Type	AMI	Units	CTCAC Gross Rents
One bedroom units	30% (currently \$29,100/year for a two-person household)	1	\$682
One bedroom units	50% (currently \$48,500/year for a two-person household)	1	\$1,136
One bedroom units	60% (currently \$58,200/year for a two-person household)	5	\$1,364
Subtotal one bedroom units	--	7	--
Two bedroom units	30% (currently \$32,750/year for a three-person household)	2	\$818
Two bedroom units	50% (currently \$54,550/year for a three-person household)	2	\$1,363
Two bedroom units	60% (currently \$65,460/year for a three-person household)	20	\$1,636
Subtotal two bedroom units	--	24	--

Three bedroom units	30% (currently \$36,350/year for a four-person household)	1	\$945
Three bedroom units	50% (currently \$60,600/year for a four-person household)	1	\$1,575
Three bedroom units	60% (currently \$72,720/year for a four-person household)	9	\$1,890
Subtotal three bedroom units	--	11	--
Four bedroom units	30% (currently \$39,300/year for a five-person household)	1	\$1,054
Four bedroom units	50% (currently \$65,450/year for a five-person household)	1	\$1,757
Four bedroom units	60% (currently \$78,540/year for a five-person household)	2	\$2,109
Subtotal four bedroom units	--	4	--
Subtotal residential units	--	46	--
Manager's two bedrooms unit	60% (currently \$65,460/year for a three-person household)	1	\$1,636
Total Units	--	47	--

FISCAL CONSIDERATIONS

The proposed funding sources and uses approved by this proposed action are included in the Housing Authority-approved Fiscal Year (FY) 2022 Housing Commission Budget.

Funding sources approved by this action will be as follows:

Note Issuer Fee - \$16,000,000 tax-exempt Note amount X .0025 = \$40,000

Issuer Fee – up to \$2,000,000 taxable Note amount X .0025 = \$5,000

Funding uses approved by this action will be as follows:

Administrative Costs - \$45,000

The Notes will not constitute a debt of the City of San Diego. If the Notes are ultimately issued for the project, the Notes will not financially obligate the City, the Housing Authority, nor the Housing Commission because security for the repayment of the Notes will be limited to specific project-related 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 Notes. The developer is responsible for the payment of all costs under the financing, including the Housing Commission’s issuer fee, annual Note administration fee, as well as the Housing Commission’s Note counsel fee and Financial Advisor’s fee.

Estimated Development Schedule

The estimated development timeline is as follows.

Milestones	Estimated Dates
Housing Authority consideration of final Note authorization	May 24, 2022
City Council IRS-required TEFRA hearing	May 24, 2022
Estimated Note issuance and escrow/loan closing	June 3, 2022
CTCAC construction start milestone	June 22, 2022
Estimated start of construction work	June 22, 2022
Estimated completion of construction work	August 2023

HOUSING COMMISSION STRATEGIC PLAN

This item relates to Strategic Priority Area No. 1 in the Housing Commission’s Strategic Plan for Fiscal Year 2022 – 2024: Increasing and Preserving Housing Solutions.

PREVIOUS SAN DIEGO HOUSING COMMISSION BOARD ACTION

On May 5, 2022, the San Diego Housing Commission Board of Commissioners voted 5-0 to recommend that the Housing Authority of the City of San Diego take the staff-recommended actions in this report.

COMMUNITY PARTICIPATION and PUBLIC OUTREACH EFFORTS

The proposed development is in the Torrey Highlands Sub Area Plan area, which is overseen by the Rancho Peñasquitos Planning Group. On December 12, 2015, the Merge 56 development was presented to the Del Mar Mesa Planning Board and it was approved with a vote of 6-0-2. On May 3, 2017, the Merge 56 development was presented to the Rancho Peñasquitos Planning Board and was approved with a vote of 16-0-0. On February 22, 2018, the Merge 56 development was presented to, and approved by the San Diego City Planning Commission.

KEY STAKEHOLDERS and PROJECTED IMPACTS

Stakeholders include Trestle as the developer, the Housing Authority as the proposed multifamily note issuer, Pacific Western Bank as the proposed lender, the Torrey Highlands Subarea neighborhood, and Sea Breeze Properties as the developer of the overall master-planned community. The development is anticipated to have a positive impact on the community as it will contribute to the quality of the surrounding neighborhood, contribute to a better quality of life for the proposed development’s tenants, and create 47 new affordable rental homes for families.

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STATEMENT for PUBLIC DISCLOSURE

The developer's Disclosure Statement is at Attachment 7.

ENVIRONMENTAL REVIEW

California Environmental Quality Act

This activity is covered in the Final Environmental Impact Report for the Merge 56 Development Project (Project No. 360009/SCH No. 2014071065) certified by the San Diego City Council on May 22, 2018 (Resolution No. R-311775). This activity is a subsequent discretionary action and is not considered to be a separate project for the purposes of CEQA review pursuant to CEQA Guidelines Sections 15378(c) and 15060(c)(3). Pursuant to CEQA Statute Section 21166 and CEQA Guidelines Section 15162 there is no change in circumstance, additional information, or project change to warrant additional environmental review for this action.

National Environmental Policy Act

Processing under the National Environmental Policy Act is not required because no federal funds are included in these actions.

Respectfully submitted,

Approved by,



Colin Miller
Vice President
Multifamily Housing Finance
Real Estate Division

Jeff Davis
Interim President & Chief Executive Officer
San Diego Housing Commission

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

Docket materials are available in the "Governance & Legislative Affairs" section of the San Diego Housing Commission website at www.sdhc.org.

ATTACHMENT 1 – DEVELOPMENT SUMMARY

Table 1 – Development Details

Address	8201 Merge Avenue, San Diego
Council District	Council Districts 5 & 6
Community Plan Area	Torrey Highlands Subarea Community Plan
Developer	Rise Urban Partners L.L.C.
Development Type	New Construction
Construction Type	Type V (4-stories)
Parking Type	67 parking spaces (surface parking)
Mass Transit	The nearest bus service is the Metropolitan Transit System’s Route 20, at Rancho Penasquitos Boulevard and Carmel Mountain Road, which is located approximately two miles from the subject site.
Housing Type	Multifamily
Lot Size	One parcel totaling .73 acres 31,799 square feet
Units	47 (47 restricted/affordable units)
Density	64.38 dwelling units per acre (64 units ÷ .73 acres)
Unit Mix	47 affordable rental units: 7 one-bedrooms, 24 two-bedrooms, 11 three-bedrooms, 4 four-bedrooms, and one one-bedroom restricted manager’s unit
Gross Building Area	56,256 square feet
Net Rentable Area	41,257 square feet

Table 2 - Development Team Summary

<u>ROLE</u>	<u>FIRM/CONTACT</u>
Developer	Rise Urban Partners L.L.C.
Owner/Borrower	Merge 56 Affordable LP
Managing General Partner	AOF SD MGP LLC
Administrative General Partner	Merge 56 Affordable LLC
Tax Credit Investor Limited Partner	Redstone Equity Partners
Architect	Safdie Rabines Architects, San Diego
General Contractor	Good and Roberts LLC (an affiliate of CW Driver)
Property Management	Hyder & Company Management
Construction and Permanent Lender	Pacific Western Bank
Tenant Services Provider	All Things Are Possible Family Service (ATAP)

Table 3 – The Merge 56 Affordable Estimated Sources and Uses of Financing

Financing Sources	Amount	Financing Uses	Amount	Per Unit
Note financed permanent loan	\$7,405,000	Land acquisition	\$0	\$0
Contributed developer fee MGP loan	2,276,741	Offsite improvment	\$1,235,001	\$262,277
Sea Breeze 56 L.L.C. master developer’s infrastructure work	5,598,427	Construction cost	15,249,683	324,461
Solar investment tax credit	65,000	Financing costs	1,303,870	27,742
Accrued interest on soft debt	245,000	Soft costs	805,800	17,145
NOI during construction	150,000	Permits and fees	5,705,874	121,402
Deferred developer fee	736,080	Reserves	430,000	9,149
Four percent tax credit equity	13,090,000	Developer’s fee	3,812,821	81,124
Architect & engr			1,208,138	25,705
Total Sources	\$29,566,248	Total Uses	\$29,566,248	\$629,069

Table 4 – Key Performance Indicators

Development Cost Per Unit	$\$29,566,248 \div 47 \text{ units} =$	\$629,069
Housing Commission Subsidy Per Unit	No Subsidy -- Not Applicable	\$0
Land Cost Per Unit	Donated land =	\$0
Gross Building Square Foot Hard Cost	$\$15,249,683 \div 56,256 \text{ sq. ft.} =$	\$271
Net Rentable Square Foot Hard Cost	$\$15,249,683 \div 41,257 \text{ sq. ft.} =$	\$370

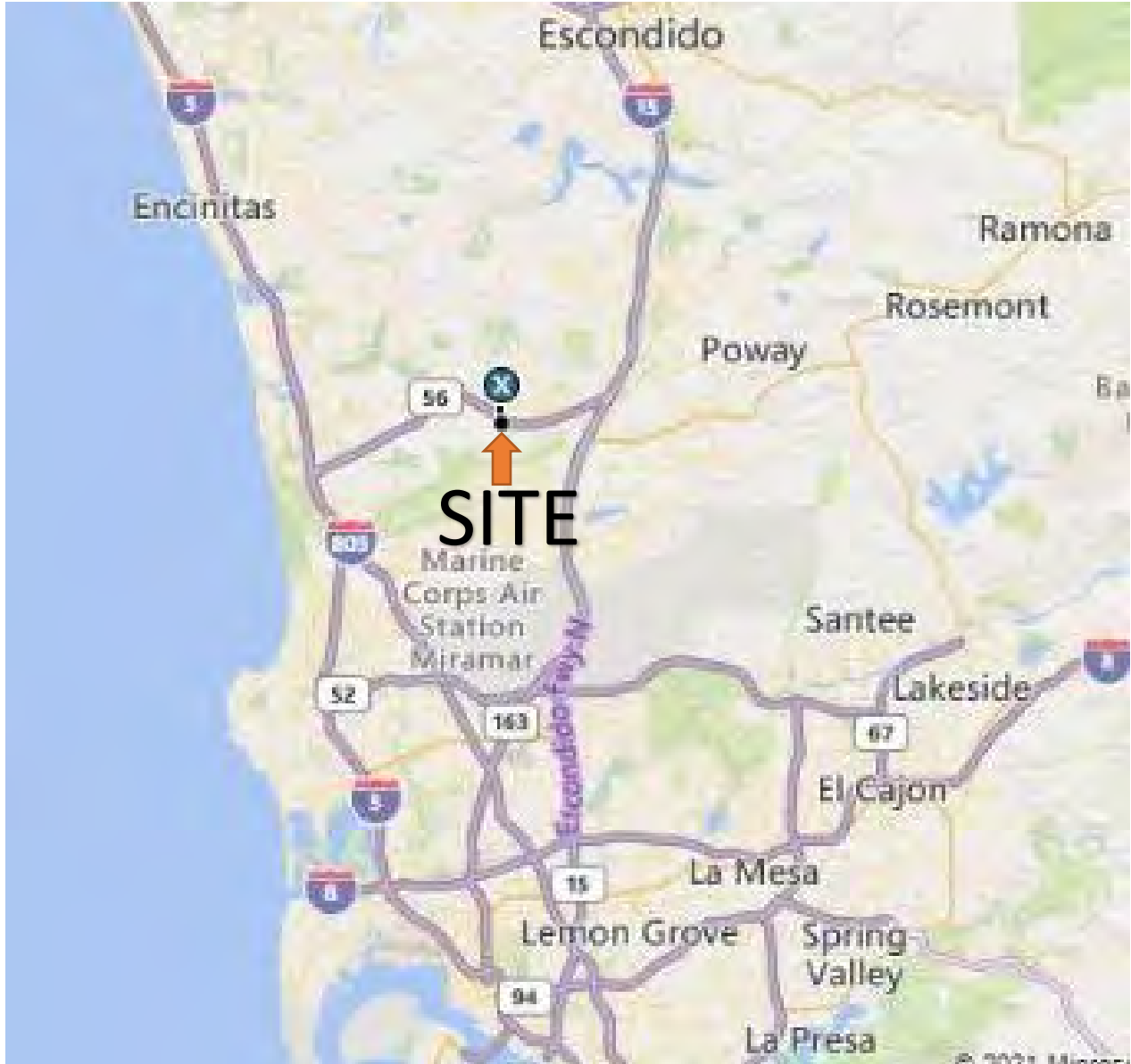
Table 5 – Comparable Development Projects

New Construction Name	Year	Units	Total Development Cost	Cost Per Unit	SDHC Subsidy Per Unit	Gross Hard Cost Per Square Foot
Subject – Merge 56 Affordable	2022	47	\$29,566,248	\$629,069	\$0	\$271
Hilltop Family Housing,	2020	113	\$54,305,415	\$480,579	\$73,451	\$279
East Block Family	2019	78	\$40,562,897	\$520,037	\$0	\$355
Keeler Court	2019	71	\$35,692,466	\$502,711	\$0	\$262
Ulric Street I	2019	96	\$46,427,114	\$483,616	\$72,917	\$264

Table 6 – Merge 56 Affordable and Monthly Estimated Rent Table

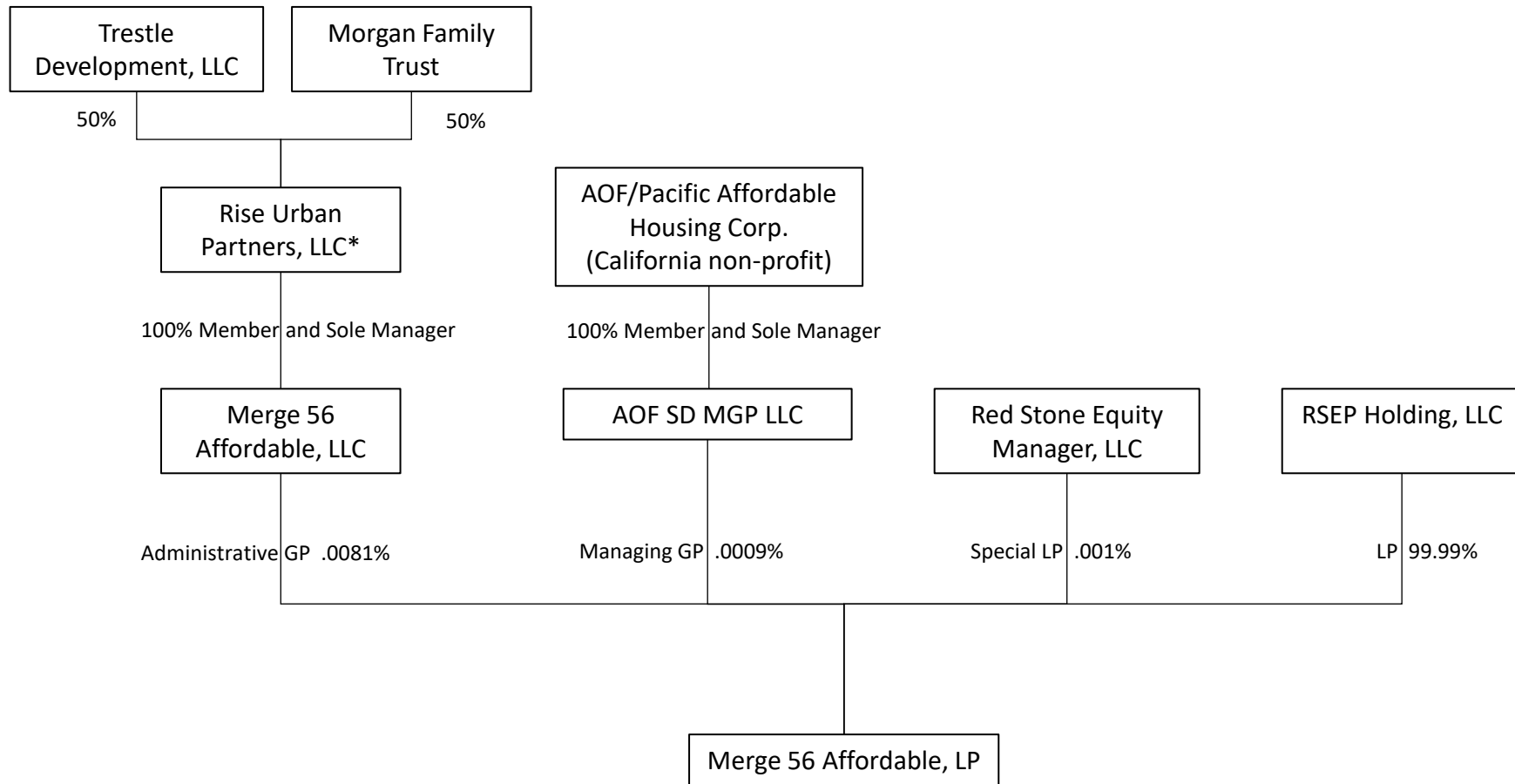
Unit Type	AMI	Units	CTCAC Gross Rents
One bedroom units	30%	1	\$682
One bedroom units	50%	1	\$1,136
One bedroom units	60%	5	\$1,364
Subtotal one bedroom units	--	7	--
Two bedroom units	30%	2	\$818
Two bedroom units	50%	2	\$1,363
Two bedroom units	60%	20	\$1,636
Subtotal two bedroom units	--	24	--
Three bedroom units	30%	1	\$945
Three bedroom units	50%	1	\$1,575
Three bedroom units	60%	9	\$1,890
Subtotal three bedroom units	--	11	--
Four bedroom units	30%	1	\$1,054
Four bedroom units	50%	1	\$1,757
Four bedroom units	60%	2	\$2,109
Subtotal four bedroom units	--	4	--
Subtotal residential units	--	46	--
Manager's one bedroom unit	60%	1	\$1,364
Total Units	--	47	--

ATTACHMENT 2 – SITE MAP



ATTACHMENT 3 - ORGANIZATION CHART

Merge 56 Affordable, LP – Org Chart
(Proposed)



*David Allen and Robert Morgan are managers

Merge 56 Affordable

PROJECT SUMMARY

ATTACHMENT 4 - DEVELOPER'S PRO FORMA

GENERAL INFORMATION

PROJECT NAME	Merge 56 Affordable	
OWNER/CLIENT	TRESTLE	
PROJECT DESCRIPTION	4 Story Type V	
PROJECT TYPE	New Construction - 4%	
DRAFT VERSION	2/22/22	
ADDRESS	TBD, San Diego	
YEAR BUILT	2023	
SITE ACREAGE	1.00	
TOTAL UNITS/ACRE	47 (approximately 47 units/acre)	
MSA / County	San Diego	VLI x 2
AREA MEDIAN INCOME	92,700	90,900
LAST AMGI INCREASE	4/1/21	

INCOME & EXPENSE

	TOTAL	PER UNIT	
INCOME:			
GROSS POTENTIAL INCOME	\$841,271	\$17,899	
TOTAL OTHER INCOME	\$12,250	\$261	
VACANCY/RENT ADJUSTMENTS (RESIDENTIAL)	(\$42,676)	(\$908)	
EFFECTIVE GROSS INCOME (RESIDENTIAL)	\$810,845	\$17,252	
COMMERCIAL INCOME	\$0	\$0	
VACANCY/RENT ADJUSTMENTS (COMMERCIAL)	\$0	\$0	
EFFECTIVE GROSS INCOME (BUILDING)	\$810,845	\$17,252	
EXPENSES:			
PROFESSIONAL MANAGEMENT	\$31,020	\$660	8.3%
ADMINISTRATIVE	\$32,500	\$691	8.7%
PAYROLL AND BENEFITS	\$137,395	\$2,923	36.8%
UTILITIES	\$92,300	\$1,964	24.7%
OPERATING & MAINTENANCE	\$33,475	\$712	9.0%
REAL ESTATE TAXES	\$5,000	\$106	1.3%
INSURANCE	\$18,450	\$393	4.9%
REPLACEMENT RESERVES	\$16,450	\$350	4.4%
OTHER (TAX CREDIT MONITORING)	\$7,050	\$150	1.9%
TOTAL EXPENSES	\$373,640	\$7,950	100.0%
NET OPERATING INCOME	\$437,205	\$9,302	
DEBT SERVICE	\$380,236	\$8,090	
NET PARTNERSHIP CASH FLOW	\$56,969	\$1,212	
DSCR	1.1498		

UNIT MIX & RENTS

UNIT MIX	MANAGER	30% AMI	50% AMI	60% AMI	TOTAL
MICRO/STUDIO	-	-	-	-	-
ONE BEDROOM	-	1	1	6	8
TWO BEDROOM	-	2	2	20	24
THREE BEDROOM	-	1	1	9	11
FOUR BEDROOM	-	1	1	2	4
	-	5	5	37	47

RENTS	30% AMI	50% AMI	60% AMI	MARKET
MICRO/STUDIO	N/A	N/A	N/A	-
ONE BEDROOM	619	1,073	1,364	2,100
TWO BEDROOM	748	1,363	1,636	2,800
THREE BEDROOM	856	1,575	1,890	3,500
FOUR BEDROOM	957	1,757	2,109	4,000

*Rents are net of Utility Allowances

SOURCES AND USES

SOURCES:	TOTAL	PER UNIT	% OF TOTAL
LIHTC EQUITY (\$0.880 per credit)	\$13,090,000	\$278,511	44.3%
PRIVATE PLACEMENT PERM LOAN	\$7,405,000	\$157,553	25.0%
SEA BREEZE 56, LLC	\$5,598,427	\$119,115	18.9%
SUBORDINATE DEVELOPER FEE (MGP LOAN)	\$2,276,741	\$48,441	7.7%
SOLAR INVESTMENT TAX CREDIT	\$65,000	\$1,383	0.2%
ACCRUED INTEREST ON SOFT DEBT	\$245,000	\$5,213	0.8%
NOI DURING CONSTRUCTION	\$150,000	\$3,191	0.5%
DEFERRED DEVELOPER FEE (\$800,000 PAID)	\$736,080	\$15,661	2.5%
GRAND TOTAL SOURCES	\$29,566,248	\$629,069	100.0%

USES:	TOTAL	PER UNIT	% OF TOTAL
OFFSITE IMPROVEMENTS	\$1,235,001	\$26,277	4.2%
CONSTRUCTION COSTS	\$15,249,683	\$324,461	51.6%
PERMITS & FEES	\$5,705,874	\$121,402	19.3%
ARCHITECTURE & ENGINEERING	\$1,208,138	\$25,705	4.1%
TECHNICAL STUDIES	\$25,800	\$549	0.1%
BORROWER LEGAL	\$100,000	\$2,128	0.3%
OTHER SOFT COSTS	\$430,000	\$9,149	1.5%
RESERVES	\$245,060	\$5,214	0.8%
FINANCING COSTS	\$240,500	\$5,117	0.8%
INTEREST DURING CONSTRUCTION	\$575,000	\$12,234	1.9%
ACCRUED INTEREST ON SOFT DEBT	\$245,000	\$5,213	0.8%
TAX EXEMPT BOND COSTS	\$133,100	\$2,832	0.5%
TAX CREDIT COSTS	\$110,270	\$2,346	0.4%
SOFT COST CONTINGENCY	\$250,000	\$5,319	0.8%
DEVELOPER FEE	\$3,812,821	\$81,124	12.9%
TOTAL USES	\$29,566,248	\$629,069	100%

Merge 56 Affordable

GENERAL PROJECT ASSUMPTIONS

GENERAL INFORMATION

GENERAL INFORMATION

DRAFT DATE	2/22/22
PROJECT NAME	Merge 56 Affordable
ADDRESS	TBD, San Diego
MSA/COUNTY	SAN DIEGO
AREA MEDIAN INCOME	\$92,700 VLI x 2 = 115,500
LAST AMGI INCREASE	4/1/21
SPONSOR	TRESTLE
CONSTURCITON TYPE	4 Story Type V
PROJECT TYPE	LIHTC
YEAR BUILT	2023
SITE ACERAGE	1.00
FAR/ZONING	N/A
TOTAL UNITS/ACRE	47 (approximately 47 units/acre)

SITE YIELD ESTIMATE

SITE SF	43,560
LOT COVERAGE	32%
BUILDING FLOORPLATE	14,000
NUMBER OF FLOORS	4.00
GROSS BUILDING AREA	56,000
COMMON AREA EFFICIENCY	75%
TARGET NET RENTABLE	41,900
Actual NRSF	41,900
OFFICE/RETAIL	0% -
RESIDENTIAL	100% 41,900
ACQUISITION PRICE	\$1 0.00

UNIT MIX & AFFORDABILITY

UNIT MIX

MICRO/STUDIO	-	-	-
1 BEDROOM	8	-	8
2 BEDROOM	24	-	24
3 BEDROOM	11	-	11
4 BEDROOM	4	-	4
TOTAL/AVG	47	0	47

Total Units	Unrct. Manager	Rentable Units
-	-	-
8	-	8
24	-	24
11	-	11
4	-	4
47	0	47

AFFORDABILITY

MICRO/STUDIO	-	-	-	-	-	-	-	-
1 BEDROOM	-	1	-	-	-	1	6	-
2 BEDROOM	-	2	-	-	-	2	20	-
3 BEDROOM	-	1	-	-	-	1	9	-
4 BEDROOM	-	1	-	-	-	1	2	-
TOTAL AVG	-	5	-	-	-	5	37	-

Proj Based Voucher	LIHTC UNITS							
	Units @ 30%	Units @ 35%	Units @ 40%	Units @ 45%	Units @ 50%	Units @ 60%	Units @ 80%	
0%	0%	0%	0%	0%	0%	0%	0%	
-	-	-	-	-	-	-	-	
-	1	-	-	-	1	6	-	
-	2	-	-	-	2	20	-	
-	1	-	-	-	1	9	-	
-	1	-	-	-	1	2	-	
-	5	-	-	-	5	37	-	

PROJECT INCOME ASSUMPTIONS

RESIDENTIAL INCOME

NUMBER OF BEDS	NUMBER OF BATHS	NUMBER OF UNITS	RENT LEVEL	UNIT AREA (SF)	TOTAL AREA (SF)	GROSS LIHTC MAX RENT	UTILITY ALLOWANCE	NET LIHTC MAX RENT	ELECTED RENT	% BELOW MARKET	RENT PER SF	MONTHLY INCOME
1BD	1	1	30%	625	625	\$682	\$63	\$619	\$619	0.00%	\$0.99	\$619
1BD	1	1	50%	625	625	\$1,136	\$63	\$1,073	\$1,073	0.00%	\$1.72	\$1,073
1BD	1	6	60%	625	3,750	\$1,364	\$63	\$1,301	\$1,301	0.00%	\$2.08	\$7,807
2BD	1	2	30%	825	1,650	\$818	\$70	\$748	\$748	0.00%	\$0.91	\$1,497
2BD	1	2	50%	825	1,650	\$1,363	\$70	\$1,293	\$1,293	0.00%	\$1.57	\$2,587
2BD	1	20	60%	825	16,500	\$1,636	\$70	\$1,566	\$1,566	0.00%	\$1.90	\$31,330
3BD	2	1	30%	1,100	1,100	\$945	\$89	\$856	\$856	0.00%	\$0.78	\$856
3BD	2	1	50%	1,100	1,100	\$1,575	\$89	\$1,486	\$1,486	0.00%	\$1.35	\$1,486
3BD	2	9	60%	1,100	9,900	\$1,890	\$89	\$1,801	\$1,801	0.00%	\$1.64	\$16,210
4BD	2	1	30%	1,250	1,250	\$1,054	\$97	\$957	\$957	0.00%	\$0.77	\$957
4BD	2	1	50%	1,250	1,250	\$1,757	\$97	\$1,660	\$1,660	0.00%	\$1.33	\$1,660
4BD	2	2	60%	1,250	2,500	\$2,109	\$97	\$2,012	\$2,012	0.00%	\$1.61	\$4,024
-	-	-	-	-	-	\$0	\$0	\$0	\$0	0.00%	\$0.00	\$0
-	-	-	-	-	-	\$0	\$0	\$0	\$0	0.00%	\$0.00	\$0
-	-	-	-	-	-	\$0	\$0	\$0	\$0	0.00%	\$0.00	\$0
-	-	-	-	-	-	\$0	\$0	\$0	\$0	0.00%	\$0.00	\$0
-	-	-	-	-	-	\$0	\$0	\$0	\$0	0.00%	\$0.00	\$0
-	-	-	-	-	-	\$0	\$0	\$0	\$0	0.00%	\$0.00	\$0
-	-	-	-	-	-	\$0	\$0	\$0	\$0	0.00%	\$0.00	\$0
-	-	-	-	-	-	\$0	\$0	\$0	\$0	0.00%	\$0.00	\$0
-	62	47	-	891	41,900	\$1,567	\$75	15,374	\$1,492	-	\$1.67	\$70,106
ANNAUL INCOME:											\$841,271	

UTILITY ALLOWANCE	OBD	1BD	2BD	3BD	4BD
HEATING (G)		\$0	\$0	\$0	\$0
HEATING (E)		\$22	\$27	\$30	\$32
COOKING (G)		\$0	\$0	\$0	\$0
COOKING (E)		\$10	\$15	\$22	\$30
WATER (G)		\$0	\$0	\$0	\$0
WATER (E)		\$0	\$0	\$0	\$0
OTHER (E)		\$38	\$53	\$68	\$85
TOTAL	\$0	\$63	\$70	\$89	\$97

UNIT TYPE	CURRENT RENTS	POST REHAB RENTS	MARKET RENTS
STUDIO	\$0.00	\$0.00	\$0.00
1 BEDROOM	\$0.00	\$0.00	\$2,100.00
2 BEDROOM	\$0.00	\$0.00	\$2,800.00
3 BEDROOM	\$0.00	\$0.00	\$3,500.00
4 BEDROOM	\$0.00	\$0.00	\$4,000.00

	START MONTH	RENT GROWTH	RES. VACANCY	COMM. VACANCY
YEAR 1	1/1/21	3.00%	5.00%	5.00%
YEAR 2	1/1/22	3.00%	5.00%	5.00%
YEAR 3	1/1/23	3.00%	5.00%	5.00%
YEAR 4	1/1/24	3.00%	5.00%	5.00%
YEAR 5	1/1/25	3.00%	5.00%	5.00%

<https://www.sdhc.org/wp-content/uploads/2021/02/Utility-Allowance-Chart.pdf>

Merge 56 Affordable

GENERAL PROJECT ASSUMPTIONS

EQUITY ASSUMPTIONS

LIHTC EQUITY

INVESTOR	Redstone
CREDIT PRICE	\$0.88
INVESTOR SHARE OF CREDITS & LOSSES	99.99%
DDA/QCT	Yes
TAX CREDIT FACTOR	4.00%
TAX CREDIT FACTOR AS OF DATE	1/1/21

DEBT ASSUMPTIONS

	CONSTRUCTIO		PERMANENT			
	Tax-Exempt Bonds	Taxable Bonds	PRIVATE PLACEMENT	SEA BREEZE 56, LLC	DDF MGP LOAN	
LENDER						
LOAN AMOUNT	\$16,000,000	\$1,000,000	\$7,405,000	\$5,598,427	\$2,276,741	
INDEX	3.250%	0.000%	3.750%	2.250%	2.250%	0.000%
SPREAD	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
FLOOR SPREAD	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
TRUSTEE FEE	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
ISSUER FEE	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
ALL-IN RATE	3.250%	0.000%	3.750%	2.250%	2.250%	0.000%
AMORTIZATION	-	-	35	0	0	0
TERM	-	-	15	55	55	15
MONTHLY PAYMENT			\$31,686	\$10,497	\$0	\$0
ANNUAL PAYMENT	\$520,000	\$0	\$380,236	\$125,965	\$51,227	\$0
FIRST PAYMENT DATE	May 2022		Jan 2024	May 2022		

0.156%

CONSTRUCTION RATE SIZING

TAXABLE WEIGHTED AVG	0.00%
TAX EXEMPT WEIGHTED AVG	3.06%
BLENDED CONST RATE	3.06%

PER RATE SIZING

TAXABLE WEIGHTED AVG	0.000%
TAX EXEMPT WEIGHTED AVG	2.811%
BLENDED PERM RATE	2.811%

50% TEST

LAND	\$1
TOTAL ELIGIBLE BASIS	\$28,610,653
AGGREGATE BASIS	\$28,610,654

TOTAL BONDS

% OF AGGREGATE BASIS	55.92%
----------------------	--------

DSCR TEST

NOI	\$437,205
DCSR	1.15
AMORTIZATION	35.00
UNDERWRITING RATE	3.75%
MAX PAYMENT	\$380,178
MAX LOAN (DSCR)	\$7,403,870

PROFORMA STABILIZED

NOI	\$437,205	\$497,763
DCSR	1.15	1.15
AMORTIZATION	35.00	35.00
UNDERWRITING RATE	3.75%	3.75%
MAX PAYMENT	\$380,178	\$432,838
MAX LOAN (DSCR)	\$7,403,870	\$8,429,395

LTV TEST

NOI	\$437,205
CAP RATE	4.75%
VALUE	\$9,204,318
LTV CONSTRAINT	90.00%
MAX LOAN (LTV)	\$8,283,886

NOI	\$437,205	\$497,763
CAP RATE	4.75%	5.00%
VALUE	\$9,204,318	\$9,955,265
LTV CONSTRAINT	90.00%	90.00%
MAX LOAN (LTV)	\$8,283,886	\$8,959,739

LTC TEST

TOTAL COST	\$29,566,248
LTC CONSTRAINT	90.00%
MAX LOAN (LTC)	\$26,609,623

TOTAL COST	\$29,566,248
LTC CONSTRAINT	90.00%
MAX LOAN (LTC)	\$26,609,623

MAX LOAN

MAX LOAN	\$7,405,000	\$8,429,395
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SOURCES AND USES

SOURCES:

	TOTAL	PER UNIT	% OF TOTAL
LIHTC EQUITY (\$0.880 per credit)	\$13,090,000	\$278,511	44.3%
PRIVATE PLACEMENT PERM LOAN	\$7,405,000	\$157,553	25.0%
SEA BREEZE 56, LLC	\$5,598,427	\$119,115	18.9%
SUBORDINATE DEVELOPER FEE (MGP LOAN)	\$2,276,741	\$48,441	7.7%
SOLAR INVESTMENT TAX CREDIT	\$65,000	\$1,383	0.2%
ACCRUED INTEREST ON SOFT DEBT	\$245,000	\$5,213	0.8%
NOI DURING CONSTRUCTION	\$150,000	\$3,191	0.5%
DEFERRED DEVELOPER FEE (\$800,000 PAID)	\$736,080	\$15,661	2.5%
GRAND TOTAL SOURCES	\$29,566,248	\$629,069	100.0%

USES:

	TOTAL	PER UNIT	% OF TOTAL
OFFSITE IMPROVEMENTS	\$1,235,001	\$26,277	4.2%
CONSTRUCTION COSTS	\$15,249,683	\$324,461	51.6%
PERMITS & FEES	\$5,705,874	\$121,402	19.3%
ARCHITECTURE & ENGINEERING	\$1,208,138	\$25,705	4.1%
TECHNICAL STUDIES	\$25,800	\$549	0.1%
BORROWER LEGAL	\$100,000	\$2,128	0.3%
OTHER SOFT COSTS	\$430,000	\$9,149	1.5%
RESERVES	\$245,060	\$5,214	0.8%
FINANCING COSTS	\$240,500	\$5,117	0.8%
INTEREST DURING CONSTRUCTION	\$575,000	\$12,234	1.9%
ACCRUED INTEREST ON SOFT DEBT	\$245,000	\$5,213	0.8%
TAX EXEMPT BOND COSTS	\$133,100	\$2,832	0.5%
TAX CREDIT COSTS	\$110,270	\$2,346	0.4%
SOFT COST CONTINGENCY	\$250,000	\$5,319	0.8%
DEVELOPER FEE	\$3,812,821	\$81,124	12.9%
TOTAL USES	\$29,566,248	\$629,069	100.0%

PROJECT SCHEDULE

MILESTONE	MONTH	INCOME/PIS		EXPENSES		EQUITY		DEVELOPER FEE	
		PERCENT	PERCENT	PERCENT	INCOME	PERCENT	INCOME		
	Jan-21	0%	0%		\$0		\$0		\$0
	Feb-21	0%	0%		\$0		\$0		\$0
	Mar-21	0%	0%		\$0		\$0		\$0
	Apr-21	0%	0%		\$0		\$0		\$0
	May-21	0%	0%		\$0		\$0		\$0
	Jun-21	0%	0%		\$0		\$0		\$0
	Jul-21	0%	0%		\$0		\$0		\$0
	Aug-21	0%	0%		\$0		\$0		\$0
LIHTC APP	Sep-21	0%	0%		\$0		\$0		\$0
	Oct-21	0%	0%		\$0		\$0		\$0
	Nov-21	0%	0%		\$0		\$0		\$0
LIHTCAWARD	Dec-21	0%	0%		\$0		\$0		\$0
				TOTAL:	\$0	TOTAL:	\$0		
	Jan-22	0%	0%		\$0		\$0		\$0
	Feb-22	0%	0%		\$0		\$0		\$0
	Mar-22	0%	0%		\$0		\$0		\$0
CLOSING	Apr-22	0%	0%	10.0%	\$1,309,000	25.0%	\$200,000		
	May-22	0%	0%		\$0		\$0		\$0
	Jun-22	0%	0%		\$0		\$0		\$0
	Jul-22	0%	0%		\$0		\$0		\$0
	Aug-22	0%	0%		\$0		\$0		\$0
	Sep-22	0%	0%		\$0		\$0		\$0
50% COMP.	Oct-22	0%	0%		\$0		\$0		\$0
	Nov-22	0%	0%		\$0		\$0		\$0
	Dec-22	0%	0%		\$0		\$0		\$0
				TOTAL:	\$1,309,000	TOTAL:	\$200,000		
	Jan-23	0%	0%		\$0		\$0		\$0
	Feb-23	0%	0%		\$0		\$0		\$0
	Mar-23	0%	0%		\$0		\$0		\$0
	Apr-23	0%	0%		\$0		\$0		\$0
	May-23	0%	0%		\$0		\$0		\$0
	Jun-23	0%	0%		\$0		\$0		\$0
COMPLETION	Jul-23	25%	75%	65.0%	\$8,508,500		\$0		\$0
100% Q/O	Aug-23	50%	100%		\$0	5.0%	\$40,000		
	Sep-23	75%	100%		\$0		\$0		\$0
	Oct-23	100%	100%		\$0		\$0		\$0
	Nov-23	100%	100%		\$0		\$0		\$0
	Dec-23	100%	100%		\$0		\$0		\$0
				TOTAL:	\$8,508,500	TOTAL:	\$40,000		
CONVERSION	Jan-24	100%	100%	23.8%	\$3,119,347	65.0%	\$520,000		
	Feb-24	100%	100%		\$0		\$0		\$0
	Mar-24	100%	100%		\$0		\$0		\$0
8609s	Apr-24	100%	100%	1.2%	\$153,153	5.0%	\$40,000		
	May-24	100%	100%		\$0		\$0		\$0
	Jun-24	100%	100%		\$0		\$0		\$0
	Jul-24	100%	100%		\$0		\$0		\$0
	Aug-24	100%	100%		\$0		\$0		\$0
	Sep-24	100%	100%		\$0		\$0		\$0
	Oct-24	100%	100%		\$0		\$0		\$0
	Nov-24	100%	100%		\$0		\$0		\$0
	Dec-24	100%	100%		\$0		\$0		\$0
				TOTAL:	\$3,272,500	TOTAL:	\$560,000		
				Grand Total	\$13,090,000		\$800,000		
				Check	\$0		-\$2,276,741		

DEVELOPER FEE PAYMENTS	
LIHTC APP	0.0%
LIHTC AWARD	0.0%
CLOSING	25.0%
50% COMP.	0.0%
COMPLETION	0.0%
100% Q/O	5.0%
CONVERSION	65.0%
8609s	5.0%
TOTAL	100.000%

TAX CREDIT EQUITY PAYMENTS	
LIHTC APP	0.0%
LIHTC AWARD	0.0%
CLOSING	10.0%
50% COMP.	0.0%
COMPLETION	65.0%
100% Q/O	0.0%
CONVERSION	23.8%
8609s	1.2%
TOTAL	100.0%

SCHEDULE SUMMARY	
LIHTC APP	Sep 2021
LIHTC AWARD	Dec 2021
CLOSING	Apr 2022
50% COMP.	Oct 2022
COMPLETION	Jul 2023
100% Q/O	Aug 2023
CONVERSION	Jan 2024
8609s	Apr 2024

Merge 56 Affordable
DEVELOPMENT COSTS

	Unit Cost	Cost Driver	Total	Per Unit	% of Total	Sec. 42 Acquisition	Sec. 42 New Con/Rehab	Sec. 42 Ineligible
ACQUISITION & CLOSING COSTS								
LAND	\$1	of Acq Price	\$1	\$0	0.0%	\$0	\$0	\$1
RESIDENTIAL BUILDINGS	\$0	Fixed (calc)	\$0	\$0	0.0%	\$0	\$0	\$0
ENTITLEMENT VALUE (ARCH & ENG.)	\$0	Fixed (calc)	\$0	\$0	0.0%	\$0	\$0	\$0
BROKER FEES	\$0	Fixed (calc)	\$0	\$0	0.0%	\$0	\$0	\$0
INFRASTRUCTURE / PARKING	\$1,235,000	Total	\$1,235,000	\$26,277	4.2%	\$0	\$1,235,000	\$0
TOTAL ACQUISITION & CLOSING COSTS			\$1,235,001	\$26,277	4.2%	\$0	\$1,235,000	\$1
CONSTRUCTION COSTS								
DIRECT COSTS - RESIDENTIAL	\$11,024,499	total	\$11,024,499	\$234,564	37.3%	\$0	\$11,024,499	\$0
DIRECT COSTS - COMMERCIAL	\$0	total	\$0	\$0	0.0%	\$0	\$0	\$0
GENERAL CONDITIONS	\$886,426	total	\$886,426	\$18,860	3.0%	\$0	\$886,426	\$0
GL INSURANCE	\$148,887	total	\$148,887	\$3,168	0.5%	\$0	\$148,887	\$0
GC FEE	\$476,437	total	\$476,437	\$10,137	1.6%	\$0	\$476,437	\$0
GC CONTINGENCY	\$595,546	total	\$595,546	\$12,671	2.0%	\$0	\$595,546	\$0
COMPLETION BOND	\$208,411	total	\$208,411	\$4,434	0.7%	\$0	\$208,411	\$0
SUBTOTAL (GC Cost Estimate)			\$13,340,206	\$283,834	45.1%			
GC's COST INFLATION/PLAN CONTINGENCY	5.0%	Of GC Contract	\$595,546	\$12,671	2.0%	\$0	\$595,546	\$0
TOTAL GMAX ALLOWANCES			\$13,935,752	\$296,505	47.1%			
APPLICATION ADJUSTMENT	\$0	per com. nrsf	\$0	\$0	0.0%	\$0	\$0	\$0
DEMOLITION	\$0	total	\$0	\$0	0.0%	\$0	\$0	\$0
ENVIRONMENTAL REMEDIATION	\$0	total	\$0	\$0	0.0%	\$0	\$0	\$0
EV CHARGING STATIONS	\$0	total	\$0	\$0	0.0%	\$0	\$0	\$0
SECURITY	\$0	total	\$0	\$0	0.0%	\$0	\$0	\$0
WATER SUBMETERS	\$0	total	\$0	\$0	0.0%	\$0	\$0	\$0
COMPLETION BOND	\$0	total	\$0	\$0	0.0%	\$0	\$0	\$0
SOLAR	\$250,000	total	\$250,000	\$5,319	0.8%	\$0	\$125,000	\$125,000
OTHER	\$0	total	\$0	\$0	0.0%	\$0	\$0	\$0
OTHER	\$0	total	\$0	\$0	0.0%	\$0	\$0	\$0
TOTAL ALLOWANCES			\$250,000	\$5,319	0.8%			
OWNER CONTINGENCY	7.50%	of hard costs	\$1,063,931	\$22,637	3.6%	\$0	\$1,063,931	\$0
TOTAL CONSTRUCTION COSTS			\$15,249,683	\$324,461	51.6%	\$0	\$15,224,683	\$125,000
		<i>Cost/gsf</i>	\$272.32		\$363.95			
PERMITS & FEES								
CITY PERMIT FEES	\$150,000	total	\$150,000	\$3,191	0.5%	\$0	\$150,000	\$0
DIF/FBA FEES	\$4,461,663	Per Unit	\$4,461,663	\$94,929	15.1%	\$0	\$4,461,663	\$0
RTCP	\$0	total	\$0	\$0	0.0%	\$0	\$0	\$0
WATER SEWER FEES	\$96,666	total	\$96,666	\$2,057	0.3%	\$0	\$96,666	\$0
SDCWA	\$56,784	total	\$56,784	\$1,208	0.2%	\$0	\$56,784	\$0
SEWER CAPACITY	\$130,834	total	\$130,834	\$2,784	0.4%	\$0	\$130,834	\$0
SCHOOL FEES	\$0	total	\$0	\$0	0.0%	\$0	\$0	\$0
PREPAID SCHOOL CFD FEES	\$535,838	total	\$535,838	\$11,401	1.8%	\$0	\$535,838	\$0
PUBLIC ART FEE	\$0	total	\$0	\$0	0.0%	\$0	\$0	\$0
SDHC DENSITY BONUS APP	\$0	total	\$0	\$0	0.0%	\$0	\$0	\$0
SDGE FEES	\$10,000	total	\$10,000	\$213	0.0%	\$0	\$10,000	\$0
CONTINGENCY	\$264,089	total	\$264,089	\$5,619	0.9%	\$0	\$264,089	\$0
RESERVED	\$0	total	\$0	\$0	0.0%	\$0	\$0	\$0
TOTAL PERMITS & FEES			\$5,705,874	\$121,402	19.3%	\$0	\$5,705,874	\$0
ARCHITECTURE & ENGINEERING								
A&E [A/MEP/Struct.]	\$716,638	total	\$716,638	\$15,248	2.4%	\$0	\$716,638	\$0
A&E CONSTRUCTION ADMIN	\$200,000	total	\$200,000	\$4,255	0.7%	\$0	\$200,000	\$0
INTERIOR DESIGN	\$15,000	total	\$15,000	\$319	0.1%	\$0	\$15,000	\$0
CIVIL ENGINEERING	\$100,000	total	\$100,000	\$2,128	0.3%	\$0	\$100,000	\$0
ALTA SURVEY	\$10,000	total	\$10,000	\$213	0.0%	\$0	\$10,000	\$0
GEOTECHNICAL DESIGN & OBSERVATION	\$25,000	total	\$25,000	\$532	0.1%	\$0	\$25,000	\$0
BUILDING ENVELOPE	\$0	total	\$0	\$0	0.0%	\$0	\$0	\$0
UTILITY DESIGN	\$0	total	\$0	\$0	0.0%	\$0	\$0	\$0
ACCESS CONSULTANT	\$0	total	\$0	\$0	0.0%	\$0	\$0	\$0
SPECIAL INSPECTIONS	\$75,000	total	\$75,000	\$1,596	0.3%	\$0	\$75,000	\$0
LEED/GREEN BUILDING CONSULTANT	\$0	total	\$0	\$0	0.0%	\$0	\$0	\$0
ROOF TIE OFF (OSHA)	\$0	total	\$0	\$0	0.0%	\$0	\$0	\$0
OTHER CONSULTANTS	\$50,000	total	\$50,000	\$1,064	0.2%	\$0	\$50,000	\$0
A&E REIMBURSABLES	\$15,000	total	\$15,000	\$319	0.1%	\$0	\$15,000	\$0
PERMIT EXPEDITE	\$1,500	total	\$1,500	\$32	0.0%	\$0	\$1,500	\$0
TOTAL ARCHITECTURE & ENGINEERING			\$1,208,138	\$25,705	4.1%	\$0	\$1,208,138	\$0
TECHNICAL STUDIES								
PHASE I	\$3,500	total	\$3,500	\$74	0.0%	\$0	\$3,500	\$0
PHASE II	\$0	total	\$0	\$0	0.0%	\$0	\$0	\$0
APPRAISAL	\$0	total	\$0	\$0	0.0%	\$0	\$0	\$0
LAND VALUE APPRAISAL	\$4,800	total	\$4,800	\$102	0.0%	\$0	\$0	\$4,800
MARKET STUDY	\$10,000	total	\$10,000	\$213	0.0%	\$0	\$10,000	\$0
AUP REPORT	\$7,500	total	\$7,500	\$160	0.0%	\$0	\$7,500	\$0
ARCHEOLOGICAL REPORT	\$0	total	\$0	\$0	0.0%	\$0	\$0	\$0
RELOCATION STUDY	\$0	total	\$0	\$0	0.0%	\$0	\$0	\$0
HISTORICAL REPORT	\$0	total	\$0	\$0	0.0%	\$0	\$0	\$0
RESERVED	\$0	total	\$0	\$0	0.0%	\$0	\$0	\$0
ACOUSTIC	\$0	total	\$0	\$0	0.0%	\$0	\$0	\$0
ACM/LBP SURVEY	\$0	total	\$0	\$0	0.0%	\$0	\$0	\$0
ERRCS ANALYSIS	\$0	total	\$0	\$0	0.0%	\$0	\$0	\$0
TOTAL TECHNICAL STUDIES			\$25,800	\$549	0.1%	\$0	\$21,000	\$4,800
BORROWER LEGAL								
BORROWER LEGAL (ORG)	\$5,000	total	\$5,000	\$106	0.0%	\$0	\$0	\$5,000
BORROWER LEGAL (PSA)	\$10,000	total	\$10,000	\$213	0.0%	\$0	\$0	\$10,000
BORROWER LEGAL (LAND USE)	\$0	total	\$0	\$0	0.0%	\$0	\$0	\$0
BORROWER LEGAL (CONSTRUCTION LOAN)	\$65,000	total	\$65,000	\$1,383	0.2%	\$0	\$65,000	\$0
BORROWER LEGAL (CONST. CONTRACT)	\$10,000	total	\$10,000	\$213	0.0%	\$0	\$10,000	\$0
NON PROFIT LEGAL	\$10,000	total	\$10,000	\$213	0.0%	\$0	\$0	\$10,000
BORROWER LEGAL			\$100,000	\$2,128	0.34%	\$0	\$75,000	\$25,000

Merge 56 Affordable
DEVELOPMENT COSTS

Unit Cost	Cost Driver	Total	Per Unit	% of Total	Sec. 42 Acquisition	Sec. 42 New Con/Rehab	Sec. 42 Ineligible
OTHER SOFT COSTS							
\$5,000	total	\$5,000	\$106	0.0%	\$0	\$5,000	\$0
\$75,000	total	\$75,000	\$1,596	0.3%	\$0	\$75,000	\$0
\$25,000	total	\$25,000	\$532	0.1%	\$0	\$25,000	\$0
\$25,000	total	\$25,000	\$532	0.1%	\$0	\$25,000	\$0
\$60,000	total	\$60,000	\$1,277	0.2%	\$0	\$60,000	\$0
\$125,000	total	\$125,000	\$2,660	0.4%	\$0	\$125,000	\$0
\$40,000	total	\$40,000	\$851	0.1%	\$0	\$0	\$40,000
\$25,000	total	\$25,000	\$532	0.1%	\$0	\$0	\$25,000
\$0	total	\$0	\$0	0.0%	\$0	\$0	\$0
\$50,000	total	\$50,000	\$1,064	0.2%	\$0	\$50,000	\$0
\$0	total	\$0	\$0	0.0%	\$0	\$0	\$0
\$0	total	\$0	\$0	0.0%	\$0	\$0	\$0
\$0	total	\$0	\$0	0.0%	\$0	\$0	\$0
\$0	total	\$0	\$0	0.0%	\$0	\$0	\$0
\$0	total	\$0	\$0	0.0%	\$0	\$0	\$0
\$430,000		\$9,149	1.45%		\$0	\$365,000	\$65,000
RESERVES							
\$0	Per Unit	\$0	\$0	0.0%	\$0	\$0	\$0
\$245,060	total	\$245,060	\$5,214	0.8%	\$0	\$0	\$245,060
\$0	total	\$0	\$0	0.0%	\$0	\$0	\$0
\$0	total	\$0	\$0	0.0%	\$0	\$0	\$0
\$0	total	\$0	\$0	0.0%	\$0	\$0	\$0
\$245,060		\$5,214	0.8%		\$0	\$0	\$245,060
FINANCING COSTS							
0.75%	of Cost. Loan	\$120,000	\$2,553	0.4%	\$0	\$120,000	\$0
\$70,000	total	\$70,000	\$1,489	0.2%	\$0	\$70,000	\$0
\$18,000	total	\$18,000	\$383	0.1%	\$0	\$18,000	\$0
\$25,000	total	\$25,000	\$532	0.1%	\$0	\$25,000	\$0
\$0	total	\$0	\$0	0.0%	\$0	\$0	\$0
\$7,500	total	\$7,500	\$160	0.0%	\$0	\$0	\$7,500
0.00%	of Cost. Loan	\$0	\$0	0.0%	\$0	\$0	\$0
0.00%	of Perm Loan	\$0	\$0	0.0%	\$0	\$0	\$0
\$0	total	\$0	\$0	0.0%	\$0	\$0	\$0
\$0	total	\$0	\$0	0.0%	\$0	\$0	\$0
\$0	total	\$0	\$0	0.0%	\$0	\$0	\$0
\$0	total	\$0	\$0	0.0%	\$0	\$0	\$0
\$0	total	\$0	\$0	0.0%	\$0	\$0	\$0
\$0	total	\$0	\$0	0.0%	\$0	\$0	\$0
\$0	total	\$0	\$0	0.0%	\$0	\$0	\$0
\$0	total	\$0	\$0	0.0%	\$0	\$0	\$0
\$0	total	\$0	\$0	0.0%	\$0	\$0	\$0
\$0	total	\$0	\$0	0.0%	\$0	\$0	\$0
\$0	total	\$0	\$0	0.0%	\$0	\$0	\$0
\$0	total	\$0	\$0	0.0%	\$0	\$0	\$0
\$0	total	\$0	\$0	0.0%	\$0	\$0	\$0
\$240,500		\$5,117	0.8%		\$0	\$233,000	\$7,500
\$575,000	FIXED FOR APP	\$575,000	\$18,908	2.9%	\$0	\$420,597	\$154,403
\$245,000	FIXED FOR APP	\$245,000	\$7,132	1.1%	\$0	\$159,539	\$85,461
TAX EXEMPT BOND COSTS							
0.0350%	of Bond Amt	\$5,600	\$119	0.0%	\$0	\$0	\$5,600
0.0250%	of Bond Amt	\$4,000	\$85	0.0%	\$0	\$0	\$4,000
\$3,000	total	\$3,000	\$64	0.0%	\$0	\$0	\$3,000
0.2500%	of Bond Amt	\$40,000	\$851	0.1%	\$0	\$0	\$40,000
\$2,500	total	\$2,500	\$53	0.0%	\$0	\$0	\$2,500
\$39,000	total	\$39,000	\$830	0.1%	\$0	\$0	\$39,000
\$39,000	total	\$39,000	\$830	0.1%	\$0	\$0	\$39,000
\$0	total	\$0	\$0	0.0%	\$0	\$0	\$0
\$0	total	\$0	\$0	0.0%	\$0	\$0	\$0
\$0	total	\$0	\$0	0.0%	\$0	\$0	\$0
\$0	total	\$0	\$0	0.0%	\$0	\$0	\$0
\$0	total	\$0	\$0	0.0%	\$0	\$0	\$0
\$0	total	\$0	\$0	0.0%	\$0	\$0	\$0
\$0	total	\$0	\$0	0.0%	\$0	\$0	\$0
\$0	total	\$0	\$0	0.0%	\$0	\$0	\$0
\$0	total	\$0	\$0	0.0%	\$0	\$0	\$0
\$133,100		\$2,832	0.5%		\$0	\$0	\$133,100
TAX CREDIT COSTS							
\$14,000	total	\$14,000	\$298	0.0%	\$0	\$0	\$14,000
\$2,000	total	\$2,000	\$43	0.0%	\$0	\$0	\$2,000
\$410	per unit	\$19,270	\$410	0.1%	\$0	\$0	\$19,270
\$15,000	total	\$15,000	\$319	0.1%	\$0	\$0	\$15,000
\$10,000	total	\$10,000	\$213	0.0%	\$0	\$0	\$10,000
\$50,000	total	\$50,000	\$1,064	0.2%	\$0	\$0	\$50,000
\$0	total	\$0	\$0	0.0%	\$0	\$0	\$0
\$110,270		\$2,346	0.4%		\$0	\$0	\$110,270
7.50%	Rounded	\$250,000	\$5,319	0.8%	\$0	\$250,000	\$0
DEVELOPER FEE							
0.00%	of Elig. Acq. Cost	\$0	\$0	0.0%	\$0	\$0	\$0
15.00%	FIXED FOR APP	\$3,812,821	\$81,124	12.5%	\$0	\$3,812,821	\$0
\$3,812,821		\$81,124	12.5%		\$0	\$3,812,821	\$0
GRAND TOTAL DEVELOPMENT COSTS							
		\$29,566,248	\$637,663	101%	\$0	\$28,610,653	\$955,595

Merge 56 Affordable
OPERATING BUDGET

UNTRENDED				
Input	Cost Driver	Total	Per Unit	Comments

INCOME:

GROSS POTENTIAL INCOME	\$841,271	Total	\$841,271	\$17,899	PER UNIT MIX
			\$856,799		

OTHER INCOME

LAUNDRY & VENDING	\$7,500	Total	\$7,500	\$160	
LATE/NSF FEES	\$550	Total	\$550	\$12	
FOREFITTED SECURITY DEPOSITS	\$1,200	Total	\$1,200	\$26	
PARKING	\$0	Total	\$0	\$0	
STORAGE	\$0	Total	\$0	\$0	
INTEREST INCOME	\$3,000	Total	\$3,000	\$64	
PET FEES	\$0	Total	\$0	\$0	
OTHER MISC INCOME	\$0	Total	\$0	\$0	
TOTAL OTHER INCOME			\$12,250	\$261	

VACANCY/RENT ADJUSTMENTS (RESIDENTIAL)

VACANCIES (RESIDENTIAL)	5.000%	% of GPR	\$42,676	\$908	
CONCESSIONS (RESIDENTIAL)	0.000%	% of GPR	\$0	\$0	
TOTAL VACANCIES/CONCESSIONS (RESID.)			\$42,676	\$908	

EFFECTIVE GROSS INCOME (RESIDENTIAL)

\$810,845	\$17,252
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COMMERCIAL INCOME

COMMERCIAL SPACE 1	\$0	Total	\$0	\$0	
RESERVED	\$0	Total	\$0	\$0	
RESERVED	\$0	Total	\$0	\$0	
RESERVED	\$0	Total	\$0	\$0	
RESERVED	\$0	Total	\$0	\$0	
TOTAL COMMERCIAL			\$0	\$0	

VACANCY/RENT ADJUSTMENTS (COMMERCIAL)

VACANCIES (COMMERCIAL)	5.000%	% of GPR	\$0	\$0	
CONCESSIONS (COMMERCIAL)	0.000%	% of GPR	\$0	\$0	
TOTAL VACANCIES/CONCESSIONS (COM.)			\$0	\$0	

EFFECTIVE GROSS INCOME (COMMERCIAL)

\$0	\$0
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EFFECTIVE GROSS INCOME (BUILDING)

\$810,845	\$17,252
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Merge 56 Affordable
OPERATING BUDGET

UNTRENDED				
Input	Cost Driver	Total	Per Unit	Comments

EXPENSES:

PROFESSIONAL MANAGEMENT	\$55.00	PU/PM	\$31,020	\$660	
				3.83%	

ADMINISTRATIVE					
AUDIT	\$11,500	Total	\$11,500	\$245	
ADVERTISING	\$600	Total	\$600	\$13	
OFFICE SUPPLIES	\$2,500	Total	\$2,500	\$53	
TELEPHONE	\$3,500	Total	\$3,500	\$74	
LEGAL	\$1,000	Total	\$1,000	\$21	
ISSUER FEE & TRUSTEE FEE	\$11,400	Total	\$11,400	\$243	
MISC ADMIN	\$2,000	Total	\$2,000	\$43	
TOTAL ADMINISTRATIVE	\$32,500		\$32,500	\$691	

PAYROLL AND BENEFITS					
MANAGER SALARY	\$39,520	Total	\$39,520	\$841	1.0 FTE
MAINTENANCE SALARY	\$37,440	Total	\$37,440	\$797	1.0 FTE
MANAGER'S RENT FREE UNIT	\$18,942	Total	\$18,942	\$403	
PAYROLL TAXES & WORKER'S COMP	\$16,460	Total	\$16,460	\$350	
SERVICE AMENITIES	\$10,875	Total	\$10,875	\$231	
EMPLOYEE BENEFITS	\$14,158	Total	\$14,158	\$301	
TOTAL PAYROLL AND BENEFITS	\$137,395		\$137,395	\$2,923	

UTILITIES			\$118,453		
			\$107,578		
CABLE	\$0	Per mo.	\$0	\$0	
GAS	\$0	Per mo.	\$0	\$0	
ELECTRICITY	\$30,000	Total	\$0	\$0	90% offset by solar
WATER	\$700	Per unit	\$35,900	\$764	
SEWER	\$600	Per unit	\$28,200	\$600	
GARBAGE	\$600	Per unit	\$28,200	\$600	
TOTAL UTILITIES	\$31,900		\$92,300	\$1,964	

OPERATING & MAINTENANCE			\$64,100		
REPAIR - CONTRACT	\$100	Per unit	\$4,700	\$100	
REPAIR - SUPPLIES	\$125	Per unit	\$5,875	\$125	
JANITORIAL	\$0	Per mo.	\$0	\$0	
TURNOVER	\$0	Per unit	\$0	\$0	
ELEVATOR	\$5,000	Total	\$5,000	\$106	
LANDSCAPING	\$900	Per mo.	\$10,800	\$230	
PEST CONTROL	\$200	Per mo.	\$2,400	\$51	
ALARM MONITORING	\$50	Per unit	\$2,350	\$50	
MISC O&M	\$50	Per unit	\$2,350	\$50	
TOTAL OPERATING AND MAINTENANCE	\$6,425		\$33,475	\$712	

TAXES AND INSURANCE			\$61,675		
REAL ESTATE TAXES	\$5,000	Total	\$5,000	\$106	
INSURANCE	\$350	Per unit	\$16,450	\$350	
MISC TAXES AND INSURANCE	\$2,000	Total	\$2,000	\$43	
TOTAL TAXES AND INSURANCE	\$7,350		\$23,450	\$499	

REPLACEMENT RESERVES	\$350	Per Unit	\$16,450	\$350	
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OTHER (TAX CREDIT MONITORING)	\$150	Per Unit	\$7,050	\$150	
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TOTAL EXPENSES			\$373,640	\$7,950	
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NET OPERATING INCOME			\$437,205	\$9,302	
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Mississippi ECB
ANNUAL CASH FLOW

	PARTIAL		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
INCOME:																	
GROSS POTENTIAL INCOME	\$841,271	\$866,509	\$892,505	\$919,280	\$946,858	\$975,264	\$1,004,522	\$1,034,657	\$1,065,697	\$1,097,668	\$1,130,598	\$1,164,516	\$1,199,452	\$1,235,435	\$1,272,498	\$1,310,673	\$1,349,993
TOTAL VACANCIES/CONCESSIONS (RESID.)	(\$42,439)	(\$43,325)	(\$44,625)	(\$45,964)	(\$47,343)	(\$48,763)	(\$50,226)	(\$51,733)	(\$53,285)	(\$54,883)	(\$56,530)	(\$58,226)	(\$59,973)	(\$61,772)	(\$63,625)	(\$65,534)	(\$67,500)
TOTAL OTHER INCOME	\$12,250	\$7,725	\$7,957	\$8,195	\$8,441	\$8,695	\$8,955	\$9,224	\$9,501	\$9,786	\$10,079	\$10,382	\$10,693	\$11,014	\$11,344	\$11,685	\$12,035
COMMERCIAL INCOME	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
VACANCY/RENT ADJUSTMENTS (COMMERCIAL)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
EFFECTIVE GROSS INCOME (BUILDING)	\$811,083	\$830,909	\$855,836	\$881,511	\$907,957	\$935,195	\$963,251	\$992,149	\$1,021,913	\$1,052,570	\$1,084,148	\$1,116,672	\$1,150,172	\$1,184,677	\$1,220,218	\$1,256,824	\$1,294,529
EXPENSES:																	
PROFESSIONAL MANAGEMENT	\$31,020	\$31,951	\$32,909	\$33,896	\$34,913	\$35,961	\$37,040	\$38,151	\$39,295	\$40,474	\$41,688	\$42,939	\$44,227	\$45,554	\$46,921	\$48,328	\$49,778
TOTAL ADMINISTRATIVE	\$32,500	\$33,475	\$34,479	\$35,514	\$36,579	\$37,676	\$38,807	\$39,971	\$41,170	\$42,405	\$43,677	\$44,988	\$46,337	\$47,727	\$49,159	\$50,634	\$52,153
TOTAL PAYROLL AND BENEFITS	\$137,395	\$141,517	\$145,762	\$150,135	\$154,639	\$159,278	\$164,057	\$168,979	\$174,048	\$179,269	\$184,647	\$190,187	\$195,892	\$201,769	\$207,822	\$214,057	\$220,479
TOTAL UTILITIES	\$92,300	\$95,069	\$97,921	\$100,859	\$103,884	\$107,001	\$110,211	\$113,517	\$116,923	\$120,431	\$124,043	\$127,765	\$131,598	\$135,546	\$139,612	\$143,800	\$148,114
TOTAL OPERATING AND MAINTENANCE	\$33,475	\$34,479	\$35,514	\$36,579	\$37,676	\$38,807	\$39,971	\$41,170	\$42,405	\$43,677	\$44,988	\$46,337	\$47,727	\$49,159	\$50,634	\$52,153	\$53,718
TOTAL TAXES AND INSURANCE	\$23,450	\$24,154	\$24,878	\$25,624	\$26,393	\$27,185	\$28,001	\$28,841	\$29,706	\$30,597	\$31,515	\$32,460	\$33,434	\$34,437	\$35,470	\$36,534	\$37,630
REPLACEMENT RESERVES	\$16,450	\$16,944	\$17,452	\$17,975	\$18,515	\$19,070	\$19,642	\$20,231	\$20,838	\$21,464	\$22,107	\$22,771	\$23,454	\$24,157	\$24,882	\$25,629	\$26,397
OTHER (TAX CREDIT MONITORING)	\$7,050	\$7,262	\$7,479	\$7,704	\$7,935	\$8,173	\$8,418	\$8,671	\$8,931	\$9,199	\$9,475	\$9,759	\$10,052	\$10,353	\$10,664	\$10,984	\$11,313
TOTAL EXPENSES	\$373,640	\$384,849	\$396,395	\$408,287	\$420,535	\$433,151	\$446,146	\$459,530	\$473,316	\$487,515	\$502,141	\$517,205	\$532,721	\$548,703	\$565,164	\$582,119	\$599,583
NET OPERATING INCOME	\$437,443	\$446,060	\$459,441	\$473,225	\$487,421	\$502,044	\$517,105	\$532,619	\$548,597	\$565,055	\$582,007	\$599,467	\$617,451	\$635,974	\$655,054	\$674,705	\$694,946
TOTAL HARD DEBT SERVICE	\$380,236	\$380,236	\$380,236	\$380,236	\$380,236	\$380,236	\$380,236	\$380,236	\$380,236	\$380,236	\$380,236	\$380,236	\$380,236	\$380,236	\$380,236	\$380,236	\$380,236
DSCR	1.1504	1.1731	1.21	1.24	1.28	1.32	1.36	1.40	1.44	1.49	1.53	1.58	1.62	1.67	1.72	1.77	1.83
NET PARTNERSHIP CASH FLOW	\$0	\$0	\$79,205	\$92,988	\$107,185	\$121,808	\$136,869	\$152,382	\$168,361	\$184,819	\$201,770	\$219,230	\$237,214	\$255,738	\$274,817	\$294,469	\$314,710

Mississippi ECB
ANNUAL CASH FLOW

	PARTIAL		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
	2021	2022															
NET OPERATING INCOME	\$437,443	\$446,060	\$459,441	\$473,225	\$487,421	\$502,044	\$517,105	\$532,619	\$548,597	\$565,055	\$582,007	\$599,467	\$617,451	\$635,974	\$655,054	\$674,705	\$694,946
CASH FLOW WATERFALL																	
1 ASSET MANAGEMENT FEE TO LP	3.00% growth rate																
BEGINNING BALANCE	\$0	\$7,500	\$15,225	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
ASSET MANAGEMENT FEE	\$7,500	\$7,725	\$7,957	\$8,195	\$8,441	\$8,695	\$8,955	\$9,224	\$9,501	\$9,786	\$10,079	\$10,382	\$10,693	\$11,014	\$11,344	\$11,685	\$12,035
PAYMENTS	\$0	\$0	\$23,182	\$8,195	\$8,441	\$8,695	\$8,955	\$9,224	\$9,501	\$9,786	\$10,079	\$10,382	\$10,693	\$11,014	\$11,344	\$11,685	\$12,035
ENDING BALANCE	\$7,500	\$15,225	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<i>Remaining Balance After LP AM Fee</i>	\$0	\$0	\$56,023	\$84,793	\$98,744	\$113,113	\$127,914	\$143,158	\$158,860	\$175,033	\$191,691	\$208,849	\$226,521	\$244,724	\$263,473	\$282,784	\$302,675
2 PARTNERSHIP MANAGEMENT FEE TO MGP	3.00% growth rate																
BEGINNING BALANCE			\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
INTEREST ON BALANCE			\$5,640	\$5,809	\$5,983	\$6,163	\$6,348	\$6,538	\$6,734	\$6,936	\$7,145	\$7,359	\$7,580	\$7,807	\$8,041	\$8,283	\$8,531
PAYMENTS			\$5,640	\$5,809	\$5,983	\$6,163	\$6,348	\$6,538	\$6,734	\$6,936	\$7,145	\$7,359	\$7,580	\$7,807	\$8,041	\$8,283	\$8,531
ENDING BALANCE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<i>Remaining Balance After MGP Fee</i>	\$0	\$0	\$50,383	\$78,984	\$92,760	\$106,950	\$121,566	\$136,620	\$152,125	\$168,096	\$184,546	\$201,490	\$218,942	\$236,917	\$255,432	\$274,502	\$294,144
3 PARTNERSHIP MANAGEMENT FEE TO AGP	3.00% growth rate																
BEGINNING BALANCE			\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
INTEREST ON BALANCE			\$15,000	\$15,914	\$15,914	\$16,391	\$16,883	\$17,389	\$17,911	\$18,448	\$19,002	\$19,572	\$20,159	\$20,764	\$21,386	\$22,028	\$22,689
PAYMENTS			\$15,000	\$15,450	\$15,914	\$16,391	\$16,883	\$17,389	\$17,911	\$18,448	\$19,002	\$19,572	\$20,159	\$20,764	\$21,386	\$22,028	\$22,689
ENDING BALANCE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<i>Remaining Balance After AGP Fee</i>	\$0	\$0	\$35,383	\$63,534	\$76,847	\$90,559	\$104,683	\$119,231	\$134,215	\$149,648	\$165,545	\$181,918	\$198,783	\$216,153	\$234,045	\$252,474	\$271,455
4 DEFERRED DEVELOPER FEE TO GP	50.00% of Net Cash Flow																
BEGINNING BALANCE	\$0	\$0	\$736,080	\$718,388	\$686,622	\$648,198	\$602,919	\$550,577	\$490,962	\$423,854	\$349,030	\$266,258	\$175,299	\$75,907	\$0	\$0	\$0
BALANCE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
PAYMENTS	\$0	\$0	\$17,692	\$31,767	\$38,423	\$45,280	\$52,342	\$59,615	\$67,107	\$74,824	\$82,772	\$90,959	\$99,391	\$75,907	\$0	\$0	\$0
ENDING BALANCE	\$0	\$0	\$718,388	\$686,622	\$648,198	\$602,919	\$550,577	\$490,962	\$423,854	\$349,030	\$266,258	\$175,299	\$75,907	\$0	\$0	\$0	\$0
<i>Remaining Balance After Deferred Dev. Fee</i>	\$0	\$0	\$17,692	\$31,767	\$38,423	\$45,280	\$52,342	\$59,615	\$67,107	\$74,824	\$82,772	\$90,959	\$99,391	\$140,246	\$234,045	\$252,474	\$271,455
5 SEA BREEZE 56, LLC LOAN	50.00% of Net Cash Flow																
BEGINNING PRINCIPAL BALANCE	\$5,598,427	\$5,724,391	\$5,853,190	\$5,967,195	\$6,069,691	\$6,167,835	\$6,261,332	\$6,349,870	\$6,433,127	\$6,510,765	\$6,582,433	\$6,647,766	\$6,706,381	\$6,757,883	\$6,769,690	\$6,804,985	\$6,831,861
CURRENT INTEREST	\$125,965	\$128,799	\$131,697	\$134,262	\$136,568	\$138,776	\$140,880	\$142,872	\$144,745	\$146,492	\$148,105	\$149,575	\$150,894	\$152,052	\$152,318	\$153,112	\$153,717
PAYMENT APPLIED	\$0	\$0	\$17,692	\$31,767	\$38,423	\$45,280	\$52,342	\$59,615	\$67,107	\$74,824	\$82,772	\$90,959	\$99,391	\$140,246	\$117,023	\$126,237	\$135,727
NET ACCRUAL/PAYDOWN	\$125,965	\$128,799	\$114,005	\$102,495	\$98,145	\$93,497	\$88,538	\$83,257	\$77,638	\$71,668	\$65,332	\$58,616	\$51,502	\$11,806	\$35,295	\$26,875	\$17,989
BALANCE OF INTEREST ACCRUED	\$125,965	\$254,763	\$368,769	\$471,264	\$569,408	\$662,905	\$751,443	\$834,700	\$912,338	\$984,006	\$1,049,339	\$1,107,954	\$1,159,456	\$1,171,263	\$1,206,558	\$1,233,434	\$1,251,423
APPLIED TO PRINCIPAL	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
ENDING BALANCE (PRINCIPAL AND INTEREST)	\$5,724,391	\$5,853,190	\$5,967,195	\$6,069,691	\$6,167,835	\$6,261,332	\$6,349,870	\$6,433,127	\$6,510,765	\$6,582,433	\$6,647,766	\$6,706,381	\$6,757,883	\$6,769,690	\$6,804,985	\$6,831,861	\$6,849,850
<i>Remaining Balance After Conduit Loan</i>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$117,023	\$126,237	\$135,727
6 SUBORDINATE DEVELOPER FEE MGP LOAN	100.00% of Net Cash Flow																
BEGINNING PRINCIPAL BALANCE	\$0	\$0	\$2,276,741	\$2,327,968	\$2,380,347	\$2,433,905	\$2,488,668	\$2,544,663	\$2,601,917	\$2,660,461	\$2,720,321	\$2,781,528	\$2,844,113	\$2,908,105	\$2,973,537	\$2,923,420	\$2,862,960
CURRENT INTEREST	\$0	\$0	\$51,227	\$52,379	\$53,558	\$54,763	\$55,995	\$57,255	\$58,543	\$59,860	\$61,207	\$62,584	\$63,993	\$65,432	\$66,905	\$68,777	\$64,417
PAYMENT APPLIED	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$117,023	\$126,237	\$135,727
NET ACCRUAL/PAYDOWN	\$0	\$0	\$51,227	\$52,379	\$53,558	\$54,763	\$55,995	\$57,255	\$58,543	\$59,860	\$61,207	\$62,584	\$63,993	\$65,432	(\$50,118)	(\$60,460)	(\$71,311)
BALANCE OF INTEREST ACCRUED	\$0	\$0	\$51,227	\$103,606	\$157,164	\$211,927	\$267,922	\$325,177	\$383,720	\$443,580	\$504,787	\$567,372	\$631,364	\$696,797	\$646,679	\$586,219	\$514,908
APPLIED TO PRINCIPAL	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
ENDING BALANCE (PRINCIPAL AND INTEREST)	\$0	\$0	\$2,327,968	\$2,380,347	\$2,433,905	\$2,488,668	\$2,544,663	\$2,601,917	\$2,660,461	\$2,720,321	\$2,781,528	\$2,844,113	\$2,908,105	\$2,973,537	\$2,923,420	\$2,862,960	\$2,791,649

Merge 56 Affordable

CALCULATION OF TAX CREDITS

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TOTAL ELEGIBLE BASIS (FROM COST PAGE)

Acq. Basis	New Const/Rehab Basis
\$0	\$28,610,653

THRESHOLD BASIS CALCULATION

Number of units	4% Basis Limits - 2021	9% Basis Limits - 2020	Unadjusted Threshold basis
-			\$0
1 BR	8	\$300,430	\$2,403,440
2 BR	24	\$362,400	\$8,697,600
3 BR	11	\$463,872	\$5,102,592
4 BR	4	\$516,782	\$2,067,128
TOTAL			18,270,760

BASIS ADJUSTMENTS

Driver	Adjustment	Basis Adjustment
PREVAILING WAGE	NO	20%
NEW CONSTRUCTION STRUCTURED PARKING	NO	7%
DAY CARE	NO	0%
100% SPECIAL NEEDS	NO	0%
ELEVATORED UNITS	YES	10%
ENERGY EFFICIENCY	YES	3%
IMPACT FEES PAID BY MUNICIPALITY	amount	5,281,785
36-50% AMI	YES	10%
35% AMI & UNDER	YES	20%
HIGH RESORUCE AREA	YES	10%
RENEWABLE ENERGY	yes	0%
		-
		-
		-
		-
		1,827,076
		548,123
		5,281,785
		1,827,076
		3,654,152
		1,827,076
		-

TOTAL ADJUSTMENT TO THRESHOLD BASIS LIMIT
TOTAL ADJUSTED BASIS

14,965,288
33,236,048

TOTAL ELIGIBLE BASIS (LESSER OF ADJUSTED THRESHOLD BASIS OR ELIGIBLE BASIS)

Acq. Basis	New Const/Rehab Basis
\$0	\$28,610,653
	16.17%

(LESS) INELIGIBLE AMOUNTS

GRANT PROCEEDS
BMIR FEDERAL FINANCING
NON QUALIFIED RECOURSE FINANCING
NON QUALIFYING PORTION OF HIGHER QUALITY UNITS
HISTORIC TAX CREDIT (RESIDENTIAL)

TOTAL INELIGIBLE AMOUNTS
(LESS) VOLUNTARY REDUCTION
TOTAL BASIS REDUCTION

\$0	\$0
\$0	\$0

TOTAL REQUESTED UNADJUSTED ELIGIBLE BASIS
HIGH COST AREA ADJUSTMENT (DDA/QCT)

\$0	\$28,610,653
100%	130%

TOTAL ADJUSTED ELIGIBLE BASIS

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\$0	\$37,193,849
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QUALIFIED BASIS

APPLICABLE FRACTION
APPLICABLE PERCENTAGE
SUBTOTAL ANNUAL FEDERAL CREDIT
COMBINED ANNUAL FEDERAL CREDIT
TEN YEAR CREDITS
INVESTOR'S SHARE OF CREDITS
CREDIT PRICE

100%	100%
\$0	\$37,193,849
4.00%	4.00%
\$0	\$1,487,754
	\$1,487,754
	\$14,877,540
	99.99%
	\$0.880

TOTAL LIHTC EQUITY

\$13,090,926

TOTAL ELIGIBLE BASIS FOR STATE CREDITS

CREDIT FACTOR
CREDIT PRICE
TOTAL STATE CREDIT EQUITY

\$0

TOTAL STATE & FEDERAL CREDITS

\$0

**ATTACHMENT 5:
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 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 San Diego Housing Commission (Housing Commission) 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, or the 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. This process does not make the Housing Commission, the Housing Authority, or the City of San Diego financially or legally liable for the bonds or for the project.

[Note: Members of the Housing Commission or the San Diego City Council may be asked to take two actions at this stage in the bond process -- one in their capacity as approving the TEFRA hearing resolution and another as approving the bond inducement.]

- 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 Commission 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.

April 15, 2022

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

RE: Merge 56 Apartments

Dear Mr. Miller:

The San Diego Housing Commission (the "Commission") has retained CSG Advisors, Inc. to analyze the feasibility of the proposed tax-exempt financing for the Merge 56 Apartments (the "Project"). Our findings are organized as follows:

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

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

CURRENT PROJECT STATUS AND THE PROPOSED DEVELOPMENT

The Project will consist of a 47-unit development (the "Development") to be newly-constructed at Carmel Mountain Road and Merger Avenue (Lot 88 and of Merge 56 Unit 2) in the Torrey Highlands neighborhood in the City of San Diego, 92129 (the "Site"). Acquisition of the Site and construction of the Development would be financed from, among other sources, equity raised from the sale of 4% low-income housing tax credits and tax-exempt and taxable debt issued by the Housing Authority of the City of San Diego (the "Housing Authority"). 47 units will be subject to affordability restrictions as further described herein. The Developer, in lieu of providing a manager's unit, has elected – as provided for in CTCAC Regulation Section 10325(f)(7)(J), "...to employ an equivalent number

of on-site full-time property management staff (at least one of whom is a property manager) and provide an equivalent number of desk or security staff who are not tenants and are capable of responding to emergencies for the hours when property management staff is not working..." The Developer, initially, will house an income-qualified onsite manager in a 2-bedroom unit. Should that initial manager cease to be employed in the capacity of manager but continue to occupy the unit, the Developer either will: i) provide onsite management staff during business hours and an after-hours "key-holder" for unit access during other than business hours; or ii) occupy another unit with an income-qualified manager. If the former manager employee vacates the unit, the Developer expect to re-occupy the unit (or another available unit) with an income qualified manager.

The affordable units to be constructed in the Development satisfy certain inclusionary affordable unit obligations contained in a "[Master Affordable Housing Agreement And Agreement Authorizing Affordable Housing Density Bonus and Imposing Covenants, Conditions, and Restrictions on Real Property...](#)" As such, the Site is currently subject to a "[Declaration Covenants, Conditions and Restrictions](#)" and "[Deed of Trust](#)" in favor of the San Diego Housing Commission to effect the Developer's obligations to create the affordable units.

The Site is currently owned by Sea Breeze 56, LLC (the "Seller"). The Site currently consists of a single parcel subject to a lot line adjustment to be recorded prior to financial close. The parcel is currently vacant. The Developer has secured site control via a Purchase and Sale Agreement with the Seller. A portion of the Development's parking will be located on an immediately adjacent parcel; the Development will be subject to a Reciprocal Easement Agreement in order to effect the rights of the residents of the Development to access the parking on the adjacent parcel.

On June 16, 2021, the Housing Authority approved a resolution evidencing its official intent to conduct a tax-exempt issuance in the not-to-exceed amount of \$16,000,000 for the Project. The resolution also approved submittal of the application to the California Debt Limit Allocation Committee ("CDLAC") for an allocation of private activity tax-exempt authority for the Project.

The public hearing required pursuant to Section 147(f) of the Internal Revenue Code for tax-exempt issuances ("TEFRA") is expected to be held on May 24, 2022. The TEFRA hearing will remain valid for a period of one year.

On September 9, 2021, the Housing Authority submitted an application to CDLAC for \$16,000,000 in private activity tax-exempt issuance authority for the Project.

On December 08, 2021, CDLAC awarded \$16,000,000 in private activity tax-exempt allocation to the Housing Authority for the Project.

THE PROPOSED FINANCING

The Developer proposes that the Housing Authority issue up to \$16,000,000 in a tax-exempt note (the “Note”)¹ for the Project and up to \$2,000,000 in a taxable note (the “Taxable Note,” collectively the “Notes”). The Notes would be issued pursuant to a Loan Agreement between the Housing Authority and the Lender, and separate Loan Agreement between the Housing Authority and the Borrower.

The Developer proposes, pursuant to a Commitment letter, dated September 02, 2021, from Pacific Western Bank (the “Lender”), that the Notes would be purchased on a private-placement basis by the Lender. Construction draws of tax-exempt Note proceeds would be funded on and as-needed “draw-down” basis. Pacific Western Bank would remain the as Lender for the Project upon stabilization and conversion to permanent financing.

According to projections provided by the Developer, the total development cost (“TDC”) totals approximately \$29,566,000.

Merge 56 Apartments: Construction and Permanent Source Summary²

	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Note	16,000,000	7,405,000
Taxable Note	2,000,000	0
Tax Credit Equity (Federal and Solar)	8,508,500	13,155,000
Sea Breeze 56, LLC	0	5,598,430
Accrued Interest	245,000	245,000
Construction Period NOI	150,000	150,000
Deferred Developer Fee	0	736,080
Developer Fee/MGP Loan	0	2,276,740
Deferred Costs and Fees	<u>2,662,750</u>	<u>0</u>
Total Sources	29,566,250	29,566,250

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

² Source: Developer projections. Rounding by CSG. Total of Uses and Sources may not equal due to rounding.

Merge 56 Apartments: Permanent Use Summary³

	<u>Permanent</u>
Land and Acquisition Costs	1
Construction Costs (includes infrastructure and parking)	15,170,750
Construction Contingency (Owner + Contractor's)	2,255,020
Developer Fee	3,812,820
Operating Reserve	245,060
Capitalized Construction Loan Interest	575,000
Other Hard and Soft Costs	<u>7,507,600</u>
Total Uses	29,566,251

Ownership

The Project will be owned by Merge 56 Affordable, LP (the “Borrower”). The Borrower will consist of: AOF SD MGP LLC as the Managing General Partner (with AOF/Pacific Affordable Housing Corporation as its Sole Member); Merge 56 Affordable LLC as the Administrative General Partner (with Rise Urban Partners, LLC as its Managing Member); an entity of the Redstone Equity Partners (the “Tax Credit Investor”) will be the tax credit investor limited partner.

Tax-Exempt Bond Structure and Credit Enhancement

Construction Loan

The Developer proposes that the Housing Authority issue tax-exempt Notes in the combined maximum amount of \$18,000,000 in order to finance the acquisition and construction of the Project. Solely revenues pledged under the respective Loan Agreements will secure the payment of principal and interest to the bondholder.

The Notes would be unrated, without credit enhancement, and would be purchased by the Lender on a private placement basis. The Notes would be funded on a draw-down basis through the construction period. Upon stabilization and conversion, all of the taxable Note and a portion of the tax-exempt Note will be redeemed (from tax credit equity and other sources).

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

³ Source: Developer/Tax Credit Investor projections. Rounding by CSG. Total of Uses and Sources may not equal due to rounding.

The construction period would be 24 months. The Lender’s Commitment provides an indicative construction period fixed interest rate for the Notes of 3.25% for the tax-exempt and 3.70% for the taxable. Payments during the construction period would be interest-only on a 365/360 basis.

Permanent Loan

Upon conversion to the permanent loan, the Borrower proposes to redeem all of the taxable Note and a portion of the outstanding tax-exempt Note with available sources (e.g., tax credit equity). The remaining outstanding tax-exempt Note will convert to a permanent loan.

According to the Lender’s Commitment, the permanent loan would have a term of 18 years following the Conversion and an amortization period of 35 years. The Lender also provides an indicative fixed rate of 3.75%.

Projected Issuance Date

The Developer proposes that the Housing Authority issue the Note on or about May 30, 2022. The Authority received an allocation tax-exempt authority in the amount of \$16,000,000 from CDLAC at its December 08, 2021 allocation meeting date. The allocation expiration date provided by CDLAC is June 20, 2022 (with a separate “Readiness” deadline of June 06, 2022).

Commission Financial Involvement

The Commission has no other financial involvement in the transaction

Affordability Restrictions

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

Source of Restriction	Restriction	Expiration Date
CDLAC Debt Limit	5 units at 30% AMI	55 years
Allocation Committee and California Tax Credit	5 units at 50% AMI	
Allocation Committee	37 units at 60% AMI	

In addition, the existing [Declaration Covenants, Conditions and Restrictions](#) requires that all 47 units are restricted to 60% AMI or less.

PROJECT'S PROJECTED FINANCIAL STATUS

Under the proposed financing – according to information provided by the Developer and analysis by CSG – annual permanent debt service on the proposed senior permanent loan of \$7,405,000 would total approximately \$281,544. According to preliminary information provided by the Developer and analysis by CSG, stabilized annual cash flow (before reserves) after construction and lease-up (including Issuer fees) would total approximately \$172,120 at a debt coverage ratio (DCR) of 1.61. Cash flow after reserves would total approximately \$155,670 at a DCR of 1.55. *Note that this DCR is in excess of CTCAC maximums (1.20 DCR or not to exceed 8% of GPI) for the first 3 operating years.*

THE BENEFITS AND RISKS TO THE COMMISSION

The proposed financing provides for financing for the acquisition and construction of the Project. By approving a recommendation to the Housing Authority to move forward with the approval process for the proposed tax-exempt Note financing, the Commission will not obligate the Commission or the Housing Authority to issue the Bonds.

As proposed, the financing will create 47 affordable units in the City of San Diego. These units will remain long-term affordable for approximately 55 years under the CDLAC, CTCAC restrictions and the [Declaration Covenants, Conditions and Restrictions](#).

If the Authority issues the Notes, the Commission would receive a fee at closing of 0.25% of the issue amount (approximately \$45,000) and an annual fee equal to the greater of \$10,000 and 0.125% of the outstanding Note.

PUBLIC PURPOSE

The proposed financing will result in the creation of 47 affordable family housing units in the City of San Diego. The proposed financing will result in new CDLAC and CTCAC regulatory restrictions as follows (most restrictive) for 55 years:

- 5 units at 30% AMI
- 5 units at 50% AMI
- 37 units at 60% AMI

NEGOTIATION OF ADDITIONAL PUBLIC BENEFIT

As noted above, the financing will result in long-term affordability restrictions on 47 units within the Project.

RECOMMENDATIONS

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

- The financing will create 47 affordable family units in the City of San Diego with long-term affordability covenants.
- The Commission has received tax-exempt authority of \$16,000,000 from CDLAC for the Project.
- The Lender and the Tax Credit Investor are currently underwriting the Project.
- The Commission will not be responsible for costs of issuance. The Commission will receive an issuance fee at closing of approximately \$45,000, and a long-term annual fee equal to the greater of \$10,000 and 0.125% the outstanding Notes.
- The net Tax-Exempt Note financing and tax credit equity will provide approximately \$20,560,000 for development costs.

Contingent Items

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

- The Project's financial underwriting must be consistent among the Developer, the Lender and the Tax Credit Investor.
- As of this writing, neither the Lender nor the Tax Credit Investor has provided final credit approval for the financing. The Notes cannot be issued without these final approvals.
- Final Notes documents and approving resolution must be approved by the Housing Authority.

Merge 56 Apartments
Feasibility Report
April 15, 2022
Page 8 of 8

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

Sincerely,
CSG Advisors



John Hamilton

Exhibit A

Merge 56

date of rev: 4/4/22

Long-Term Tax-Exempt Loan Loan

	<u>Tranche A</u>	<u>Tranche B</u>	<u>Total</u>
Principal Amount ¹	\$ 7,405,000	\$ -	\$ 7,405,000
Mortgage Rate ²	3.750%	0.000%	
Amortization Term (yrs) ²	35	0	
Underwriting Monthly Debt Service	\$ 23,462	\$ -	\$ 23,462
Underwriting Annual Debt Service	\$ 281,544	\$ -	\$ 281,544

¹ Source: Developer projections dated 02-24-22. Pacific Western Bank Commitment dated 9/2/21 shows then-supported amount of \$7,240,000

² Pacific Western Bank Commitment 9/21/21: Subject to adjust but terms/index not provided.

Post-Financing Operations Analysis ¹

Income	Stabilized Year				
	1	2	3	4	5
Gross Tax Credit Rental Income ¹	\$ 841,270	\$ 862,302	\$ 883,859	\$ 905,956	\$ 928,605
Other Income	\$ 12,250	\$ 12,556	\$ 12,870	\$ 13,192	\$ 13,522
Gross Potential Income (GPI)	\$ 853,520	\$ 874,858	\$ 896,729	\$ 919,148	\$ 942,126
Vacancy Collection Loss ²	5.00% (42,670)	(43,743)	(44,836)	(45,957)	(47,106)
Effective Gross Income	\$ 810,850	\$ 831,115	\$ 851,893	\$ 873,190	\$ 895,020
Expenses					
Operating Expenses	3.50% Inflation	\$ (339,690)	\$ (351,579)	\$ (363,884)	\$ (376,620)
RE Taxes	2.00% Inflation	\$ (5,000)	\$ (5,100)	\$ (5,202)	\$ (5,306)
Issuer Fee	\$ 10,000 min	0.125%	\$ (10,000)	\$ (10,000)	\$ (10,000)
Trustee Fee ³	\$ 2,500 min	0.004%	\$ (2,500)	\$ (2,500)	\$ (2,500)
Total Expenses		\$ (357,190)	\$ (369,179)	\$ (381,586)	\$ (394,426)
Net Operating Income		\$ 453,660	\$ 461,936	\$ 470,307	\$ 478,764
Required Debt Service		\$ (373,640)			
Senior					
Real Estate Loan		\$ (281,540)	\$ (281,540)	\$ (281,540)	\$ (281,540)
Cash Flow before Reserves		\$ 172,120	\$ 180,396	\$ 188,767	\$ 197,224
Debt Coverage Ratio Before Reserves		1.61	1.64	1.67	1.70
Reserves	350 per unit	0% Inflation	\$ (16,450)	\$ (16,450)	\$ (16,450)
Cash Flow After Reserves		\$ 155,670	\$ 163,946	\$ 172,317	\$ 180,774
Overall Debt Coverage Ratio (DCR)		1.55	1.58	1.61	1.64
Cash Flow Including Commercial Income		155,670	163,946	172,317	180,774
Debt Coverage Ratio Including Commercial Income ⁴		1.55	1.58	1.61	1.64

¹ Source: Per Developer Projections 02-24-22: Not inflated to placed-in-service (PIS). Rounding by CSG Advisors

² Of Gross Potential Income.

³ Per Fiscal Agent proposal accepted by SDHC

⁴ CTCAC will limit non-declining DSCR to 1.2 or Cash Flow no greater than 8% GPI in years 1-3

Exhibit A

Merge 56 Permanent Sources and Uses of Funds ¹

Sources

Tax-Exempt Note	\$	7,405,000
Tax Credit Equity (Federal and Solar)	\$	13,155,000
Sea Breeze 56, LLC	\$	5,598,430
Accrued Interest	\$	245,000
Construction Period NOI	\$	150,000
Deferred Developer Fee	\$	736,080
Developer Fee/MGP Loan	\$	<u>2,276,740</u>
Total Sources	\$	29,566,250

Uses

Land and Acquisition Costs	\$	1
Construction Costs (includes infrastructure and parking)	\$	15,170,750
Construction Contingency (Owner + Contractor's)	\$	2,255,020
Developer Fee	\$	3,812,820
Operating Reserve	\$	245,060
Capitalized Construction Loan Interest	\$	575,000
Other Hard and Soft Costs	\$	<u>7,507,600</u>
Total Uses	\$	29,566,251

Surplus(Deficit) ² \$ (1)

¹ Source: Information provided by Developer. Rounding by CSG

² Deficit due to rounding



**DEVELOPERS/CONSULTANTS/SELLERS/CONTRACTORS/
ENTITY SEEKING GRANT/BORROWERS
(Collectively referred to as "CONTRACTOR" herein)
STATEMENT FOR PUBLIC DISCLOSURE**

- 1. Name of CONTRACTOR: **Rise Urban Partners, LLC**
- 2. Address and Zip Code: **3525 Del Mar Heights Rd #211 San Diego, CA 92130**
- 3. Telephone Number: **509-280-5469**
- 4. Name of Principal Contact for CONTRACTOR: **David Allen**
- 5. Federal Identification Number or Social Security Number of CONTRACTOR:
84-3976037
- 6. If the CONTRACTOR is not an individual doing business under his own name, the CONTRACTOR has the status indicated below and is organized or operating under the laws of California as:

A corporation (Attach Articles of Incorporation)

A nonprofit or charitable institution or corporation. (Attach copy of Articles of Incorporation and documentary evidence verifying current valid nonprofit or charitable status).

A partnership known as: _____
(Name)

Check one

() General Partnership (Attach statement of General Partnership)

() Limited Partnership (Attach Certificate of Limited Partnership)

A business association or a joint venture known as:

(Attach joint venture or business association agreement)

A Federal, State or local government or instrumentality thereof.

Other (explain)

7. If the CONTRACTOR is not an individual or a government agency or instrumentality, give date of organization: **November 26, 2019**

8. Provide names, addresses, telephone numbers, title of position (if any) and nature and extent of the interest of the current officers, principal members, shareholders, and investors of the CONTRACTOR, other than a government agency or instrumentality, as set forth below:
 - a. If the CONTRACTOR is a corporation, the officers, directors or trustees, and each stockholder owning more than 10% of any class of stock.
 - b. If the CONTRACTOR is a nonprofit or charitable institution or corporation, the members who constitute the board of trustees or board of directors or similar governing body.
 - c. If the CONTRACTOR is a partnership, each partner, whether a general or limited, and either the percent of interest or a description of the character and extent of interest.
 - d. If the CONTRACTOR is a business association or a joint venture, each participant and either the percent of interest or a description of the character and extent of interest.
 - e. If the CONTRACTOR is some other entity, the officers, the members of the governing body, and each person having an interest of more than 10%.

Name, Address and <u>Zip Code</u>	Position Title (if any) and percent of interest or description <u>of character and extent of interest</u>
David Allen 3260 S. Jefferson Street Spokane, WA 99203	Manager of Trestle Development, LLC its co-manager and 50% owner
Morgan Family Trust dated 10/6/15 3971 Montefrio Court San Diego, CA	Co-manager and 50% owner

9. Has the makeup as set forth in Item 8(a) through 8(e) changed within the last twelve (12) months? If yes, please explain in detail.
No.

10. Is it anticipated that the makeup as set forth in Item 8(a) through 8(e) will change within the next twelve (12) months? If yes, please explain in detail.

No

11. Provide name, address, telephone number, and nature and extent of interest of each person or entity (not named in response to Item 8) who has a beneficial interest in any of the shareholders or investors named in response to Item 8 which gives such person or entity more than a computed 10% 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):

Name, Address and
Zip Code _____

Position Title (if any) and
extent of interest _____

N/A

N/A

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:

N/A

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.

**Trestle Development, LLC
600 West Broadway, Suite 700
San Diego, CA 92101**

50% owner of Rise Urban Partners, LLC

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.

Rise Urban Partners, LLC is a new venture between Trestle Development, LLC and Morgan Family Trust dated 10/6/15. Rise has one project under construction which is expected to deliver approximately \$2M of developer fees over the next 24 months.

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:

The project will be financed with a tax-exempt bond, an allocation of 4% LITHCs and funding assistance from the master developer of the Merge 56 projects. A General Partner contribution and deferred developer fee will round out the project sources.

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

a. Name, Address & Zip Code of Bank/Savings & Loan:

**First Republic Bank
1280 4th Avenue
San Diego, CA 92101
Amount: \$ 500,000**

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

Name, Address & Zip Code of Bank/Savings & Loan:

**Chase Bank
101 W. Broadway, Suite 100
San Diego, CA 92101
Amount: \$ 175,000**

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

<u>Description</u>	<u>Market Value</u>	<u>Mortgages or Liens</u>
N/A	\$	\$

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

Name and Address	Contact Name
First Republic Bank	Brittany Griffin

1280 4 th Avenue	
San Diego, CA 92101	
Chase Bank	John Foster
909-771-8263	

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 X No

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

19. Has the CONTRACTOR or anyone referred to above as "principals of the CONTRACTOR" been convicted of any felony within the past 10 years?
 ___ Yes X No

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

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

<u>Bond</u> <u>Type</u>	<u>Project</u> <u>Description</u>	<u>Date of</u> <u>Completion</u>	<u>Amount</u> <u>of Bond</u>	<u>Action on</u> <u>Bond</u>
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N/A

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

Not Applicable.

a. Name and addresses of such contractor or builder: **N/A**

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: \$ 80,m
General description of such work:

Ground-up development of four apartment communities in San Diego and Oakland, California. Rise Urban Partners, LLC and its affiliates and principal members act as the General Partner and Developer. General contracting is performed by a third-party general contractor.

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.

Project Name: One Mississippi
Project Owner Contract Information: David Allen
Project Location: 2139 El Cajon Blvd San Diego, CA 92104
Project Details: 61 apartments over 2,000 sf retail space
Bonding Company Involved: N/A
Change Order Details: Under Construction, On Budget
Change Order Cost: N/A
Litigation Details: N/A

Project Name: Nook East Village
Project Owner Contract Information: David Allen
Project Location: 330 15th St., San Diego, CA 92101
Project Details: 91 apartments over 2,000 sf retail space
Bonding Company Involved: N/A
Change Order Details: Completed on budget
Change Order Cost: N/A
Litigation Details: N/A

Project Name: Electric Lofts
Project Owner Contract Information: David Allen
Project Location: 2415 Valdez St. Oakland, CA 94612
Project Details: 89 market rate micro units
Bonding Company Involved: N/A

Change Order Details: Project was on budget
Change Order Cost: N/A
Litigation Details: N/A

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

<u>Identification of Contract or Development</u>	<u>Location</u>	<u>Amount</u>	<u>Date to be Completed</u>
Mississippi ECB	2139 El Cajon Blvd	\$24M	September 2022

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

<u>Awarding Agency</u>	<u>Amount</u>	<u>Date Opened</u>
------------------------	---------------	--------------------

22. Provide a detailed and complete statement respecting 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:

The developer will hire a 3rd party general contractor to build the project

23. Does any member of the governing body of the San Diego Housing Commission ("COMMISSION"), 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 COMMISSION, the AUTHORITY or the CITY who exercises any functions or responsibilities in connection with the carrying out of the project covered by the CONTRACTOR's proposal, have any direct or indirect personal financial interest in the CONTRACTOR or in the proposed contractor?

Yes No

If yes, explain

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

See attached financial statement and biographies of principals involved in the transaction.

25. Is the proposed CONTRACTOR, and/or are any of the proposed subcontractors, currently involved in any construction-related litigation?
___ Yes X No

If yes, explain:

26. State the name, address and telephone numbers of CONTRACTOR's insurance agent(s) and/or companies for the following coverages: List the amount of coverage (limits) currently existing in each category: See Certificates Attached.

Cavnac
Matthew Slakoff
451 A Street 18th Floor San Diego, CA 92101

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

Check coverage(s) carried:

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

- b. Automobile Public Liability/Property Damage [Attach certificate of insurance showing the amount of coverage and coverage period(s)]

Check coverage(s) carried:

- Comprehensive Form
- Owned
- Hired
- Non-Owned

- c. Workers Compensation [Attach certificate of insurance showing the amount of coverage and coverage period(s)]
See attached
 - d. Professional Liability (Errors and Omissions) [Attach certificate of insurance showing the amount of coverage and coverage period(s)]
None carried for Rise Urban Partners, LLC
 - e. Excess Liability [Attach certificate(s) of insurance showing the amount of coverage and coverage period(s)]
None carried for Rise Urban Partners, LLC
 - f. Other (Specify). [Attach certificate(s) of insurance showing the amount of coverage and coverage period(s)]
N/A
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 COMMISSION setting forth the provisions of this nondiscrimination clause.
28. The CONTRACTOR warrants and certifies that it will not without prior written consent of the COMMISSION, engage in any business pursuits that are adverse, hostile or take incompatible positions to the interests of the COMMISSION, 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 COMMISSION, 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 Commission 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 so state:

<u>Government Entity</u>			
<u>Making Complaint</u>		<u>Date</u>	<u>Resolution</u>

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. If so, please explain the circumstances in detail. If none, please so state:

NONE

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:

Governmental Description	License	Date Issued	Status
Revocation			
<u>Agency</u> _____	<u>License</u> _____	<u>Number</u> _____	<u>(original)</u> _____
<u>(yes/no)</u>			<u>(current)</u>

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 COMMISSION.

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 COMMISSION.

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

<u>Date</u>	<u>Entity Involved (i.e., CITY COMMISSION, etc.)</u>	<u>Status (Current, delinquent repaid, etc.)</u>	<u>Dollar Amount</u>
4/5/2020	SDHC Bond Issuance	Currently in construction	\$12,500,000
6/10/2017	SDHC Subordinate Loan	Current in repayment	\$750,000

36. Within the last five years, has the proposed CONTRACTOR, and/or have any of the proposed subcontractors, been the subject of a complaint filed with the Contractor's State License Board (CSLB)? Yes No

If yes, explain:

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 who would be familiar with your previous construction project:

Name: **Rick Allgire, Allgire General Contractors**

Address: **_3278 Grey Hawk Ct, Carlsbad CA**

Phone: **760-477-8455**

Project Name and Description: **Nook East Village**

Name: **Debbie Ruane, Norwood Development Strategies**

Phone: **619-992-8844**

Project Name and Description: **Various Development and consulting projects.**

Name: **Matt Grosz_**

Phone: **619-535-3903**

Project Name and Description: **Cordova Trolley, Mississippi ECB_**

39. Give a brief statement respecting 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.

Each of the principals involved in the transaction have been involved in multifamily housing construction and finance for over 15 years. The team has been responsible for the development of 400 multifamily units in the last 5 years and has extensive experience in tax credit and tax exempt and financing.

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

CONSENT TO PUBLIC DISCLOSURE BY CONTRACTOR

By providing the "Personal Information", (if any) as defined in Section 1798.3(a) of the Civil Code of the State of California (to the extent that it is applicable, if at all), requested herein and by seeking a loan from, a grant from, a contract with, the sale of real estate to, the right to develop from, and/or any and all other entitlements from the SAN DIEGO HOUSING COMMISSION ("COMMISSION"), 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 COMMISSION, 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 COMMISSION, 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).

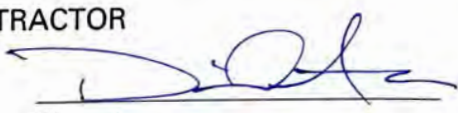
CONTRACTOR represents and warrants to the COMMISSION, the AUTHORITY and the CITY that by providing the information requested herein and waiving any and all privileges available under the Evidence Code of the State of California, State and Federal Law, (to the extent of this disclosure that the information 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 15 day of April, 2022, at San Diego, California.

CONTRACTOR

By:



Signature

Manager

Title

CERTIFICATION

The CONTRACTOR, Rise Urban Partners, LLC, 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: D. Deane

By: _____

Title: Manager

Title: _____

Dated: 4/15/22

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.

ATTEST:

State of California Washington

County of Spothane

Subscribed and sworn to before me this 15th day of April, 2022.



Mary C. Walker
Signature of Notary

MARY C. WALKER

Name of Notary

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 ISSUANCE OF TWO MULTIFAMILY NOTES IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$18,000,000 TO FINANCE THE ACQUISITION AND CONSTRUCTION OF A MULTIFAMILY RENTAL HOUSING FACILITY CURRENTLY IDENTIFIED AS MERGE 56 AFFORDABLE 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, construction and equipping of multifamily rental housing; and

WHEREAS, Merge 56 Affordable, LP, a California limited partnership (Borrower), has requested that the Authority borrow funds and loan the funds to the Borrower to finance costs of the Borrower's acquisition and construction of a multifamily residential rental housing facility currently identified as "Merge 56 Affordable Apartments" (Project), consisting of 47 apartment units to be located at 8201 Merge Avenue, San Diego, California; 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 two series of revenue notes to finance costs of the acquisition and construction of the Project; and

WHEREAS, the Authority intends to issue its Housing Authority of the City of San Diego Multifamily Housing Revenue Note (Merge 56 Affordable) Series 2022C-1 (Tax-Exempt) (Note C-1) in a principal amount not to exceed \$16,000,000, and its Housing Authority of the City of San Diego Multifamily Housing Revenue Note (Merge 56 Affordable) Series 2022C-2 (Taxable) (Note C-2 and, together with Note C-1, Notes) in a principal amount not to exceed \$2,000,000, evidencing a loan by Pacific Western Bank (Bank) to the Authority to fund a loan by the Authority to the Borrower; and

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

WHEREAS, the City Council of the City of San Diego (City Council), on the date hereof, adopted a Resolution approving the Authority's issuance of Note C-1 after publication of a "TEFRA" notice and the holding of a "TEFRA" hearing, as required by the Internal Revenue Code of 1986, as amended (Code), and applicable United States Treasury Regulations; and

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

WHEREAS, on December 8, 2021, CDLAC allocated to the Project \$16,000,000 of available State of California ceiling for private activity bonds under section 146 of the Code to be used in connection with the issuance of the Note C-1; and

WHEREAS, the following documents are presented for consideration:

(1) The form of Loan Agreement (Bank Loan Agreement), by and among the Authority, U.S. Bank Trust Company, National Association, as fiscal agent (Fiscal Agent), and the Bank, including the form of the Notes attached to the Bank Loan Agreement as Exhibit A; and

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

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

(4) The form of Regulatory Agreement and Declaration of Restrictive Covenants (Regulatory Agreement), by and between the Authority and the Borrower; and

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.

WHEREAS, the City Council certified Environmental Impact Report No. 360009/SCH No. 2014071065 prepared for the Project on May 22, 2018 and adopted a Mitigation Monitoring and Reporting Program in compliance with the California Environmental Quality Act (CEQA) (Public Resources Code sections 21000-21189.70.10). Housing Commission staff determined that under CEQA Guidelines section 15162, no additional environmental review is required for the actions approving the issuance of Notes for the Project and processing under the National Environmental Policy Act is not required as no federal funds are included in these actions; 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 construction of the

Project through the execution and delivery of the Notes 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 Notes. For the purpose of financing costs of the acquisition and construction of the Project, the Authority approves the issuance of the Note C-1 in a principal amount not to exceed \$16,000,000, and the issuance of the Note C-2 in a principal amount not to exceed \$2,000,000. The Notes shall be issued in the principal amounts, and shall bear interest (which shall not exceed 12% per annum) and mature (not later than 45 years from the date of execution and delivery thereof) as provided in the Bank Loan Agreement. The Notes shall be in substantially the form attached as Exhibit A to the Bank Loan Agreement, with such appropriate variations, omissions, insertions, and provisions as are required or permitted by the Bank Loan Agreement. The Notes shall be special, limited obligations of the Authority and shall be payable as to principal and interest, and the obligations of the Authority under the Bank Loan Agreement shall be paid and satisfied, solely from the revenues, receipts and other moneys and assets pledged under the Bank Loan Agreement.

Section 3. Execution and Delivery of the Notes. The Notes shall be executed on behalf of the Authority by the manual or facsimile signature of the Chairman of the Authority (Chairman), the Vice Chairman of the Authority (Vice Chairman), the Executive Director of the Authority (Executive Director), the Executive Vice President of Real Estate (Executive Vice President) of the San Diego Housing Commission (Housing Commission), the Vice President of Multifamily Housing Finance of the Housing Commission (Senior Director), or the Deputy Chief Executive Officer of the Housing Commission (DCEO).

Section 4. Approval of the Bank Loan Agreement. The Bank Loan Agreement, in the form on file in the Housing Commission offices, is approved. The Chairman, the Vice Chairman, the Executive Director, the Executive Vice President, the Senior Director and the DCEO, or the designee of any such officer (such officers and any of his or her respective designees are referred to as the Designated Officers) are each authorized to execute and deliver the Bank Loan Agreement in such form, together with such changes as may be approved by the Designated Officer executing the same, upon consultation with the General Counsel to the Authority, such execution to constitute conclusive evidence of the approval of all changes from the form of the Bank Loan Agreement approved at this meeting.

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

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 at this meeting.

Section 7. Approval of Assignment Agreement. The Assignment Agreement, in the form on file in the Housing Commission offices, is approved. The Designated Officers are each

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

Section 8. Actions Ratified and Authorized. All prior actions taken by the officers, employees, and agents of the Authority with respect to the issuance and sale of the Notes 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 agreement or no arbitrage certificate), any assignments of security documents or deed of trust, 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 Notes and the making of the loan pursuant to the Borrower Loan Agreement in accordance with the Act and this Resolution.

Section 9. Further Consents, Approvals and Other Actions. All consents, approvals, notices, orders, requests, and other actions permitted or required by any of the documents authorized by this Resolution or otherwise appropriate in the administration of the Notes and the lending program financed by the Notes, 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 appointment or substitution of fiscal agent or lender, any substitution of security for the Notes, or any prepayment in full or in part of the Notes may be taken or given by any of the Designated Officers, in consultation with the Authority's General Counsel, without further authorization by the Board, and the Designated Officers are authorized and directed to give any

such consent, approval, notice, order or request and to take any such action which such officer may deem necessary or desirable to further the purposes of this Resolution.

Section 10. Conflicting Resolutions Repealed. All resolutions or parts thereof in conflict with this Resolution are, to the extent of such conflict, repealed.

Section 11. 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 12. 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
04/28/2022
Or. Dept.: SDHC
Doc. No.: 2967040
Companion to: R-2022-470

RESOLUTION NUMBER R-_____

DATE OF FINAL PASSAGE _____

A RESOLUTION OF THE COUNCIL OF THE CITY OF SAN DIEGO PURSUANT TO SECTION 147(f) OF THE INTERNAL REVENUE CODE OF 1986 APPROVING THE ISSUANCE OF REVENUE NOTES BY THE HOUSING AUTHORITY OF THE CITY OF SAN DIEGO FOR THE MERGE 56 AFFORDABLE APARTMENTS.

WHEREAS, the Housing Authority of the City of San Diego (Authority) intends to issue not to exceed \$18,000,000 principal amount of multifamily housing revenue notes (Notes) to finance the acquisition and construction of a multifamily affordable housing project currently identified as “Merge 56 Affordable Apartments” in the City of San Diego (City) described in the Notice of Public Hearing attached as Exhibit A hereto (Project); and

WHEREAS, the Authority expects to issue the Notes in two series up to \$18,000,000 of which are to be issued as notes the interest on which is to be excluded from gross income of the owners of the Tax-Exempt Notes for purposes of federal income taxation (Tax-Exempt Notes); and

WHEREAS, in order for interest on the Tax-Exempt Notes to be tax-exempt, section 147(f) of the Internal Revenue Code of 1986 (Code) requires that the issuance of the Tax-Exempt Notes be approved by the City Council as the applicable elected representative after a public hearing following reasonable public notice; and

WHEREAS, notice of a public hearing with respect to the proposed issuance of the Notes was timely published in accordance with the applicable United States Treasury Regulations; and

WHEREAS, the public hearing was held prior to the adoption of this Resolution, and an opportunity was provided for interested persons to express their views on the issuance of the Notes and on the nature and location of the Project; NOW, THEREFORE,

BE IT RESOLVED, by the City Council of the City of San Diego that this City Council, as the applicable elected representative under section 147(f) of the Code, approves the issuance of the Notes by the Authority.

BE IT FURTHER RESOLVED, that the City does not warrant the creditworthiness of the Notes or guarantee, in any way, the payment of the Notes. No moneys of the City will be pledged or applied to the repayment of the Notes.

BE IT FURTHER RESOLVED, that action being taken pursuant to this Resolution at this time involves only consideration of the approval of the issuance of the Notes, and so is not a “project” and is therefore not subject to the California Environmental Quality Act (CEQA) pursuant to State of California CEQA Guidelines Section 15060(c)(3).

APPROVED: MARA W. ELLIOTT, City Attorney

By _____
Marguerite E. Middaugh
Deputy City Attorney

I certify that the foregoing Resolution was passed by the Council of the City of San Diego, at this meeting of _____.

ELIZABETH S. MALAND,
City Clerk

By: _____
Deputy City Clerk

Approved: _____
(date)

TODD GLORIA, Mayor

Vetoed: _____
(date)

TODD GLORIA, Mayor

19048.56:J18126
4/25/22

EXHIBIT A

NOTICE OF PUBLIC HEARING

NOTICE IS HEREBY GIVEN that the City Council of the City of San Diego on Tuesday, May 24, 2022, at the hour of 9:00 a.m. or as soon thereafter as the matter may be heard, will hold a public hearing in accordance with section 147(f) of the Internal Revenue Code of 1986 with respect to the proposed issuance by the Housing Authority of the City of San Diego of its multifamily housing revenue notes (the “Notes”) in order to provide financing for the acquisition and construction of the multifamily affordable housing project described below (the “Project”):

<u>Name</u>	<u>Location</u>	<u>Number of Units</u>	<u>Maximum Note Amount</u>
Merge 56 Affordable Apartments	8201 Merge Avenue, San Diego, California	47	\$18,000,000

For details on how to participate in the public hearing and provide comments, see “Public Hearing Access Details” below.

The owner of the Project is expected to be Merge 56 Affordable, LP, a California limited partnership. All of the units in the Project are expected to be income and rent restricted and will be occupied by low or very low-income tenants at affordable rents.

Public Hearing Access Details

Until further notice, San Diego City Council meetings are being conducted pursuant to the provisions of California Government Code section 54953(e), added by Assembly Bill 361, which allows the City to use teleconferencing and to provide the public an opportunity to address the City Council via a call-in option or an internet-based service option, during a proclaimed state of emergency. The San Diego City Council has declared a continuing state of local emergency regarding the COVID-19 pandemic and continued to authorize teleconferencing for public meetings.

During the State of Emergency related to the COVID-19 pandemic and in the interest of public health and safety, some, if not all, City Councilmembers may be participating in the City Council meetings via a virtual teleconference platform. Members of the public in attendance at the City Council meetings are encouraged to maintain social distancing in Chamber. Additionally, the City is continuing to provide alternatives to in-person attendance for participating in City Council meetings.

In lieu of in-person attendance, members of the public may also participate and provide comment via telephone, ZOOM, using the City Clerk webform, or via U.S. Mail of written materials, as follows:

Phone in Testimony:

When the Clerk introduces either the item you would like to comment on or the comment period for Non-Agenda Public Comment or Closed Session Public Comment, follow the instructions within the “Instruction for Public Comment” (found at the following website address: https://www.sandiego.gov/sites/default/files/city_council_public_comment_instructions.pdf) by dialing the number below to be placed in the queue.

1. DIAL 619-541-6310
2. 2. Enter the Access Code: 877861 then press ‘#’.

You may also participate by using the following toll free number:

1. DIAL 833-568-8864
2. Enter meeting ID: 160 380 6128
3. Enter pass code: 888571

Written Comment Through Webform:

Comment. Comments may be submitted using the web form (found at the following website address: www.sandiego.gov/form/agenda-comment-form) indicating the agenda item number for which you wish to submit your comment. Comments received by the start of the meeting will be distributed to the City Council and posted online with the meeting materials. All web form comments are limited to 200 words. Comments received after the start of the meeting but before the item is called will be submitted into the written record for the relevant item.

Written Materials. If you wish to submit written materials for submission into the record or have an attachment to your comment, you may email it to cityclerk@sandiego.gov or submit via U.S. Mail 202 C Street, MS2A San Diego, CA 92101. Materials submitted via e-mail will be distributed to the Councilmembers in accordance with the deadlines described above. Materials submitted via U.S. Mail will need to be received the business day prior in order for it to be distributed to the City Council.

Viewing the Meeting:

The public may view the public hearing on public television (within the City of San Diego only) on City TV Channel 24 for Cox Communications and Time Warner Cable or Channel 99 for AT&T or view the public hearing online at the following website address: http://sandiego.granicus.com/ViewPublisher.php?view_id=31.

Dated: _____, 2022

City Council of the
City of San Diego

LOAN AGREEMENT

among

**PACIFIC WESTERN BANK,
as Bank**

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

and

**U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION,
as Fiscal Agent**

dated as of June 1, 2022

relating to:

\$16,000,000

**Housing Authority of the City of San Diego
Multifamily Housing Revenue Note
(Merge 56 Affordable), Series 2022C-1 (Tax-Exempt)**

and

\$ _____

**Housing Authority of the City of San Diego
Multifamily Housing Revenue Note
(Merge 56 Affordable), Series 2022C-2 (Taxable)**

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LOAN AGREEMENT

THIS LOAN AGREEMENT, dated as of June 1, 2022 (this "Bank Loan Agreement"), is by and between PACIFIC WESTERN BANK, a California state-chartered bank (the "Bank"), the HOUSING AUTHORITY OF THE CITY OF SAN DIEGO, a public body, corporate and politic, organized and existing under and the laws of the State of California (together with its successors and assigns, the "Governmental Lender") and U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION, a national banking association duly organized and existing under the laws of the United States of America, as fiscal agent (together with its successors and assigns, the "Fiscal Agent").

RECITALS

WHEREAS, pursuant to Chapter 1 of Part 2 of Division 24 (commencing with Section 34200) of the Health and Safety Code of the State of California, the Governmental Lender is empowered to incur indebtedness to finance the acquisition and construction of multifamily rental housing for persons of low and moderate income; and

WHEREAS, Merge 56 Affordable, LP, a California limited partnership (the "Borrower"), has requested that the Governmental Lender enter into this Loan Agreement under which the Bank (i) will advance funds (the "Bank Loan") to or for the account of the Governmental Lender, and (ii) apply the proceeds of the Bank Loan to make a loan (the "Borrower Loan") to the Borrower to finance the acquisition and construction of an 47 unit multifamily rental housing development located in the City of San Diego, currently identified as "Merge 56 Affordable Apartments" (the "Project"); and

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

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

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

A G R E E M E N T :

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

ARTICLE I

DEFINITIONS AND INTERPRETATION

Section 1.01. Definitions. The following words and terms as used in this Agreement shall have the following meanings unless the context or use otherwise requires:

“Act” means Chapter 1 of Part 2 of Division 24 (commencing with Section 34200) of the Health and Safety Code of the State of California as in effect on the Closing Date, as the same may be amended from time to time (but only to the extent any such amendments, by their terms or by appropriate election of the Governmental Lender, apply to the Governmental Lender Notes as of the effective date of such amendments).

“Act of Bankruptcy” has the meaning given to such term in the Borrower Loan Agreement.

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

“Approved Institutional Buyer” means (1) a “qualified institutional buyer” as defined in Rule 144A promulgated under the Securities Act of 1933, as in effect on the date hereof (the “Securities Act”); (2) an “accredited investor” as defined in paragraphs (1) through (3) of subsection (a) of Section 501 (“Section 501”) of Regulation D promulgated under the Securities Act; (3) an entity that is directly or indirectly wholly owned or controlled by a financial institution described in (1) above; (4) an entity all of the investors in which are described in (1), (2) or (3) above; or (5) a custodian or trustee for a party described in (1), (2) or (3) above.

“Assignment Agreement” means that certain Assignment Agreement, dated as of June 1, 2022, by and between the Bank and the Governmental Lender, as referenced in Section 6.06 of this Bank Loan Agreement and Section 6.08 of the Borrower Loan Agreement.

“Authorized Governmental Lender Representative” means the Governmental Lender’s Chairman, Vice Chairman and Executive Director; the Senior Vice President of Real Estate Finance and Portfolio Management of the Commission, the Vice President Multifamily Housing Finance of the Commission, the Executive Vice President and Chief of Staff of the Commission, and any other officer or employee of the Governmental Lender designated to perform a specified act, to sign a specified document or to act generally, on behalf of the Governmental Lender by a written certificate furnished to the Fiscal Agent and the Bank, which certificate is signed by an already-designated Authorized Governmental Lender Representative and contains the specimen signature of such other officer or employee of the Governmental Lender.

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

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

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

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

“Bank Loan Payment Fund” shall mean the fund by that name established pursuant to Section 8.03 hereof.

“Borrower” means Merge 56 Affordable, LP, a California limited partnership, and its successors and assigns.

“Borrower Assignments” means, collectively, the Assignment of Development Agreement and Developer Fee Subordination Agreement, dated as of June 1, 2022, by the Borrower and the Developer for the benefit of the Bank; the Environmental Indemnity Agreement, dated as of June 1, 2022, by the Borrower and the Guarantor in favor of the Bank; the Guaranty of Payment and Performance, dated as of June 1, 2022, by the Guarantor in favor of the Bank; the Continuing Covenant Agreement; the Disbursement Agreement; the Assignment of Construction Contracts, dated as of June 1, 2022, by the Borrower in favor of the Bank; and the Assignment of Management Contracts and Subordination of Management Fees, dated as of June 1, 2022, by the Borrower in favor of the Bank.

“Borrower Loan” means the mortgage loan originated by the Governmental Lender to the Borrower, pursuant to the terms of the Borrower Loan Agreement, in a maximum principal amount of \$ _____, evidenced by the Borrower Notes.

“Borrower Loan Agreement” means that certain Loan Agreement, dated as of June 1, 2022, by and between the Governmental Lender and the Borrower, pursuant to which the Borrower Loan is being made, as amended and supplemented from time to time.

“Borrower Notes” means, collectively, the Borrower Tax-Exempt Note and the Borrower Taxable Note, and a “Borrower Note” shall mean one of such Borrower Notes.

“Borrower Representative” means any manager of the managing member of the administrative general partner of the Borrower, or any officer of the sole member and manager of the managing general partner of the Borrower, in each case as designated by action of the Borrower to be a Borrower Representative for purposes of the Loan Documents.

“Borrower Taxable Note” shall mean that certain Multifamily Note dated the Closing Date in the original maximum principal amount of \$ _____ made by Borrower and payable to Governmental Lender, as endorsed and assigned without recourse to the Bank, as it may be amended, supplemented or replaced from time to time.

“Borrower Tax-Exempt Note” shall mean that certain Multifamily Note dated the Closing Date in the original maximum principal amount of \$16,000,000 made by Borrower and payable to Governmental Lender, as endorsed and assigned without recourse to the Bank, as it may be amended, supplemented or replaced from time to time.

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

“CDLAC” means the California Debt Limit Allocation Committee.

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

“Closing Costs Fund” shall mean the fund by that name established pursuant to Section 8.03 hereof.

“Closing Date” means June __, 2022, being the date of execution and delivery of Governmental Lender Notes, and upon which the Governmental Lender Tax-Exempt Note is initially funded in an amount equal to at least \$50,001.

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

“Commission” means the San Diego Housing Commission.

“Continuing Covenant Agreement” means the Continuing Covenant Agreement, dated as of June 1, 2022, between the Bank and the Borrower, as amended and supplemented from time to time in accordance with its terms.

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

“Conversion Date” has the meaning given to such term in the Continuing Covenant Agreement.

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

“Deed of Trust” means the Deed of Trust, Security Agreement, Absolute Assignment of Leases and Rents and Fixture Filing, dated as of June 1, 2022, executed by the Borrower and granting a security interest in the Project, to First American Title Company, as trustee, for the benefit of the Governmental Lender, in order to secure the Borrower’s obligations under the Borrower Notes to repay the Borrower Loan and all obligations related thereto under the Borrower Loan Agreement.

“Developer” means Rise Urban Partners, LLC, a Delaware limited liability company.

“Disbursement Agreement” means the Construction Disbursement Agreement, dated as of June 1, 2022, between the Bank and the Borrower, as amended and supplemented from time to time in accordance with its terms.

“Equity Investor” means, collectively, RSEP Holding, LLC, a Delaware limited liability company and Red Stone Equity Manager, LLC, a Delaware limited liability company, and their respective successors and assigns.

“Event of Default” means any of the events described as an event of default in Section 7.01 hereof.

“Expense Fund” shall mean the fund by that name established pursuant to Section 8.03 hereof.

“Fiscal Agent” means the Fiscal Agent appointed by the Governmental Lender and acting as an independent fiscal agent with the duties and powers herein provided, its successors and assigns, and any other corporation or association which may at any time be substituted in its place, as provided in Section 9.01.

“Government Obligations” means United States Treasury notes, bonds and bills, including State and Local Government Series.

“Governmental Lender” means the Housing Authority, and its successors and assigns under this Bank Loan Agreement.

“Governmental Lender Notes” means, collectively, the Governmental Lender Tax-Exempt Note and the Governmental Lender Taxable Note, and a “Governmental Lender Note” means one of such Governmental Lender Notes.

“Governmental Lender Taxable Note” means that certain Housing Authority of the City of San Diego Multifamily Housing Revenue Note (Merge 56 Affordable), Series 2022C-2 (Taxable), dated the Closing Date, evidencing the Bank Loan, in the principal amount of \$_____, made by the Governmental Lender and payable to the Bank in the form attached hereto as Exhibit A, as executed by the Governmental Lender on the Closing Date as it may thereafter be amended or supplemented from time to time.

“Governmental Lender Tax-Exempt Note” means that certain Housing Authority of the City of San Diego Multifamily Housing Revenue Note (Merge 56 Affordable), Series 2022C-1 (Tax-Exempt), dated the Closing Date, evidencing the Bank Loan, in the principal amount of \$16,000,000, made by the Governmental Lender and payable to the Bank in the form attached hereto as Exhibit A, as executed by the Governmental Lender on the Closing Date as it may thereafter be amended or supplemented from time to time.

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

“Highest Rating Category” shall mean, with respect to a Permitted Investment, that the Permitted Investment is rated by S&P or Moody’s in the highest rating category given by that rating agency for that general category of security (without regard for outlook or watch status). By way of example, the Highest Rating Category for tax-exempt municipal debt established by S&P is “A1+” for debt with a term of one year or less and “AAA” for a term greater than one year, with corresponding ratings by Moody’s of “MIG1” (for fixed rate) or “VMIG1” (for variable rate) for three months or less and “Aaa” for greater than three months. If at any time (a) both S&P and Moody’s rate a Permitted Investment and (b) one of those ratings is below the Highest Rating Category, then such Permitted Investment will, nevertheless, be deemed to be rated in the Highest Rating Category only if the lower rating is no more than one rating category (without regard for outlook or watch status) below the highest rating category of that rating agency. For example, a Permitted Investment rated “AAA” by S&P and “Aa3” by Moody’s is rated in the Highest Rating Category. If, however, the lower rating is more than one full rating category below the Highest Rating Category of that rating agency, then the Permitted Investment will be deemed to be rated below the Highest Rating Category. For example, a Permitted Investment rated “AAA” by S&P and “A1” by Moody’s is not rated in the Highest Rating Category.

“Housing Authority” means the Housing Authority of the City of San Diego.

“Initial Disbursement” means the initial advance of the principal of the Bank Loan on the Closing Date in respect of Governmental Lender Tax-Exempt Note, in the amount specified by the Bank on the Closing Date (which shall be an amount no less than \$50,001).

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

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

“Moody’s” shall mean Moody’s Investors Service, Inc., or its successor.

“Note Proceeds Account” shall mean the account by that name in the Project Fund established pursuant to Section 8.03 hereof.

“Ongoing Governmental Lender Fee” shall mean the Annual City Fee, as defined in Section 7(a)(ii) of the Regulatory Agreement.

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

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

(a) Government Obligations.

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

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

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

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

(f) Interest bearing negotiable certificates of deposit, interest bearing time deposits, interest bearing savings accounts and bankers’ acceptances, issued by a Qualified Financial Institution if either (i) the Qualified Financial Institution’s unsecured short term obligations are rated in the Highest Rating Category or (ii) such deposits,

accounts or acceptances are fully collateralized by investments described in clauses (a) or (b) of this definition or fully insured by the Federal Deposit Insurance Corporation.

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

(1) the invested funds will be available for withdrawal without penalty or premium, at any time that the Fiscal Agent is required to pay moneys from the fund(s) established under this Bank Loan Agreement to which the agreement is applicable;

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

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

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

Notwithstanding anything else in this paragraph (g) to the contrary and with respect only to any agreement described in this paragraph (g) or any guarantee or

insurance for any such agreement which is to be in effect for any period after the Conversion Date, any reference in this paragraph to the "Second Highest Rating Category" will be deemed deleted so that the only acceptable rating category for such an agreement, guarantee or insurance will be the Highest Rating Category.

(h) Subject to the ratings requirements set forth in this definition, shares in any money market mutual fund (including those of the Bank or the Fiscal Agent or any of its affiliates) registered under the Investment Company Act of 1940, as amended, that have been rated "AAAm G" or "AAAm" by S&P or "Aaa" by Moody's so long as the portfolio of such money market mutual fund is limited to Government Obligations and agreements to repurchase Government Obligations. If approved in writing by the Bank, a money market mutual fund portfolio may also contain obligations and agreements to repurchase obligations described in paragraphs (b) or (c). The money market mutual fund must be rated "AAAm G" or "AAAm" by S&P, or "Aaa" by Moody's. If at any time (i) both S&P and Moody's rate a money market mutual fund and (ii) one of those ratings is below the level required by this paragraph, then such money market mutual fund will, nevertheless, be deemed to be rated in the Highest Rating Category if the lower rating is no more than one rating category below the highest rating category of that rating agency.

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

Permitted Investments shall not include any of the following:

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

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

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

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

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

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

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

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

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

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

“Prepayment Premium” shall mean an amount equal to the amount of the Prepayment Premium, as such term is defined in the Borrower Loan Agreement.

“Project” means, that residential rental facility consisting of a total of 47 units multifamily rental housing development located at 8201 Merge Avenue in the City currently identified as “Merge 56 Affordable Apartments.”

“Qualified Financial Institution” shall mean any (i) bank or trust company organized under the laws of any state of the United States of America, (ii) national banking association, (iii) savings bank, savings and loan association, or insurance company or association chartered or organized under the laws of any state of the United States of America, (iv) federal branch or agency pursuant to the International Banking Act of 1978 or any successor provisions of law or a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, (v) government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, (vi) securities dealer approved in writing by the Bank the liquidation of which is subject to the Securities Investors Protection Corporation or other similar corporation and (vii) other entity which is acceptable to the Bank. With respect to an entity which provides an agreement held by the Bank for the investment of moneys at a guaranteed rate as set out in paragraph (g) of the definition of the term “Permitted Investments” or an entity which guarantees or insures, as applicable, the agreement, a “Qualified Financial Institution” may also be a corporation or limited liability company organized under the laws of any state of the United States of America.

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

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

“Rebate Analyst” means any certified public accountant, financial analyst or bond counsel, or any firm of the foregoing, or financial institution (which may include the Fiscal Agent) 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 Governmental Lender, to make the computations required by Section 6.12(f) and 8.08 of this Bank Loan Agreement and Section 6.14(j) and (k) of the Borrower Loan Agreement.

“Rebate Fund” shall mean the fund by that name established pursuant to Section 8.03 hereof and administered in accordance herewith.

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

“Regulatory Agreement” shall mean the Regulatory Agreement and Declaration of Restrictive Covenants, dated as of the date hereof, by and between the Governmental Lender and

the Borrower, as executed on the Closing Date, and as hereafter amended or modified in accordance with its terms.

“Required Transferee Representations” means a letter substantially in the form of Exhibit B hereto.

“Responsible Officer” of the Fiscal Agent shall mean any officer of the Fiscal Agent assigned to administer its respective duties under this Bank Loan Agreement.

“S&P” shall mean S&P Global Ratings, a division of Standard & Poor’s Financial Services LLC, or its successors.

“Second Highest Rating Category” shall mean, with respect to a Permitted Investment, that the Permitted Investment is rated by S&P or Moody’s in the second highest rating category given by that rating agency (without regard for outlook or watch status) for that general category of security. By way of example, the Second Highest Rating Category for tax-exempt municipal debt established by S&P is “AA” for a term greater than one year, with corresponding ratings by Moody’s of “Aa.” If at any time (a) both S&P and Moody’s rate a Permitted Investment and (b) one of those ratings is below the Second Highest Rating Category (without regard for outlook or watch status), then such Permitted Investment will not be deemed to be rated in the Second Highest Rating Category. For example, an Investment rated “AA” by S&P and “A” by Moody’s is not rated in the Second Highest Rating Category.

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

“State” means the State of California.

“Subordination Agreement” has the meaning given to such term in the Continuing Covenant Agreement.

“Tax Certificate” shall mean the Certificate as to Arbitrage and Tax Compliance Procedures, dated the Closing Date, executed and delivered by the Governmental Lender and the Borrower.

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

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

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

“Title Company” shall mean Chicago Title Company.

“Written Requisition” or “Written Notice” shall mean a written certificate, direction, notice, order or requisition signed by a Borrower Representative, an Authorized Governmental Lender Representative or an authorized representative of the Bank, as applicable.

Section 1.02. Interpretation. Unless the context clearly requires otherwise, words of masculine gender shall be construed to include correlative words of the feminine and neuter genders and vice versa, and words of the singular number shall be construed to include correlative words of the plural number and vice versa. This Bank Loan Agreement and all the terms and provisions hereof shall be construed to effectuate the purpose set forth herein and to sustain the validity hereof.

Section 1.03. Recitals, Titles and Headings. The terms and phrases used in the recitals of this Bank Loan Agreement have been included for convenience of reference only, and the meaning, construction and interpretation of all such terms and phrases for purposes of this Bank Loan Agreement shall be determined by references to Section 1.01 hereof. The titles and headings of the Articles and Sections of this Bank Loan Agreement have been inserted for convenience of reference only and are not to be considered a part hereof, and shall not in any way modify or restrict any of the terms or provisions hereof and shall never be considered or given any effect in construing this Bank Loan Agreement or any provision hereof or in ascertaining intent, if any question of intent should arise.

ARTICLE II

REPRESENTATIONS AND WARRANTIES

Section 2.01. Representations and Warranties of the Governmental Lender. The Governmental Lender makes the following representations as of the Closing Date:

(a) The Governmental Lender is a public body, corporate and politic, organized and existing under and the laws of the State.

(b) Under the provisions of the Act, the Governmental Lender has the power, and has taken all official actions necessary (i) to enter into the Bank Loan Documents to which it is a party, or (ii) to perform its obligations hereunder and thereunder, and (iii) to consummate all other transactions on its part contemplated by this Bank Loan Agreement.

(c) The Bank Loan Documents to which the Governmental Lender is a party have been duly executed and delivered by the Governmental Lender and the Governmental Lender has taken such actions as are necessary to cause the Bank Loan Documents to which it is a party, when executed by the other respective parties thereto, to be valid and binding limited obligations of the Governmental Lender, enforceable against the Governmental Lender in accordance with their respective terms, except as limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting the rights of creditors generally.

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

which the Governmental Lender is a party or by which the Governmental Lender or any of its property is bound.

(e) The Governmental Lender has not been served with any action, suit, proceeding, inquiry or investigation or, to the knowledge of the Governmental Lender, no action, suit, proceeding, inquiry or investigation is threatened against the Governmental Lender by or before any court, governmental agency or public board or body which (i) affects or questions the existence or the territorial jurisdiction of the Governmental Lender or the title to office of any members of the Board of Commissioners of the Governmental Lender; (ii) affects or seeks to prohibit, restrain or enjoin the execution and delivery of the Bank Loan Documents to which the Governmental Lender is a party, or the loaning of the Bank Loan as herein set forth; (iii) affects or questions the validity or enforceability of the Bank Loan Documents; or (iv) questions the power or authority of the Governmental Lender to carry out the transactions on its part contemplated by the Bank Loan Documents.

(f) The revenues and receipts to be derived from the Borrower Loan Agreement and the Borrower Notes have not been pledged by the Governmental Lender to secure any of its notes or bonds other than the Bank Loan as evidenced by the Governmental Lender Notes.

(g) The Governmental Lender will not create, authorize or approve any mortgage, pledge, lien, charge or encumbrance of any kind on the Security or any part thereof prior to or on parity with the lien of this Bank Loan Agreement, except as expressly permitted or contemplated by the Bank Loan Documents.

(h) The Governmental Lender is duly authorized pursuant to law to execute and deliver the Governmental Lender Notes and to enter into this Bank Loan Agreement and to pledge and assign the Security purported to be pledged and assigned under the Assignment Agreement in the manner and to the extent provided in this Bank Loan Agreement. The Governmental Lender has duly authorized the execution and delivery of the Governmental Lender Notes and the Bank Loan Agreement under the terms and provisions of the Act and a resolution adopted by its Board of Commissioners and further represents, covenants and warrants that all requirements of the Act have been met in order to ensure the enforceability against the Governmental Lender of the Governmental Lender Notes and this Bank Loan Agreement. The Governmental Lender has taken all necessary action and has complied with all provisions of the Act required to make the Governmental Lender Notes and this Bank Loan Agreement the valid, legal and binding limited obligations of the Governmental Lender.

(i) CDLAC has provided, in its Resolution No. 21-263 adopted December 8, 2021, \$16,000,000 of the State of California's 2021 private activity bond volume cap under Section 146 of the Code to the Governmental Lender for the Governmental Lender Tax-Exempt Note, and the Governmental Lender will comply with the requirements of the Code with respect to such allocation. The Governmental Lender has applied the alternative option under clause (2) of the first paragraph of Section 3.01 of IRS Notice 2011-63 with respect to the issue date of the Governmental Lender Tax-Exempt Note; and, in connection therewith, has included the information on Form 8038 filed for the Governmental Lender Tax-Exempt Note that is required by section 3.03 of said Notice.

THE GOVERNMENTAL LENDER MAKES NO REPRESENTATION, COVENANT OR AGREEMENT AS TO THE FINANCIAL POSITION OR BUSINESS CONDITION OF THE BORROWER OR THE PROJECT AND DOES NOT REPRESENT OR WARRANT AS TO ANY

STATEMENTS, MATERIALS, REPRESENTATIONS OR CERTIFICATIONS FURNISHED BY THE BORROWER IN CONNECTION WITH THE BANK LOAN OR THE BORROWER LOAN, OR AS TO THE CORRECTNESS, COMPLETENESS OR ACCURACY THEREOF.

Section 2.02. Representations, Warranties and Covenants of the Bank. The Bank as of the date hereof, represents, warrants and covenants that:

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

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

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

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

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

ARTICLE III

THE BANK LOAN

Section 3.01. Closing of the Bank Loan. The closing of the Bank Loan shall not occur until the following conditions are met:

(a) the Bank shall have received an original executed counterpart of this Bank Loan Agreement, the Governmental Lender Notes, the Assignment Agreement, the Regulatory

Agreement, the Deed of Trust, the Borrower Assignments and the Subordination Agreement, and originals of the Borrower Notes, each endorsed by the Governmental Lender without recourse to the Bank together with evidence satisfactory to the Bank of the recordation of the Regulatory Agreement, the Subordination Agreement and the Deed of Trust in the official records of the County Recorder of the County, which may be by telephonic notice from the Title Company;

(b) no Event of Default nor any event which with the passage of time and/or the giving of notice would constitute an Event of Default under this Bank Loan Agreement shall have occurred;

(c) the conditions to the Initial Disbursement set forth in the Disbursement Agreement and the Continuing Covenant Agreement shall have been satisfied in full;

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

(e) the Bank shall have received an Opinion of Tax Counsel in a form reasonably acceptable to the Bank as to the tax-exempt nature of interest on the Governmental Lender Tax-Exempt Note and that the Governmental Lender has duly executed and delivered the Bank Loan Agreement and that such agreement and the Governmental Lender Notes are valid and binding limited obligations of the Governmental Lender, subject to customary exceptions;

(f) the receipt by the Governmental Lender and the Fiscal Agent of a Required Transferee Representations letter executed by the Bank;

(g) the Bank shall have received the original Governmental Lender Notes, executed by the Governmental Lender;

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

(i) all legal matters incident to the transactions contemplated by this Bank Loan Agreement shall be concluded to the reasonable satisfaction of Tax Counsel to the Governmental Lender and counsel to the Bank.

Section 3.02. Commitment to Execute the Governmental Lender Notes. The Governmental Lender agrees to execute and deliver the Governmental Lender Notes simultaneously with the execution of this Bank Loan Agreement, the Borrower Loan Agreement, the Borrower Notes and the Regulatory Agreement.

Section 3.03. Amount and Use of Bank Loan. The Bank hereby makes to the Governmental Lender and agrees to fund, and the Governmental Lender hereby accepts from the Bank, upon the terms and conditions set forth herein, the Bank Loan in an aggregate principal amount of up to \$_____, and agrees to have the proceeds of the Bank Loan applied and disbursed in accordance with the provisions of this Bank Loan Agreement.

Section 3.04. Disbursement of Bank Loan Proceeds.

(a) The Bank Loan is to be funded on a draw-down basis. Subject to the terms and conditions of the Borrower Loan Agreement, the Disbursement Agreement and the Continuing

Covenant Agreement, the Bank agrees to advance, on behalf of the Governmental Lender, to the Title Company, for the benefit of the Borrower, the amount of the Initial Disbursement for disbursement in accordance with the instructions of the Bank, which amount shall be deemed to have been simultaneously advanced for the account of the Governmental Lender under this Bank Loan Agreement as an advance on the Bank Loan. Subsequent draws of proceeds of the Bank Loan shall be advanced by the Bank directly to the Borrower for the account of the Governmental Lender as and when needed to make each advance in accordance with the disbursement provisions of the Borrower Loan Agreement and the Disbursement Agreement. All payments of interest on the Governmental Lender Note shall be funded with internal transfers by the Bank from the interest reserve accounts maintained at the Bank to the Bank as owner of the Governmental Lender Notes. Such transfers shall constitute advances under the Bank Loan and the Borrower Loan. Upon each advance of principal under the Borrower Loan Agreement and the Disbursement Agreement, a like amount of the Bank Loan shall be deemed concurrently and simultaneously advanced under this Bank Loan Agreement, including the Initial Disbursement. Borrower Loan advances and Bank Loan advances shall be allocated to the Borrower Tax-Exempt Note and the related Governmental Lender Tax-Exempt Note and, once the foregoing Notes have been fully funded, then to the Borrower Taxable Note and the related Governmental Lender Taxable Note. Notwithstanding anything in this Bank Loan Agreement to the contrary, no amount of the Bank Loan may be drawn down and funded hereunder after the date which is three years after the Closing Date.

(b) The Bank Loan shall be originated on the Closing Date and each Governmental Lender Note shall mature on the Maturity Date specified in the respective Governmental Lender Note at which time the entire outstanding principal amount of such Governmental Lender Note, to the extent not previously paid, and all accrued and unpaid interest, shall be due and payable.

(c) The outstanding principal amount of each Governmental Lender Note and of the Bank Loan as of any given date shall be the total amount advanced by the Bank to or for the account of the Governmental Lender to fund corresponding advances with respect to the related Borrower Note under the Borrower Loan Agreement and the Disbursement Agreement as proceeds of the Borrower Loan, less any payments of principal of such Governmental Lender Note previously received upon payment of corresponding principal amounts under the related Borrower Note, including regularly scheduled principal payments and voluntary and mandatory prepayments. The principal amount of each Governmental Lender Note and interest thereon shall be payable on the basis specified in this paragraph (c) and in paragraphs (d) and (e) of this Section 3.04.

The Bank promptly shall advise the Fiscal Agent in writing, and the Fiscal Agent shall keep a record of, all principal advances and principal repayments made under the Governmental Lender Notes. The Bank shall upon written request provide the Fiscal Agent with monthly statements of such information, including the outstanding principal balance of the Governmental Lender Notes and the Bank Loan and such other information as may be reasonably requested by Fiscal Agent from time to time to permit Fiscal Agent to carry out its recordkeeping responsibilities.

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

(e) The payment or prepayment of principal, interest and Prepayment Premium, if any, due on the Bank Loan and each Governmental Lender Note shall be identical with and shall be made on the same dates, terms and conditions, as the principal, interest, premiums, late payment fees and other amounts due on the corresponding Borrower Note. The Governmental Lender Tax-Exempt Note shall be payable from payments on the corresponding Borrower Tax-Exempt Note and the Governmental Lender Taxable Note shall be payable from payments on the

corresponding Borrower Taxable Note. Any payment or prepayment made by the Borrower of principal, interest, Prepayment Premium, if any, due on a Borrower Note shall be deemed to be like payments or prepayments of principal, interest and Prepayment Premium, if any, due on the Bank Loan and the corresponding Governmental Lender Note.

ARTICLE IV

LIMITED LIABILITY; NOTE REGISTER

Section 4.01. Limited Liability. All obligations and any liability of the Governmental Lender under any of the Bank Loan Documents are limited obligations of the Governmental Lender, payable solely from the Security. None of the Governmental Lender, the State, or any political subdivision thereof (except the Governmental Lender, to the limited extent set forth herein) nor any public agency shall in any event be liable for the payment of the principal of, premium (if any) or interest on the Governmental Lender Notes or for the performance of any pledge, obligation or agreement of any kind whatsoever of the Governmental Lender under the Bank Loan Documents except as set forth herein, and none of the Governmental Lender Notes or any of the Governmental Lender's agreements or obligations under the Bank Loan Documents shall be construed to constitute an indebtedness of or a pledge of the faith and credit of or a loan of the credit of or a moral obligation of any of the foregoing within the meaning of any constitutional or statutory provision whatsoever. None of the faith, revenues, credit or taxing power of the Governmental Lender, the State or any other political corporation or subdivision or agency thereof shall be pledged to the payment of the principal of, premium (if any), or interest on the Governmental Lender Notes or otherwise to secure the obligations of the Governmental Lender under the Bank Loan Documents.

No recourse under or upon any obligation, covenant, warranty or agreement contained in the Bank Loan Documents, or under any judgment obtained against the Governmental Lender, 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 Bank Loan Documents, shall be had against the Governmental Lender or any of the officials, Commissioners, officers, agents or employees of the Governmental Lender (past, present or future), either directly or through the Governmental Lender or otherwise, for the payment for or to the Governmental Lender or any receiver of the Governmental Lender, or for or to the owner of the Governmental Lender Notes, or otherwise, of any sum that may be due and unpaid by the Governmental Lender under any of the Bank Loan Documents. 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 Governmental Lender or of any such Commissioner, officer, agent or employee, as such, by reason of any act of omission on his or her part or otherwise, for the payment for or to the owner of the Governmental Lender Notes or otherwise of any sum that may remain due and unpaid under the Bank Loan Documents or any of them is, by the acceptance of the Governmental Lender Notes, expressly waived and released as a condition of and in consideration for the execution of this Bank Loan Agreement and the issuance of the Governmental Lender Notes. Anything in this Bank Loan Agreement to the contrary notwithstanding, it is expressly understood by the parties to this Bank Loan Agreement that (a) the Governmental Lender may rely exclusively on the truth and accuracy of any certificate, opinion, notice or other instrument furnished to the Governmental Lender by the Fiscal Agent, the Borrower or the owner of the Governmental Lender Notes as to the existence of any fact or state of affairs, (b) the Governmental Lender shall not be under any obligation under this Bank Loan 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 Fiscal Agent and (c) none of the provisions of the Bank Loan Documents shall require the Governmental Lender 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 Bank Loan Documents, 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 Governmental Lender Notes or for the satisfaction of any liability arising from, founded upon or existing by reason of the issuance, purchase or ownership of the Governmental Lender Notes or otherwise under the Bank Loan Documents shall be had against the Governmental Lender or any official, officer, Commissioner, agent or employee of the Governmental Lender, 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 Bank Loan Agreement and the issuance of the Governmental Lender Notes. No covenant, stipulation, obligation or agreement of the Governmental Lender contained in the Bank Loan Documents shall be deemed to be a covenant, stipulation, obligation or agreement of any present or future Commissioner, officer, agent or employee of the Governmental Lender in other than that person's official capacity. No Commissioner, officer, agent or employee of the Governmental Lender shall be individually or personally liable for the payment of the principal, or redemption price of, Prepayment Premium, if any or interest on the Governmental Lender Notes or be subject to any personal liability or accountability by reason of the issuance of the Governmental Lender Notes. No covenant, condition or agreement contained herein or in any of the other Bank Loan Documents shall be deemed to be a covenant, agreement or obligation of any present or future officer, Commissioner, employee or agent of the Governmental Lender in his individual capacity, and neither the officers, Commissioners, employees or agents of the Governmental Lender executing the Governmental Lender Notes or any of the Bank Loan Documents shall be liable personally on the Governmental Lender Notes or under any of the Bank Loan Documents or be subject to any personal liability or accountability by reason of the issuance of the Governmental Lender Notes or the execution of any of the Bank Loan Documents.

It is recognized that, notwithstanding any other provision of the Bank Loan Documents, none of the Borrower, the Fiscal Agent or any owner of the Governmental Lender Notes shall look to the Governmental Lender for damages suffered by the Borrower, the Fiscal Agent or such owner as a result of the failure of the Governmental Lender to perform any covenant, undertaking or obligation under the Bank Loan Documents or any other documents referred to herein, or as a result of the incorrectness of any representation made by the Governmental Lender in any of such documents, or for any other reason. Although this Bank Loan Agreement recognizes that such documents shall not give rise to any pecuniary liability of the Governmental Lender, nothing contained in this Bank Loan Agreement shall be construed to preclude in any way any action or proceeding (other than that element of any action or proceeding involving a claim for monetary damages against the Governmental Lender) in any court or before any governmental body, agency or instrumentality or otherwise against the Governmental Lender or any of its officers or employees to enforce the provisions of any of such documents which the Governmental Lender is obligated to perform and the performance of which the Governmental Lender has not assigned to the Fiscal Agent or any other person.

THE GOVERNMENTAL LENDER NOTES AND THE INTEREST THEREON ARE LIMITED OBLIGATIONS OF THE GOVERNMENTAL LENDER, PAYABLE SOLELY FROM THE SECURITY AND ANY OTHER REVENUES, FUNDS AND ASSETS PLEDGED UNDER THIS BANK LOAN AGREEMENT AND NOT FROM ANY OTHER REVENUES, FUNDS OR ASSETS OF THE GOVERNMENTAL LENDER. NONE OF THE GOVERNMENTAL LENDER, THE CITY OF SAN DIEGO, THE STATE OR ANY OTHER POLITICAL CORPORATION OR SUBDIVISION OR AGENCY THEREOF SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF THE GOVERNMENTAL LENDER NOTES ANY PREPAYMENT PREMIUM OR THE INTEREST THEREON OR OTHER COSTS INCIDENT THERETO EXCEPT FROM THE MONEY SPECIFICALLY PLEDGED THEREFOR UNDER THIS BANK LOAN AGREEMENT. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY OF SAN DIEGO, THE

STATE OR ANY POLITICAL CORPORATION OR SUBDIVISION OR AGENCY THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREPAYMENT PREMIUM, IF ANY, OR INTEREST ON THE GOVERNMENTAL LENDER NOTES OR OTHER COSTS INCIDENT THERETO. THE GOVERNMENTAL LENDER HAS NO TAXING POWER.

Section 4.02. Note Register. The Fiscal Agent shall maintain records (the "Note Register") as to the payee of the Governmental Lender Notes. Any transfer by the Bank (or by any subsequent transferee) of the Governmental Lender Notes shall be recorded by the Fiscal Agent in the Note Register.

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

Section 4.03. Transfer of Governmental Lender Notes.

(a) Each Governmental Lender Note may, in accordance with the terms of this Bank Loan Agreement, but in any event subject to the provisions of Section 4.03(b) and (c) hereof, be transferred upon the Note Register required to be kept pursuant to the provisions of Section 4.02 by the person in whose name such Governmental Lender Note is registered, in person or by his duly authorized attorney, upon surrender of the respective Governmental Lender Note for cancellation at the office of the Fiscal Agent, accompanied by a written instrument of transfer in the form attached to the respective Governmental Lender Note, duly executed. Whenever such Governmental Lender Note shall be surrendered for transfer, the Governmental Lender shall execute and the Fiscal Agent shall authenticate and deliver to the transferee, a new Governmental Lender Note in the name of the transferee as beneficiary thereof.

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

Nothing contained in this Section 4.03(b) shall be deemed to limit or otherwise restrict the sale by any owner of the Governmental Lender Notes of any participation interests in the Governmental Lender Notes; provided that (i) such owner shall remain the owner of record of the respective Governmental Lender Note following the sale of any such participation interest; (ii) all purchasers of any participation interest are Approved Institutional Buyers; (iii) any such participation shall be in a principal amount of at least \$100,000 or, if less, the then outstanding principal amount of the respective Governmental Lender Note; and (iv) the purchaser of such participation interest shall provide a Required Transferee Representations letter to the Governmental Lender and the Fiscal Agent substantially in the form of Exhibit B hereto.

(c) The Governmental Lender Notes may only be transferred together, in whole.

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

Governmental Lender or the Fiscal Agent in connection therewith shall be paid by the transferor of the respective Governmental Lender Note.

(e) The transferor of the Governmental Lender Notes shall indemnify and defend the Governmental Lender and the officers, Commissioners, employees, attorneys and agents of the Governmental Lender, past, present and future, against any claim brought by any transferor or transferee of the Governmental Lender Notes in respect of the Bank Loan Documents in the event that there occurs a transfer of the Governmental Lender Notes that is not permitted pursuant to this Section 4.03. Failure to comply with Section 4.03(b) shall cause any purported transfer to be null and void.

ARTICLE V

REPAYMENT OF THE BANK LOAN

Section 5.01. Bank Loan Repayment.

(a) The Bank Loan shall be evidenced by the Governmental Lender Notes which shall each be a physically certificated instrument executed by the Governmental Lender in the form attached hereto as Exhibit A, authenticated by the Fiscal Agent. The Fiscal Agent is hereby authorized and directed to authenticate the Governmental Lender Notes in final form. As evidence of its obligation to repay the Bank Loan, simultaneously with the delivery of this Bank Loan Agreement, the Governmental Lender hereby agrees to execute and deliver the Governmental Lender Notes. The Governmental Lender Notes may not be registered in the name of, or thereafter be transferred to, any person except as set forth in Section 4.03(b) hereof. The Governmental Lender agrees to pay to the Bank, but only from amounts received by the Governmental Lender (or by the Bank, in its capacity as agent for the Governmental Lender under the Assignment Agreement) from the Borrower pursuant to the Borrower Loan Agreement, the Borrower Notes, the Borrower Assignments and the Deed of Trust; principal of, any Prepayment Premium and interest on the Bank Loan at the times, in the manner, in the amount and at the rates of interest provided in the Governmental Lender Notes and this Bank Loan Agreement.

(b) The Governmental Lender further agrees to cause the Borrower to pay, solely by the execution of the Borrower Loan Agreement and the assignment thereof to the Bank and appointment of the Bank as agent for the Governmental Lender under the Assignment Agreement, all late charges and Prepayment Premium as set forth in the Governmental Lender Notes, all taxes and assessments, general or special, including, without limitation, all ad valorem taxes and any other governmental charges and impositions whatsoever concerning or in any way related to the Project, foreseen or unforeseen, and all utility and other charges and assessments concerning or in any way related to the Project; provided, however, that the Governmental Lender reserves the right to contest in good faith the legality of any tax or governmental charge concerning or in any way related to the Project and the Governmental Lender's obligations hereunder will be limited as provided in Sections 4.01, 5.02 and 6.14 hereof.

(c) The Governmental Lender further agrees, subject to Sections 4.01, 5.02 and 6.14 hereof, to cause the Borrower to pay to the Bank, solely by the execution of the Borrower Loan Agreement and the assignment thereof to the Bank and appointment of the Bank as agent for the Governmental Lender under the Assignment Agreement, on the Closing Date a loan fee equal to \$_____.

Section 5.02. Nature of the Governmental Lender's Obligations. The Governmental Lender shall repay the Bank Loan, but only from amounts received by the Governmental Lender or the Bank (in its capacity as assignee of the Governmental Lender under the Assignment

Agreement) from the Borrower pursuant to the Borrower Loan Agreement, the Borrower Notes, the Borrower Assignments and the Deed of Trust, pursuant to the terms of the Governmental Lender Notes irrespective of any rights of set-off, recoupment or counterclaim the Governmental Lender might otherwise have against the Bank or any other person. The Governmental Lender will not suspend, discontinue or reduce any such payment or (except as expressly provided herein) terminate this Bank Loan Agreement for any cause, including, without limiting the generality of the foregoing: (i) any delay or interruption in the construction or operation of the Project; (ii) the failure to obtain any permit, order or action of any kind from any governmental agency relating to the Bank Loan or the Project; (iii) any event constituting Force Majeure (as defined in the Borrower Loan Agreement); (iv) any acts or circumstances that may constitute commercial frustration of purpose; (v) any change in the laws of the United States of America, the State or any political subdivision thereof; or (vi) any failure of the Governmental Lender or the Bank to perform or observe any covenant whether expressed or implied, or to discharge any duty, liability or obligation arising out of or connected with the Governmental Lender Notes; it being the intention of the parties that, as long as the Governmental Lender Notes or any portion thereof remains outstanding and unpaid, the Governmental Lender shall be obliged to repay the Bank Loan, but only from amounts received by the Governmental Lender or the Bank (in its capacity as assignee of the Governmental Lender under the Assignment Agreement) from the Borrower pursuant to the Borrower Loan Agreement, the Borrower Notes, the Borrower Assignments and the Deed of Trust. This Section 5.02 shall not be construed to release the Governmental Lender from any of its obligations hereunder, or, except as provided in this Section 5.02, to prevent or restrict the Governmental Lender from asserting any rights which it may have against the Bank under the Governmental Lender Notes or under any provision of law or to prevent or restrict the Governmental Lender, from prosecuting or defending any action or proceeding by or against the Bank or the Borrower or taking any other action to protect or secure its rights, or to prevent or restrict the Bank from asserting any rights which it may have against the Borrower.

Notwithstanding the foregoing, neither any past, present or future Commissioners, officers, attorneys, accountants, financial advisors, agents, employees or staff or the Commissioners, officers, attorneys, accountants, financial advisors, agents, employees or staff of any successor public entity, as such, either directly or through the Governmental Lender or any successor public entity, under any rule of law or penalty of otherwise shall be personally liable for the amounts owing under this Bank Loan Agreement or the Governmental Lender Notes; and the Bank's and Fiscal Agent's remedies in the event of a default under the Bank Loan shall be limited to those remedies set forth in Section 7.03 hereof and, if a default also exists under the Borrower Loan Agreement, the Borrower Notes or the Deed of Trust, to commence foreclosure under the Deed of Trust and the exercise of the power of sale or other rights granted thereunder and to exercise any rights it may have under the Borrower Assignments. In the event of a default hereunder or under the Governmental Lender Notes, the Bank shall not have the right to proceed directly against the Governmental Lender or the right to obtain a deficiency judgment from the Governmental Lender after foreclosure.

ARTICLE VI

FURTHER AGREEMENTS

Section 6.01. Successor to the Governmental Lender. The Governmental Lender will at all times use its best efforts to maintain the powers, functions, duties and obligations now reposed in it pursuant to law or assure the assumptions of its obligations hereunder by any public trust or political subdivision succeeding to its powers.

Section 6.02. Additional Instruments. The Governmental Lender hereby covenants to execute and deliver, or cause to be executed and delivered, at the expense of the Borrower, such additional instruments and to perform such additional acts, or cause the performance of such additional acts, as may be necessary, in the written opinion of the Bank, acting reasonably, to carry out the intent of this Bank Loan Agreement and the Governmental Lender Notes or to perfect or give further assurances of any of the rights granted or provided for in the Bank Loan Documents.

Section 6.03. Books and Records. The Governmental Lender shall, solely by the execution of the Borrower Loan Agreement and the assignment thereof to the Bank, and subject to the provisions of Sections 4.01, 5.02 and 6.14 hereof, cause the Borrower to permit the Bank or its duly authorized representatives access during normal business hours to the books and records of the Borrower pertaining to the Borrower Loan and the Project, and to make such books and records available for audit and inspection, at reasonable times and under reasonable conditions to the Governmental Lender, the Bank and their duly authorized representatives, and at the sole expense of the Borrower.

Section 6.04. Notice of Certain Events. The Governmental Lender hereby covenants to advise the Bank and the Fiscal Agent promptly in writing of the occurrence of any Event of Default under and as defined in the Borrower Loan Agreement or the Regulatory Agreement of which it has received written notice, or any event which, with the passage of time or service of notice, or both, would constitute an Event of Default thereunder of which it has received written notice, in each case by transmitting to the Bank and the Fiscal Agent a copy of the notice of such Event of Default or event received by the Governmental Lender. In Section 6.6 of the Borrower Loan Agreement, the Borrower has agreed to advise the Governmental Lender, the Fiscal Agent and the Bank promptly in writing of the occurrence of any default under the Borrower Loan or of the occurrence of an Act of Bankruptcy.

Section 6.05. Consent to Assignment. The Governmental Lender has made an assignment to the Bank of all rights and interest of the Governmental Lender in and to the Borrower Loan Agreement (except the Governmental Lender's rights under Sections 5.1(a) and 6.7 of the Borrower Loan Agreement and its retained rights under Sections 2.3, 2.4, 5.1(b), 5.1(d), 5.1(e), 7.4, 8.7, 8.12 and 8.13 of the Borrower Loan Agreement, together with its rights to receive notice and consent to amendments pursuant to the Loan Documents), the Borrower Assignments and the Deed of Trust and the Borrower Notes, upon the terms and as otherwise provided in the Assignment Agreement. The Bank hereby consents to all such assignments.

Section 6.06. Compliance with Usury Laws. Notwithstanding any other provision of this Bank Loan Agreement, it is agreed and understood that in no event shall this Bank Loan Agreement, with respect to the Governmental Lender Notes, be construed as requiring the Governmental Lender or any other person to pay interest and other costs or considerations that constitute interest under any applicable law which are contracted for, charged or received pursuant to this Bank Loan Agreement in an amount in excess of the maximum amount of interest allowed under any applicable law.

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

The provisions of this Section 6.06 prevail over any other provision of this Bank Loan Agreement.

Section 6.07. Title to the Project. The Borrower has agreed in Section 6.10 of the Borrower Loan Agreement that, concurrently with the closing of the Borrower Loan, it will have a fee interest in the site on which the Project is located free and clear of any lien or encumbrance except for (i) liens for nondelinquent assessments and taxes not yet due or which are being contested in good faith by appropriate proceedings, (ii) the Deed of Trust, the Regulatory Agreement and the Subordination Agreement, (iii) Permitted Encumbrances (as defined in the Disbursement Agreement), and (iv) any other encumbrances approved by the Bank. Concurrently with the closing of the Bank Loan, the Borrower is obligated under Section 6.10 of the Borrower Loan Agreement to deliver to the Bank one or more title policies, naming the Bank as the insured, as its interests may appear with endorsements specified in the Bank's escrow instructions, issued by a title company acceptable to the Bank. The Governmental Lender makes no representation as to the condition of title to the Project or as to the adequacy or enforceability of any title insurance referred to in the Borrower Loan Agreement or the Deed of Trust.

Section 6.08. Filing of Tax Returns. The Governmental Lender shall, solely by the execution of the Borrower Loan Agreement and the assignment thereof to the Bank, and subject to the provisions of Sections 4.01, 5.02 and 6.14 hereof, cause the Borrower to file, or caused to be filed all federal, state and local tax returns or information returns which are required to be filed with respect to the Project and of which the Governmental Lender has knowledge.

Section 6.09. No Reliance on Governmental Lender. In entering into this Bank Loan Agreement and the other Bank Loan Documents to which it is a party, the Bank has not looked to, or expected, the Governmental Lender to undertake or require any credit investigation or due diligence reviews relating to the Borrower, its financial condition or business operations, the Project (including the financing or management thereof) or any other matter pertaining to the merits or risks of the transactions contemplated by this Bank Loan Agreement and the Borrower Loan Agreement, or the adequacy of the funds pledged to the Bank to secure repayment of the Governmental Lender Notes. The Governmental Lender has made no representations to any party relating to the Borrower, the Project, the Borrower Loan or the security or sources of payment therefor, except as expressly stated in this Bank Loan Agreement and the other Bank Loan Documents to which it is a party.

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

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

Section 6.11. Insurance. The Governmental Lender shall, solely by the execution of the Borrower Loan Agreement and the assignment thereof to the Bank, and subject to the provisions

of Sections 4.01, 5.02 and 6.14 hereof, cause the Borrower to provide policies of insurance with respect to the Project and the operation thereof issued by an insurer, and in forms and amounts, as required by the Continuing Covenant Agreement.

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

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

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

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

(d) Not knowingly take any action nor, solely in reliance upon the covenants and representations of the Borrower in the Borrower Loan Agreement, in the Regulatory Agreement and in the Tax Certificate, knowingly permit or suffer any action to be taken if the result of the same would be to cause the Governmental Lender Tax-Exempt Note to be "federally guaranteed" within the meaning of Section 149(b) of the Code and the Regulations;

(e) Require the Borrower to agree, solely by causing the Borrower to execute and deliver the Borrower Loan Agreement, not to commit any act and not to make any use of the proceeds of the Governmental Lender Tax-Exempt Note, or any other moneys which may be deemed to be proceeds of the Governmental Lender Tax-Exempt Note, which would cause the Governmental Lender Tax-Exempt Note to be an "arbitrage bond" within the meaning of Section 148 the Code, and to comply with the requirements of the Code throughout the term of the Governmental Lender Tax-Exempt Note; and

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

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

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

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

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

Section 6.13. [Reserved].

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

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

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

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES

Section 7.01. Events of Default. Each of the following shall be an “Event of Default”:

(a) The Governmental Lender shall fail to perform or observe any of its covenants or agreements contained in this Bank Loan Agreement or the Governmental Lender Notes, and such failure shall continue during and after the period specified in Section 7.02; or

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

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

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

Section 7.02. Notice of Default; Opportunity to Cure. No default under Section 7.01 hereof shall constitute an Event of Default until:

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

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

The Equity Investor may, but shall not in any way be required to, correct a default on behalf of the Borrower under the Borrower Loan Agreement or the Borrower Notes and the Governmental Lender and the Bank agree to accept the tender of a valid cure of a default, timely made by the Equity Investor, on the same basis as if made by the Borrower.

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

Section 7.03. Remedies. Whenever any Event of Default under Section 7.01 hereof shall have happened and be continuing, the Bank may take whatever remedial steps as may be allowed under the law, this Bank Loan Agreement, the Deed of Trust and the Borrower Assignments.

Section 7.04. Attorneys' Fees and Expenses. If an Event of Default occurs and if the Governmental Lender or the Bank should employ attorneys or incur expenses for the enforcement of any obligation or agreement of the Governmental Lender contained herein, the Governmental Lender shall cause the Borrower (solely by its execution and assignment of the Borrower Loan Agreement) on demand to pay to the Governmental Lender or the Bank the reasonable fees of such attorneys and the reasonable expenses so incurred, including court appeals.

Section 7.05. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Bank is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Bank Loan Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Bank to exercise any remedy reserved to it in this Article VII, it shall not be necessary to give any notice, other than such notice as may be herein expressly required.

Section 7.06. No Additional Waiver Implied by One Waiver. In the event any agreement or covenant contained in this Bank Loan Agreement should be breached by the Governmental Lender or the Borrower and thereafter waived by the Bank, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder including any other breach of the same agreement or covenant.

ARTICLE VIII

FUNDS AND ACCOUNTS

Section 8.01. Authorization to Create Funds and Accounts. In addition to the funds and accounts established by Section 8.03 hereof, at the request or with the consent of the Borrower, the Bank, the Fiscal Agent and any designee of the Bank are authorized to establish and create from time to time such other funds and accounts or subaccounts as may be necessary or convenient for the deposit of moneys (including, without limitation, insurance proceeds and/or condemnation awards), if any, received by the Governmental Lender, the Fiscal Agent or the Bank pursuant to the terms hereof or any of the other Bank Loan Documents and not immediately transferred or disbursed pursuant to the terms of the Bank Loan Documents and/or the Borrower Loan Documents.

Section 8.02. Investment of Funds. Amounts held in any funds or accounts created under this Bank Loan Agreement shall be invested by the Fiscal Agent, the Bank or the designee of the Bank, in Permitted Investments at the written direction of the Borrower, subject in all cases to the restrictions of Section 6.12 hereof and of the Tax Certificate. The Borrower's instruction shall be sufficient evidence that the investment constitutes a Permitted Investment. In the absence of any such instruction, monies shall be held uninvested. Permitted Investments purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account. All interest or gain derived from the investment of amounts in any of the funds or accounts established hereunder shall be deposited in such fund or account. For purposes of acquiring any investments hereunder, the Fiscal Agent may commingle funds held by it hereunder, except as provided in

Section 8.08(h) hereof with respect to the Rebate Fund. Neither the Fiscal Agent nor the Bank shall incur any liability for losses arising from any investments made pursuant to this Section.

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

Section 8.03. Establishment of Funds. There are established with the Fiscal Agent the following funds and accounts:

- (a) The Bank Loan Payment Fund;
- (b) The Project Fund (consisting solely of a Note Proceeds Account (with a Tax-Exempt Subaccount and a Taxable Subaccount therein) and an Equity Account);
- (c) The Expense Fund;
- (d) The Closing Costs Fund; and
- (e) The Rebate Fund (to be established by the Fiscal Agent once the Fiscal Agent is required to deposit or transfer, as applicable, amounts to the Rebate Fund in accordance with Section 8.08(a)).

Notwithstanding the foregoing, the Fiscal Agent shall not be required to open the Closing Costs Fund or the Equity Account of the Project Fund unless and until a first deposit is required to be made therein. So long as the Bank is making disbursements of the Bank Loan directly to the Borrower and the Project Fund has a zero balance, the Fiscal Agent shall not be required to maintain the Project Fund, but may close and later (with the consent of the Bank or the Borrower) reopen such fund (and the accounts therein) if necessary or convenient to the administration of the Bank Loan and this Bank Loan Agreement.

All money required to be deposited with or paid to the Fiscal Agent for the account of any of the funds or accounts created by this Bank Loan Agreement shall be held by the Fiscal Agent for the benefit of the Bank, and except for money held in the Expense Fund or the Rebate Fund, shall, while held by the Fiscal Agent, constitute part of the Security and be subject to the lien hereof.

Section 8.04. Bank Loan Payment Fund. The Governmental Lender and the Borrower shall have no interest in the Bank Loan Payment Fund or the moneys therein, which shall always be maintained by the Fiscal Agent completely separate and segregated from all other moneys held hereunder and from any other moneys of the Governmental Lender and the Borrower.

The Fiscal Agent shall deposit into the Bank Loan Payment Fund any amounts received from or on behalf of the Borrower as payments of principal of or premium and interest on the Borrower Loan and any other amounts received by the Fiscal Agent that are subject to the lien and pledge of this Bank Loan Agreement, including any Security not required to be deposited to

the Expense Fund or not otherwise specifically directed in writing to be deposited into other funds created by this Bank Loan Agreement.

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

(a) First, to pay or provide for the payment of the interest then due on the Bank Loan to the Bank or any transferee of the Bank with respect to the Governmental Lender Notes;

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

(c) Third, to pay or provide for the payment of the Bank Loan on the Maturity Date to the Bank or any transferee of the Bank with respect to the Governmental Lender Notes.

Section 8.05. Expense Fund. The Fiscal Agent shall deposit into the Expense Fund the amounts required by the Regulatory Agreement (if and to the extent not invoiced directly to the Borrower) or the Borrower Loan Agreement to be paid by the Borrower to the Governmental Lender, the Commission or the Fiscal Agent on behalf of the Borrower. Amounts on deposit in the Expense Fund shall be used to pay the fees and expenses of the Governmental Lender and the Fiscal Agent, and the annual fee of the Commission, as and when the same become due. In that regard, moneys in the Expense Fund shall be withdrawn or maintained, as appropriate, by the Fiscal Agent to pay (i) the Ongoing Governmental Lender Fee to the Governmental Lender as and when due (if and to the extent not invoiced directly to the Borrower) pursuant to Section 7(a)(ii) of the Regulatory Agreement, (ii) the annual fee of Commission to the Commission as and when due (if and to the extent not invoiced directly to the Borrower pursuant to Section 7(a)(iv) of the Regulatory Agreement), (iii) the Fiscal Agent's Fees to the Fiscal Agent when due, (iv) upon receipt, to the Fiscal Agent, any amounts due to the Fiscal Agent which have not been paid, other than amounts paid in accordance with clause (iii) hereof, and (v) upon receipt, to, or at the direction of, the Governmental Lender, any amounts owing the Governmental Lender by the Borrower and then due and unpaid, other than amounts paid in accordance with clause (i) hereof.

In the event that the amounts on deposit in the Expense Fund are not equal to the amounts payable from the Expense Fund as provided in the preceding paragraph on any date on which such amounts are due and payable, the Fiscal Agent shall give notice to the Borrower of such deficiency and of the amount of such deficiency and request payment within two Business Days to the Fiscal Agent of the amount of such deficiency.

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

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

Notwithstanding anything herein to the contrary, unless otherwise directed in writing by the Governmental Lender, the Fiscal Agent, on behalf of the Governmental Lender, shall prepare and submit a written invoice to the Borrower for payment of the Ongoing Governmental Lender

Fee not later than 30 days prior to the due date for payment of such the Ongoing Governmental Lender Fee, and shall remit moneys received by the Borrower to the Governmental Lender for payment of such fee.

Section 8.06. Closing Costs Fund. Amounts in the Closing Costs Fund shall be disbursed by the Fiscal Agent to pay Closing Costs on the Closing Date or as soon as practicable thereafter as follows: moneys on deposit in the Closing Costs Fund shall be applied to pay Closing Costs at the written direction of a Borrower Representative, consented to by the Bank, in the form attached hereto as Exhibit D. Any interest earnings on amounts on deposit in the Closing Costs Fund shall remain in the Fund. Any moneys remaining in the Closing Costs Fund (including investment proceeds) after the earlier of (i) the payment of all costs of issuance as certified in writing to the Fiscal Agent by the Borrower or (ii) a period of not more than 180 days after the Closing Date, shall be paid to or at the direction of the Borrower and the Closing Costs Fund shall be closed.

Section 8.07. Project Fund.

(a) Any amounts delivered from time to time to the Fiscal Agent by or on behalf of the Borrower (excluding any proceeds of the Bank Loan) shall be deposited to the Equity Account of the Project Fund. Whether disbursed by the Fiscal Agent or by the Bank directly to the Borrower, proceeds of the Bank Loan shall be deemed to have been disbursed from the Note Proceeds Account of the Project Fund solely for the acquisition, rehabilitation and equipping of the Project, to pay other Qualified Project Costs and to pay other costs related to the Project as provided herein.

Not less than 97% of the moneys deposited in and/or credited or deemed credited to the Tax-Exempt Subaccount of the Note Proceeds Account of the Project Fund, and taking into account proceeds of the Bank Loan (if any) deposited in and/or credited to or deemed credited to the Closing Costs Fund, representing the proceeds of the Governmental Lender Tax-Exempt Note, including Investment Income thereon, will be expended for Qualified Project Costs (the "97% Requirement"). No more than 2% of the amounts deposited in and/or credited or deemed credited to the Tax-Exempt Subaccount of the Note Proceeds Account of the Project Fund shall be applied to the payment of Costs of Issuance (as defined in the Regulatory Agreement).

Before any payment shall be made (or deemed made) from the Note Proceeds Account of the Project Fund, the Regulatory Agreement shall have been executed and submitted to the Title Company together with instructions for recordation in the official records of the County, and the Title Company shall have accepted and agreed to such instructions.

(b) Notwithstanding anything to the contrary herein, following the Initial Disbursement on the Closing Date, all disbursements of the Bank Loan shall be transferred by Bank directly to Borrower in accordance with the Disbursement Agreement and upon receipt of a properly completed Request for Advance in substantially the form set forth as Exhibit E to the Disbursement Agreement (a "Request for Advance"), a copy of which shall be provided to the Fiscal Agent and the Governmental Lender and in the case of disbursements to pay accrued interest on the Borrower Note, as provided in Section 3.04(a) hereof. If, at any later time, the Bank, the Fiscal Agent and Borrower shall determine that it is necessary or desirable that disbursements of the Bank Loan shall instead be transferred from the Bank to the Fiscal Agent for subsequent disbursement to the Borrower, the Bank and the Borrower shall provide a written request to the Fiscal Agent to such effect, the Fiscal Agent shall provide its written confirmation of acceptance thereof, and the following procedures shall apply. Before any payment shall be made by the Fiscal Agent from the Note Proceeds Account of the Project Fund, there shall first be filed with the Fiscal Agent a Written Requisition of the Borrower substantially in the form

attached hereto as Exhibit C and consented to by the Bank pursuant to the terms, conditions and provisions of the Disbursement Agreement, with a copy to the Governmental Lender.

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

Notwithstanding anything to the contrary contained herein, only the signature of an authorized officer of the Bank shall be required on a Written Requisition during any period in which a default by the Borrower has occurred and is then continuing under the Borrower Loan (notice of which default has been given in writing by an authorized officer of the Bank to the Fiscal Agent and the Governmental Lender, and the Fiscal Agent shall be entitled to conclusively rely on any such Written Notice as to the occurrence and continuation of such a default). Furthermore, the Fiscal Agent shall disburse amounts in the Project Fund upon receipt of a Written Requisition signed only by the Bank (and without any need for any signature by an Authorized Borrower Representative) so long as the amount to be disbursed is to be used solely to make payments of principal, interest and/or fees due under the Bank Loan Documents.

The Fiscal Agent shall immediately provide Written Notice to the Borrower, the Bank and the Governmental Lender if there are not sufficient funds available to or on deposit with the Fiscal Agent to make the payments as and when required by this Section 8.07(b). Except as provided in the next sentence, all such payments shall be made by check or draft payable, or by wire transfer in accordance with the payment instructions set forth in the Written Requisition. The Fiscal Agent shall conclusively rely on the payment instructions provided in any Written Requisition or invoices provided in connection therewith, and the Fiscal Agent shall have no duty to authenticate or investigate such payment instructions or the authority under which they were given. Upon the occurrence of an Event of Default of the Borrower of which the Fiscal Agent has knowledge as provided herein, which is continuing under the Bank Loan Documents, with the Written Consent of the Bank, the Fiscal Agent may apply amounts on deposit in the Project Fund to the payment of principal of and interest on the Bank Loan.

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

(d) Amounts on deposit in the Project Fund shall be invested in Permitted Investments directed in writing by the Borrower. Investment income earned on amounts on deposit in each account of the Project Fund shall be retained in and credited to and become a part of the amounts on deposit in that account or subaccount of the Project Fund.

Upon final disbursement of all amounts on deposit in the Project Fund, the Fiscal Agent shall close the Project Fund.

Section 8.08. Rebate Fund.

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

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

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

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

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

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

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

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

Permitted Investments, as directed in writing by the Borrower, whenever the cash balance in the Rebate Fund is insufficient for its purposes.

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

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

ARTICLE IX

THE FISCAL AGENT

Section 9.01. Appointment of Fiscal Agent; Acceptance. The Governmental Lender hereby appoints Fiscal Agent as fiscal agent hereunder. The Fiscal Agent shall signify its acceptance of the duties and obligations imposed upon it by this Bank Loan Agreement by executing this Bank Loan Agreement.

Section 9.02. Certain Duties and Responsibilities of Fiscal Agent.

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

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

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

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

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

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

exercising any power conferred upon the Fiscal Agent under this Bank Loan Agreement;
and

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

(v) The Fiscal Agent is directed to enter into the Borrower Loan Documents to which it is a party and other related documents, solely in its capacity as Fiscal Agent.

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

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

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

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

Section 9.03. Notice of Defaults. Upon the occurrence of any default hereunder or under any Borrower Loan Document and provided that a Responsible Officer of the Fiscal Agent has actual knowledge or has received Written Notice of the existence of such default, promptly, and in any event within 15 days, the Fiscal Agent shall transmit to the Governmental Lender, the Borrower, the Equity Investor and the Bank, in the manner and at the addresses for notices set forth in Section 10.02 hereof, notice of such default hereunder known to the Fiscal Agent pursuant to Section 9.04(g) hereof, unless such default shall have been cured or waived.

Section 9.04. Certain Rights of Fiscal Agent. Except as otherwise provided in Section 9.01 hereof:

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

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

(c) Whenever in the administration of this Bank Loan Agreement or any Borrower Loan Document the Fiscal Agent shall deem it desirable that a matter be proved or

established prior to taking, suffering or omitting any action hereunder, the Fiscal Agent (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon a written certificate of the Governmental Lender, the Bank or the Borrower, as appropriate;

(d) The Fiscal Agent shall be under no obligation to exercise any of the rights or powers vested in it by this Bank Loan Agreement or any Borrower Loan Document at the request or direction of the Bank, pursuant to this Bank Loan Agreement, unless the Bank shall have offered to the Fiscal Agent in writing security or indemnity reasonably satisfactory to the Fiscal Agent against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction, except costs, expenses and liabilities which are adjudicated to have resulted from its own negligence or willful misconduct, provided, that nothing contained in this subparagraph (d) shall be construed to require such security or indemnity for the performance by the Fiscal Agent of its obligations under Article VIII hereof;

(e) The Fiscal Agent shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note, debenture, coupon or other paper or document but the Fiscal Agent, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Fiscal Agent shall determine to make such further inquiry or investigation, it shall be entitled to examine the books and records of the Bank or the Borrower, in either case personally or by agent or attorney after reasonable notice and during normal business hours;

(f) The Fiscal Agent may execute any of its powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and pay reasonable compensation thereto and the Fiscal Agent shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder. The Fiscal Agent may act upon the advice of counsel of its choice concerning all matters hereof and the Fiscal Agent shall not be responsible for any loss or damage resulting from any action or inaction taken in good faith reliance upon said advice; and

(g) The Fiscal Agent shall not be required to take notice or be deemed to have notice of any default hereunder or under any Borrower Loan Document except for failure by the Borrower to make payments of principal, interest, premium, if any, or Ongoing Governmental Lender Fee when due, unless a responsible officer of the Fiscal Agent shall be specifically notified by a written direction of such default by the Governmental Lender or the Bank, and all notices or other instruments required by this Bank Loan Agreement or under any Borrower Loan Document to be delivered to the Fiscal Agent, must, in order to be effective, be delivered in writing to a responsible officer of the Fiscal Agent at the address of the Fiscal Agent in Section 10.02, and in the absence of such written notice so delivered the Fiscal Agent may conclusively assume there is no default as aforesaid.

Section 9.05. Not Responsible for Recitals. The recitals contained herein and in the Governmental Lender Notes shall be taken as the statements of the Governmental Lender, and the Fiscal Agent assumes no responsibility for their correctness. The Fiscal Agent makes no representations as to the value or condition of the Security or any part thereof, or as to the title of the Governmental Lender thereto or as to the security afforded thereby or hereby, or as to the validity or sufficiency of this Bank Loan Agreement or of the Bank Loan.

The Fiscal Agent shall have no responsibility or liability with respect to any information, statement or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the Bank Loan.

The Fiscal Agent shall not be required to monitor the financial condition of the Borrower or the physical condition of the Project. Unless otherwise expressly provided, the Fiscal Agent shall be under no obligation to analyze, review or make any credit decisions with respect to any financial statements, reports, notices, certificates or documents received hereunder but shall hold such financial statements reports, notices, certificates and documents solely for the benefit of, and review by, the Bank and such other parties to whom the Fiscal Agent may provide such information pursuant to this Bank Loan Agreement.

The Fiscal Agent makes no representations as to and shall have no responsibility for the sufficiency of the insurance required under any of the Borrower Loan Documents.

Section 9.06. [intentionally omitted]

Section 9.07. Moneys Held Hereunder. Moneys held by the Fiscal Agent hereunder need not be segregated from other funds except to the extent required by law. The Fiscal Agent shall be under no liability for interest on any moneys received by it hereunder except as otherwise provided herein.

Section 9.08. Compensation and Reimbursement. Under the Borrower Loan Agreement, the Borrower has agreed to, except as otherwise expressly provided herein, reimburse the Fiscal Agent as provided in this Bank Loan Agreement or the Borrower Loan Agreement, upon its request for all reasonable expenses, disbursements and advances incurred or made by the Fiscal Agent in accordance with any provision of this Bank Loan Agreement (including the reasonable fees, expenses and disbursements of its agents and counsel), except any such expense, disbursement or advance as may be attributable to the Fiscal Agent's negligence or willful misconduct, both as finally adjudicated by a court of law.

When the Fiscal Agent incurs expenses or renders service hereunder in connection with any bankruptcy or insolvency proceeding, such expenses (including the fees and expenses of its counsel) and the compensation for such services are intended to constitute expenses of administration under any bankruptcy law or law relating to creditors rights generally in connection with such proceedings.

The Governmental Lender has no obligation to pay the Fiscal Agent for services rendered under any of the Bank Loan Documents.

The Fiscal Agent's rights to compensation and reimbursement shall survive its resignation or removal, the payment of the Bank Loan or the Borrower Loan or the release of this Bank Loan Agreement.

Section 9.09. Fiscal Agent Required; Eligibility. Any successor Fiscal Agent shall at all times be a trust company, a state banking corporation or a national banking association with the authority to accept trusts in the State approved in writing by the Governmental Lender and Bank and (a) have a combined capital and surplus of at least \$50,000,000 as set forth in its most recent published annual report of condition, (b) be a wholly owned subsidiary of a bank holding company, or a wholly owned subsidiary of a company that is a wholly owned subsidiary of a bank holding company, having a combined capital and surplus of at least \$50,000,000 as set forth in its most recent published annual report of condition, have at least \$500,000,000 of trust assets under management and have a combined capital and surplus of at least \$2,000,000 as set forth in

its most recent published annual report of condition, or (c) be otherwise acceptable to the Bank in its sole and absolute discretion.

Section 9.10. Resignation and Removal; Appointment of Successor.

(a) No resignation or removal of the Fiscal Agent hereunder and no appointment of a successor Fiscal Agent pursuant to this Article shall become effective until the written acceptance by the successor Fiscal Agent of such appointment.

(b) The Fiscal Agent may resign at any time by giving 60 days' written notice thereof to the Governmental Lender, the Borrower and the Bank. If an instrument of acceptance by a successor Fiscal Agent shall not have been delivered to the Fiscal Agent within 30 days after the giving of such notice of resignation, the resigning Fiscal Agent may petition any court of competent jurisdiction for the appointment of a successor Fiscal Agent.

(c) The Fiscal Agent may be removed at any time with 30 days' notice by (i) the Governmental Lender, (ii) the Borrower (unless the Borrower is in default under any of the Borrower Loan Documents), with the written consent of the Bank and the Governmental Lender, or (iii) the Bank with the written consent of the Governmental Lender and written notice delivered to the Fiscal Agent and the Borrower.

(d) If the Fiscal Agent shall resign, be removed or become incapable of acting, the Governmental Lender shall promptly appoint a successor Fiscal Agent, with the consent of the Bank, which consent shall not be unreasonably withheld. In case all or substantially all of the Security shall be in the possession of a receiver or trustee lawfully appointed, such receiver or trustee may similarly appoint a successor to fill such vacancy until a new Fiscal Agent shall be so appointed by the Governmental Lender. The successor Fiscal Agent so appointed shall, forthwith upon its acceptance of such appointment, become the successor Fiscal Agent and supersede the successor Fiscal Agent appointed by such receiver or Fiscal Agent. If no successor Fiscal Agent shall have been appointed by the Governmental Lender and accepted appointment in the manner hereinafter provided, the Fiscal Agent may petition any court of competent jurisdiction for the appointment of a successor Fiscal Agent.

(e) The retiring Fiscal Agent shall cause written notice of each resignation and each removal of the Fiscal Agent and each appointment of a successor Fiscal Agent to be provided to the Bank and the Governmental Lender. Each notice shall include the name of the successor Fiscal Agent and the address of the office of the successor Fiscal Agent.

Section 9.11. Acceptance of Appointment by Successor.

(a) Every successor Fiscal Agent appointed hereunder shall execute, acknowledge and deliver to the Governmental Lender, the Bank and to the retiring Fiscal Agent an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Fiscal Agent shall become effective and such successor Fiscal Agent, without any further act, deed or conveyance, shall become vested with all the estates, properties, rights, powers and duties of the retiring Fiscal Agent; notwithstanding the foregoing, on request of the Governmental Lender or the successor Fiscal Agent, such retiring Fiscal Agent shall, upon payment of its charges, execute and deliver an instrument conveying and transferring to such successor Fiscal Agent all the estates, properties, rights, powers and trusts of the retiring Fiscal Agent, and shall duly assign, transfer and deliver to such successor Fiscal Agent all property and money held by such retiring Fiscal Agent hereunder. Upon request of any such successor Fiscal Agent, the Governmental Lender shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Fiscal Agent all such estates, properties, rights and powers.

(b) No successor Fiscal Agent shall accept its appointment unless at the time of such acceptance such successor Fiscal Agent shall be qualified and eligible under this Article.

Section 9.12. Merger, Conversion, Consolidation or Succession to Business. Any organization or entity into which the Fiscal Agent may be merged or converted or with which it may be consolidated, or any organization or entity resulting from any merger, conversion or consolidation to which the Fiscal Agent shall be a party, or any organization or entity succeeding to all or substantially all of the corporate trust business of the Fiscal Agent, shall be the successor of the Fiscal Agent hereunder, provided such organization or entity shall be otherwise qualified and eligible under Section 9.09, without the execution or filing of any paper or any further act on the part of any of the parties hereto. Notwithstanding the foregoing, any such successor Fiscal Agent shall cause written notice of such succession to be delivered to the Bank and the Governmental Lender within 30 days of such succession.

Section 9.13. Appointment of Co-Fiscal Agent. It is recognized that in case of litigation under this Bank Loan Agreement, the Borrower Loan Agreement, any other Borrower Loan Document or the Regulatory Agreement, and in particular in case of the enforcement of any of them on default, or in case the Fiscal Agent deems that by reason of any present or future law of any jurisdiction it may not exercise any of the powers, rights or remedies herein granted to the Fiscal Agent or hold title to the properties, as herein provided, or take any other action which may be desirable or necessary in connection therewith, it may be necessary that the Fiscal Agent appoint an additional individual or institution as a separate or co-fiscal agent. The following provisions of this Section are adopted to these ends.

The Fiscal Agent is hereby authorized to appoint an additional individual or institution as a separate or co-fiscal agent hereunder, upon written notice to the Governmental Lender, the Bank and the Borrower, and with the consent of the Governmental Lender and the Bank, but without the necessity of further authorization or consent, in which event each and every remedy, power, right, claim, demand, cause of action, immunity, estate, title, interest and lien expressed or intended by this Bank Loan Agreement, any Borrower Loan Document, the Regulatory Agreement or the Borrower Loan Agreement to be exercised by or vested in or conveyed to the Fiscal Agent with respect thereto shall be exercisable by and vest in such separate or co-fiscal agent but only to the extent necessary to exercise such powers, rights and remedies, and every covenant and obligation necessary to the exercise thereof by such separate or co-fiscal agent shall run to and be enforceable by either of them.

Should any instrument in writing from the Governmental Lender be required by the separate fiscal agent or co-fiscal agent appointed by the Fiscal Agent for more fully and certainly vesting in and confirming to him or it such properties, rights, powers, duties and obligations, any and all such instruments in writing shall, on request of the Fiscal Agent, be executed, acknowledged and delivered by the Governmental Lender. In case any separate fiscal agent or co-fiscal agent, or a successor to either, shall become incapable of acting, resign or be removed, all the estates, properties, rights, powers, duties and obligations of such separate fiscal agent or co-fiscal agent, so far as permitted by law, shall vest in and be exercised by the Fiscal Agent until the appointment of a successor to such separate fiscal agent or co fiscal agent.

Section 9.14. No Recourse against Officers or Employees of Fiscal Agent. No recourse with respect to any claim related to any obligation, duty or agreement contained in this Bank Loan Agreement or any other Bank Loan Document shall be had against any officer or employee, as such, of the Fiscal Agent, it being expressly understood that the obligations, duties and agreements of the Fiscal Agent contained in this Bank Loan Agreement and the other Bank Loan Documents are solely corporate in nature.

Section 9.15. Loan Servicing. The Governmental Lender and the Fiscal Agent acknowledge that the Bank shall have the right to appoint a servicer to service and administer the Bank Loan and the Borrower Loan as set forth in a servicing agreement. The Governmental Lender and the Fiscal Agent shall not be responsible for monitoring the performance of any servicer or for any acts or omissions of such servicer. The Bank may, in its sole discretion, terminate or replace the servicer. The Bank shall provide written notice to the Governmental Lender of the appointment, replacement or termination of any such servicer.

ARTICLE X

MISCELLANEOUS

Section 10.01. Entire Agreement. This Bank Loan Agreement, the Governmental Lender Notes, the Assignment Agreement and the other Bank Loan Documents to which the Governmental Lender is a party constitute the entire agreement and supersede all prior agreements and understandings, both written and oral, between the Governmental Lender and the Bank with respect to the subject matter hereof.

Section 10.02. Notices. All notices, demands, requests and other communications required or permitted to be given by any provision of this Bank Loan Agreement shall be in writing and sent by first class, regular, registered or certified mail, commercial delivery service, overnight courier, telegraph, telex, telecopier or facsimile transmission, air or other courier, or hand delivery to the party to be notified addressed as follows:

If to the Governmental Lender:	San Diego Housing Commission/Housing Finance 1122 Broadway, Suite 300 San Diego, California 92101 Attention: Executive Director
If to Borrower:	Merge 56 Affordable, LP 3525 Del Mar Heights Road #211 San Diego, California 92130 Attention: David Allen (david@trestlebuild.com) and Rob Morgan (rob@trestlebuild.com)
with a copy to:	Odu & Associates, PC 31805 Temecula Parkway #720 Temecula, California 92592 Attention: Nkechi Odu
and a copy to:	the Equity Investor
If to the Fiscal Agent:	U.S. Bank Trust Company, National Association 633 W. Fifth Street, 24th Floor Los Angeles, California 90071 Attention: Corporate Trust Services Reference: SDHA Merge 56 2022C-1 & 2022C-2

If to the Equity Investor: RSEP Holding, LLC, a Delaware limited liability company and Red Stone Equity Manager, LLC, a Delaware limited liability company
c/o Red Stone Equity Partners, LLC
1100 Superior Avenue, Suite 1640
Cleveland, Ohio 44114
Attention: General Counsel

with a copy to: Bocarsly Emden Cowan Esmail & Arndt LLP
633 West Fifth Street, 64th Floor
Los Angeles, California 90071
Attention: Kyle Arndt, Esq.

If to the Bank: Pacific Western Bank
110 West A Street, Suite 1300
San Diego, California 92101
Attention: _____
Email: _____@pacwest.com

with a copy to: Pacific Western Bank
818 West 7th Street, Suite #450
Los Angeles, California 90017
Attention: Holly A. Hayes
Telephone: (213) 330-2073
Email: hhayes@pacificwesternbank.com

Any such notice, demand, request or communication shall be deemed to have been given and received for all purposes under this Bank Loan Agreement: (i) three Business Days after the same is deposited in any official depository or receptacle of the United States Postal Service first class, or, if applicable, certified mail, return receipt requested, postage prepaid; (ii) on the date of transmission when delivered by telecopier or facsimile transmission, telex, telegraph or other telecommunication device, provided any telecopy or other electronic transmission received by any party after 4:00 p.m., local time, as evidenced by the time shown on such transmission, shall be deemed to have been received the following Business Day; (iii) on the next Business Day after the same is deposited with a nationally recognized overnight delivery service that guarantees overnight delivery; and (iv) on the date of actual delivery to such party by any other means; provided, however, if the day such notice, demand, request or communication shall be deemed to have been given and received as aforesaid is not a Business Day, such notice, demand, request or communication shall be deemed to have been given and received on the next Business Day. Any facsimile signature by a Person on a document, notice, demand, request or communication required or permitted by this Bank Loan Agreement shall constitute a legal, valid and binding execution thereof by such Person.

Any party to this Bank Loan Agreement may change such party's address for the purpose of notice, demands, requests and communications required or permitted under this Bank Loan Agreement by providing written notice of such change of address to all of the parties listed in this Section 10.02 by written notice as provided herein. A copy of each notice sent to the Borrower hereunder shall be provided to the Equity Investor; provided, however, that failure to send such copy or any defect therein shall not constitute a default hereunder.

Section 10.03. Assignments. Neither this Bank Loan Agreement nor the Borrower Loan Agreement may be assigned by any party hereto or thereto without the prior written consent of the other, which consent shall not be unreasonably withheld, except that the Governmental

Lender shall assign to the Bank certain of its rights under the Borrower Loan Agreement as provided in the Assignment Agreement.

Section 10.04. Severability. If any provision of this Bank Loan Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining portions shall not in any way be affected or impaired. In case any covenant, stipulation, obligation or agreement contained in the Governmental Lender Notes or in this Bank Loan Agreement shall for any reason be held to be usurious or in violation of law, then such covenant, stipulation, obligation or agreement shall be deemed to be the covenant, stipulation, obligation or agreement of the Governmental Lender or the Bank only to the full extent permitted by law.

Section 10.05. Execution of Counterparts. This Bank Loan Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 10.06. Amendments, Changes and Modifications. Except as otherwise provided in this Bank Loan Agreement, this Bank Loan Agreement may not be effectively amended, changed, modified, altered or terminated without the written consent of the parties hereto.

No amendment to this Bank Loan Agreement or any other Bank Loan Document entered into under this Section 10.06 or any amendment, change or modification otherwise permitted under this Section 10.06 shall become effective unless and until (i) the Bank shall have approved the same in writing in its sole discretion, and (ii) the Bank shall have received, at the expense of the Borrower, a Tax Counsel No Adverse Effect Opinion and an Opinion of Counsel to the effect that any such proposed amendment is authorized and complies with the provisions of this Bank Loan Agreement.

Section 10.07. Governing Law. This Bank Loan Agreement and the Governmental Lender Notes are contracts made under the laws of the State and shall be governed by and construed in accordance with the Constitution and laws applicable to contracts made and performed in the State. This Bank Loan Agreement and the Governmental Lender Notes shall be enforceable in the State, and any action arising out of this Bank Loan Agreement or the Governmental Lender Notes shall be filed and maintained in the County unless the Governmental Lender waives this requirement.

Section 10.08. Waiver of Jury Trial. TO THE MAXIMUM EXTENT PERMITTED UNDER APPLICABLE LAW, EACH OF THE BORROWER AND THE BANK (A) COVENANTS AND AGREES NOT TO ELECT A TRIAL BY JURY WITH RESPECT TO ANY ISSUE ARISING OUT OF THIS BANK LOAN AGREEMENT OR THE RELATIONSHIP BETWEEN THE PARTIES THAT IS TRIABLE OF RIGHT BY A JURY AND (B) WAIVES ANY RIGHT TO TRIAL BY JURY WITH RESPECT TO SUCH ISSUE TO THE EXTENT THAT ANY SUCH RIGHT EXISTS NOW OR IN THE FUTURE. THIS WAIVER OF RIGHT TO TRIAL BY JURY IS SEPARATELY GIVEN BY EACH SUCH PARTY, KNOWINGLY AND VOLUNTARILY WITH THE BENEFIT OF COMPETENT LEGAL COUNSEL.

IF FOR ANY REASON THIS WAIVER IS DETERMINED TO BE UNENFORCEABLE, ALL DISPUTES WILL BE RESOLVED BY JUDICIAL REFERENCE PURSUANT TO THE PROCEDURES SET FORTH IN THE DEED OF TRUST.

Section 10.09. Term of Agreement. This Bank Loan Agreement shall be in full force and effect until all payment obligations of the Governmental Lender hereunder have been paid in full and the Bank Loan has been retired or the payment thereof has been provided for; except that on and after payment in full of the Governmental Lender Notes, this Bank Loan Agreement shall be

terminated, without further action by the parties hereto. Time is of the essence in this Bank Loan Agreement.

Section 10.10. Survival of Agreement. All agreements, representations and warranties made herein shall survive the making of the Bank Loan.

Section 10.11. Recycling Transactions. Notwithstanding any provision of this Bank Loan Agreement or the Governmental Lender Tax-Exempt Note to the contrary, the Governmental Lender shall be permitted to direct that prepayments of the Borrower Tax-Exempt Note be transferred to a custodian or trustee selected by the Governmental Lender, in lieu of application to prepay a like portion of the Governmental Lender Tax-Exempt Note, so long as the Governmental Lender simultaneously causes other funds to be applied to prepay such portion of the Governmental Lender Tax-Exempt Note. The preceding provisions shall apply only for purposes of preserving or "recycling" private activity bond volume cap in accordance with Section 146(i)(6) of the Code.

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

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

By: _____
Colin Miller,
Vice President Multifamily
Housing Finance of the
San Diego Housing Commission

19048.56:J18121

[Signature Page of Governmental Lender to Bank Loan Agreement for Merge 56 Affordable]

PACIFIC WESTERN BANK, a California
state-chartered bank

By: _____

Its: _____

19048.56:J18121

[Signature Page of Pacific Western Bank to Bank Loan Agreement for Merge 56 Affordable]

U.S. BANK TRUST COMPANY, NATIONAL
ASSOCIATION, as Fiscal Agent

By: _____
Authorized Officer

19048.56;J18121

[Signature Page of Fiscal Agent to Bank Loan Agreement for Merge 56 Affordable]

EXHIBIT A

FORM OF GOVERNMENTAL LENDER NOTES

THIS GOVERNMENTAL LENDER NOTE MAY BE OWNED ONLY BY AN APPROVED INSTITUTIONAL BUYER IN ACCORDANCE WITH THE TERMS OF THE BANK LOAN AGREEMENT REFERRED TO IN THIS GOVERNMENTAL LENDER NOTE, AND THE OWNER HEREOF, BY THE ACCEPTANCE OF THIS GOVERNMENTAL LENDER NOTE (A) REPRESENTS THAT IT IS AN APPROVED INSTITUTIONAL BUYER AND (B) ACKNOWLEDGES THAT IT CAN ONLY TRANSFER THIS GOVERNMENTAL LENDER NOTE OR ANY INTEREST HEREIN TO ANOTHER APPROVED INSTITUTIONAL BUYER IN ACCORDANCE WITH THE TERMS OF THE BANK LOAN AGREEMENT.

Housing Authority of the City of San Diego
Multifamily Housing Revenue Note
(Merge 56 Affordable),
Series 2022C-1 (Tax-Exempt) [C-2 (Taxable)]

Dated: June __, 2022

\$[[_____]] [[_____]]

FOR VALUE RECEIVED, the undersigned HOUSING AUTHORITY OF THE CITY OF SAN DIEGO (the "Obligor") promises to pay to the order of PACIFIC WESTERN BANK (the "Owner") the principal sum of [] [] DOLLARS (\$[[_____]] [[_____]]), on [] [] (the "Maturity Date"), or earlier as provided herein, together with interest thereon at the rates, at the times and in the amounts provided below.

The Obligor shall pay to the Owner on or before each date on which payment is due under that certain Loan Agreement, dated as of June 1, 2022 (the "Bank Loan Agreement"), among the Obligor, U.S. Bank Trust Company, National Association, as Fiscal Agent, and the Owner, an amount in immediately available funds sufficient to pay the principal amount of and Prepayment Premium, if any, on this Governmental Lender Note then due and payable, whether by maturity, acceleration, prepayment or otherwise. In the event that amounts held derived from proceeds of this Governmental Lender Note, condemnation awards or insurance proceeds or investment earnings thereon are applied to the payment of principal due on this Governmental Lender Note in accordance with the Bank Loan Agreement, the principal amount due hereunder shall be reduced to the extent of the principal amount of this Governmental Lender Note so paid. Capitalized terms used and not otherwise defined in this Governmental Lender Note have the respective meanings assigned in the Bank Loan Agreement.

The Obligor shall pay to the Owner on or before each date on which interest on the Bank Loan is payable interest on the unpaid principal balance hereof in an amount in immediately available funds sufficient to pay the interest on this Governmental Lender Note then due and payable in the amounts and at the rate or rates set forth in the related Borrower Note.

This Governmental Lender Note is a pass-through obligation relating to a construction and permanent loan (the "Borrower Loan") made by the Obligor from proceeds of the Bank Loan to Merge 56 Affordable, LP, a California limited partnership, as borrower (the "Borrower"), under that certain Loan Agreement, dated as of June 1, 2022 (as the same may be modified, amended or supplemented from time to time, the "Borrower Loan Agreement"), between the Obligor and the Borrower, evidenced by the Borrower [Tax-Exempt][Taxable] Note. Reference is made to the Borrower Loan Agreement and to the Borrower [Tax-Exempt][Taxable] Note for complete payment and prepayment terms of the Borrower [Tax-Exempt][Taxable] Note, payments on

which are passed-through under this Governmental Lender Note. In conjunction with, and on a parity with, the execution and delivery of this Governmental Lender Note, the Obligor is also executing and delivering its Multifamily Housing Revenue Note (Merge 56 Affordable), Series [C-1 (Tax-Exempt)][C-2 (Taxable)] to fund the remaining portion of the Borrower Loan relating to the Project.

THIS GOVERNMENTAL LENDER NOTE IS A LIMITED OBLIGATION OF THE OBLIGOR, PAYABLE SOLELY FROM AND SECURED SOLELY BY THE PLEDGE AND ASSIGNMENT OF CERTAIN PAYMENTS ON THE BORROWER [TAX-EXEMPT][TAXABLE] NOTE OR FUNDS OTHERWISE PROVIDED UNDER THE LOAN DOCUMENTS. NONE OF THE OBLIGOR, THE CITY OF SAN DIEGO OR THE STATE OF CALIFORNIA 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 GOVERNMENTAL LENDER NOTE, TO LEVY OR TO PLEDGE ANY FORM OF TAXATION WHATEVER THEREFOR OR TO MAKE ANY APPROPRIATION FOR PAYMENT OF THIS GOVERNMENTAL LENDER NOTE. THIS GOVERNMENTAL LENDER NOTE IS NOT SECURED BY A PLEDGE OF THE FAITH AND CREDIT OF THE OBLIGOR, THE CITY OF SAN DIEGO OR THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS, NOR DOES THIS GOVERNMENTAL LENDER NOTE CONSTITUTE INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION.

THIS GOVERNMENTAL LENDER NOTE AND THE REPAYMENT PROVISIONS CONTAINED HEREIN ARE SUBJECT TO THE PROVISIONS AND LIMITATIONS CONTAINED IN SECTIONS 4.01, 5.02 AND 6.14 OF THE BANK LOAN AGREEMENT.

This Governmental Lender Note is subject to the express condition that at no time shall interest be payable on this Governmental Lender Note or the Bank Loan at a rate in excess of the Maximum Legal Rate; and the Obligor shall not be obligated or required to pay, nor shall the Owner be permitted to charge or collect, interest at a rate in excess of such Maximum Legal Rate. If by the terms of this Governmental Lender Note or of the Bank Loan Agreement, the Obligor is required to pay interest at a rate in excess of such Maximum Legal Rate, the rate of interest hereunder or thereunder shall be deemed to be reduced immediately and automatically to such Maximum Legal Rate, and any such excess payment previously made shall be immediately and automatically applied to the unpaid balance of the principal sum hereof and not to the payment of interest.

Amounts payable hereunder representing late payments, penalty payments or the like shall be payable to the extent allowed by law.

This Governmental Lender Note is subject to all of the terms, conditions, and provisions of the Bank Loan Agreement, including those respecting prepayment and the acceleration of maturity.

If there is an Event of Default under the Bank Loan Documents, then in any such event and subject to the requirements set forth in the Bank Loan Agreement, the Owner may declare the entire unpaid principal balance of this Governmental Lender Note and accrued interest, if any, due and payable at once. All of the covenants, conditions and agreements contained in the Bank Loan Documents are hereby made part of this Governmental Lender Note.

No delay or omission on the part of the Owner in exercising any remedy, right or option under this Governmental Lender Note or the Bank Loan Documents shall operate as a waiver of such remedy, right or option. In any event a waiver on any one occasion shall not be construed

as a waiver or bar to any such remedy, right or option on a future occasion. The rights, remedies and options of the Owner under this Governmental Lender Note and the Bank Loan Documents are and shall be cumulative and are in addition to all of the rights, remedies and options of the Owner at law or in equity or under any other agreement.

Obligor shall pay all costs of collection on demand by the Owner, including without limitation, reasonable attorneys' fees and disbursements, which costs may be added to the indebtedness hereunder, together with interest thereon, to the extent allowed by law, as set forth in the Bank Loan Agreement.

This Governmental Lender Note may not be changed orally. Presentment for payment, notice of dishonor, protest and notice of protest are hereby waived. The acceptance by the Owner of any amount after the same is due shall not constitute a waiver of the right to require prompt payment, when due, of all other amounts due hereunder. The acceptance by the Owner of any sum in an amount less than the amount then due shall be deemed an acceptance on account only and upon condition that such acceptance shall not constitute a waiver of the obligation of the Obligor to pay the entire sum then due, and Obligor's failure to pay such amount then due shall be and continue to be a default notwithstanding such acceptance of such amount on account, as aforesaid. Consent by the Owner to any action of the Obligor which is subject to consent or approval of the Owner hereunder shall not be deemed a waiver of the right to require such consent or approval to future or successive actions.

IN WITNESS WHEREOF, the Housing Authority of the City of San Diego has caused this Governmental Lender Note to be executed in its name and on its behalf all as of the date first written above.

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

By: _____
Colin Miller,
Vice President Multifamily
Housing Finance of the
San Diego Housing Commission

[Signature Page of Governmental Lender to Governmental Lender Note – Merge 56 Affordable]

CERTIFICATE OF AUTHENTICATION

This Governmental Lender Note is the Governmental Lender Note [Tax-Exempt] [Taxable] described in the within mentioned Bank Loan Agreement.

Date of Authentication: _____

U.S. BANK TRUST COMPANY,
NATIONAL ASSOCIATION, as Fiscal
Agent

By: _____
Authorized Officer

[Signature Page of Fiscal Agent to Governmental Lender Note – Merge 56 Affordable]

EXHIBIT B

FORM OF REQUIRED TRANSFEREE REPRESENTATIONS

The undersigned, as owner (the "Owner") of [an interest in] the Housing Authority of the City of San Diego Multifamily Housing Revenue Note (Merge 56 Affordable), Series 2022C-1 (Tax-Exempt) and the Housing Authority of the City of San Diego Multifamily Housing Revenue Note (Merge 56 Affordable), Series 2022C-2 (Taxable) (collectively, the "Governmental Lender Notes") evidencing a loan (the "Bank Loan") in the aggregate maximum principal amount of \$_____ from Pacific Western Bank (the "Bank") to the Housing Authority of the City of San Diego (the "Governmental Lender") pursuant to a Bank Loan Agreement, dated as of June 1, 2022 (the "Bank Loan Agreement") among the Bank, U.S. Bank Trust Company, National Association, as fiscal agent (the "Fiscal Agent") and the Governmental Lender, hereby represents that:

1. The Owner has sufficient knowledge and experience in financial and business matters with respect to the evaluation of residential real estate developments such as the Project to be able to evaluate the risk and merits of the investment represented by the Bank Loan. The Owner is able to bear the economic risks of such investment.

2. The Owner acknowledges that it has either been supplied with or been given access to information, including financial statements and other financial information, to which a reasonable investor would attach significance in making investment decisions, and the Owner has had the opportunity to ask questions and receive answers from knowledgeable individuals concerning the Borrower, the Project, the use of proceeds of the Bank Loan and the Borrower Loan and the security therefor so that, as a reasonable investor, the Owner has been able to make its decision to assume the position of the Bank under the Bank Loan Agreement or an interest in the Governmental Lender Notes. In entering into this transaction, the Owner acknowledges that it has not relied upon any representations or opinions of the Governmental Lender relating to the legal consequences to the Bank or other aspects of its making the Bank Loan and acquiring [an interest in] the Governmental Lender Notes, nor has it looked to, nor expected, the Governmental Lender to undertake or require any credit investigation or due diligence reviews relating to the Borrower, its financial condition or business operations, the Project (including the financing or management thereof), or any other matter pertaining to the merits or risks of the transactions contemplated by the Bank Loan Agreement and the Borrower Loan Agreement, or the adequacy of the funds pledged to the Bank to secure repayment of the Governmental Lender Notes.

3. The Owner is an Approved Institutional Buyer (as defined in the Bank Loan Agreement).

4. The Owner acknowledges that it is [assuming the position of the Bank under the Bank Loan Agreement] [purchasing an interest in the Governmental Lender Notes] for investment for its own account and not with a present view toward resale or the distribution thereof, in that it does not now intend to resell or otherwise dispose of all or any part of its interests in the Governmental Lender Notes; provided, however, that the Owner may sell or transfer the Governmental Lender Notes and the Bank Loan, or any portion of or participation interests in the Governmental Lender Notes and Bank Loan, subject to compliance with Section 4.03 of the Bank Loan Agreement, including the delivery to the Governmental Lender and the Fiscal Agent of representations from the transferee to substantially in the form of this Required Transferee Representations letter,

or otherwise to the same effect as these representations in such other form authorized by the Governmental Lender with no revisions except as may be approved in writing by the Governmental Lender. The Owner agrees to and shall indemnify, hold harmless and defend the Governmental Lender, its officers, Commissioners, officials and employees, and each of them, against all loss, costs, damages, expenses, suits, judgments, actions and liabilities of whatever nature (including, without limitation, attorneys' fees, litigation and court costs, amounts paid in settlement, and amounts paid to discharge judgments) directly or indirectly resulting from or arising out of or related to its transfer of the Governmental Lender Notes, any interest in the Governmental Lender Notes and the Bank Loan, or any interest in the Bank Loan in violation of Section 4.03 of the Bank Loan Agreement.

5. The Owner understands that (a) the Governmental Lender Notes are limited obligations of the Governmental Lender, payable solely from funds and moneys pledged and assigned under the Bank Loan Agreement, and that the liabilities and obligations of the Governmental Lender with respect to the Governmental Lender Notes are expressly limited as set forth in the Bank Loan Agreement and related documents, (b) the Governmental Lender Notes are not secured by any pledge of any moneys received or to be received from taxation by the Governmental Lender, or State or any political subdivision thereof, and (c) the Governmental Lender Notes do not and will not represent or constitute a general obligation or a pledge of the faith and credit of the Governmental Lender or the State of California or any political subdivision thereof.

6. The Owner has authority to assume the position of the Bank under the Bank Loan Agreement or an interest in the Governmental Lender Notes and to execute these representations and any other instructions and documents required to be executed by the Owner in connection therewith. The undersigned is a duly appointed qualified and acting officer of the Owner and is authorized to execute these representations on behalf of the Owner.

7. The Owner understands that the Governmental Lender Notes are not registered under the Securities Act of 1933 and that such registration is not legally required as of the date hereof; and further understands that the Governmental Lender Notes (a) are not being registered or otherwise qualified for sale under the "Blue Sky" laws and regulations of any state, (b) will not be listed on any stock or other securities exchange, and (c) will not carry a rating from any rating agency. The Owner agrees that it will comply with any applicable state and federal securities laws then in effect with respect to any disposition of any interest in the Governmental Lender Notes by it, as well as the provisions of Section 4.03 of the Bank Loan Agreement, and further acknowledges that any current exemption from registration of the Governmental Lender Notes does not affect or diminish such requirements.

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

_____, as Owner

By: _____
Name: _____
Title: _____

[Signature Page to Required Transferee Representations]

EXHIBIT C

FORM OF WRITTEN REQUISITION OF THE BORROWER – PROJECT FUND

Draw # _____

To: U.S. Bank Trust Company, National Association, as Fiscal Agent (the “Fiscal Agent”) under that certain Loan Agreement, dated as of June 1, 2022, among Pacific Western Bank, as Bank, the Housing Authority of the City of San Diego, as Governmental Lender, and the Fiscal Agent (the “Bank Loan Agreement”).

You are requested to disburse funds from the [Tax-Exempt Subaccount][Taxable Subaccount] of the Note Proceeds Account of the Project Fund pursuant to Section 8.07 of the Bank Loan Agreement in the amount(s), to the person(s) and for the purpose(s) set forth on Schedule I attached hereto and incorporated herein by reference. An invoice or other appropriate evidence of the obligations described on Schedule I is attached hereto.

The undersigned certifies that:

(a) there has been received no notice (i) 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 (ii) 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;

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

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

(d) [for requisitions from the Tax-Exempt Subaccount] such requisition contains no items representing any Costs of Issuance or any other amount constituting an issuance cost under Section 147(g) of the Code, unless such item is being paid solely from the Taxable Subaccount or the Equity Account of the Project Fund;

(e) [for requisitions from the Tax-Exempt Subaccount] not less than 97% of the sum of: (A) the amounts requisitioned by this Requisition to be funded with the proceeds of the Governmental Lender Tax-Exempt Note plus (B) all amounts allocated to the Governmental Lender Tax-Exempt Note previously disbursed from the Tax-Exempt Subaccount of the Note Proceeds Account of the Project Fund, have been or will be applied by the Borrower to pay Qualified Project Costs;

(f) to the undersigned’s current, actual knowledge, as of the date hereof no event or condition has happened or is happening or exists that constitutes, or that with notice or lapse of time or both, would constitute, an Event of Default under the Bank Loan Agreement; and

(g) attached as Schedule I to this Requisition is an exhibit that allocates the amount requested hereby from each account of the Project Fund among the sources for payment.

Dated: _____

MERGE 56 AFFORDABLE, LP, as Borrower

By: _____
Name: _____
Title: _____

APPROVED:

PACIFIC WESTERN BANK, a California
state-chartered bank

By: _____
Authorized Signatory

Schedule I
Payment Instructions

EXHIBIT D

**FORM OF WRITTEN REQUISITION
OF THE BORROWER – CLOSING COSTS FUND**

To: U.S. Bank Trust Company, National Association, as Fiscal Agent (the “Fiscal Agent”) under that certain Loan Agreement, dated as of June 1, 2022, among Pacific Western Bank, as Bank, Housing Authority of the City of San Diego, as Governmental Lender, and the Fiscal Agent (the “Bank Loan Agreement”).

You are requested to disburse funds from the Closing Costs Fund pursuant to Section 8.06 of the Bank Loan Agreement in the amount(s), to the person(s) and for the purpose(s) set forth on Schedule I attached hereto and incorporated herein by reference. An invoice or other appropriate evidence of the obligations described on Schedule I is attached hereto. All payments will be made by check or wire transfer in accordance with the payment instructions set forth on Schedule I (or on the attached invoice) and the Fiscal Agent shall have no obligation to authenticate such payment instructions or the authority under which they were given.

The undersigned certifies that the undersigned is a Borrower Representative and as of the date hereof no event or condition has happened or is happening or exists that constitutes, or that with notice or lapse of time or both, would constitute, an Event of Default under the Bank Loan Agreement and that the requested disbursement satisfies the requirements of Section 8.06 of the Bank Loan Agreement.

Dated: _____

BORROWER:

MERGE 56 AFFORDABLE, LP, as Borrower

By: _____

Name: _____

Title: _____

The foregoing Requisition is hereby consented to:

BANK:

PACIFIC WESTERN BANK, a California state-chartered bank

By: _____
Authorized Signatory

Schedule I
Payment Instructions

Payee	Purpose	Amount of Payment
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LOAN AGREEMENT

by and between the

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

and

**MERGE 56 AFFORDABLE, LP,
a California limited partnership,
as Borrower**

dated as of June 1, 2022

relating to:

\$16,000,000

**Housing Authority of the City of San Diego
Multifamily Housing Revenue Note
(Merge 56 Affordable), Series 2022C-1 (Tax-Exempt)**

and

\$_____

**Housing Authority of the City of San Diego
Multifamily Housing Revenue Note
(Merge 56 Affordable), Series 2022C-2 (Taxable)**

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LOAN AGREEMENT

THIS LOAN AGREEMENT, dated as of June 1, 2022 (this "Borrower Loan Agreement"), is by and between the Housing Authority of the City of San Diego, a public body, corporate and politic, organized and existing under and the laws of the State of California (together with its successors and assigns, the "Governmental Lender"), and Merge 56 Affordable, LP, a California limited partnership (the "Borrower").

For and in consideration of the mutual agreements hereinafter contained, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS AND INTERPRETATION

Section 1.1. Definitions. The capitalized terms used in this Borrower Loan Agreement shall have the following meanings unless the context or use otherwise requires or, if not defined herein, are as defined in the Loan Agreement, dated as of June 1, 2022, among the Governmental Lender, Pacific Western Bank and U.S. Bank Trust Company, National Association, as fiscal agent:

"Act of Bankruptcy" shall mean the filing of a petition in bankruptcy (or any other commencement of a bankruptcy or similar proceeding) by or against the Borrower, or any guarantor of the Borrower under any applicable bankruptcy, insolvency, reorganization, or similar law, now or hereafter in effect; provided that, in the case of an involuntary proceeding, such proceeding is not dismissed within ninety (90) days after the commencement thereof.

"Conversion Date" has the meaning given that term in the Continuing Covenant Agreement.

"Costs of Issuance" means all fees, costs and expenses directly associated with the authorization, issuance, sale and delivery of the Governmental Lender Notes, and the making of the Bank Loan and the Borrower Loan, including fees paid to the Bank in connection with the origination of the Bank Loan.

"Equity Contributions" shall mean the equity to be contributed by the Equity Investor in accordance with and subject to the terms of the Partnership Agreement.

"Environmental Indemnity Agreement" means the Environmental Indemnity Agreement, dated as of June 1, 2022, by the Borrower and the Guarantor in favor of the Bank.

"Environmental Site Assessments" has the meaning ascribed to such term in Section 4.01(k) of the Continuing Covenant Agreement.

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

"Force Majeure" shall mean without limitation, the following: acts of God; strikes, lockouts or other industrial disturbances; acts of terrorism or of public enemies; orders or restraints of any kind of the government of the United States of America or of the State or any of their departments, agencies, political subdivisions or officials, or any civil or military authority; insurrections; civil disturbances; riots; epidemics; landslides; lightning; earthquakes;

fires; hurricanes; tornados; storms; droughts; floods; arrests; restraint of government and people; explosions; breakage, malfunction or accident to facilities, machinery, transmission pipes or canals; partial or entire failure of utilities; shortages of labor, materials, supplies or transportation; or any cause, circumstance or event not reasonably within the control of the Borrower; provided Borrower shall notify the Bank of any such event within 10 calendar days after the occurrence thereof.

“Gross Income” has the meaning given to such term in the Regulatory Agreement.

“Guarantor” means, collectively, Seabreeze 56, LLC, a Delaware limited liability company (prior to the Conversion Date only), Rise Urban Partners, LLC, a Delaware limited liability company, David Allen and Robert Morgan.

“Guaranty” means the Guaranty of Payment and Performance, dated as of June 1, 2022, by the Guarantor in favor of the Bank.

“Hazardous Substance” means materials that because of their quantity, concentration or physical, chemical or infectious characteristics, may cause or pose a present or potential hazard to human health or the environment when improperly used, treated, stored, disposed of, generated, manufactured, transported or otherwise handled. The words “Hazardous Substances” are used in their very broadest sense and include without limitation any and all hazardous or toxic substances, materials or waste as defined by or listed under the Hazardous Substance Laws. The term “Hazardous Substances” also includes, without limitation, petroleum and petroleum by-products or any fraction thereof and asbestos. “Hazardous Substance” shall not include substances typically used in the ordinary course of developing, operating and maintaining apartment complexes provided that such substances are used in accordance with applicable laws.

“Hazardous Substance Laws” collectively means any and all state, federal and local statutes, regulations and ordinances relating to the protection of human health or the environment, including without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, 42 U.S.C. § 9601 et seq. (“CERCLA”), the Superfund Amendments and Reauthorization Act of 1986, Pub. L. No. 99-499 (“SARA”), the Hazardous Materials Transportation Act, 49 U.S.C. § 1801 et seq., the Resource Conservation and Recovery Act, 42 U.S.C. 6901, et seq., Chapters 6.5 through 7.7 of the California Health and Safety Code, Section 25100, et seq., or other applicable State or federal laws, rules or regulations adopted pursuant thereto.

“Inducement Date” has the meaning given to such term in the Regulatory Agreement.

“Loan Documents” means this Borrower Loan Agreement, the Bank Loan Agreement, the Regulatory Agreement, the Borrower Notes, the Governmental Lender Notes, the Borrower Assignments, the Continuing Covenant Agreement and the Deed of Trust.

“Low Income Tenant” has the meaning given such term in the Regulatory Agreement.

“Partnership Agreement” means the Amended and Restated Agreement of Limited Partnership of Merge 56 Affordable, LP, as executed by the parties thereto or as thereafter amended or restated in accordance with its terms.

“Prepayment Premium” means any premium payable hereunder which shall be equal to the amount payable by the Borrower as such as set forth in the Borrower Notes.

“Prohibited Activities or Conditions” has the meaning given such term in the Continuing Covenant Agreement.

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

“Property” means, the site on which the Project is located.

“Purchase Option” means any option of a partner of the Borrower to purchase the Project and or fee interest, as applicable, in the Property contemplated by the Partnership Agreement or documents related to the Partnership Agreement.

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

“Taxes” shall mean all real estate and personal property taxes, assessments, water rates or sewer rents, now or hereafter levied or assessed or imposed against all or part of the Project.

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

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

ARTICLE II

REPRESENTATIONS AND WARRANTIES

Section 2.1. Representations and Warranties of the Governmental Lender. The Governmental Lender represents, warrants and covenants that:

(a) The Governmental Lender is a public body, corporate and politic, organized and existing under and the laws of the State, and is duly authorized to execute and deliver the Governmental Lender Notes and to perform its obligations under this Borrower Loan Agreement.

(b) The Loan Documents to which the Governmental Lender is a party have been duly authorized, executed and delivered by the Governmental Lender, and the Governmental Lender has taken such actions as are necessary to cause the Loan Documents to which it is a party, when duly authorized, executed and delivered by the other respective parties thereto, to be valid and binding obligations of the Governmental Lender, enforceable against the Governmental Lender in accordance with their

respective terms, except as limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting the rights of creditors generally.

(c) The execution and delivery of this Borrower Loan Agreement and the Regulatory Agreement, the performance by the Governmental Lender of its obligations hereunder and thereunder and the consummation of the transactions on its part contemplated hereby and thereby, including, without limitation, the loaning of the amounts herein set forth to the Borrower, do not violate any law, rule, regulation or ordinance or any order, judgment or decree of any federal, state or local court, and do not conflict with, or constitute a breach of, or a default under the terms and conditions of any agreement, instrument or commitment to which the Governmental Lender is a party or by which the Governmental Lender or any of its property is bound.

(d) To the best knowledge of the Governmental Lender, there is no action, suit, proceeding, inquiry or investigation by or before any court, governmental agency or public board or body pending or threatened against the Governmental Lender which (i) affects or questions the existence or the territorial jurisdiction of the Governmental Lender or the title to office of any members of the Board of Commissioners of the Governmental Lender; (ii) affects or questions the validity or enforceability of this Borrower Loan Agreement or the Regulatory Agreement; or (iii) questions the tax-exempt status of interest on the Governmental Lender Tax-Exempt Note.

The Governmental Lender makes no representation or warranty, either express or implied, that the Project will be adequate or sufficient for the purposes of the Borrower. Nothing in this Borrower Loan Agreement shall be construed as requiring the Governmental Lender to provide any financing for the Project other than the proceeds of the Borrower Loan, or to provide sufficient moneys for all of the costs of the Project.

Section 2.2. Representations, Warranties and Covenants of the Borrower. The Borrower represents, warrants and covenants that:

(a) The Borrower is a limited partnership, duly organized and in good standing under the laws of the State and has full legal right, power and authority (i) to enter into this Borrower Loan Agreement and the other Loan Documents to which it is a party; (ii) to perform its obligations hereunder and thereunder; and (iii) to consummate the transactions on its part contemplated by the Loan Documents.

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

(c) The execution and delivery of the Loan Documents to which it is a party, the performance by the Borrower of its obligations hereunder and thereunder and the consummation of the transactions contemplated hereby and thereby do not require the consent or approval of any other person, regulatory agency or governmental body (other than the other parties to the Loan Documents) and will not violate the Borrower's Partnership Agreement, or any law, regulation, rule or ordinance or any order, judgment or decree of any federal, state or local court and do not conflict with, or constitute a breach of, or a default under, any document, instrument or commitment to which the Borrower is a party or by which the Borrower or any of its property is bound.

(d) There is no action, suit, proceeding, inquiry or investigation by or before any court, governmental agency or public board or body pending or threatened against the Borrower which (i) affects or seeks to prohibit, restrain or enjoin the loaning of the amounts set forth herein to the Borrower or the execution and delivery of this Borrower Loan Agreement or the other Loan Documents, (ii) affects or questions the validity or enforceability of this Borrower Loan Agreement or the other Loan Documents, or (iii) questions the power or authority of the Borrower to carry out the transactions contemplated by, or to perform its obligations under, this Borrower Loan Agreement or the other Loan Documents to which it is a party, or the powers of the Borrower to own, acquire, construct or operate the Project; and no other event has occurred which may materially adversely affect the Borrower's financial condition or its properties.

(e) The Borrower is not in default (and no event has occurred and is continuing which with the giving of notice or the passage of time or both could constitute a default) under any document, instrument or commitment to which the Borrower is a party or to which it or any of its property is subject which default would or could affect the ability of the Borrower to carry out its obligations under this Borrower Loan Agreement or the other Loan Documents.

(f) Any certificate signed by a Borrower Representative and delivered pursuant to this Borrower Loan Agreement or the other Loan Documents shall be deemed a representation and warranty by the Borrower as to the statements made therein.

(g) The Project is located wholly within the City.

(h) The Borrower will obtain all necessary certificates, approvals, permits and authorizations with respect to the acquisition, construction and operation of the Project from applicable local governmental agencies and agencies of the State and the federal government.

(i) The Borrower shall make no changes to the Project or to the operation thereof which would affect the qualification of the Project under the Act or the Code, or impair the exclusion from gross income for federal income tax purposes of the interest on the Governmental Lender Tax-Exempt Note. The Borrower intends to utilize the Project as multifamily rental housing for a period ending on the later of the end of the Qualified Project Period or the expiration of the Compliance Period (as defined in the Regulatory Agreement).

(j) Not in excess of two percent (2.0%) of the proceeds of the Borrower Tax-Exempt Note will be used to pay Costs of Issuance.

(k) The acquisition, construction and operation of the Project in the manner presently contemplated and as described herein and in the Regulatory Agreement will not conflict with any zoning, water or air pollution or other ordinance, order, law or regulation applicable thereto. The Borrower will cause the Project to be operated in all material respects in accordance with all applicable federal, state and local laws or ordinances (including rules and regulations) relating to zoning, building, safety and environmental quality.

(l) The Borrower acknowledges, represents and warrants that it understands the nature and structure of the Project; that it is familiar with the provisions of all of the documents and instruments relating to the financing of the Project to which it or the

Governmental Lender is a party or of which it is a beneficiary; and that it understands the risks inherent in such transactions, including without limitation the risk of loss of the Project; and that it has not relied on the Governmental Lender for any guidance or expertise in analyzing financial or other consequences of the transactions contemplated by the Loan Documents or otherwise relied on the Governmental Lender for advice.

(m) The Borrower intends to hold the Project for its own account, has no current plans to sell and has not entered into any agreement to sell the Project, except in accordance with the terms of the Regulatory Agreement, the Deed of Trust, the Continuing Covenant Agreement, and any Purchase Option.

(n) The Borrower has contacted all "related persons" thereof (within the meaning of Section 147(a) of the Code) of which it is aware; and none of them shall, at any time, pursuant to any arrangement, formal or informal, acquire any interest in the Governmental Lender Tax-Exempt Note in an amount related to the amount of the portion of the Borrower Loan represented by Borrower Tax-Exempt Note.

(o) In the event the Bank Loan proceeds are not sufficient to complete the acquisition and construction of the Project, the Borrower will furnish any additional moneys necessary to complete the acquisition and construction of the Project.

(p) All of the proceeds from the Governmental Lender Tax-Exempt Note plus the income from the investment of the proceeds of the Governmental Lender Tax-Exempt Note will be used to pay or reimburse the Borrower for Project Costs, and at least 97% of the proceeds of the Governmental Lender Tax-Exempt Note will be used to pay or reimburse the Borrower for Qualified Project Costs and less than 25% of the proceeds of the Governmental Lender Tax-Exempt Note will be used to pay or reimburse the Borrower for the cost of land or any interest therein. The Borrower shall assure that the proceeds of the Governmental Lender Tax-Exempt Note are expended so as to cause the Governmental Lender Tax-Exempt Note to constitute a "qualified residential rental bond" within the meaning of Section 142(d) of the Code.

(q) The estimated total cost of the financing of the acquisition and construction of the Project is equal to or in excess of the maximum principal amount of the Bank Loan.

(r) The Borrower has not knowingly taken or permitted to be taken and will not knowingly take or permit to be taken any action which would have the effect, directly or indirectly, of causing interest on the Governmental Lender Tax-Exempt Note to be included in the gross income of the owner thereof for purposes of federal income taxation.

(s) The Borrower covenants that it shall not take, or permit or suffer to be taken by the Bank or otherwise, any action with respect to the proceeds of the Governmental Lender Tax-Exempt Note which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken on the Closing Date, would have caused the Governmental Lender Tax-Exempt Note to be an "arbitrage bond" within the meaning of Section 148(a) of the Code.

(t) The Borrower has examined and is familiar with all the easements, covenants, conditions, restrictions, reservations, building laws, regulations, zoning ordinances, and federal, state, and local requirements affecting the Project. The Project will at all times and in all respects conform to and comply with the requirements of such easements, covenants, conditions, restrictions and reservations.

(u) Each financial statement of Borrower supplied to the Governmental Lender or the Bank truly and completely disclosed Borrower's financial condition as of the date of the statement, and there has been no material adverse change in Borrower's financial condition subsequent to the date of the most recent financial statement supplied to the Governmental Lender or the Bank except as disclosed on a subsequent financial statement. Borrower has no material contingent obligations except as disclosed in such financial statements.

(v) The Project Costs as set forth by the Borrower to the Governmental Lender and the Bank in writing prior to the date of the first disbursement of the Borrower Loan truly and accurately reflect the Borrower's reasonable estimate of the costs necessary to complete the acquisition and construction of the Project.

(w) All utility services appropriate to the use of the Project are being or upon completion of construction will be provided to the Project.

(x) The Project is contiguous to publicly dedicated streets, roads, or highways providing access to the Project.

(y) The Borrower shall take all actions required under the Partnership Agreement to cause the funding of all capital contributions to the Borrower at the times and in the amounts set forth in the Partnership Agreement.

(z) The execution and delivery of this Borrower Loan Agreement and the Regulatory Agreement, the performance by the Borrower of its obligations hereunder and thereunder and the consummation of the transactions on its part contemplated hereby and thereby, do not violate any law, rule, regulation or ordinance or any order, judgment or decree of any federal, state or local court, and do not conflict with, or constitute a breach of, or a default under the terms and conditions of any agreement, instrument or commitment to which the Borrower is a party or by which the Borrower or an of its property is bound.

Section 2.3. Hazardous Waste Covenant. The Borrower further represents, warrants and covenants that (a) the Borrower will not use Hazardous Substances on, from or affecting the Project (i) in any manner which violates Hazardous Substance Laws or (ii) in a manner that would create a material adverse effect on the Project and that (b) to the best of the Borrower's knowledge, no prior owner of the Project or any tenant, subtenant, prior tenant or prior subtenant has used Hazardous Substances on, from or affecting the Project (i) in any manner which violates Hazardous Substance Law or (ii) in a manner that would create a material adverse effect on the Project. Without limiting the foregoing, the Borrower shall not cause or knowingly permit the Project or any part thereof to be used to generate, manufacture, refine, transport, treat, store, handle, dispose, transfer, produce or process Hazardous Substances, except in compliance with Hazardous Substance Laws, nor shall the Borrower cause or knowingly permit, as a result of any intentional or unintentional act or omission on the part of the Borrower or any tenant or subtenant, a release of Hazardous Substances onto the Project or on any other property in a manner which violates Hazardous Substances Laws or in a manner that would create a material adverse effect on the Project. The Borrower shall comply with and require compliance by all tenants and subtenants with all applicable Hazardous Substances Laws and shall obtain and comply with, and require that all tenants and subtenants obtain and comply with, any and all approvals, registrations or permits required thereunder. The Borrower shall conduct and complete all investigations, studies, sampling, and testing, and all remedial, removal, and other action required by a governmental authority under an applicable Hazardous

Substance Law to clean up and remove all Hazardous Substances, on from, or affecting the Project in accordance with all applicable Hazardous Substance Laws..

The Borrower shall use its best efforts to not allow any tenant of the Property to violate any Hazardous Substance Law. The Borrower shall defend, indemnify, and hold harmless the Governmental Lender from and against any claims, demands, penalties, fines, liabilities, settlements, damages, costs, or expenses of whatever kind or nature, known or unknown, contingent or otherwise, arising out of, or in any way related to, (a) the presence, disposal, release, or threatened release of any Hazardous Substances which are on or from the Project which affect, the soil, water, vegetation, buildings, personal property, persons, animals, or otherwise, (b) any personal injury (including wrongful death) or property damage (real or personal) arising out of or related to such Hazardous Substances on or from the Project, and/or (c) any violation of Hazardous Substances Laws, without limitation, attorney and consultant fees, investigation and laboratory fees, court costs, and litigation expenses. In the event the Project is foreclosed upon, or a deed in lieu of foreclosure is tendered, or this Borrower Loan Agreement is terminated, the Borrower shall deliver the Project in a manner and condition that shall conform with all applicable Hazardous Substance Laws affecting the Project. The provisions of this paragraph: (a) shall be in addition to any and all other obligations and liabilities the Borrower may have to the Governmental Lender at common law, and (b) with respect to any liability or cost arising as a result of acts or omissions of the Borrower during the term of this Borrower Loan Agreement, shall survive the termination of this Borrower Loan Agreement. This paragraph shall not obligate the Borrower in any way with respect to any acts or omissions of any entity to which the Project is sold or transferred in accordance with the provisions of Section 12 of the Regulatory Agreement or to the extent to the willful misconduct of the Governmental Lender or its agents or assigns.

The indemnifications and protections set forth in this Section 2.3(i) shall be extended, with respect to the Governmental Lender, to its Commissioners, officers, employees, agents and servants and persons under the Governmental Lender's control or supervision and (ii) shall be for the full and equal benefit of the Bank, as assignee of the Governmental Lender under the Assignment Agreement.

Anything to the contrary in this Borrower Loan Agreement notwithstanding, the covenants of the Borrower contained in this Section 2.3 shall remain in full force and effect after the termination of this Borrower Loan Agreement until the later of (i) the expiration of the period stated in the applicable statute of limitations during which a claim or cause of action may be brought and (ii) payment in full or the satisfaction of such claim or cause of action and of all expenses and charges incurred by the Governmental Lender relating to the enforcement of the provisions herein specified.

For the purposes of this Section 2.3, the Borrower shall not be deemed an employee, agent or servant of the Governmental Lender or person under Governmental Lender's control or supervision.

Section 2.4. Additional Environmental Matters. (a) The Borrower shall require in any management agreement for the Project that the management company shall operate and maintain the Project in material compliance with all applicable Hazardous Substances Laws.

(b) The Borrower shall use its best efforts to prevent the imposition of any liens or encumbrances against the Project for the costs of any response, removal or remedial action or cleanup of Hazardous Substances.

(c) The Borrower covenants and agrees that it will not knowingly conduct or allow to be conducted any business, operations or activity on the Project, or employ or use the Project to manufacture, treat, store (except with respect to storage in the ordinary operation of the Project), or dispose of any Hazardous Substance (including, without limitation, petroleum, its derivatives, crude oil or any fraction thereof), or any other substance the disposal of which is prohibited, controlled or regulated under applicable law, or which poses a threat or nuisance to safety, health or the environment, including, without limitation, any business, operation or activity which would bring the Project within the ambit of, or otherwise violate, the Resource Conservation and Recovery Act of 1976, as amended by the Hazardous and Solid Waste Amendments of 1984, 42 U.S.C. Section 6901 et seq., or cause or knowingly allow to be caused, a release or threat of release, of a nondiminimis quantity of hazardous substances on the Project as defined by, and within the ambit of, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986, 42 U.S.C. Section 9601 et seq., or any similar state, county, regional or local statute providing for financial responsibility for cleanup for the release or threatened release of substances provided for thereunder.

(d) The Borrower covenants and agrees that it shall take all appropriate response action, including any removal and remedial action, in the event of a release, emission, discharge or disposal of Hazardous Substances in violation of Hazardous Substances Laws.

(e) The Borrower shall, as soon as practical and in any event within 15 days, notify the Governmental Lender and the Bank of any notice, letter, citation, order, warning, complaint, claim or demand that (i) any non-compliance with any Hazardous Substances Laws related to the Project, (ii) a release or material threat of release of Hazardous Substances from the Project, (iii) any required or proposed remediation of environmental conditions relating to the Project or (iv) the Project is subject to an environmental lien.

(f) During the period in which the Borrower Loan Agreement is in effect, the Borrower hereby grants, and will cause any tenants to grant, to the Governmental Lender and the Bank, their respective agents, attorneys, employees, consultants and contractors an irrevocable license and authorization upon reasonable notice of not less than 24 hours and at a reasonable time to enter upon and inspect the Project and perform such tests, including, without limitation, subsurface testing, soils and ground water testing, and other tests which may physically invade the Project, as the Governmental Lender or the Bank, in its respective reasonable discretion, determines are necessary to protect the lien created by the Deed of Trust. The Governmental Lender and the Bank and their officers, employees and agents shall indemnify and hold harmless the Borrower, its partners, employees and agents from any and all claims for damages to persons or property arising from any activity of the Governmental Lender, the Bank, their employees, officers, agents, representatives, contractors, subcontractors or consultants on the Property. The provisions of this Section 2.4 shall be for the full and equal benefit of the Governmental Lender, and of the Bank as assignee of the Governmental Lender under the Assignment Agreement.

(g) The Borrower agrees to protect, defend, hold harmless and indemnify the Governmental Lender and the Bank for, from, against and in respect of any and all claims, losses, liabilities, damages (whether special, consequential or otherwise), settlements, penalties, interest and expenses (including any professional fees and expenses) which may be suffered or incurred by it relating to, arising out of or resulting from or by reason of any and all present or future liabilities or obligations under any current Hazardous Substance Laws relating to the Project with respect to (i) the handling, storage, use, transportation or disposal of any Hazardous Substances by the Borrower in or from the Project; (ii) the handling, storage, use, transportation or disposal (whether or not known to the Borrower) of any Hazardous Substances, which

Hazardous Substances were products, byproducts or otherwise resulted from operations conducted on the Project; or (iii) any intentional or unintentional emission, discharge or release (whether or not know to the Borrower) of any Hazardous Substances into or upon the air, surface water, ground water or land or any manufacturing, processing, distribution, use, treatment, disposal, transport or handling of such Hazardous Substances. This paragraph shall not obligate the Borrower with respect to any acts or omissions of any entity to whom the Project is sold or transferred in accordance with the provisions of Section 12 of the Regulatory Agreement, or which are attributable to the willful misconduct of the Governmental Lender or the Bank or their agents or assigns.

ARTICLE III

THE BORROWER LOAN

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

(a) the Governmental Lender shall have received an original executed counterpart of this Borrower Loan Agreement, the Regulatory Agreement, the Borrower Assignments, the Disbursement Agreement, the Continuing Covenant Agreement and the Deed of Trust, and a copy of each Borrower Note (the original of each Borrower Note to be endorsed by the Governmental Lender to the Bank without recourse, and is to be delivered to the Bank), as well as evidence satisfactory to the Governmental Lender and the Bank of (i) the recordation of the Regulatory Agreement, the Subordination Agreement, the Assignment Agreement and the Deed of Trust (collectively, the "Recording Documents") in the official records of the County Recorder of the County, which may be evidenced by telephonic notice from the Title Company, or (ii) an insured lien in the form of gap coverage from the Title Company, together with escrow instructions providing for the recording of the Recording Documents in the official records of the County Recorder of the County after the Closing Date;

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

(c) the conditions to the Initial Disbursement set forth in the Disbursement Agreement and the Continuing Covenant Agreement have been satisfied in full;

(d) the delivery to the Fiscal Agent and/or to an escrow at the Title Company of all amounts required to be paid in connection with the Bank Loan and the Borrower Loan on the Closing Date, including amounts related to the underlying real estate transaction to be paid on the Closing Date;

(e) the Governmental Lender and the Bank shall have received an opinion of counsel to the Borrower addressed to the Governmental Lender and the Bank to the effect that the Loan Documents to which the Borrower is a party are valid and binding obligations of the Borrower, enforceable against the Borrower in accordance with their terms, subject to such exceptions and qualifications as are acceptable to the Governmental Lender and the Bank; and

(f) the Bank and the Governmental Lender shall have received such other documents or opinions as the Bank or the Governmental Lender may reasonably require.

Section 3.2. Commitment to Execute the Borrower Notes. The Borrower agrees to execute and deliver the Borrower Notes and the Deed of Trust simultaneously with the execution of this Borrower Loan Agreement.

Section 3.3. Amount and Source of Loan. The Governmental Lender hereby makes to the Borrower and agrees to fund, and the Borrower hereby accepts from the Governmental Lender, upon the terms and conditions set forth herein, the Borrower Loan and agrees to have the proceeds of the Borrower Loan applied and disbursed in accordance with the provisions of this Borrower Loan Agreement.

Section 3.4. Disbursement of Borrower Loan Proceeds. (a) The Governmental Lender hereby authorizes and directs the funding and disbursement of the initial principal amount of the Borrower Loan on the Closing Date in the amount set forth in the Bank's Receipt of the Governmental Lender Notes and Borrower Notes, as executed and delivered by the Bank on the Closing Date, subject to the condition that (i) the Recording Documents (as defined in Section 3.1(a) hereof) shall have been executed and signed by the Borrower and duly recorded in the office records of the County Recorder of the County, which may be evidenced by telephonic notice from the Title Company or in the form of gap coverage from the Title Company together with escrow instruments providing for the recording of the Recording Documents in the official records of the County Recorder of the County after the Closing Date, and (ii) the Borrower has complied with the conditions to the initial funding set forth in the Disbursement Agreement and the Continuing Covenant Agreement and has satisfied the other conditions to closing the Borrower Loan in Section 3.1 of this Borrower Loan Agreement. The Borrower hereby authorizes the Governmental Lender to disburse on the date of execution and delivery of the Borrower Notes the amount representing the Initial Disbursement to the Title Company, to be used to pay costs identified in the instructions to the Title Company delivered in connection with the recordation of the Recording Documents.

(b) The Governmental Lender hereby authorizes and directs the funding and disbursement of the remaining principal amount of the Borrower Loan (not referenced in Section 3.4(a) above), subject to the conditions set forth in the Disbursement Agreement and the Continuing Covenant Agreement. Any disbursement of the remaining principal amount of the Borrower Loan shall be used to pay Project Costs. No further disbursements of the Borrower Loan shall be made after the date which is three (3) years after the Closing Date.

(c) The Borrower has advised the Governmental Lender of the Borrower's intent that not less than 97% of the proceeds of the Governmental Lender Tax-Exempt Note be used to pay Qualified Project Costs.

ARTICLE IV

LIMITED LIABILITY

Section 4.1. Limited Liability. All obligations and any liability of the Governmental Lender incurred hereunder shall be limited, special obligations of the Governmental Lender, payable solely and only from amounts received from the Bank pursuant to the Bank Loan Agreement. All obligations and any liability of the Governmental Lender shall be further limited as provided in Sections 4.01, 5.02 and 6.14 of the Bank Loan Agreement.

The Borrower hereby acknowledges that the Governmental Lender's sole source of moneys to repay the Governmental Lender Notes will be provided by the Security, and hereby agrees that if the payments to be made hereunder shall ever prove insufficient to pay all principal (or prepayment price) and interest on the Governmental Lender Notes as the same

shall become due (whether by maturity, redemption, acceleration or otherwise), then upon notice from the Bank, the Borrower shall pay such amounts as are required from time to time to prevent any deficiency or default in the payment of such principal (or prepayment price) or interest, including, but not limited to, any deficiency caused by acts, omissions, nonfeasance or malfeasance on the part of the Bank, the Borrower, the Fiscal Agent, the Governmental Lender or any third party, subject to any right of reimbursement from the Bank, the Fiscal Agent, the Governmental Lender or any such third party, as the case may be, therefor but solely, in the case of the Governmental Lender and the Fiscal Agent, from the Security, other than with respect to any deficiency caused by the willful misconduct of the Governmental Lender and the Fiscal Agent, as applicable.

ARTICLE V

REPAYMENT OF THE BORROWER LOAN

Section 5.1. Borrower Loan Repayment. (a) The Borrower Loan shall be evidenced by the Borrower Notes which shall be executed by the Borrower in the form attached hereto as Exhibit A. The Borrower agrees to pay to the Bank, as agent of the Governmental Lender under the Assignment Agreement, principal of, any applicable Prepayment Premium and interest on the Borrower Loan at the times, in the manner, in the amount and at the rate of interest provided in the Borrower Notes and this Borrower Loan Agreement.

Notwithstanding provisions regarding payment of the Borrower Loan or any other provision of this Borrower Loan Agreement or the Borrower Notes to the contrary, the Governmental Lender shall be permitted to direct Borrower Tax-Exempt Note prepayments to a custodian or trustee selected by the Governmental Lender, in lieu of application to pay a like portion of the Governmental Lender Tax-Exempt Note, so long as the Governmental Lender simultaneously causes other funds to be applied to pay such portion of the Governmental Lender Tax-Exempt Note. The preceding provisions shall apply only for purposes of preserving or "recycling" private activity bond volume cap in accordance with Section 10.11 of the Bank Loan Agreement and Section 146(i)(6) of the Code.

The Borrower hereby acknowledges and consents to the provisions of Section 10.11 of the Bank Loan Agreement regarding the recycling of private activity bond volume cap and agrees to comply with any written direction of the Governmental Lender in connection therewith. In furtherance of the preceding paragraph, the Borrower shall provide notice of any prepayment of the Borrower Tax-Exempt Note to occur on the Conversion Date to the Governmental Lender and the California Debt Limit Allocation Committee at least 30 days prior the such prepayment.

(b) The Borrower further agrees to pay all taxes and assessments, general or special, including, without limitation, all ad valorem taxes, concerning or in any way related to the Project, or any part thereof, and any other governmental charges and impositions whatsoever, foreseen or unforeseen, and all utility and other charges and assessments with respect thereto; provided, however, that the Borrower reserves the right to contest in good faith the legality of any tax or governmental charge concerning or in any way related to the Project. In addition, the Borrower agrees to pay any loan fee, processing fee and all title, escrow, recording and closing costs and expenses (including legal fees), any appraisal costs and all other reasonable fees and costs associated with or required in connection with the Governmental Lender Notes, the Regulatory Agreement and Bank Loan Agreement; including but not limited to any such amounts described in Section 5.1(c) of the Bank Loan Agreement.

(c) The Borrower hereby acknowledges and consents to the assignment by the Governmental Lender to the Bank of its rights under this Borrower Loan Agreement (excepting only the Governmental Lender's rights under Section 6.7 hereof, and its retained rights under Sections 2.3, 2.4, 5.1(b), 5.1(d), 5.1(e), 7.4, 8.7, 8.12 and 8.13 hereunder, together with its rights to receive notice and consent to amendments pursuant to the Loan Documents), and the appointment of the Bank as agent of the Governmental Lender to collect the payments on the Borrower Loan, all as set forth in the Assignment Agreement.

(d) The Borrower further agrees to pay the annual fee of the Governmental Lender and other fees and expenses due the Governmental Lender and the Commission as described in Sections 7(a) and 9 of the Regulatory Agreement, and within thirty (30) days after receipt of request for payment thereof, all reasonable out-of-pocket expenses of the Governmental Lender related to the Project and the financing thereof that are not otherwise required to be paid by the Borrower under the terms of this Borrower Loan Agreement and are not paid from disbursements of the Borrower Loan, including, without limitation, legal fees and expenses incurred in connection with the interpretation, performance, enforcement or amendment of any documents relating to the Project, the Borrower Loan or the Bank Loan or in connection with any litigation which may at any time be instituted involving this Borrower Loan Agreement, the Regulatory Agreement, the Bank Loan Agreement, the Governmental Lender Notes or any of the other documents contemplated thereby, or in connection with the reasonable supervision or inspection of the Borrower, its properties, assets or operations or otherwise in connection with the administration of the foregoing.

(e) Notwithstanding anything to the contrary herein, the Borrower further agrees to pay all taxes and assessments of any type or character charged to the Governmental Lender, the Fiscal Agent or to the Bank affecting the amount available to the Governmental Lender, the Fiscal Agent or the Bank from payments to be received hereunder or in any way arising due to the transactions contemplated hereby (including taxes and assessments assessed or levied by any public agency or governmental authority of whatsoever character having power to levy taxes or assessments) but excluding franchise taxes based upon the capital and/or income of the Bank or Fiscal Agent and taxes based upon or measured by the net income of the Bank or the Fiscal Agent; provided, however, that the Borrower shall have the right to protest any such taxes or assessments and to require the Governmental Lender, the Fiscal Agent or the Bank, at the Borrower's expense, to protest and contest any such taxes or assessments levied upon them and that the Borrower shall have the right to withhold payment of any such taxes or assessments pending disposition of any such protest or contest unless such withholding, protest or contest would adversely affect the rights or interests of the Governmental Lender or the Bank;

These obligations in Sections 5.1(d) and 5.1(e) and those in Section 6.7 shall remain valid and in effect notwithstanding repayment of the Borrower Loan or termination of this Borrower Loan Agreement or the Bank Loan Agreement.

Section 5.2. Nature of the Borrower's Obligations. The Borrower shall repay the Borrower Loan pursuant to the terms of the Borrower Notes irrespective of any rights of set-off, recoupment or counterclaim the Borrower might otherwise have against the Governmental Lender, the Bank or any other person. The Borrower will not suspend, discontinue or reduce any such payment or (except as expressly provided herein) terminate this Borrower Loan Agreement for any cause, including, without limiting the generality of the foregoing, (i) any delay or interruption in the construction or operation of the Project; (ii) the failure to obtain any permit, order or action of any kind from any governmental agency relating to the Borrower Loan or the Project; (iii) any event constituting Force Majeure; (iv) any acts or circumstances that may constitute commercial frustration of purpose; (v) any change in the laws of the United States of America, the State or any political subdivision thereof; or (vi) any failure of the Governmental

Lender or the Borrower to perform or observe any covenant, whether expressed or implied, or to discharge any duty, liability or obligation arising out of or connected with the Borrower Notes; it being the intention of the parties that, as long as the Borrower Notes or any portion thereof remain outstanding and unpaid, the obligation of the Borrower to repay the Borrower Loan and provide such moneys shall continue in all events. This Section 5.2 shall not be construed to release the Borrower from any of its obligations hereunder, or, except as provided in this Section 5.2, to prevent or restrict the Borrower from asserting any rights which it may have against the Governmental Lender under the Borrower Notes or the Deed of Trust or under any provision of law or to prevent or restrict the Borrower, at its own cost and expense, from prosecuting or defending any action or proceeding by or against the Governmental Lender or the Bank or taking any other action to protect or secure its rights.

Notwithstanding the foregoing, except for obligations under the Guaranty and the Environmental Indemnity Agreement, neither the general partners nor any limited partner of the Borrower shall be personally liable for the amounts owing under this Borrower Loan Agreement, the Borrower Notes or the Deed of Trust; and the Governmental Lender's remedies in the event of a default under the Borrower Loan shall be limited to those remedies set forth in Section 7.3 hereof and the commencement of foreclosure under the Deed of Trust and the exercise of the power of sale or other rights granted thereunder. Notwithstanding the Assignment Agreement, no assignment by the Governmental Lender of its rights hereunder shall preclude the Governmental Lender from proceeding directly against the Borrower in connection with the obligation of the Borrower to indemnify the Governmental Lender under Section 6.7 hereof or Section 9 of the Regulatory Agreement or to make any payment to the Governmental Lender required to be paid by the Borrower pursuant to the provisions of Sections 2.3, 2.4, 5.1(b), 5.1(d), 5.1(e), 7.4 or 8.12 hereof. Nothing in this Section 5.2 shall prohibit the Borrower from contesting in good faith any lien (other than the liens of the Deed of Trust). For avoidance of doubt, the Borrower Loan shall be non-recourse to the Borrower, its general partners and any limited partner of the Borrower on and after the Conversion Date.

Section 5.3. No Encumbrances. The Borrower shall not create, permit, file or record against the Project without the prior written consent of the Bank and the Governmental Lender any deed of trust lien or other lien, inferior or superior to the lien of the Deed of Trust, other than (i) the Permitted Encumbrances, as defined in the Disbursement Agreement, and grants and loans which are being subordinated concurrently with the making of the Borrower Loan; (ii) the Purchase Option; and (iii) liens for taxes not yet due and payable.

Section 5.4. Exceptions to Non-Recourse Liability. Notwithstanding Section 5.2 or any other provision of this Borrower Loan Agreement, the Governmental Lender (and the Bank, as assignee of the Governmental Lender) shall have the right to recover from the Borrower any loss, damage or cost (including, but not limited to attorney's fees) suffered by the Governmental Lender as a result of any of the following:

(a) fraud or intentional misrepresentation by the Borrower or the Borrower's agents or employees in connection with obtaining the Borrower Loan or in complying with any of Borrower's obligations under the Loan Documents;

(b) failure of Borrower to apply insurance proceeds, condemnation awards, security deposits from tenants or other sums or payments received by or on behalf of Borrower in its capacity as owner of the Project and not applied in accordance with the provisions of the Continuing Covenant Agreement;

(c) all rents not applied, first, to the payment of the reasonable operating expenses as such operating expenses become due and payable, and then, to the payment of

principal (any applicable Prepayment Premium) and interest then due and payable under this Borrower Loan Agreement, the Borrower Notes and any other sums due under the Deed of Trust and all other Loan Documents (including but not limited to deposits or reserves payable under any Loan Document) except that Borrower will not be personally liable (i) to the extent that Borrower lacks the legal right to direct the disbursement of such sums because of a bankruptcy, receivership or similar judicial proceeding, or (ii) with respect to rents that are distributed on account of any calendar year if Borrower has paid all operating expenses and Debt Service Amounts for that calendar year;

(d) transfer fees and charges due under the Deed of Trust;

(e) failure of Borrower to pay to Governmental Lender upon demand all rents and profits, and security deposits received by the Borrower to which Governmental Lender is entitled after an Event of Default under this Borrower Loan Agreement;

(f) the commission of material waste by the Borrower;

(g) the presence or release of Hazardous Substances on, in or under the Project;

(h) all sums owing by the Borrower under all indemnities contained in this Borrower Loan Agreement or the Regulatory Agreement; and

(i) the failure by the Borrower to pay taxes and charges that may become a lien on the Project, to maintain and pay premiums for insurance required pursuant to this Borrower Loan Agreement or the Deed of Trust, or to repay any sums advanced by the Governmental Lender or the Bank for any such purpose.

The exceptions to non-recourse liability contained in this Section 5.4 shall not limit the rights of the Governmental Lender, the Fiscal Agent (or the Bank, as assignee of the Governmental Lender) to:

(i) name the Borrower as a party defendant in any action, proceeding or arbitration, subject to the limitations of this Section 5.4 as to personal liability; or

(ii) assert any unpaid amounts on the Borrower Loan as a defense or offset to or against any claim or cause of action made or alleged against the Governmental Lender or the Bank by the Borrower or any indemnitor with respect to the Borrower Loan; or

(iii) exercise self-help remedies such as set-off or nonjudicial foreclosure against, or sale of, any real or personal property collateral security.

No provision of this Section 5.4 shall (i) affect any guaranty or similar agreement executed in connection with the debt evidenced by the Borrower Notes or this Borrower Loan Agreement, (ii) release or reduce the debt evidenced by the Borrower Notes or this Borrower Loan Agreement, (iii) impair the right of the Bank to enforce any provisions of the Deed of Trust or any other collateral security for the repayment of the Borrower Loan, (iv) impair the lien of the Deed of Trust or any other collateral security for the repayment of the Borrower Loan, or (v) impair the right of the Bank to enforce the provisions of any Loan Document other than by collection of amounts owed on the Borrower Notes. Nothing herein shall directly or indirectly limit the right of the Bank to collect or recover any collateral from Borrower or any person holding or receiving the same without the written consent of the Bank, including any affiliate who receives the rents and profits assigned to the Bank after the same become payable to the

Bank or under circumstances where the same are recoverable by the Bank under applicable law or by contract. Furthermore, nothing in any other provision of the Borrower Notes, this Borrower Loan Agreement or the other Loan Documents shall be deemed to limit the Bank's right to enforce collection from Borrower (or any other person liable therefor) of all reasonable attorneys' fees, costs, expenses, indemnity liabilities and other amounts payable to the Bank apart from principal, any applicable Prepayment Premium or interest owing under the Borrower Notes.

Nothing in this Section 5.4 shall be interpreted to subordinate any obligation or liability of Borrower to the Bank to any operating expenses, and upon an Event of Default the Bank may apply revenues derived from the Project to any secured or unsecured obligation owing to the Bank, in any order.

ARTICLE VI

FURTHER AGREEMENTS

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

Section 6.2. Borrower Not to Dispose of Assets; Conditions Under Which Exceptions Permitted. The Borrower agrees that during the term of this Borrower Loan Agreement it will not dispose of all or substantially all of its assets nor consolidate with nor merge into any entity unless (i) the Governmental Lender and the Bank shall consent to the disposition, consolidation or merger, (ii) the acquirer of its assets or the entity with which it shall consolidate or into which it shall merge shall be an individual or a corporation, partnership or other legal entity organized and existing under the laws of the United States of America or one of the states of the United States of America and shall be qualified and admitted to do business in the State, and (iii) such acquiring or remaining entity shall assume in writing all of the obligations of the Borrower under the Loan Documents. The consent of Bank and the Governmental Lender shall not be required for any transfers pursuant to the Partnership Agreement provided that the Borrower and any transferee comply with the requirements set forth in Section 12 of the Regulatory Agreement (other than any requirement in said Section 12 for the consent of the Governmental Lender or the Bank) and that they comply with any applicable requirements of the Continuing Covenant Agreement.

Section 6.3. Cooperation in Enforcement of Regulatory Agreement. The Borrower hereby covenants and agrees as follows:

- (a) to comply with all provisions of the Regulatory Agreement;
- (b) to advise the Governmental Lender and the Bank in writing promptly upon learning of any default with respect to the covenants, obligations and agreements of the Borrower set forth in the Regulatory Agreement;
- (c) upon written direction by the Governmental Lender, to cooperate fully and promptly with the Governmental Lender in enforcing the terms and provisions of the Regulatory Agreement; and

(d) to file in accordance with the time limits established by the Regulatory Agreement all reports and certificates required thereunder, and the Certification to the Secretary of the Treasury required by Section 3(k) of the Regulatory Agreement.

The Governmental Lender shall not incur any liability in the event of any breach or violation of the Regulatory Agreement by the Borrower, and the Borrower agrees to indemnify the Governmental Lender from any claim or liability for such breach pursuant to Section 6.7 hereof.

Section 6.4. Additional Instruments. The Borrower hereby covenants to execute and deliver such additional instruments and to perform such additional acts as may be necessary, in the opinion of the Governmental Lender, to carry out the intent of the Loan Documents or to perfect or give further assurances of any of the rights granted or provided for in the Borrower Loan, the Deed of Trust and the Borrower Notes, provided, however, that no such additional instruments or acts shall change the economic terms of the transactions described herein or expand the liability of the parties hereunder.

Section 6.5. Books and Records. The Borrower hereby covenants to permit the Governmental Lender, the Fiscal Agent and the Bank or their duly authorized representatives access during normal business hours and upon reasonable notice to the books and records of the Borrower pertaining to the Borrower Loan and the Project, and to make such books and records available for audit and inspection, at reasonable times and under reasonable conditions to the Governmental Lender, the Fiscal Agent and the Bank and their duly authorized representatives and at the sole expense of the Borrower.

Section 6.6. Notice of Certain Events. The Borrower hereby covenants to advise the Governmental Lender, the Fiscal Agent and the Bank promptly in writing of the occurrence of any Event of Default hereunder or any event which, with the passage of time or service of notice, or both, would constitute an Event of Default hereunder, specifying the nature and period of existence of such event and the actions being taken or proposed to be taken with respect thereto. In addition, the Borrower hereby covenants to advise the Governmental Lender, the Fiscal Agent and the Bank promptly in writing of the occurrence of any Act of Bankruptcy.

Section 6.7. Indemnification of the Governmental Lender, Fiscal Agent and Bank. (a) To the fullest extent permitted by law, the Borrower agrees to indemnify, hold harmless and defend (by counsel approved by the indemnitee in its reasonable discretion) the Governmental Lender, the Fiscal Agent and the Bank and each of their respective officers, Councilmembers, directors, officials, employees, attorneys and agents past, present and future (collectively, the "Indemnified Parties"), against any and all losses, damages, claims, actions, liabilities, costs and expenses of any conceivable nature, kind or character (including, without limitation, reasonable attorneys' fees, litigation and court costs, amounts paid in settlement and amounts paid to discharge judgments) to which the Indemnified Parties, or any of them, may become subject arising out of or based upon or in any way relating to:

(i) the Loan Documents or the execution or amendment thereof or in connection with transactions contemplated thereby, including the issuance and sale of the Governmental Lender Notes;

(ii) any act or omission of the Borrower or any of its agents, contractors, servants, employees or licensees in connection with the Borrower Loan or the Project, the construction and operation of the Project, or the condition, environmental or otherwise, occupancy, use, possession, conduct or management of work done in or about, or from the planning, design, acquisition or construction of the Project or any part thereof;

(iii) any lien or charge upon payments by the Borrower to the Governmental Lender, the Fiscal Agent and/or the Bank hereunder, or any taxes (including, without limitation, all ad valorem taxes and sales taxes), assessments, impositions and other charges imposed on the Governmental Lender, the Fiscal Agent or the Bank in respect of any portion of the Project;

(iv) any violation of any environmental law, rule or regulation, including any Hazardous Substances Laws with respect to, or the release of any hazardous materials from, the Project or any part thereof;

(v) the payment or prepayment, in whole or in part, of the Borrower Notes;

(vi) any untrue statement or misleading statement or alleged untrue statement or alleged misleading statement of a material fact by the Borrower contained in any closing certificate or disclosure document for the Borrower Notes or any of the documents relating to the Borrower Loan to which the Borrower is a party, or any omission or alleged omission from any disclosure document for the Borrower Loan of any material fact necessary to be stated therein in order to make the statements made therein by the Borrower, in the light of the circumstances under which they were made, not misleading;

(vii) any declaration of taxability of interest on the Governmental Lender Tax-Exempt Note, or allegations (or regulatory inquiry) that interest on the Governmental Lender Tax-Exempt Note is taxable, for State or federal tax purposes; and

(viii) the Bank's acceptance of the assignment under the Assignment Agreement or administration of any of the Loan Documents, or the exercise or performance of any of its powers or duties thereunder or under any of the Loan Documents to which it is a party;

except (A) in the case of the foregoing indemnification of the Bank, the Fiscal Agent or any their respective officers, governing members, directors, officials, employees, attorneys and agents, to the extent such damages are caused by the gross negligence or willful misconduct of such Indemnified Party, or (B) in the case of the foregoing indemnification of the Governmental Lender or any of its officers, Councilmembers, officials, employees, attorneys and agents, to the extent such damages are caused by the willful misconduct of such Indemnified Party; and provided that this Section 6.7(a) is not intended to give rise to a right of the Governmental Lender, the Fiscal Agent or the Bank to claim payment of the principal (any applicable Prepayment Premium) and accrued interest with respect to the Borrower Loan as a result of an indemnified third party claim. In the event that any action or proceeding is brought against any Indemnified Party with respect to which indemnity may be sought hereunder, the Borrower, upon written notice from the Indemnified Party, shall assume the investigation and defense thereof, including the employment of counsel selected by the Indemnified Party, and shall assume the payment of all expenses related thereto, with full power to litigate, compromise or settle the same in its sole discretion; provided that the Indemnified Party shall have the right to review and approve or disapprove any such compromise or settlement. Each Indemnified Party shall have the right to employ separate counsel in any such action or proceeding and participate in the investigation and defense thereof, and the Borrower shall pay the reasonable fees and expenses of such separate counsel; provided, however, that such Indemnified Party may only employ separate counsel at the expense of the Borrower if in the judgment of such Indemnified Party a conflict of interest exists by reason of common representation or if all parties commonly represented do not agree as to the action (or inaction) of counsel.

Notwithstanding any transfer of the Project to another owner in accordance with the provisions of this Borrower Loan Agreement, the Borrower shall remain obligated to indemnify each Indemnified Party pursuant to this Section 6.7 if such subsequent owner fails to indemnify any party entitled to be indemnified hereunder, unless the Bank and the Governmental Lender have consented to such transfer and to the assignment of the rights and obligations of the Borrower hereunder.

(b) The rights of any persons to indemnify hereunder and rights to payment of fees and reimbursement of expenses pursuant to Sections 5.1 and 7.4 hereof shall survive the final payment or defeasance of the Governmental Lender Notes and the Borrower Notes. The provisions of this Section 6.7 shall survive the termination of this Borrower Loan Agreement.

(c) In the event of any conflict between the provisions of this Section 6.7 and the provisions of Section 9 of the Regulatory Agreement, the provisions providing the most benefit and protection to the Indemnified Parties shall prevail. The provisions of this Section 6.7 shall in no way limit the indemnities set forth in the Deed of Trust and the Continuing Covenant Agreement.

(d) The obligations of the Borrower to the Indemnified Parties under this Section 6.7 are recourse obligations of the Borrower; provided, however, that nothing contained in this Section 6.7 shall be deemed to cause the Borrower or its partners to be personally liable for any principal or interest on the Borrower Notes other than as set forth in Section 5.4 hereof.

Section 6.8. Consent to Assignment. The Governmental Lender has made an assignment to the Bank of all rights and interest of the Governmental Lender in and to this Borrower Loan Agreement (except the Governmental Lender's rights under Section 6.7 hereof, and its retained rights under Sections 2.3, 2.4, 5.1(b), 5.1(d), 5.1(e), 7.4, 8.7, 8.12 and 8.13 hereof, together with its rights to receive notice and consent to amendments pursuant to the Loan Documents), the Borrower Notes and the Deed of Trust and has appointed the Bank as its agent to collect the payments by the Borrower on the Borrower Loan; and the Borrower hereby consents to all such assignments and such appointment.

Section 6.9. Compliance with Usury Laws. Notwithstanding any other provision of this Borrower Loan Agreement, it is agreed and understood that in no event shall this Borrower Loan Agreement, with respect to the Borrower Notes or other instrument of indebtedness, be construed as requiring the Borrower or any other person to pay interest and other costs or considerations that constitute interest under any applicable law which are contracted for, charged or received pursuant to this Borrower Loan Agreement in an amount in excess of the maximum amount of interest allowed under any applicable law.

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

The provisions of this Section 6.9 prevail over any other provision of this Borrower Loan Agreement.

Section 6.10. Title to the Project. The Borrower shall concurrently with the closing of the Borrower Loan have a fee interest in the site on which the Project is located free and clear of any lien or encumbrance except for (i) liens for nondelinquent assessments and taxes not yet due or which are being contested in good faith by appropriate proceedings; (ii) the Deed of Trust; (iii)

Permitted Encumbrances (as defined in the Disbursement Agreement); and (iv) any other encumbrances approved by the Bank. Concurrently with the closing of the Borrower Loan, the Borrower shall cause to be delivered to the Bank one or more title policies, naming the Bank as the insured, as its interests may appear with endorsements specified in the Bank's escrow instructions, as required by the Bank.

Section 6.11. Payment of Taxes. The Borrower has filed or caused to be filed all federal, state and local tax returns or information returns which are required to be filed with respect to the Project and of which Borrower has knowledge, and has paid or caused to be paid all taxes as shown on said returns or on any assessment received by it, to the extent that such taxes have become due and payable other than those payable without penalty or interest.

Section 6.12. No Untrue Statements. Neither this Borrower Loan Agreement nor any other document, certificate or statement furnished to the Governmental Lender or the Bank by or on behalf of the Borrower, contains to the best of the Borrower's knowledge any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained herein and therein not misleading or incomplete as of the date hereof. It is specifically understood by Borrower that all such statements, representations and warranties shall be deemed to have been relied upon by the Governmental Lender as an inducement to make the Borrower Loan, and by the Bank as an inducement to make the Bank Loan, and that if any such statements, representations and warranties were materially incorrect at the time they were made, the Governmental Lender may consider any such misrepresentation or breach an Event of Default.

Section 6.13. Insurance. The Borrower shall provide policies of property damage (fire, extended coverage, vandalism and malicious mischief), loss of rent, public liability and worker's compensation insurance with respect to the Project and the operation thereof as more fully described in the Continuing Covenant Agreement and the Deed of Trust.

Section 6.14. Tax Exempt Status of the Governmental Lender Tax-Exempt Note.

(a) It is the intention of the Governmental Lender and the Borrower that interest on the Governmental Lender Tax-Exempt Note shall be and remain excludable from the gross income of the owner of the Governmental Lender Tax-Exempt Note for federal income taxation purposes, and to that end the covenants and agreements of the Borrower in this Section 6.14 are for the benefit of the Bank and the Governmental Lender.

(b) The Borrower covenants and agrees that it will not knowingly and willingly use or permit the use of any of the funds provided by the Governmental Lender hereunder or any other funds of the Borrower, directly or indirectly, in such manner as would, or enter into, or allow any "related person" (as defined in Section 147(a)(2) of the Code) to enter into, any arrangement, formal or informal, for the purchase of the Governmental Lender Tax-Exempt Note that would, or take or omit to take any other action that would cause the Governmental Lender Tax-Exempt Note to be an "arbitrage bond" within the meaning of Section 148 of the Code or "federally guaranteed" within the meaning of Section 149(b) of the Code and applicable regulations promulgated from time to time thereunder.

(c) In the event that at any time the Borrower is of the opinion or becomes otherwise aware that for purposes of this Section 6.14 it is necessary to restrict or to limit the yield on the investment of any moneys held by the Bank, the Borrower shall determine the limitations and so instruct the Bank in writing and cause the Bank to comply with those limitations.

(d) The Borrower will take such action or actions as may be reasonably necessary in the opinion of Tax Counsel, or of which it otherwise becomes aware, to fully comply with all applicable rules, rulings, policies, procedures, regulations or other official statements promulgated or proposed by the United States Department of the Treasury or the Internal Revenue Service under Section 142 or Section 148 of the Code which are applicable to the Governmental Lender Tax-Exempt Note.

(e) The Borrower further agrees that it shall not discriminate on the basis of race, creed, color, sex, sexual preference, source of income (e.g., AFDC, SSI), physical disability, national origin or marital status in the lease, use or occupancy of the Project or in connection with the employment or application for employment of persons for the operation and management of the Project, to the extent required by applicable State or federal law.

(f) The Borrower further warrants and covenants that it has not executed and will not execute any other agreement, or any amendment or supplement to any other agreement, with provisions contradictory to, or in opposition to, the provisions of this Borrower Loan Agreement and of the Regulatory Agreement, and that in any event, the requirements of this Borrower Loan Agreement and the Regulatory Agreement are paramount and controlling as to the rights and obligations herein set forth and supersede any other requirements in conflict herewith and therewith.

(g) The Borrower shall not purchase, or permit any related party to the Borrower to purchase, the Governmental Lender Tax-Exempt Note in an amount related to the Borrower Loan as represented by the Tax-Exempt Borrower Note.

(h) The Borrower will use due diligence to complete the construction of the Project and reasonably expects to fully expend the full authorized principal of the Borrower Loan within three years of the date of execution of this Borrower Loan Agreement.

(i) The Borrower will take such action or actions as necessary to ensure compliance with the Tax Certificate and Sections 2.2(j), (n), (p), (r) and (s) hereof.

(j) The Borrower will make timely payment of any rebate amount due to the federal government by reason of any investment of the proceeds of the Borrower Tax-Exempt Note or any moneys pledged to the repayment of the Borrower Tax-Exempt Note or the Governmental Lender Tax-Exempt Note, at a yield in excess of the yield on the Governmental Lender Tax-Exempt Note, or otherwise as required under the Code.

(k) The Borrower has retained or shall retain the services of a Rebate Analyst to perform any and all calculations required to demonstrate compliance with its covenants herein with respect to the requirements of Section 148 of the Code as applicable to the Governmental Lender Tax-Exempt Note.

(l) In furtherance of the covenants in this Section 6.14, the Borrower shall execute, deliver and comply with the provisions of the Tax Certificate, which are by this reference incorporated into this Borrower Loan Agreement and made a part of this Borrower Loan Agreement as if set forth in this Borrower Loan Agreement in full. In the event of conflict between the terms of this Borrower Loan Agreement and the Tax Certificate, the terms of the Tax Certificate shall control.

Section 6.15. Regulatory Agreement. In order to maintain the exclusion from gross income under federal tax law of interest on the Governmental Lender Tax-Exempt Note and to assure compliance with the laws of the State and the Act, the Borrower hereby agrees that it

shall, concurrently with or before the execution and delivery of the Governmental Lender Tax-Exempt Note, execute and deliver and cause to be recorded the Regulatory Agreement.

The Borrower shall comply with every term of the Regulatory Agreement, and the Borrower hereby acknowledges that in the event of a default under the Regulatory Agreement the Borrower Loan may be accelerated. The Borrower agrees to cause any amendments to the Regulatory Agreement to be recorded in the appropriate official public records. The books and records of the Borrower pertaining to the incomes of Low Income Tenants residing in the Project shall be open to inspection by any authorized representative of the Governmental Lender and the Bank.

Section 6.16. Useful Life. The Borrower hereby represents and warrants that, within the meaning of Section 147(a)(14) of the Code, the average maturity of the Governmental Lender Tax-Exempt Note does not exceed 120 percent of the average reasonably expected remaining economic life of the facilities being financed with the proceeds of the Governmental Lender Tax-Exempt Note.

Section 6.17. Federal Guarantee Prohibition. The Borrower shall take no action, nor permit nor suffer any action to be taken if the result of the same would be to cause the Governmental Lender Tax-Exempt Note to be “federally guaranteed” within the meaning of Section 149(b) of the Code.

Section 6.18. Prohibited Facilities. The Borrower represents and warrants that no portion of the proceeds of the Borrower Tax-Exempt Note shall be used to provide any airplane, skybox or other private luxury box, health club facility, facility primarily used for gambling, or store the principal business of which is the sale of alcoholic beverages for consumption off premises, and no portion of the proceeds of the Borrower Loan shall be used for an office unless (i) the office is located on the premises of the facilities constituting the Project and (ii) not more than a de minimus amount of the functions to be performed at such office is not related to the day-to-day operations of the Project.

Section 6.19. Election of Applicable Income Limit. The Governmental Lender hereby elects to have the Project meet the requirements of Section 142(d)(1)(B) of the Code in that forty percent (40%) or more of the residential units in the Project shall be occupied by persons or families whose Gross Income is sixty percent (60%) or less of median income for the Area, adjusted for household size.

Section 6.20. Continuing Covenant Agreement. The Borrower agrees to comply with all of the covenants and agreements set forth in the Continuing Covenant Agreement.

Section 6.21. Removal of General Partner(s). Notwithstanding anything to the contrary contained in the Loan Documents (other than the Regulatory Agreement), removal, or withdrawal in lieu of removal, of a general partner for cause in accordance with the Borrower’s Partnership Agreement as in effect from time to time, and which comply with the applicable requirements of the Continuing Covenant Agreement, shall not constitute a default under any of the Loan Documents or accelerate the maturity of the Borrower Loan. If such general partner is removed, or withdraws in lieu of removal, the Bank shall not unreasonably withhold its consent to the admission of a substitute general partner; provided that if the Equity Investor designates itself, or an affiliate of the Equity Investor or of the Governmental Lender, as a substitute general partner, the Bank’s consent to the admission of such substitute general partner shall not be required. Any amendment to the Partnership Agreement to effectuate such removal and/or withdrawal and such admission of a substitute general partner shall not require consent of the Bank.

Notwithstanding the foregoing, a change in the general partner of the Borrower shall be subject to the applicable provisions of Section 12 of the Regulatory Agreement.

Section 6.22. Assignment of Equity Investor Interests. Subject to provisions of Section 12 of Regulatory Agreement and except as may be provided in the Continuing Covenant Agreement, the respective interests in the Borrower of any Equity Investor of the Borrower shall be freely transferable and any amendment to the Partnership Agreement to effectuate such transfers shall not require consent of the Governmental Lender.

Section 6.23. Insurance and Condemnation Proceeds. Except as provided in the Continuing Covenant Agreement, in the event of any fire or other casualty to the Project or any portion thereof or eminent domain proceedings resulting in condemnation of the Project or any portion thereof, the Borrower shall have the right to rebuild the respective portion of the Project, and to use all available insurance or condemnation proceeds therefor, provided that (a) such proceeds are sufficient to keep the Borrower Loan in balance and rebuild the respective portion of the Project in a manner that provides adequate security to the Governmental Lender (as determined by the Bank) for repayment of the Borrower Loan, or if such proceeds are insufficient, then the Borrower shall have funded any deficiency, (b) the Bank shall have the right to approve plans and specifications for any major rebuilding and the right to approve disbursements of insurance or condemnation proceeds for rebuilding under a construction escrow or similar arrangement, and (c) no continuing material default then exists by the Borrower under the Loan Documents. If the casualty or condemnation affects only part of the Project and total rebuilding is infeasible, then proceeds may be used for partial rebuilding and partial repayment of the Borrower Loan in a manner that provides adequate security to the Governmental Lender (as determined by the Bank) for repayment of the remaining balance of the Borrower Loan.

Section 6.24. Purchase Option. Notwithstanding anything to the contrary contained in the Loan Documents, (i) the exercise of the Purchase Option provided for in the Partnership Agreement shall not constitute a default under the Loan Documents or accelerate the maturity of the Borrower Loan thereunder, and (ii) the consummation of the transfer pursuant to the Purchase Option to any general partner of the Borrower or an Affiliate of such partner shall not require the consent of the Bank. The exercise of the Purchase Option and any rights related to either thereof shall not constitute a default or accelerate the maturity of the Borrower Loan.

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES

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

(a) The Borrower shall fail to pay when due the amounts required to be paid under this Borrower Loan Agreement, the Deed of Trust, the Borrower Assignments or the Borrower Notes when the same shall become due and payable in accordance with the terms of this Borrower Loan Agreement or the Borrower Notes, including a failure to repay any amounts which have been previously paid but are recovered, attached or enjoined pursuant to any insolvency, receivership, liquidation or similar proceedings; or

(b) The Borrower shall fail to perform or observe any of its covenants or agreements contained in this Borrower Loan Agreement, the Regulatory Agreement, the Borrower Notes, the Disbursement Agreement, the Continuing Covenant Agreement or the Deed of Trust, other

than as specified in paragraph (a) above, and such failure shall continue during and after the period specified in Section 7.2; or

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

(d) If there is, in the reasonable determination of the Bank, any material or adverse change in the financial condition of the Borrower affecting the Borrower's ability to repay the Borrower Loan or a filing of a complaint for receivership against the Borrower, or an Act of Bankruptcy, or if the Borrower becomes insolvent or makes a general assignment for the benefit of creditors or consents to the appointment of a receiver of all or any of its assets, or voluntarily suspends its usual business; or

(e) [Reserved];

(f) This Borrower Loan Agreement or any of the other Loan Documents ceases to be in full force and effect (including failure of any collateral document to create a valid and perfected security interest or lien) at any time and for any reason; or

(g) Any of the events set forth in Sections 7.1(d) occurs with respect to a general partner of the Borrower unless such general partner is replaced in accordance with the Partnership Agreement and the Continuing Covenant Agreement within the period provided in Section 7.2(b) below; or

(h) Except as permitted by Section 6.21 hereof, the resignation or expulsion of a general partner of the Borrower, unless such general partner is replaced in accordance with the Partnership Agreement within the period provided in Section 7.2(b) below; or

(i) Prior to the completion of construction of the Project, the construction of the Project is abandoned or work thereon ceases for a period of more than thirty (30) consecutive days for any reason except delays caused by Force Majeure, or the construction of the Project is not completed prior to the Completion Date (as defined in the Disbursement Agreement) unless such date has been extended with the written approval of the Bank, regardless of the reason for the delay except delays caused by Force Majeure; or

(j) Other than as permitted by the Loan Documents, any sale, transfer, hypothecation, assignment or conveyance of the Project or any portion thereof or interest therein by the Borrower except in accordance with the requirements set forth in the Regulatory Agreement; or

(k) All or any material portion of the Project is condemned, seized, or appropriated without compensation, and the Borrower does not within thirty (30) days after such condemnation, seizure, or appropriation, initiate and diligently prosecute appropriate action to contest in good faith the validity of such condemnation, seizure, or appropriation; or

(l) The commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of Borrower or by any governmental agency against any collateral securing the Borrower Loan, including a garnishment of any of the Borrower's accounts, including deposit accounts, with the Bank; however, this Event of Default shall not apply if there is a good faith dispute by the Borrower as to the validity or reasonableness of the claim which is the basis of the creditor or forfeiture proceeding and if the Borrower gives the Bank written notice of the creditor or forfeiture proceeding and deposits with the Bank monies or a surety bond for the creditor or forfeiture

proceeding, in an amount determined by the Bank, in its sole discretion, as being an adequate reserve or bond for the dispute; or

(m) a material adverse change occurs in the Borrower's financial condition or the Bank believes the prospect of payment or performance of the Borrower Loan is impaired.

Section 7.2. Notice of Default; Opportunity to Cure. If the Borrower has not been given notice of a similar default within the past twelve (12) months, default under Section 7.1(b), (c), (g), (h), (i), (j), (k), or (l) hereof shall not constitute an Event of Default until:

(a) The Governmental Lender or the Bank, by registered or certified mail, shall give notice to the Borrower of such default specifying the same and stating that such notice is a "Notice of Default"; and

(b) The Borrower and Equity Investor shall have had 30 days after receipt of such notice to correct the default and shall not have corrected it; provided, however, that if the default stated in the notice is of such a nature that it cannot be corrected within 30 days, such default shall not constitute an Event of Default hereunder so long as (i) the Borrower or the Equity Investor institute corrective action within said 30 days and diligently pursues such action until the default is corrected, but in no event later than 60 days after the occurrence of such Event of Default, and (ii) in the opinion of Tax Counsel to the Governmental Lender, the failure to cure said default within 30 days will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Governmental Lender Tax-Exempt Note.

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

Notwithstanding anything to the contrary contained in the Loan Documents, the Governmental Lender and the Bank hereby agree that any cure of any default made or tendered by the one or more of the Borrower's limited partners shall be deemed to be a cure by the Borrower and shall be accepted or rejected on the same basis as if made or tendered by the Borrower.

Section 7.3. Remedies. Whenever any Event of Default under Section 7.1 hereof shall have happened and be continuing, the Governmental Lender, the Fiscal Agent (at the written direction of the Bank or the Governmental Lender) and the Bank may take whatever remedial steps as may be allowed under the law, this Borrower Loan Agreement and the other Loan Documents. WHETHER OR NOT GOVERNMENTAL LENDER, FISCAL AGENT OR BANK ELECT TO EMPLOY ANY OR ALL OF THE REMEDIES AVAILABLE TO GOVERNMENTAL LENDER, FISCAL AGENT OR BANK UPON THE OCCURRENCE OF AN EVENT OF DEFAULT, NEITHER GOVERNMENTAL LENDER, FISCAL AGENT NOR BANK SHALL BE LIABLE FOR THE CONSTRUCTION OF, OR FAILURE TO CONSTRUCT, COMPLETE OR PROTECT, THE PROJECT.

Section 7.4. Attorneys' Fees and Expenses. If an Event of Default occurs and if the Governmental Lender, the Fiscal Agent or the Bank should employ attorneys or incur expenses

for the enforcement of any obligation or agreement of the Borrower contained herein, the Borrower on demand will pay to the Governmental Lender, the Fiscal Agent and/or the Bank the reasonable fees of such attorneys and the reasonable expenses so incurred, including court appeals.

Section 7.5. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Governmental Lender, the Fiscal Agent or the Bank is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Borrower Loan Agreement or now or hereafter existing at law or in equity or by statute; provided, that the remedies are subject to the provisions of Section 5.2 of this Borrower Loan Agreement. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Governmental Lender, the Fiscal Agent or the Bank to exercise any remedy reserved to either of them in this Article VII, it shall not be necessary to give any notice, other than such notice as may be herein expressly required. Such rights and remedies as are given the Governmental Lender hereunder shall also extend to the Bank, as assignee of the Governmental Lender's interests in the Borrower Notes, the Deed of Trust and this Borrower Loan Agreement, and the Bank, as assignee of the Governmental Lender's interests in the Borrower Notes, the Deed of Trust and this Borrower Loan Agreement shall be deemed a third party beneficiary of all covenants and agreements herein contained.

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

ARTICLE VIII

MISCELLANEOUS

Section 8.1. Entire Agreement. This Borrower Loan Agreement, the Borrower Notes, the Regulatory Agreement, the Deed of Trust and the other Loan Documents to which the Borrower is a party constitute the entire agreement and supersede all prior agreements and understandings, both written and oral, between the Governmental Lender and the Borrower with respect to the subject matter hereof.

Section 8.2. Notices. All notices, consents, approvals and requests required or permitted hereunder or under any other Borrower Loan Document or Bank Loan Document shall be provided in accordance with, and subject to the provisions of Section 10.02 of the Bank Loan Agreement.

Section 8.3. Assignments. This Borrower Loan Agreement may not be assigned by any party without the prior written consent of the other, except that the Governmental Lender shall assign to the Bank its rights under this Borrower Loan Agreement, the Bank may assign its rights hereunder to any transferee of the Governmental Lender Notes subject to the requirements of the Bank Loan Agreement, and except also that the Borrower may assign to any transferee its rights under this Borrower Loan Agreement as provided by Section 6.2.

Section 8.4. Severability. If any provision of this Borrower Loan Agreement shall be held or deemed to be or shall, in fact, be illegal, inoperative or unenforceable, the same shall not affect

any other provision or provisions herein contained or render the same invalid, inoperative, or unenforceable to any extent whatever.

Section 8.5. Execution of Counterparts. This Borrower Loan Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 8.6. Amendments, Changes and Modifications. Except as otherwise provided in this Borrower Loan Agreement, subsequent to the issuance of the Borrower Notes and prior to their payment in full, this Borrower Loan Agreement may not be effectively amended, changed, modified, altered or terminated without the written consent of the parties hereto and the Bank.

Section 8.7. Governing Law and Venue. This Borrower Loan Agreement and the Governmental Lender Notes are contracts made under the laws of the State and shall be governed by and construed in accordance with the Constitution and laws of the State applicable to contracts made and performed in the State. This Borrower Loan Agreement and the Governmental Lender Notes shall be enforceable in the State, and any action arising out of this Borrower Loan Agreement or the Governmental Lender Notes shall be filed and maintained in the Superior Court of California, County of San Diego, unless the Governmental Lender waives this requirement.

Section 8.8. Waiver of Jury Trial. TO THE MAXIMUM EXTENT PERMITTED UNDER APPLICABLE LAW, THE BORROWER (A) COVENANTS AND AGREES NOT TO ELECT A TRIAL BY JURY WITH RESPECT TO ANY ISSUE ARISING OUT OF THIS BORROWER LOAN AGREEMENT OR THE RELATIONSHIP BETWEEN THE PARTIES THAT IS TRIABLE OF RIGHT BY A JURY, AND (B) WAIVES ANY RIGHT TO TRIAL BY JURY WITH RESPECT TO SUCH ISSUE TO THE EXTENT THAT ANY SUCH RIGHT EXISTS NOW OR IN THE FUTURE. THIS WAIVER OF RIGHT TO TRIAL BY JURY IS SEPARATELY GIVEN BY SUCH PARTY, KNOWINGLY AND VOLUNTARILY WITH THE BENEFIT OF COMPETENT LEGAL COUNSEL. IF, FOR ANY REASON, THIS PROVISION IS DETERMINED TO BE UNENFORCEABLE, ALL MATTERS OTHERWISE SUBJECT TO JURY TRIAL SHALL BE SUBJECT TO THE JUDICIAL REFERENCE PROCEDURES SET FORTH IN THE FOLLOWING SECTION 8.9 OF THIS BORROWER LOAN AGREEMENT.

Section 8.9. Judicial Reference. The Borrower hereby covenants the following:

(a) The Borrower prefers that any dispute involving it be resolved in litigation subject to a jury trial waiver as set forth in this Borrower Loan Agreement, but the California Supreme Court has held that such pre-dispute jury trial waivers are unenforceable. This Section 8.9 will be applicable until: (i) the California Supreme Court holds that a pre-dispute jury trial waiver provision similar to that contained in Section 8.8 of this Borrower Loan Agreement is valid or enforceable; or (ii) the California Legislature passes legislation and the governor of the State signs into law a statute authorizing pre-dispute jury trial waivers and as a result such waivers become enforceable.

(b) Other than the exercise of provisional remedies (any of which may be initiated pursuant to applicable law), any controversy, dispute or claim (each, a "Claim") between the parties arising out of or relating to this Borrower Loan Agreement will be resolved by a reference proceeding in California in accordance with the provisions of Section 638 et seq. of the California Code of Civil Procedure ("CCP"), or their successor sections, which shall constitute the exclusive remedy for the resolution of any Claim, including whether the Claim is subject to the reference proceeding. Venue for the reference

proceeding will be in the Superior Court or Federal District Court in San Diego County, California (the "Court") unless waived by the Governmental Lender in writing.

(c) The referee shall be a retired Judge or Justice selected by mutual written agreement of the parties. If the parties do not agree, the referee shall be selected by the Presiding Judge of the Court (or his or her representative). A request for appointment of a referee may be heard on an ex parte or expedited basis, and the parties agree that irreparable harm would result if ex parte relief is not granted. The referee shall be appointed to sit with all the powers provided by law. Pending appointment of the referee, the Court has power to issue temporary or provisional remedies.

(d) The parties agree that time is of the essence in conducting the reference proceedings. Accordingly, the referee shall be requested, subject to change in the time periods specified herein for good cause shown, to (i) set the matter for a status and trial-setting conference within fifteen (15) days after the date of selection of the referee, (ii) if practicable, try all issues of law or fact within ninety (90) days after the date of the conference, and (iii) report a statement of decision within twenty (20) days after the matter has been submitted for decision.

(e) The referee will have power to expand or limit the amount and duration of discovery. The referee may set or extend discovery deadlines or cutoffs for good cause, including a party's failure to provide requested discovery for any reason whatsoever. Unless otherwise ordered based upon good cause shown, no party shall be entitled to "priority" in conducting discovery, depositions may be taken by either party upon seven (7) days written notice, and all other discovery shall be responded to within fifteen (15) days after service. All disputes relating to discovery which cannot be resolved by the parties shall be submitted to the referee whose decision shall be final and binding.

(f) Except as expressly set forth in this Borrower Loan Agreement, the referee shall determine the manner in which the reference proceeding is conducted including the time and place of hearings, the order of presentation of evidence, and all other questions that arise with respect to the course of the reference proceeding. All proceedings and hearings conducted before the referee, except for trial, shall be conducted without a court reporter, except that when either party so requests, a court reporter will be used at any hearing conducted before the referee, and the referee will be provided a courtesy copy of the transcript. The party making such a request shall have the obligation to arrange for and pay the court reporter. Subject to the referee's power to award costs to the prevailing party, the parties will equally share the cost of the referee and the court reporter at trial.

(g) The referee shall be required to determine all issues in accordance with existing case law and the statutory laws of the State. The rules of evidence applicable to proceedings at law in the State will be applicable to the reference proceeding. The referee shall be empowered to enter equitable as well as legal relief, provide all temporary or provisional remedies, enter equitable orders that will be binding on the parties and rule on any motion which would be authorized in a trial, including without limitation motions for summary judgment or summary adjudication. The referee shall issue a decision, and pursuant to CCP Section 644 the referee's decision shall be entered by the Court as a judgment or an order in the same manner as if the action had been tried by the Court. The final judgment or order or from any appealable decision or order entered by the referee shall be fully appealable as provided by law. The parties reserve the right to findings of fact, conclusions of laws, a written statement of decision, and the right to

move for a new trial or a different judgment, which new trial, if granted, is also to be a reference proceeding under this provision.

(h) If the enabling legislation which provides for appointment of a referee is repealed (and no successor statute is enacted), any dispute between the parties that would otherwise be determined by reference procedure will be resolved and determined by arbitration. The arbitration will be conducted by a retired Judge or Justice, in accordance with the California Arbitration Act Section 1280 through 1294.2 of the CCP as amended from time to time. The limitations with respect to discovery set forth above shall apply to any such arbitration proceeding.

(i) THE PARTIES RECOGNIZE AND AGREE THAT ALL DISPUTES RESOLVED UNDER THIS REFERENCE PROVISION WILL BE DECIDED BY A REFEREE AND NOT BY A JURY. AFTER CONSULTING (OR HAVING HAD THE OPPORTUNITY TO CONSULT) WITH COUNSEL OF THEIR OWN CHOICE, EACH PARTY KNOWINGLY AND VOLUNTARILY AND FOR THEIR MUTUAL BENEFIT AGREES THAT THIS REFERENCE PROVISION WILL APPLY TO ANY DISPUTE BETWEEN THEM WHICH ARISES OUT OF OR IS RELATED TO THIS BORROWER LOAN AGREEMENT.

Section 8.10. Term of Agreement. This Borrower Loan Agreement shall be in full force and effect from the date hereof until such time as the Borrower Notes shall have been fully paid or provision made for such payment. Time is of the essence in this Borrower Loan Agreement.

Section 8.11. Survival of Agreement. All agreements, representations and warranties made herein shall survive the making of the Borrower Loan.

Section 8.12. Expenses. The Borrower shall pay and indemnify the Governmental Lender, the Fiscal Agent and the Bank against all reasonable fees, costs and charges, including reasonable fees and expenses of attorneys, accountants, consultants and other experts, incurred in good faith (and with respect to the Bank, without gross negligence) and arising out of or in connection with the Loan Documents. These obligations and those in Section 6.7 shall remain valid and in effect notwithstanding repayment of the loan hereunder or the Governmental Lender Notes or termination of this Borrower Loan Agreement or the Bank Loan Agreement.

Section 8.13. Waiver of Personal Liability. No director, Councilmember, officer, agent or employee of the Governmental Lender shall be individually or personally liable for the payment of any principal (or prepayment price) or interest on the Governmental Lender Notes or any other sum hereunder or be subject to any personal liability or accountability by reason of the execution and delivery of this Borrower Loan Agreement; but nothing herein contained shall relieve any such Councilmember, officer, agent or employee from the performance of any official duty provided by law or by this Borrower Loan Agreement.

Section 8.14. Binding Effect; Third Party Beneficiary. This Borrower Loan Agreement shall inure to the benefit of and shall be binding upon the Governmental Lender, the Borrower and their respective successors and assigns. The Bank and the Fiscal Agent are each intended to be a third party beneficiary of this Borrower Loan Agreement.

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

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

By: _____
Colin Miller,
Vice President Multifamily
Housing Finance of the
San Diego Housing Commission

19026.20;J18122

[Signature Page of the Governmental Lender to
Merge 56 Affordable Borrower Loan Agreement]

MERGE 56 AFFORDABLE, LP,
a California limited partnership

By: AOF SD MGP LLC,
a California limited liability company,
its Managing General Partner

By: AOF/Pacific Affordable Housing Corp.,
a California nonprofit public benefit corporation,
its Sole Member and Manager

By: _____
Brett Mascaro
Senior Vice President

By: Merge 56 Affordable, LLC,
a California limited liability company,
its Administrative General Partner

By: Rise Urban Partners, LLC, a Delaware
limited liability company,
its Managing Member

By: _____
David Allen
Manager

By: _____
Robert Morgan
Manager

19026.20:J18122

[Signature Page of the Borrower to Merge 56 Affordable Borrower Loan Agreement]

EXHIBIT A

FORM OF BORROWER [TAX-EXEMPT/TAXABLE] NOTE

June __, 2022

Merge 56 Affordable, LP, a California limited partnership (the "Borrower"), for value received hereby promises to pay to the order of the Housing Authority of the City of San Diego (the "Governmental Lender"), or its successors and assigns, the sum of [_____] DOLLARS (\$[_____]), or so much thereof as may be advanced from time to time, together with interest on the advanced and unpaid amount of this Borrower [Tax-Exempt/Taxable] Note (this "Borrower Note") at the applicable interest rate referred to below from June __, 2022 (the "Closing Date") until the Borrower's obligation to pay the Outstanding Balance (as hereinafter defined) shall be discharged. The Outstanding Balance shall mean the principal balance of the portion of the Borrower Loan evidenced by this Borrower Note which has been advanced by or on behalf of the Governmental Lender under Section 3.4 of the Borrower Loan Agreement described below, and has not been repaid by the Borrower to the Governmental Lender as of the date of calculation of the Outstanding Balance.

All capitalized terms used in this Borrower Note but not defined herein shall have the meanings given to them in the Borrower Loan Agreement referenced below.

This Borrower Note is issued to evidence a portion of the Borrower Loan by the Governmental Lender to the Borrower and the obligation of the Borrower to repay the same and shall be governed by and be payable in accordance with the terms and conditions (including the provisions of Section 5.2) of a Loan Agreement (the "Borrower Loan Agreement"), dated as of June 1, 2022, between the Governmental Lender and the Borrower pursuant to which Governmental Lender has made the Borrower Loan. This Borrower Note, together with the Borrower Loan Agreement, have been assigned to Pacific Western Bank (the "Bank") pursuant to an Assignment Agreement, dated as of June 1, 2022, by and between the Governmental Lender and the Bank. All payments on this Borrower Note shall be made by the Borrower to the Bank, as assignee of the Governmental Lender under said Assignment Agreement.

The Outstanding Balance of this Borrower Note shall be due and payable in its entirety [Tax-Exempt Note – [_____] 1, 20[___]] [Taxable Note – on the Conversion Date as required by Section 2.01(e) of the Continuing Covenant Agreement, but no later than [_____] 1, 20[___]] (the "Maturity Date").

Interest on this Borrower Note shall be payable to the Bank, as assignee of the Governmental Lender, in immediately available funds on the first day of each month, commencing July 1, 2022. This Borrower Note shall bear interest at a rate of [Tax-Exempt Note- [_____] PERCENT ([3.251% per annum from the Closing Date to (but not including) [_____] 1, 20[___], and at a rate of [_____] PERCENT ([3.75]%) per annum on and after [_____] 1, 20[___]][Taxable Note – [_____] PERCENT ([3.70]%) per annum]. Interest on this Borrower Note shall be computed on a 365/360 basis; that is, by applying the ratio of the interest rate over a year of 360 days, multiplied by the outstanding principal balance, multiplied by the actual number of days the principal balance is outstanding. All interest payable under this Borrower Note shall be computed using this method. [Tax-Exempt Note – Principal of this Borrower Note shall be paid in part on the Conversion Date, as provided in Section 2.01(e)(i) of the Continuing Covenant Agreement, and thereafter on the first day of the month based upon a schedule provided by the Bank computed upon a thirty-five year amortization schedule. The Borrower

shall provide no less than thirty (30) days notice to the California Debt Limit Allocation Committee and to the Governmental Lender prior to the repayment of principal on the Conversion Date.] [Taxable Note – Principal of this Borrower Note shall be paid no later than the Maturity Date.]

[Tax-Exempt Note – On and after a Determination of Taxability (as defined in the Continuing Covenant Agreement), this Borrower Note shall bear interest at the Taxable Interest Rate (as defined in the Continuing Covenant Agreement).]

In the event the Borrower fails to make the timely payment of any monthly payment, and such payment remains unpaid for a period of ten (10) days subsequent to the established payment date, the Borrower shall pay to the Bank a late charge in the amount of five percent (5.0%) of the monthly payment so due and payable. Upon the occurrence and during the continuance of an Event of Default (as defined in the Borrower Loan Agreement), the interest rate on this Borrower Note shall immediately increase to an interest rate equal to the interest rate that would otherwise be in effect plus five percent (5.0%) (the “Default Rate”).

The Borrower agrees that all loan fees and other prepaid finance charges are earned fully as of the date of the Borrower Loan and will not be subject to refund upon early payment (whether voluntary or as a result of default), except as otherwise required by law.

[Tax-Exempt Note – The principal of the portion of the Borrower Loan evidenced by this Borrower Note may be prepaid on any date, on and prior to the Conversion Date, with funds provided by the Equity Investor or other sources identified to and approved by the Bank prior to the Closing Date, and after the Conversion Date only in whole, upon 30 days prior written notice to the Bank.

A Prepayment Premium will be due and payable by the Borrower in connection with any prepayment of principal under this Borrower Note during each of the first four (4) years following the Conversion Date. The Prepayment Premium will be computed as follows, the product obtained by multiplying the amount of principal being prepaid by:

(a) five percent (5%) for any prepayment made during the first year following the Conversion Date;

(b) four percent (4%) for any prepayment made during the second year following the Conversion Date;

(c) three percent (3%) for any prepayment made during the third year following the Conversion Date;

(d) two percent (2%) for any prepayment made during the fourth year following the Conversion Date; or

(e) one percent (1%) for any prepayment made during the fifth year following the Conversion Date.

Notwithstanding any other provision of this Borrower Note, no Prepayment Premium will be payable with respect to any scheduled principal payment in accordance with the amortization schedule provided by the Bank.]

[Taxable Note – The principal of the portion of the Borrower Loan evidenced by this Borrower Note may be prepaid on any date, in whole or in part, with funds provided by the

Equity Investor or other sources identified to and approved by the Bank, at a prepayment price of one hundred percent (100%) of the principal amount prepaid, plus accrued interest to the date fixed for prepayment, without premium, upon 30 days prior written notice to the Bank.

Notwithstanding any other provision of this Borrower Note, no Prepayment Premium will be payable with respect to any scheduled principal payment in accordance with the amortization schedule provided by the Bank.]

THIS BORROWER NOTE SHALL BE SECURED BY THE DEED OF TRUST, SECURITY AGREEMENT, ABSOLUTE ASSIGNMENT OF RENTS AND FIXTURE FILING (THE "DEED OF TRUST") MADE BY THE BORROWER, AS TRUSTOR, FOR THE BENEFIT OF THE GOVERNMENTAL LENDER, AS BENEFICIARY, NAMING FIRST AMERICAN TITLE COMPANY AS TRUSTEE THEREUNDER, AND DATED AS OF JUNE 1, 2022. THE GOVERNMENTAL LENDER HAS ASSIGNED ITS INTERESTS UNDER SAID DEED OF TRUST TO THE BANK.

Upon the occurrence of an Event of Default under and as defined in the Borrower Loan Agreement and the decision by the Bank to accelerate the Borrower Loan, then all obligations secured by this Borrower Note may be declared due and payable, as provided in the Borrower Loan Agreement.

All sums due hereunder shall be paid in lawful money of the United States of America. All payments made hereunder shall be credited first against accrued and previously unpaid interest, against principal, with the balance applied against unpaid late charges.

The Borrower, for itself and its legal representatives, successors, and assigns expressly waives demand, notice of nonpayment, presentment for demand, presentment for the purpose of accelerating maturity, dishonor, notice of dishonor, protest, notice of protest, notice of maturity, and diligence in collection. The Borrower agrees to pay all court costs and reasonable attorneys' fees if counsel is engaged to assist in the collection of this Borrower Note after an Event of Default hereunder if any action is commenced to construe or enforce the terms of this Borrower Note.

[Tax-Exempt Note – From and after the Conversion Date, this Borrower Note and the Borrower Loan shall be nonrecourse obligations of the Borrower. From and after the Conversion Date, neither the Borrower or its partners, nor any director or employee of the Borrower or its partners, shall have any personal liability for repaying the principal of or interest on the Borrower Loan. From and after the Conversion Date, the sole recourse of the Governmental Lender or its assignee for repayment of the principal of and interest on the Borrower Loan shall be the exercise of rights under the Loan Documents (as defined in the Borrower Loan Agreement) and against such other property pledged or held thereunder for the benefit of the Governmental Lender or its assignee.]

This Borrower Note is a contract made under the laws of the State and shall be governed by and construed in accordance with the Constitution and laws of the State applicable to contracts made and performed in the State. This Borrower Note shall be enforceable in the State, and any action arising out of this Borrower Note shall be filed and maintained in the Superior Court of California, County of San Diego, unless the Governmental Lender waives this requirement.

IN WITNESS WHEREOF, Merge 56 Affordable, LP, a California limited partnership, has caused this Borrower Note to be executed in its name and on its behalf all as of the date set forth above.

MERGE 56 AFFORDABLE, LP,
a California limited partnership

By: AOF SD MGP LLC,
a California limited liability company,
its Managing General Partner

By: AOF/Pacific Affordable Housing Corp.,
a California nonprofit public benefit corporation,
its Sole Member and Manager

By: _____
Brett Mascaro
Senior Vice President

By: Merge 56 Affordable, LLC,
a California limited liability company,
its Administrative General Partner

By: Rise Urban Partners, LLC, a Delaware
limited liability company,
its Managing Member

By: _____
David Allen
Manager

By: _____
Robert Morgan
Manager

[Signature Page to Borrower [Tax-Exempt/Taxable] Note – Merge 56 Affordable]

Endorsement to Bank

Pay to the order of Pacific Western Bank, without recourse or warranty.

Dated: _____, 2022

HOUSING AUTHORITY OF THE CITY OF
SAN DIEGO

By: _____

Colin Miller,
Vice President Multifamily
Housing Finance of the
San Diego Housing Commission

[Signature Page to Endorsement to Bank for Borrower [Tax-Exempt/Taxable] Note –
Merge 56 Affordable]

RECORDING REQUESTED BY
MERGE 56 AFFORDABLE, LP,
California limited partnership

WHEN RECORDED RETURN TO:
Quint & Thimmig LLP
900 Larkspur Landing Circle, Suite 270
Larkspur, CA 94939-1726
Attention: Paul J. Thimmig, Esq.

ASSIGNMENT AGREEMENT

by and between the

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

and

PACIFIC WESTERN BANK,
as Bank

dated as of June 1, 2022

relating to:
\$16,000,000

Housing Authority of the City of San Diego
Multifamily Housing Revenue Note
(Merge 56 Affordable), Series 2022C-1 (Tax-Exempt)

and

\$ _____
Housing Authority of the City of San Diego
Multifamily Housing Revenue Note
(Merge 56 Affordable), Series 2022C-2 (Taxable)

ASSIGNMENT AGREEMENT

THIS ASSIGNMENT AGREEMENT, dated as of June 1, 2022 (the "Assignment Agreement"), is by and between the HOUSING AUTHORITY OF THE CITY OF SAN DIEGO, a public body, corporate and politic, organized and existing under and the laws of the State of California (together with any successor to its rights, duties and obligations, the "Governmental Lender"), and PACIFIC WESTERN BANK, a California state-chartered bank (the "Bank").

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

Section 1. Recitals.

(a) Merge 56 Affordable, LP, a California limited partnership (the "Borrower") and the Governmental Lender have entered into an unrecorded Loan Agreement, dated as of June 1, 2022 (the "Borrower Loan Agreement"), whereby the Governmental Lender has agreed to make a loan to the Borrower for the purpose of financing costs of the acquisition and construction by the Borrower of the residential rental facility identified as Merge 56 Affordable Apartments, which includes a total of 47 units of multifamily housing located in the City of San José (the "City"), which facility will be located on the real property described in Exhibit A hereto (the "Site") in the manner and on the terms set forth in the Borrower Loan Agreement, which terms include, without limitation, the obligation of the Borrower to make loan payments (the "Borrower Loan Payments") to the Governmental Lender in repayment of the amounts loaned under the Borrower Loan Agreement as evidenced initially by those certain Borrower Notes referenced therein (the "Borrower Notes"). The Borrower has executed the Deed of Trust (as such term is defined in the Borrower Loan Agreement) recorded concurrently with this Assignment Agreement to secure its obligations under the Borrower Notes and the Borrower Loan Agreement.

(b) The Governmental Lender, the Bank and U.S. Bank Trust Company, National Association, as fiscal agent, have entered into an unrecorded Loan Agreement, dated as of June 1, 2022 (the "Bank Loan Agreement"), whereby the Bank has agreed to make a loan to the Governmental Lender for the purpose of making funds available to the Governmental Lender to make the loan to the Borrower pursuant to the Borrower Loan Agreement, in the manner and on the terms set forth in the Bank Loan Agreement, which terms include, without limitation, the obligation of the Governmental Lender to make loan payments to the Bank from the Borrower Loan Payments in repayment of the amounts loaned under the Bank Loan Agreement, as evidenced by the Governmental Lender Notes referenced therein (the "Governmental Lender Notes").

(c) The Governmental Lender desires to irrevocably pledge to the Bank, as security for its obligations to repay amounts due under the Governmental Lender Notes and its obligations under the Bank Loan Agreement, its rights to the Borrower Loan Payments due and payable pursuant to the Borrower Notes, and to irrevocably assign to the Bank, as further security for its obligation to repay amounts due under the Governmental Lender Notes and its obligations under the Bank Loan Agreement, its rights in and obligations under the Borrower Loan Agreement (except as provided herein), and any and all of its rights in and under the Disbursement Agreement, the Subordination Agreement, and the Continuing Covenant Agreement (as such capitalized terms are defined in the Bank Loan Agreement), as well as under the Deed of Trust and the Borrower Notes.

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

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

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

Section 3. Power of Attorney. The Governmental Lender hereby irrevocably makes, constitutes and appoints the Bank (and any of the Bank's officers, employees or agents, as appropriate and as designated by the Bank) as the Governmental Lender's true and lawful attorney-in-fact with full power of substitution to (a) sign in the name of the Governmental Lender any financing statements, continuation statements, assignments, notices of default, notices of election to sell, assignments and substitutions of trustee or similar documents necessary or appropriate to enforce the remedies of the Governmental Lender under the Borrower Loan Agreement, the Borrower Notes and the Deed of Trust, including complaints, motions and any other pleadings necessary to secure the appointment of a receiver under the Deed of Trust, (b) to appear in any bankruptcy, insolvency, reorganization, condemnation or other action or proceeding, and (c) to prepare applications for, negotiate and settle claims, and collect any distribution, award or other amount becoming payable through or as the result of (i) any such proceedings, (ii) any insured or uninsured casualty loss, or (iii) any condemnation, taking or conveyance in lieu of condemnation of any of the assets that are the subject of the

Borrower Loan Agreement, the Borrower Notes or the Deed of Trust and the Subordination Agreement. The power of attorney granted by the Governmental Lender to the Bank hereunder, being coupled with the Bank's interest in the facilities located on the Site, is irrevocable until all of the obligations of the Governmental Lender under the Governmental Lender Notes have been satisfied and discharged in full. Notwithstanding the foregoing, the Bank shall provide the Governmental Lender with copies of all documents executed by the Bank under the foregoing power of attorney and shall advise the Governmental Lender in writing prior to taking any action described in clause (b) or (c) of the second preceding sentence.

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

Section 5. Conditions. This Assignment Agreement shall confer no obligations or impose no duties upon the Bank beyond those expressly provided in the Bank Loan Agreement. This Assignment Agreement shall not confer any obligations nor impose any duties upon the Governmental Lender beyond those expressly provided in the Bank Loan Agreement.

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

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

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

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

By: _____
Colin Miller,
Vice President Multifamily
Housing Finance of the
San Diego Housing Commission

19048.56:J18120

[Signature Page of Governmental Lender to Assignment Agreement – Merge 56 Affordable)

PACIFIC WESTERN BANK, a California state-
chartered bank

By: _____
Its: _____

19048.56:J18120

[Signature Page of Pacific Western Bank to Assignment Agreement – Merge 56 Affordable)

NOTARY ACKNOWLEDGMENT

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

State of California

County of _____

} SS.

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

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

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

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

WITNESS my hand and official seal.

Signature _____ [Seal]
Notary Public

NOTARY ACKNOWLEDGMENT

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

State of California

County of _____

} SS.

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

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

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

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

WITNESS my hand and official seal.

Signature _____ [Seal]
Notary Public

EXHIBIT A

LEGAL DESCRIPTION OF THE PROPERTY

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF SAN DIEGO, IN THE COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

PARCEL A:

PARCEL 3 OF PARCEL MAP NO. ___, IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, __, 2022 AS INSTRUMENT NO. 2022-___ OF OFFICIAL RECORDS.

PARCEL B:

A NON-EXCLUSIVE EASEMENT FOR PEDESTRIAN AND VEHICULAR INGRESS AND EGRESS ON, OVER, THROUGH AND ACROSS THE "SHARED PRIVATE STREET" AND FOR PEDESTRIAN INGRESS AND EGRESS OVER, THROUGH AND ACROSS ADJACENT "PEDESTRIAN ACCESS AREAS" LOCATED WITHIN THE "MIXED USE PROPERTY"; AND A NON-EXCLUSIVE EASEMENT FOR PEDESTRIAN INGRESS AND EGRESS ON, OVER, THROUGH AND ACROSS THE "PEDESTRIAN ACCESS AREAS" LOCATED WITHIN THE "TOWNHOME PROPERTY" PURSUANT AND SUBJECT TO THE TERMS AND PROVISIONS CONTAINED IN THE "DECLARATION ESTABLISHING EASEMENTS, MAINTENANCE AND COST SHARING OBLIGATIONS FOR MERGE 56" RECORDED JULY 23, 2021, AS INSTRUMENT NO. 2021-0526884 OF OFFICIAL RECORDS.

PARCEL C:

A NON-EXCLUSIVE EASEMENT APPURTENANT ON, UNDER, THROUGH AND ACROSS THE PORTIONS OF THE "TOWNHOME PROPERTY" IN WHICH THE "SHARED PRIVATE SEWER LINE" IS LOCATED FOR THE PURPOSE OF SEWER DRAINAGE AND USE OF THE "SHARED PRIVATE SEWER LINE"; AND FOR THE FLOW, PASSAGE AND TREATMENT OF STORMWATER AND DRAINAGE OF TRE "SHARED STORMWATER FACILITIES" PURSUANT AND SUBJECT TO THE TERMS AND PROVISIONS CONTAINED IN THE "DECLARATION ESTABLISHING EASEMENTS, MAINTENANCE AND COST SHARING OBLIGATIONS FOR MERGE 56" RECORDED SEPTEMBER 30, 2021, AS INSTRUMENT NO. 2021-0688904 OF OFFICIAL RECORDS.

PARCEL D:

REA TO BE DETERMINED

APN: _____

**RECORDING REQUESTED BY AND
WHEN RECORDED RETURN TO:**

Quint & Thimmig LLP
900 Larkspur Landing Circle, Suite 270
Larkspur, CA 94939-1726
Attention: Paul J. Thimmig, Esq.

**REGULATORY AGREEMENT AND
DECLARATION OF RESTRICTIVE COVENANTS**

by and between the

HOUSING AUTHORITY OF THE CITY OF SAN DIEGO

and

**MERGE 56 AFFORDABLE, LP,
a California limited partnership**

dated as of June 1, 2022

relating to:

\$16,000,000

**Housing Authority of the City of San Diego
Multifamily Housing Revenue Note
(Merge 56 Affordable),
Series 2022C-1 (Tax-Exempt)**

and

\$_____

**Housing Authority of the City of San Diego
Multifamily Housing Revenue Note
(Merge 56 Affordable),
Series 2022C-2 (Taxable)**

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REGULATORY AGREEMENT AND DECLARATION OF RESTRICTIVE COVENANTS

THIS REGULATORY AGREEMENT AND DECLARATION OF RESTRICTIVE COVENANTS (as supplemented and amended from time to time, this "Regulatory Agreement") is made and entered into as of June 1, 2022, by and between the HOUSING AUTHORITY OF THE CITY OF SAN DIEGO, a public body, corporate and politic, organized and existing under the laws of the State of California (together with any successor to its rights, duties and obligations, the "Governmental Lender"), and MERGE 56 AFFORDABLE, LP, a California limited partnership, duly organized, validly existing and in good standing under the laws of the State of California (together with any successor to its rights, duties and obligations hereunder and as owner of the Project identified herein, the "Borrower").

R E C I T A L S :

WHEREAS, pursuant to Chapter 1 of Part 2 of Division 24 of the California Health and Safety Code (as amended, the "Housing Law"), and the hereinafter defined Bank Loan Agreement, the Governmental Lender has agreed to execute and deliver its Housing Authority of the City of San Diego Multifamily Housing Revenue Note (Merge 56 Affordable), Series 2022C-1 (Tax-Exempt) (the "Governmental Lender Tax-Exempt Note") and its Housing Authority of the City of San Diego Multifamily Housing Revenue Note (Merge 56 Affordable), Series 2022C-2 (Taxable) (collectively, the "Governmental Lender Notes");

WHEREAS, the Governmental Lender Notes will be executed and delivered pursuant to a Loan Agreement, dated as of June 1, 2022 (the "Bank Loan Agreement"), among the Governmental Lender, Pacific Western Bank (the "Bank") and U.S. Bank Trust Company, National Association, as fiscal agent (the "Fiscal Agent");

WHEREAS, the proceeds of the Governmental Lender Notes will be used to fund a loan (the "Borrower Loan" as defined in the Bank Loan Agreement) to the Borrower to finance costs of the acquisition and construction of the multifamily rental housing development currently identified as Merge 56 Affordable Apartments, located on the real property site described in Exhibit A hereto (as more particularly described herein, the "Project"); and

WHEREAS, to assure the Governmental Lender and the owners of the Governmental Lender Tax-Exempt Note that interest on the Governmental Lender Tax-Exempt Note will be excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"), and to satisfy the public purposes for which the Governmental Lender Notes are authorized to be executed and delivered under the Housing Law, and to satisfy the purposes of the Governmental Lender in determining to execute and deliver the Governmental Lender Notes, certain limits on the occupancy of units in the Project need to be established and certain other requirements need to be met.

A G R E E M E N T :

NOW, THEREFORE, in consideration of the execution and delivery of the Governmental Lender Notes by the Governmental Lender and the mutual covenants and undertakings set forth herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Governmental Lender and the Borrower hereby agree as follows:

Section 1. Definitions and Interpretation. Unless the context otherwise requires, the capitalized terms used herein shall have the respective meanings assigned to them in the first paragraph hereof and the recitals hereto, in this Section 1, or in the Bank Loan Agreement.

“Administrator” means the Governmental Lender or any administrator or program monitor appointed by the Governmental Lender to administer this Regulatory Agreement, and any successor administrator appointed by the Governmental Lender.

“Area” means the Metropolitan Statistical Area or County, as applicable, in which the Project is located as defined by the United States Department of Housing and Urban Development.

“Available Units” means residential units in the Project that are actually occupied and residential units in the Project that are vacant and have been occupied at least once after becoming available for occupancy, provided that (a) a residential unit that is vacant on the later of (i) the date the Project is acquired or (ii) the Closing Date is not an Available Unit and does not become an Available Unit until it has been occupied for the first time after such date, and (b) a residential unit that is not available for occupancy due to renovations is not an Available Unit and does not become an Available Unit until it has been occupied for the first time after the renovations are completed.

“CDLAC Conditions” has the meaning given such term in Section 29.

“CDLAC Resolution” means CDLAC Resolution No. 21-263 attached hereto as Exhibit E, adopted on December 8, 2021 and relating to the Project, as such resolution may be modified or amended from time to time.

“Certificate of Continuing Program Compliance” means the Certificate to be filed by the Borrower with the Administrator, on behalf of the Governmental Lender, pursuant to Section 4(f) hereof, which shall be substantially in the form attached as Exhibit C hereto or in such other comparable form as may be provided by the Governmental Lender to the Borrower, or as otherwise approved by the Governmental Lender.

“Completion Certificate” means the certificate of completion of the construction of the Project required to be delivered to the Governmental Lender by the Borrower pursuant to Section 2(i) of this Regulatory Agreement, which shall be substantially in the form attached to this Regulatory Agreement as Exhibit D.

“Completion Date” means the date of completion of the construction of the Project, as that date shall be certified as provided in Section 2(i) of this Regulatory Agreement.

“Compliance Period” means the period beginning on the first day of the Qualified Project Period and ending on the later of the end of the Qualified Project Period or such later date as set forth in Section 29(c) of this Regulatory Agreement.

“Gross Income” means the gross income of a person (together with the gross income of all persons who intend to reside with such person in one residential unit) as calculated in the manner prescribed in under Section 8 of the Housing Act.

“Housing Act” means the United States Housing Act of 1937, as amended, or its successor.

“Housing Law” means Chapter 1 of Part 2 of Division 24 of the California Health and Safety Code, as amended.

“Income Certification” means a Tenant Income Certification and a Tenant Income Certification Questionnaire in the form attached as Exhibit B hereto or in such other comparable form as may be provided by the Governmental Lender to the Borrower, or as otherwise approved by the Governmental Lender.

“Inducement Date” means July 16, 2021, being the date of final passage by the Commission of Resolution No. HC-1919, expressing the intent to issue the Governmental Lender Tax-Exempt Note to provide financing for the Project.

“Investor Limited Partner” has the meaning given to the term “Equity Investor” in the Bank Loan Agreement.

“Low Income Tenant” means a tenant occupying a Low Income Unit.

“Low Income Unit” means any Available Unit if the aggregate Gross Income of all tenants therein does not exceed limits determined in a manner consistent with determinations of “low-income families” under Section 8 of the Housing Act, provided that the percentage of median gross income that qualifies as low income hereunder shall be sixty percent (60%) of median gross income for the Area, with adjustments for family size. A unit occupied by one or more students shall only constitute a Low Income Unit if such students meet the requirements of Section 142(d)(2)(C) of the Code. The determination of an Available Unit’s status as a Low Income Unit shall be made by the Borrower upon commencement of each lease term with respect to such unit, and annually thereafter, on the basis of an Income Certification executed by each tenant.

“Manager” means a property manager meeting the requirements of Section 27 hereof. Hyder Property Management Professionals is the initial Manager.

“Project” means the 47-unit multifamily rental housing development to be located at 8201 Merge Avenue in the City on the real property site described in Exhibit A hereto, consisting of those facilities, including real property, structures, buildings, fixtures or equipment situated thereon, as it may at any time exist, the acquisition, construction and development of which facilities are to be financed, in whole or in part, from the proceeds of the sale of the Governmental Lender Notes or the proceeds of any payment by the Borrower pursuant to the Borrower Loan Agreement, and any real property, structures, buildings, fixtures or equipment acquired in substitution for, as a renewal or replacement of, or a modification or improvement to, all or any part of the facilities described in the Borrower Loan Agreement.

“Project Costs” means, to the extent authorized by the Housing Law, any and all costs and expenses incurred by the Borrower with respect to the acquisition, construction and/or operation of the Project, whether paid or incurred prior to or after the Closing Date, including, without limitation, costs for the acquisition of property, the cost of consultant, accounting and legal services, appraisal costs, other expenses necessary or incident to the acquisition and construction of the Project, and administrative expenses, and interest on the Borrower Loan.

“Qualified Project Costs” means Project Costs that meet each of the following requirements: (i) the costs are properly chargeable to 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 United States Treasury Regulations §1.103-8(a)(1), provided, however, that only such portion of interest accrued during the construction of the Project shall be eligible to be a Qualified Project Cost as is so capitalizable and 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 construction of the Project shall not be a Qualified Project Cost; and provided still further that if any portion of either of the Project is being constructed by an Affiliated Party (whether as a general contractor or a subcontractor), Qualified Project Costs shall include only (A) the actual out-of-pocket costs incurred by such Affiliated Party in constructing the Project (or any portion thereof), (B) any reasonable fees for supervisory services actually rendered by the Affiliated Party, and (C) any overhead expenses incurred by the Affiliated Party which 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 Affiliated Party due to early completion of the construction of the Project; (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 or the Closing Date, and (iv) if the Project Costs were previously paid and are to be reimbursed with proceeds of the Governmental Lender Tax-Exempt Note or the Borrower Tax-Exempt Note, such costs were (A) costs of issuance of the Governmental Lender Notes, (B) preliminary capital expenditures (within the meaning of United States Treasury Regulations §1.139-2(f)(2)) with respect to the Project (such as architectural, engineering and soil testing services) incurred before commencement of the construction of the Project that do not exceed twenty percent (20%) of the issue price of the Governmental Lender Tax-Exempt Note (as defined in United States Treasury Regulations §1.148-1), or (C) were capital expenditures with respect to the Project that are reimbursed no later than eighteen (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 (3) years after the expenditure is paid).

“Qualified Project Period” means the period beginning on the Closing Date, and ending on the later of the following: (a) the date that is fifteen (15) years after the date on which at least fifty percent (50%) of the units in the Project are first occupied following the Completion Date; (b) the first date on which no Tax-Exempt private activity bond with respect to the Project is outstanding; or (c) the date on which any assistance provided with respect to the Project under Section 8 of the Housing Act terminates; provided, however, that if at least 10% of the residential units in the Project are Available Units at all times within 60 days after the later of (1) the date the Project was acquired by the Borrower, or (2) the issue date of the Governmental Lender Tax-Exempt Note, then the Qualified Project Period shall begin on the date one year after the issue date of the Governmental Lender Tax-Exempt Note and end on the later of (A) the date that is fifteen (15) years after such date or (B) the later of the dates specified in the foregoing clauses (a), (b) and (c) above.

“Qualified Project Period” means the period beginning on the first day on which at least 10% of the units in the Project are first occupied and ending on the later of the following:

(A) the date that is fifteen (15) years after the date on which at least fifty percent (50%) of the units in the Project are first occupied;

(B) the first date on which no Tax-Exempt private activity bonds with respect to the Project are Outstanding; or

(C) the date on which any assistance provided with respect to the Project under Section 8 of the Housing Act terminates.

“Regulations” means the Income Tax Regulations of the Department of the Treasury applicable under the Code from time to time.

“Regulatory Agreement” means this Regulatory Agreement and Declaration of Restrictive Covenants, as it may be supplemented and amended from time to time.

“Rental Payments” means the rental payments paid by the occupant of a unit, excluding any supplemental rental assistance to the occupant from the State, the federal government, or any other public agency, but including any mandatory fees or charges imposed on the occupant by the Borrower as a condition of occupancy of the unit.

“Tax-Exempt” means with respect to interest on any obligations of a state or local government, including the Governmental Lender Tax-Exempt Note, that such interest is excluded from gross income for federal income tax purposes; provided, however, that such interest may be includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating other tax liabilities, including any alternative minimum tax or environmental tax, under the Code.

“Transfer” means the conveyance, assignment, sale or other disposition of all or any portion of the Project other than in connection with the leasing of individual residential rental units in the ordinary course of business; and shall also include, without limitation to the foregoing, the following: (i) an installment sales agreement wherein Borrower agrees to sell the Project or any part thereof for a price to be paid in installments; and (ii) an agreement by the Borrower leasing all or a substantial part of the Project to one or more persons or entities pursuant to a single or related transactions.

“Very Low Income Tenant” means a tenant occupying a Very Low Income Unit.

“Very Low Income Unit” means any Available Unit if the aggregate Gross Income of all tenants therein does not exceed limits determined in a manner consistent with determinations of “very low-income families” under Section 8 of the Housing Act, provided that the percentage of median gross income that qualifies as very low income hereunder shall be fifty percent (50%) of median gross income for the Area, with adjustments for family size. A unit occupied by one or more students shall only constitute a Very Low Income Unit if such students meet the requirements of Section 142(d)(2)(C) of the Code. The determination of an Available Unit’s status as a Very Low Income Unit shall be made by the Borrower upon commencement of each lease term with respect to such unit, and annually thereafter, on the basis of an Income Certification executed by each tenant.

Unless the context clearly requires otherwise, as used in this Regulatory Agreement, words of any gender shall be construed to include each other gender when appropriate and words of the singular number shall be construed to include the plural number, and vice versa, when appropriate. This Regulatory Agreement and all the terms and provisions hereof shall be construed to effectuate the purposes set forth herein and to sustain the validity hereof.

The titles and headings of the sections of this Regulatory Agreement have been inserted for convenience of reference only, and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof or be considered or given any effect in construing this Regulatory Agreement or any provisions hereof or in ascertaining intent, if any question of intent shall arise.

The parties to this Regulatory Agreement acknowledge that each party and their respective counsel have participated in the drafting and revision of this Regulatory Agreement. Accordingly, the parties agree that any rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not apply in the interpretation of this Regulatory Agreement or any supplement or exhibit hereto.

Section 2. Representations, Covenants and Warranties of the Borrower.

(a) The statements made in the various certificates delivered by the Borrower to the Governmental Lender, the Bank or the Fiscal Agent on the Closing Date are true and correct.

(b) 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 of the Borrower Loan to be applied in a manner contrary to the requirements of the Borrower Loan Agreement and this Regulatory Agreement.

(c) The Borrower will not 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 of the interest on the Governmental Lender Tax-Exempt Note, or the exemption from California personal income taxation of the interest on the Governmental Lender Notes 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; provided that the Borrower shall not have violated this covenant if the interest on the Governmental Lender Tax-Exempt Note becomes taxable to a person solely because such person is a "substantial user" of the Project or a "related person," within the meaning of Section 147(a) of the Code.

(d) The Borrower will take such action or actions as may be necessary, in the written opinion of Tax Counsel filed with the Governmental Lender, the Fiscal Agent and the Borrower, to comply fully with the Act, the Code 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 to the extent necessary to maintain the exclusion from gross income for federal income tax purposes of interest on the Governmental Lender Tax-Exempt Note.

(e) The acquisition by the Borrower of a fee interest in the site on which the Project is located and the commencement of the construction of the Project occurred after the date which was 60 days prior to the Inducement Date. The Borrower has incurred a substantial binding obligation to expend proceeds of the Borrower Loan pursuant to which the Borrower is obligated to expend at least five percent (5%) of the maximum principal amount of the Borrower Loan.

(f) The Borrower will proceed with due diligence to complete the construction of the Project and the full expenditure of the proceeds of the Borrower Loan. The Borrower reasonably expects to complete the acquisition and construction of the Project and to expend the full \$_____ principal amount of the Borrower Loan by August 1, 2023.

(g) The Borrower's reasonable expectations respecting the total expenditure of the proceeds of the Governmental Lender Tax-Exempt Note have been accurately set forth in a certificate of the Borrower delivered to the Governmental Lender on the Closing Date. At all times, the aggregate disbursements of the proceeds of the Governmental Lender Tax-Exempt Note will have been applied to pay or to reimburse the Borrower for the payment of Qualified Project Costs in an amount equal to ninety seven percent (97%) or more of such disbursements, and less than twenty-five percent (25%) of such disbursements shall have been used to pay for the acquisition of land or an interest therein.

(h) Notwithstanding the provisions of Section 6.14(k) of the Borrower Loan Agreement and in addition thereto, the Borrower agrees to obtain a written report from an independent firm with experience in calculating excess investment earnings for purposes of Section 148(f) of the Code, not less than once on or about each five year anniversary of the Closing Date and within thirty (30) days of the date the Governmental Lender Tax-Exempt Note has been paid in full, determining that either (i) no excess investment earnings subject to rebate to the federal government under Section 148(f) of the Code have arisen with respect to the Governmental Lender Tax-Exempt Note in the prior five-year period (or, with respect to the final such report following the repayment of the Governmental Lender Tax-Exempt Note, have arisen since the last five-year report); or (ii) excess investment earnings have so arisen with respect to the Governmental Lender Tax-Exempt Note during the prior five-year period (or, with respect to the final such report following the repayment of the Governmental Lender Tax-Exempt Note, have arisen since the last five-year report), and specifying the amount thereof that needs to be rebated to the federal government and the date by which such amount needs to be so rebated. The Borrower shall provide a copy of each report prepared in accordance with the preceding sentence to the Governmental Lender and the Bank, each time within one week of its receipt of the same from the independent firm that prepared the respective report. The Borrower agrees to remit to the Fiscal Agent any amount described in the preceding clause (ii) for deposit to the Rebate Fund established under Section 7.8 of the Bank Loan Agreement.

Notwithstanding the foregoing, the computations and payments of rebatable arbitrage need not be made to the extent that neither the Governmental Lender nor the Borrower will thereby fail to comply with any requirements of Section 148(f) of the Code based on an opinion of Tax 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 Governmental Lender Tax-Exempt Note, a copy of which shall be provided to the Fiscal Agent, the Bank and the Governmental Lender, at the expense of the Borrower.

(i) As soon as practicable after the Completion Date, the Borrower shall deliver to the Governmental Lender and the Fiscal Agent a duly executed Completion Certificate.

(j) The Borrower acknowledges that the Governmental Lender has appointed the Administrator to administer this Regulatory Agreement and to monitor performance by the Borrower of the terms, provisions and requirements hereof. The Borrower shall comply with any reasonable request by the Governmental Lender or the Administrator to deliver to any such Administrator, in addition to or instead of the Governmental Lender, any reports, notices or other documents required to be delivered pursuant hereto, and to make the Project and the

books and records with respect thereto available for inspection by the Administrator as an agent of the Governmental Lender.

(k) [reserved]

(l) Money on deposit in any fund or account in connection with the Bank Loan or the Borrower Loan, whether or not such money was derived from other sources, shall not be used by or under the direction of the Borrower, in a manner which would cause the Governmental Lender Tax-Exempt Note to be an “arbitrage bond” within the meaning of Section 148 of the Code, and the Borrower specifically agrees that the investment of money in any such fund shall be restricted as may be necessary to prevent the Governmental Lender Tax-Exempt Note from being an “arbitrage bond” under the Code.

(m) All of the proceeds of the Borrower Loan and earnings from the investment of such proceeds will be used to pay Project Costs either directly by the Borrower or to reimburse the Borrower for such costs paid from proceeds of a loan made to the Borrower for such purpose; and no more than two percent (2%) of the proceeds of the Governmental Lender Tax-Exempt Note will be used to pay issuance costs of the Governmental Lender Notes, within the meaning of Section 147(g) of the Code.

(n) No portion of the proceeds of the Governmental Lender Tax-Exempt Note 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. No portion of the proceeds of the Governmental Lender Tax-Exempt Note shall 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.

(o) In accordance with Section 147(b) of the Code, the average maturity of the Governmental Lender Tax-Exempt Note does not exceed 120% of the average reasonably expected economic life of the facilities being financed by the Governmental Lender Tax-Exempt Note.

(p) The Borrower shall comply with all applicable requirements of Section 65863.10 of the California Government Code pertaining to the Project, including the requirements for providing notices in Sections (b), (c), (d) and (e) thereof, and with all applicable requirements of Section 65863.11 of the California Government Code pertaining to the Project.

(q) The Borrower shall pay all of the Closing Costs.

(r) The Borrower hereby incorporates herein, as if set forth in full herein, each of the representations, covenants and warranties of the Borrower contained in the Tax Certificate and the Borrower Loan Agreement relating to the Project.

(s) The Borrower hereby represents and warrants that the Project is located entirely within the City.

(t) The Borrower agrees to comply with the provisions of Sections 3.4(c), 6.14, 6.16, 6.17 and 6.18 of the Borrower Loan Agreement, as in effect on the Closing Date.

(u) The Borrower acknowledges, represents and warrants that it understands the nature and structure of the transactions contemplated by this Regulatory Agreement; that it is familiar

with the provisions of all of the documents related to the Borrower Loan to which it is a party or of which it is a beneficiary; that it understands the financial and legal risks inherent in such transactions; and that it has not relied on the Governmental Lender for any guidance or expertise in analyzing the financial or other consequences of such financing transactions or otherwise relied on the Governmental Lender in any manner except to issue the Governmental Lender Notes in order to provide funds to assist the Borrower in financing costs of the construction of the Project.

Section 3. Qualified Residential Rental Project. The Borrower hereby acknowledges and agrees that the Project is to be owned, managed and operated as a “residential rental project” (within the meaning of Section 142(d) of the Code) for a term equal to the Compliance Period. To that end, and for the term of this Regulatory Agreement, the Borrower hereby represents, covenants, warrants and agrees as follows:

(a) The Project will be acquired, constructed, developed and operated for the purpose of providing multifamily residential rental property. The Borrower will own, manage and operate the Project as a project to provide multifamily residential rental property comprised of a building or structure or several interrelated buildings or structures, together with any functionally related and subordinate facilities, and no other facilities, in accordance with Section 142(d) of the Code, Section 1.103-8(b) of the Regulations and the provisions of the Housing Law, and in accordance with such requirements as may be imposed thereby on the Project from time to time.

(b) All of the dwelling units in the Project (except for not more than one unit set aside for a resident manager or other administrative use) will be similarly constructed units, and each dwelling unit in the Project will contain complete separate and distinct facilities for living, sleeping, eating, cooking and sanitation for a single person or a family, including a sleeping area, bathing and sanitation facilities and cooking facilities equipped with a cooking range, refrigerator and sink.

(c) None of the dwelling units in the Project will at any time be utilized on a transient basis or rented for a period of less than 30 consecutive days, or will ever be used as a hotel, motel, dormitory, fraternity house, sorority house, rooming house, nursing home, hospital, sanitarium, rest home or trailer court or park; provided that the use of certain units for tenant guests on an intermittent basis shall not be considered transient use for purposes of this Regulatory Agreement.

(d) No part of the Project will at any time during the Compliance Period be owned by a cooperative housing corporation, nor shall the Borrower take any steps in connection with a conversion to such ownership or use, and the Borrower will not take any steps in connection with a conversion of the Project to condominium ownership during the Compliance Period (except that the Borrower may obtain final map approval and the Final Subdivision Public Report from the California Department of Real Estate and may file a condominium plan with the City).

(e) All of the Available Units in the Project (except for not more than one unit set aside for a resident manager or other administrative use) will be available for rental during the period beginning on the date hereof and ending on the termination of the Compliance Period on a continuous, “first-come, first-served” basis to members of the general public, and the Borrower will not give preference to any particular class or group in renting the dwelling units in the Project, except (i) not more than two units may be set aside for resident managers or other administrative use, (ii) to the extent that dwelling units are required to be leased or rented in such a manner that they constitute

Low Income Units or otherwise as necessary to comply with Section 6(a), (b) and (c), (iii) to the extent required under any "extended low-income housing commitment" (an "Extended Use Agreement") applicable to the Project, (iv) to the extent required by the provisions of any documents related to the provision of State or federal low income housing tax credits for the Project, (v) to the extent units are required to be rented to seniors, (vi) to the extent required under the Declaration of Covenants, Conditions and Restrictions by Seabreeze 56, LLC to the San Diego Housing Commission, and assigned to the Borrower, or (vii) to the extent required under the Master Affordable Housing Agreement And Agreement Authorizing Affordable Housing Density Bonus And Imposing Covenants, Conditions And Restrictions On Real Property (Rhodes Crossing), dated as of September 1, 2014, among Keith B. Rhodes, Trustee of the Keith B. Rhodes Living Trust, dated November 11, 1999, Declarant and the Governmental Lender, which was recorded in the Office of the Recorder of San Diego County on October 13, 2014, as Instrument No. 2014-0443732, as partially assigned to the Borrower.

(f) The Project consists of a parcel or parcels that are contiguous except for the interposition of a road, street or stream, and all of the facilities of the Project comprise a single geographically and functionally integrated project for residential rental property, as evidenced by the ownership, management, accounting and operation of the Project.

(g) The Borrower shall not discriminate on the basis of race, creed, color, sex, source of income (e.g. TANF, SSI), 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.

(h) No dwelling unit in the Project shall be occupied by the Borrower. Notwithstanding the foregoing, if the Project contains five or more dwelling units, this paragraph shall not be construed to prohibit occupancy of dwelling units by one or more resident managers or maintenance personnel any of whom may be the Borrower; provided that the number of such managers or maintenance personnel is not unreasonable given industry standards in the area for the number of dwelling units in the Project.

(i) The Borrower will not sell dwelling units within the Project.

(j) 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 which prevents the Governmental Lender from enforcing the requirements of the Code and the Regulations as applicable to the Project, or condemnation or similar event, the Borrower covenants that, within a "reasonable period" determined in accordance with the applicable Regulations, it will either prepay the Borrower Loan or, if permitted under the provisions of the Borrower Loan Agreement, apply any proceeds received as a result of any of the preceding events to construct the Project to meet the requirements of Section 142(d) of the Code and the applicable Regulations.

(k) During the Qualified Project Period, the Borrower shall submit a completed Internal Revenue Code Form 8703 or such other annual certification as required by the Code with respect to the Project to the Secretary of the Treasury on or before March 31 of each year (or such other date as may be required by the Code).

Section 4. Low Income Tenants and Very Low Income Tenants; Reporting Requirements. Pursuant to the requirements of the Code and the Housing Law, the Borrower hereby represents, warrants and covenants as follows:

(a) During the Compliance Period, no less than 40% of the total number of completed units in the Project shall at all times be Low Income Units and no less than 10% of the total number of completed units in the Project shall at all times be Very Low Income Units. For the purposes of this paragraph (a), a vacant unit that was most recently a Low Income Unit or Very Low Income Unit is treated as a Low Income Unit or Very Low Income Unit, respectively, until reoccupied, other than for a temporary period of not more than 31 days, at which time the character of such unit shall be redetermined.

(b) No tenant qualifying as a Low Income Tenant or Very Low Income Tenant upon initial occupancy shall be denied continued occupancy of a unit in the Project because, after admission, the aggregate Gross Income of all tenants in the unit occupied by such Low Income Tenant or Very Low Income Tenant, respectively, increases to exceed the qualifying limit for a Low Income Unit or Very Low Income Unit, respectively. However, should the aggregate Gross Income of tenants in a Low Income Unit or Very Low Income Unit as of the most recent determination thereof, exceed one hundred forty percent (140%) of the applicable income limit for a Low Income Unit or Very Low Income Unit, respectively, occupied by the same number of tenants, the next available unit of comparable or smaller size must be rented to (or held vacant and available for immediate occupancy by) Low Income Tenant(s) or Very Low Income Tenant(s), respectively. The unit occupied by such tenants whose aggregate Gross Income exceeds such applicable income limit shall continue to be treated as a Low Income Unit or Very Low Income Unit for purposes of the 40% or 10%, respectively, requirement of Section 4(a) hereof unless and until an Available Unit of comparable or smaller size is rented to persons other than Low Income Tenants or Very Low Income Tenants, respectively.

(c) For the Compliance Period, the Borrower will obtain, complete and maintain on file Income Certifications for each Low Income Tenant and Very Low Income Tenant, including (i) an Income Certification dated immediately prior to the initial occupancy of such Low Income Tenant or Very Low Income Tenant, respectively, in the unit and (ii) thereafter, an annual Income Certification with respect to each Low Income Tenant or Very Low Income Tenant, respectively. The Borrower will provide such additional information as may be required in the future by the Code, the State or the Governmental Lender, as the same may be amended from time to time, or in such other form and manner as may be required by applicable rules, rulings, policies, procedures, Regulations or other official statements now or hereafter promulgated, proposed or made by the Department of the Treasury or the Internal Revenue Service with respect to Tax Exempt obligations. Upon request of the Administrator or the Governmental Lender, copies of Income Certifications for Low Income Tenants and/or Very Low Income Tenants commencing or continuing occupation of a Low Income Unit or Very Low Income Unit, respectively, shall be submitted to the Administrator or the Governmental Lender, as requested.

(d) The Borrower shall make a good faith effort to verify that the income information provided by an applicant in an Income Certification is accurate by taking one or more of the following steps as a part of the verification process: (1) obtain pay stubs for the three most recent pay periods, (2) obtain an income tax return for the most

recent tax year, (3) obtain a credit report or conduct a similar type credit search, (4) obtain an income verification from the applicant's current employer, (5) obtain an income verification from the Social Security Administration and/or the California Department of Social Services if the applicant receives assistance from either of such agencies, or (6) if the applicant is unemployed and does not have an income tax return, obtain another form of independent verification reasonably acceptable to the Governmental Lender.

(e) The Borrower will maintain complete and accurate records pertaining to the Low Income Units and Very Low Income Units, and will permit any duly authorized representative of the Governmental Lender, the Fiscal Agent, the Department of the Treasury or the Internal Revenue Service to inspect during normal business hours the books and records of the Borrower pertaining to the Project upon reasonable written notice, including those records pertaining to the occupancy of the Low Income Units and the Very Low Income Units.

(f) The Borrower will prepare and submit to the Administrator, on behalf of the Governmental Lender, not less than annually, commencing the first anniversary of the Closing Date and each anniversary thereafter, a Certificate of Continuing Program Compliance executed by the Borrower in substantially the form attached hereto as Exhibit C. During the Compliance Period, the Borrower shall submit a completed Internal Revenue Code Form 8703 or such other annual certification as required by the Code with respect to the Project, to the Secretary of the Treasury on or before March 31 of each year (or such other date as may be required by the Code).

(g) For the Compliance Period, all tenant leases or rental agreements shall be subordinate to this Regulatory Agreement and the Deed of Trust. All leases pertaining to Low Income Units or Very Low Income Units shall contain clauses, among others, wherein each tenant who occupies a Low Income Unit or a Very Low Income Unit, respectively: (i) certifies the accuracy of the statements made by such tenant in the Income Certification; (ii) agrees that the family income and other eligibility requirements shall be deemed substantial and material obligations of the tenancy of such tenant, that such tenant will comply promptly with all requests for information with respect thereto from the Borrower, the Fiscal Agent, the Governmental Lender or the Administrator on behalf of the Governmental Lender, and that the failure to provide accurate information in the Income Certification or refusal to comply with a request for information with respect thereto shall be deemed a violation of a substantial obligation of the tenancy of such tenant; (iii) acknowledges that the Borrower has relied on the statements made by such tenant in the Income Certification and supporting information supplied by the Low Income Tenant or the Very Low Income Tenant, respectively, in determining qualification for occupancy of a Low Income Unit or the Very Low Income Unit, respectively, and that any material misstatement in such certification (whether or not intentional) will be cause for immediate termination of such lease or rental agreement; and (iv) agrees that the tenant's income is subject to annual certification in accordance with Section 4(c) and that if upon any such certification the aggregate Gross Income of tenants in such unit exceeds the applicable income limit under Section 4(b), the unit occupied by such tenant may cease to qualify as a Low Income Unit or Very Low Income Unit, respectively, and such unit's rent may be subject to increase.

For purposes of this Section 4, no unit occupied by a residential manager shall be treated as a rental unit during the time of such occupation.

Section 5. Tax-Exempt Status of Governmental Lender Tax-Exempt Note. The Borrower and the Governmental Lender, as applicable, each hereby represents, warrants and agrees as follows:

(a) The Borrower and the Governmental Lender will not knowingly take or permit, or omit to take or cause to be taken, as is appropriate, any action that would adversely affect the Tax-Exempt nature of the interest on the Governmental Lender Tax-Exempt Note and, if either of them should take or permit, or omit to take or cause to be taken, any such action, it will take all lawful actions necessary to rescind or correct such actions or omissions promptly upon obtaining knowledge thereof.

(b) The Borrower and the Governmental Lender will file of record such documents and take such other steps as are necessary, in the written opinion of Tax Counsel filed with the Governmental Lender, the Bank and the Fiscal Agent (with a copy to the Borrower), in order to ensure that the requirements and restrictions of this Regulatory Agreement will be binding upon all owners of the Project, including, but not limited to, the execution and recordation of this Regulatory Agreement in the real property records of the County.

Section 6. Requirements of the Housing Law. In addition to the other requirements set forth herein, pursuant to the requirements of Section 34312.3 of the Housing Law, the Borrower agrees that it shall comply with the following:

(a) Not less than 20% of the total number of units in the Project shall be available for occupancy on a priority basis by persons of low income as required by subsection (c)(1)(A) of Section 34312.3 of the Housing Law. If a unit in the Project is rented to a person of low income or a very low income household as necessary to satisfy this Section 6(a), it may be counted towards the requirements of Section 4(a) if it otherwise satisfies the requirements of Section 4(a).

(b) The rental payments made by the persons of low income occupying units pursuant to Section 6(a) shall not exceed 30% of an amount equal to 60% of the Area median gross income, adjusted for family size as determined pursuant to Section 8 of the Housing Act, less a reasonable deduction (as determined by the Administrator) for utilities so long as utilities (gas, electric, water and sewer, trash removal) are paid by the tenant.

(c) As required by Section 34312.3(c)(2)(A) of the Housing Law, not less than one-half of twenty percent (20%) of the units in the Project shall be occupied by, or made available to, very low income households as defined in Section 50105 of the California Health and Safety Code. The rental payments made by the very low income households occupying units pursuant to this Section 6(c) shall not exceed 30% of an amount equal to 50% of the area median gross income, adjusted for family size as determined pursuant to Section 8 of the Housing Act, less a reasonable deduction (as determined by the Administrator) for utilities so long as utilities (gas, electric, water and sewer, trash removal) are paid by the tenant. For units reserved for very low income households as required by this Section 6(c), the base rents shall be adjusted for household size, and in making such adjustments it shall be assumed that one person will occupy a studio unit, two persons will occupy a one-bedroom unit, three persons will occupy a two-bedroom unit, four persons will occupy a three-bedroom unit, and five persons will occupy a four-bedroom unit.

(d) The Borrower shall accept as tenants, on the same basis as all other prospective tenants, persons of low income and very low income households who are recipients of federal certificates or vouchers for rent subsidies pursuant to the existing program under Section 8 of the Housing Act. The Borrower shall not permit any selection criteria to be applied to Section 8 certificate or voucher holders that is more burdensome than the criteria applied to all other prospective tenants.

(e) No tenant residing in a unit reserved for persons of low income or very low income households under Sections 6(a) and (c) shall be denied continued occupancy of a unit in the Project because, after admission, such tenant's Gross Income increases to exceed the qualifying limit for persons of low income or very low income households, as applicable. However, should the Gross Income of a tenant residing in a unit reserved for persons of low income or very low income households under Section 6(a) or (c), as applicable, increase to exceed the applicable qualifying limit, the next available unit in the Project must be rented to (or held vacant and available for immediate occupancy by) persons of low income or very low income households, as applicable. Until such next available unit is rented to a qualified tenant, the former persons of low income or very low income household that has ceased to qualify as such shall be deemed to continue to be persons of low income or very low income households, as applicable, for purposes of the requirement of Section 6(a) or (c), as applicable, hereof until the rental of an available unit of comparable or smaller size to a tenant who is not a person of low income or very low income household, as applicable.

(f) The units to be rented to persons of low income and very low income households under this Section 6 shall remain occupied by, or shall be made available on a priority basis for occupancy by, persons of low income or very low income households, respectively, until the Bank Loan has been paid in full.

(g) Following the expiration or termination of the Compliance Period, except in the event of foreclosure and repayment in full of the Bank Loan, deed in lieu of foreclosure, eminent domain, or action of a federal agency preventing enforcement, units required by Sections 6(a) and (c) to be reserved for occupancy by persons of low income or very low income households shall remain available to any eligible persons of low income or very low income households occupying such units at the date of expiration or termination, at a rent not greater than the amount required by Section 6(b) or (c), as applicable, prior to the date of termination or expiration, until the earliest of any of the following occur:

(i) The household's income exceeds 140 percent of the maximum eligible income required by Section 6(a) or (c), as applicable, for such units, as applicable.

(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 which detrimentally affect the health and safety of other persons or the structure, the fiscal integrity of the Project in which the unit is located, or the purposes or special programs of the Project in which the unit is located.

(iii) Thirty (30) years after the commencement of the Compliance Period.

(iv) The Borrower pays the relocation assistance and benefits to such persons of low income or very low income households, as applicable, as provided in Section 7264(b) of the Government Code of the State of California.

(h) This Section shall not be construed to require the Governmental Lender to monitor the Borrower's compliance with the provisions of Section 6(g), or that the Governmental Lender shall have any liability whatsoever in the event of the failure by the Borrower to comply with any of the provisions of this Regulatory Agreement.

Section 7. Requirements of the Governmental Lender. In addition to other requirements set forth herein and to the extent not prohibited by the requirements set forth in Sections 4 through 6 hereof, the Borrower hereby agrees to comply with each of the requirements of the Governmental Lender set forth in this Section 7, as follows:

(a) Notwithstanding any prepayment of the Borrower Loan and notwithstanding a discharge of the Borrower Loan Agreement, the Borrower shall pay to the Governmental Lender:

(i) An administrative fee on the Closing Date, in an amount equal to 25 basis points (0.25%) of the maximum authorized principal amount of the Bank Loan (being \$_____);

(ii) An annual ongoing administrative fee in an amount equal to (A) for any one-year period from June 1 of each year to and including May 31 of the next year, occurring prior to or in which the last day of disbursement of proceeds of the Bank Loan to fund the Borrower Loan occurs under Section 3.04 of the Bank Loan Agreement, 0.125% of the maximum authorized principal amount of the Bank Loan as of the Closing Date (being \$_____); and (B) for each such one year period commencing with the June 1 occurring thereafter, 0.125% of the principal amount of the Bank Loan at the beginning of each such year period; however, the annual ongoing fee in any event will not be less than the greater of (A) 0.125% of the principal amount of the Bank Loan outstanding immediately after the last day of disbursement of proceeds of the Bank Loan to fund the Borrower Loan under Section 3.04 of the Bank Loan Agreement, or \$10,000.00; payable in arrears on each such June 1 continuing throughout the Compliance Period;

(iii) within 30 days after receipt of a written request for payment thereof, all reasonable out-of-pocket expenses of the Governmental Lender (not including salaries and wages of the Governmental Lender employees) related to the Bank Loan, the Borrower Loan, the Project and the financing thereof, including, without limitation, legal fees and expenses incurred in connection with the interpretation, performance, enforcement or amendment of any documents relating to the Project, the Bank Loan or the Borrower Loan; and

(iv) An annual occupancy monitoring fee, separately from, and in addition to, the annual ongoing administrative fee referred to in Section 7(a)(ii) above, to the Commission, for the greater of: (A) 19 units (40% of the 47 units in the Project) at an initial amount of \$150/unit = \$2,850, or (B) the total number of units monitored by the Commission. The annual occupancy monitoring fee is subject to annual adjustment. The Borrower agrees to pay the Commission an initial occupancy monitoring fee in the amount set forth in schedules promulgated by Commission from time to time.

The annual fee referred to in Section 7(a)(ii) above will be charged each year during the Compliance Period to recover administrative and monitoring costs of the Commission. The ongoing annual fee referred to in Section 7(a)(ii) above will be due and payable without the requirement for any invoice to be delivered to the Borrower, on the first day of the month in which the anniversary of the Closing Date occurs based on the facts in existence as of such first day of such month. The annual ongoing administrative fee will remain fixed following the payment in full of the Bank Loan and the Borrower Loan based on using the principal amount of the Bank Loan outstanding at its final maturity or earlier prepayment in full redemption.

Failure to timely pay any of the fees referred to in this Section 7(a) shall constitute a material default under this Regulatory Agreement.

The fees of the Governmental Lender referenced in this Section 7(a) shall in no way limit amounts payable by the Borrower under Section 9 hereof, or otherwise arising in connection with the Governmental Lender's enforcement of the provisions of this Regulatory Agreement, but the Governmental Lender does agree to compensate any third party Administrator appointed by it from its annual administrative fees for the ordinary duties of the Administrator hereunder. In addition to the foregoing, the Borrower shall pay to the Governmental Lender, promptly following a written demand from the Governmental Lender to the Borrower therefore, any out-of-pocket expenses of the Governmental Lender incurred in connection with the administration of any of the documents related to the Bank Loan or the Borrower Loan.

Notwithstanding the foregoing provisions of this Section 7(a), in no event shall the fees payable to the Governmental Lender under this Section 7(a) exceed any applicable limitation imposed by the Code in respect of bonds issued under Section 148 of the Code.

(b) All tenant lists, applications and waiting lists relating to the Project shall at all times be kept separate and identifiable from any other business of the Borrower and shall be maintained as required by the Administrator or the Governmental Lender, in a reasonable condition for proper audit and subject to examination, upon reasonable written notice, during business hours by representatives of the Administrator, the Governmental Lender and the Fiscal Agent.

(c) The Borrower shall submit to the Administrator, within fifteen (15) Business Days after receipt of a written request, any other information or completed forms requested by the Governmental Lender in order to comply with reporting requirements of the Internal Revenue Service or the State.

(d) The covenants and conditions of this Regulatory Agreement shall be binding upon successors in interest of the Borrower.

(e) Each of the requirements of Sections 3, 4, 6 and 29 hereof is hereby incorporated as a specific requirement of the Governmental Lender, whether or not required by State or federal law, and shall be in force for the Compliance Period.

(f) The Borrower acknowledges that the Governmental Lender may act as Administrator itself or may appoint an Administrator other than the initial Administrator to administer this Regulatory Agreement and to monitor performance by the Borrower of the terms, provisions and requirements hereof. In such event, the

Borrower shall comply with any request by the Governmental Lender to deliver to any such Administrator, in addition to or instead of the Governmental Lender, any reports, notices or other documents required to be delivered pursuant hereto, and to make the Project and the books and records with respect thereto available for inspection by the Administrator as an agent of the Governmental Lender. The fees and charges of the Administrator, if any, shall be the responsibility of the Governmental Lender.

(g) The Low Income Units and the Very Low Income Units (i) shall have characteristics comparable to all other units in the Project with the same number of bedrooms, including with respect to floor area and amenities, (ii) shall be distributed throughout the Project, and (iii) shall have the same access to Project facilities as all other units in the Project.

(h) In accordance with the Governmental Lender's Bond Issuance and Post-Issuance Compliance Policy for its Multifamily Mortgage Revenue Bond Program, notwithstanding the termination of the Compliance Period, the rent of "in-place" Very Low Income Tenants at the conclusion of the Compliance Period will continue to be governed by the applicable affordability restrictions in Sections 4 and 6, so long as those tenants continue to live in the Project.

(i) The Borrower will comply with the following post issuance compliance procedures of the Governmental Lender:

(i) At the completion of the construction of the Project, the Borrower shall provide to the Administrator a certification from the Borrower's architect (or other appropriate representative acceptable to the Governmental Lender, such as a HERS Rater, GreenPoint Rater, energy consultant, etc.) for the Project to the effect that the Project includes all design elements that formed the basis for CDLAC adopting the CDLAC Resolution (including but not limited to sustainable building methods and/or energy efficiency elements).

(ii) On or as soon as practicable after the Completion Date, the Borrower shall provide the Administrator with final actual sources and uses of funds for the acquisition and construction of the Project, and shall confirm to the staff of the Administrator that such sources and uses of funds complies with all applicable State and federal legal requirements, including those set forth in the Tax Certificate.

(iii) Annually, on or before January 1 of each year until the expiration of the Compliance Period, the Borrower shall provide a written certificate of compliance to the Administrator to confirm that the Project meets the terms and conditions stated in the CDLAC Resolution. The Administrator may request that the Borrower provide evidence of compliance by the Project with the terms and conditions of the CDLAC Resolution, including supporting documentation as necessary in the sole reasonable discretion of the Administrator, and the Borrower shall timely and completely comply with any such request.

(iv) Subject to the provisions of the next paragraph, the Administrator shall have the right to approve any voluntary change in ownership (A) that results in a transfer of 50% or more of the total equity interests in the Borrower, or (B) that results in a transfer of any general partner or managing member interest in the Borrower. Such approval to transfer ownership shall be at the discretion of the Administrator, and shall be in addition to any applicable

requirements set forth in this Regulatory Agreement, the Borrower Loan Agreement, or the Continuing Covenant Agreement or any document referenced in the Continuing Covenant Agreement. The Administrator may review management practices of the proposed transferee's current and previously owned properties, if any. Any proposed transferee (including individuals with an ownership interest) whose currently-owned properties have been found by the Administrator to have deficiencies that have not been resolved within the time frame prescribed by the City, the Governmental Lender, the Administrator or other local government authority, may not assume ownership of the Project. The Administrator may initiate additional inspections, at the proposed transferee's request, to verify findings. The Borrower agrees that it will provide the Administrator with notice of any such transfer within thirty (30) days thereof.

Notwithstanding the foregoing, any of the following shall not require the prior consent of the Governmental Lender or the Administrator: (A) transfers of or in the limited partner interests of the Borrower, (B) the removal and replacement or the transfer or assignment of the interest of the general partner of the Borrower in accordance with the terms of the Borrower's partnership agreement, (C) foreclosure (or acceptance of a deed in lieu of foreclosure), or the first transfer of the Project following acceptance of a deed in lieu of such foreclosure, and (D) any transfer referred to in the third paragraph of Section 12 of this Regulatory Agreement.

(v) The Borrower shall provide the Administrator's staff with all documentation necessary, in the sole discretion of the Administrator's staff, to confirm the Borrower's and the Project's compliance with federal tax laws as set forth in the Tax Certificate, the Borrower Loan Agreement and this Regulatory Agreement, including the requirements of Sections 5.34 and 5.35 of the Borrower Loan Agreement and Section 2(h) of this Regulatory Agreement regarding rebate compliance.

Any of the foregoing requirements of the Governmental Lender contained in this Section 7 may be expressly waived by the Governmental Lender, in its sole discretion, in writing, but (i) no waiver by the Governmental Lender of any requirement of this Section 7 shall, or shall be deemed to, extend to or affect any other provision of this Regulatory Agreement except to the extent the Governmental Lender has received an opinion of Tax Counsel that any such provision is not required by the Act and the Housing Law and may be waived without adversely affecting the exclusion from gross income of interest on the Governmental Lender Tax-Exempt Note for federal income tax purposes; and (ii) any requirement of this Section 7 shall be void and of no force and effect if the Governmental Lender and the Borrower receive a written opinion of Tax Counsel to the effect that compliance with any such requirement would cause interest on the Governmental Lender Tax-Exempt Note to cease to be Tax-Exempt or to the effect that compliance with such requirement would be in conflict with the Housing Law or any other state or federal law.

Section 8. Modification of Covenants. The Borrower and the Governmental Lender hereby agree as follows:

(a) To the extent any amendments to the Housing Law, the Regulations or the Code shall, in the written opinion of Tax Counsel filed with the Governmental Lender, the Fiscal Agent and the Borrower, retroactively impose requirements upon the ownership or operation of the Project more restrictive than those imposed by this Regulatory Agreement, and if such requirements are applicable to the Project and

compliance therewith is necessary to maintain the validity of, or the Tax-Exempt status of interest on the Governmental Lender Tax-Exempt Note, this Regulatory Agreement shall be deemed to be automatically amended to impose such additional or more restrictive requirements.

(b) To the extent that the Housing Law, the Regulations or the Code, or any amendments thereto, shall, in the written opinion of Tax Counsel filed with the Governmental Lender, the Fiscal Agent and the 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 signed by the Governmental Lender, at its sole discretion, the Fiscal Agent and the Borrower, with the consent of the Bank, and only upon receipt by the Governmental Lender and the Fiscal Agent of the written opinion of Tax Counsel to the effect that such amendment will not affect the Tax-Exempt status of interest on the Governmental Lender Tax-Exempt Note or violate the requirements of the Housing Law, and otherwise in accordance with Section 22 hereof.

(c) The Borrower and the Governmental Lender shall execute, deliver and, if applicable, the Borrower or the Governmental Lender shall file of record any and all documents and instruments necessary to effectuate the intent of this Section 8, and each of the Borrower and the Governmental Lender hereby appoints the Bank as its true and lawful attorney-in-fact to execute, deliver and, if applicable, file of record (it being understood that the Bank has no duty or obligation to take such action) on behalf of the Borrower or the Governmental Lender, as is applicable, any such document or instrument (in such form as may be approved in writing by Tax Counsel) if either the Borrower or the Governmental Lender defaults in the performance of its obligations under this subsection (c); provided, however, that unless directed in writing by the Governmental Lender or the Borrower, the Bank shall take no action under this subsection without first notifying the Borrower or the Governmental Lender, or both of them, as is applicable, and without first providing the Borrower or the Governmental Lender, or both of them, as is applicable, an opportunity to comply with the requirements of this Section 8. Nothing in this subsection (c) shall be construed to allow the Bank to execute an amendment to this Regulatory Agreement on behalf of the Governmental Lender or the Borrower.

Section 9. Indemnification; Other Payments. To the fullest extent permitted by law, the Borrower agrees to indemnify, hold harmless and defend the Governmental Lender, the City, the Fiscal Agent and each of its officers, governing members, directors, officials, employees, attorneys, agents, and program participants (collectively, the "Indemnified Parties"), against any and all losses, damages, claims, actions, liabilities, costs and expenses of any conceivable nature, kind or character (including, without limitation, reasonable attorneys' fees and expenses, litigation and court costs, amounts paid in settlement and amounts paid to discharge judgments) to which the Indemnified Parties, or any of them, may become subject under or any statutory law (including federal or state securities laws) or at common law or otherwise, arising out of or based upon or in any way relating to:

(i) the Governmental Lender Notes, the Bank Loan Agreement, the Borrower Loan Agreement, this Regulatory Agreement or the Tax Certificate and all documents related thereto, or the execution or amendment hereof or thereof or in connection with transactions contemplated hereby or thereby, including, as applicable, the execution and delivery or transfer of interests in the Governmental Lender Notes;

(ii) any act or omission of the Borrower or any of its agents, contractors, servants, employees or licensees in connection with the Borrower Loan or the Project, the construction or 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;

(iii) any lien or charge upon payments by the Borrower to the Governmental Lender or any taxes (including, without limitation, all ad valorem taxes and sales taxes), assessments, impositions and other charges imposed on the Governmental Lender in respect of any portion of the Project;

(iv) any violation of any environmental law, rule or regulation with respect to, or the release of any toxic substance from, the Project or any part thereof;

(v) the defeasance and/or redemption, in whole or in part, of the Governmental Lender Notes;

(vi) any untrue statement or misleading statement or alleged untrue statement or alleged misleading statement of a material fact contained in any offering statement or disclosure document for the Governmental Lender Notes or any of the documents relating to the Governmental Lender Notes, or any omission or alleged omission from any offering statement or disclosure document for the Governmental Lender Notes of any material fact necessary to be stated therein in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading; or

(vii) any declaration of taxability of interest on the Governmental Lender Tax-Exempt Note, or allegations (or regulatory inquiry) that interest on the Governmental Lender Tax-Exempt Note is taxable, for federal tax purposes;

except to the extent such damages are caused by the willful misconduct of such Indemnified Party. In the event that any action or proceeding is brought against any Indemnified Party with respect to which indemnity may be sought hereunder, the Borrower, upon written notice from the Indemnified Party, shall assume the investigation and defense thereof, including the employment of counsel selected by the Indemnified Party, and shall assume the payment of all expenses related thereto, with full power to litigate, compromise or settle the same in its sole discretion; provided that the Indemnified Party shall have the right to review and approve or disapprove any such compromise or settlement. Each Indemnified Party shall have the right to employ separate counsel in any such action or proceeding and participate in the investigation and defense thereof, and the Borrower shall pay the reasonable fees and expenses of such separate counsel; provided, however, that such Indemnified Party may only employ separate counsel at the expense of the Borrower if in the judgment of such Indemnified Party a conflict of interest exists by reason of common representation or if all parties commonly represented do not agree as to the action (or inaction) of counsel.

In addition to the foregoing, the Borrower will pay upon demand all of the fees and expenses paid or incurred by the Fiscal Agent and/or the Governmental Lender in enforcing the provisions hereof, as more fully set forth in the Borrower Loan Agreement.

The provisions of this Section 9 shall survive the final payment or defeasance of the Governmental Lender Notes and this Regulatory Agreement; provided, however, the provisions of this Section shall, in the case of the Fiscal Agent, survive the term of this

Regulatory Agreement or the resignation or removal of the Fiscal Agent, but only as to claims arising from events occurring during the term of this Regulatory Agreement or the Fiscal Agent's tenure as Fiscal Agent under the Bank Loan Agreement, and shall, in the case of the Governmental Lender, survive the term of this Regulatory Agreement, but only as to claims arising from events occurring during the term of this Regulatory Agreement.

The obligations of the Borrower under this Section are independent of any other contractual obligation of the Borrower to provide indemnity to the Governmental Lender or otherwise, 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 Governmental Lender shall be entitled simultaneously to seek indemnity under this Section and any other provision under which it is entitled to indemnity.

Nothing contained in this Section 9 shall cause the obligation of the Borrower to pay principal and interest on the Governmental Lender Notes or the Bank Loan, as applicable, to be a recourse obligation of the Borrower.

Section 10. Consideration. The Governmental Lender has agreed to execute and deliver the Governmental Lender Notes to provide funds to lend to the Borrower to finance costs of the construction of the Project, all for the purpose, among others, of inducing the Borrower to acquire, construct, develop and operate the Project. In consideration of the execution and delivery of the Governmental Lender Notes by the Governmental Lender, the Borrower has entered into this Regulatory Agreement and has agreed to restrict the uses to which this Project can be put on the terms and conditions set forth herein.

Section 11. Reliance. The Governmental Lender and the Borrower hereby recognize and agree that the representations and covenants set forth herein may be relied upon by all persons, including but not limited to the Administrator and Fiscal Agent, interested in the legality and validity of the Governmental Lender Notes, in the exemption from California personal income taxation of interest on the Governmental Lender Notes and in the Tax-Exempt status of the interest on the Governmental Lender Tax-Exempt Note. In performing their duties and obligations hereunder, the Governmental Lender, the Administrator and the Fiscal Agent may rely upon statements and certificates of the Low Income Tenants and the Very Low Income Tenants, and upon audits of the books and records of the Borrower pertaining to the Project. In addition, the Governmental Lender and the Fiscal Agent may consult with counsel, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by the Governmental Lender or the Fiscal Agent hereunder in good faith and in conformity with such opinion. In determining whether any default or lack of compliance by the Borrower exists under this Regulatory Agreement, the Fiscal Agent shall not be required to conduct any investigation into or review of the operations or records of the Borrower and may rely solely on any written notice or certificate delivered to the Fiscal Agent by the Borrower or the Governmental Lender with respect to the occurrence of a default, and in the absence of such certificate, may assume that no default or lack of compliance exists.

Section 12. Transfer of the Project. For the Compliance Period, the Borrower shall not Transfer the Project, in whole or in part, without the prior written consent of the Governmental Lender, which consent shall not be unreasonably withheld or delayed if the following conditions are satisfied: (A) the receipt by the Governmental Lender of evidence acceptable to the Governmental Lender that (1) the Borrower shall not be in default hereunder or under the Borrower Loan Agreement, if in effect (which may be evidenced by a Certificate of Continuing Program Compliance), or the transferee undertakes to cure any defaults of the Borrower to the reasonable satisfaction of the Governmental Lender; (2) the continued operation of the Project shall comply with the provisions of this Regulatory Agreement; (3) either (a) the

transferee, or its general partner or member, or its Manager has at least three years' experience in the ownership, operation and management of similar size rental housing projects, and at least one year's experience in the ownership, operation and management of rental housing projects containing below-market-rate units, without any record of material violations of discrimination restrictions or other state or federal laws or regulations or local governmental requirements applicable to such projects, or (b) the transferee agrees to retain a Manager with the experience and record described in subclause (a) above, or (c) the transferring Borrower or its management company will continue to manage the Project, or another management company reasonably acceptable to the Governmental Lender will manage, for at least one year following such Transfer and, if applicable, during such period the transferring Borrower or its management company will provide training to the transferee and its manager in the responsibilities relating to the Low Income Units and the Very Low Income Units; and (4) the person or entity that is to acquire the Project does not have pending against it, and does not have a history of significant and material building code violations or complaints concerning the maintenance, upkeep, operation, and regulatory agreement compliance of any of its projects as identified by any local, state or federal regulatory agencies; (B) the execution by the transferee of any document reasonably requested by the Governmental Lender with respect to the assumption of the Borrower's obligations under this Regulatory Agreement and the Borrower Loan Agreement (if then in effect), including without limitation an instrument of assumption hereof and thereof, and delivery to the Governmental Lender and the Fiscal Agent of an opinion of such transferee's counsel to the effect that each such document and this Regulatory Agreement are valid, binding and enforceable obligations of such transferee, subject to bankruptcy and other standard limitations affecting creditor's rights; (C) receipt by the Governmental Lender and the Fiscal Agent of an opinion of Tax Counsel to the effect that any such Transfer will not adversely affect the Tax-Exempt status of interest on the Governmental Lender Tax-Exempt Note; (D) receipt by the Governmental Lender of all fees and/or expenses then currently due and payable to the Governmental Lender by the Borrower and (E) receipt by the Governmental Lender of evidence of satisfaction of compliance with the provisions of Section 29(d)(i) related to notice to CDLAC of transfer of the Project.

It is hereby expressly stipulated and agreed that any Transfer of the Project in violation of this Section 12 shall be null, void and without effect, shall cause a reversion of title to the Borrower, and shall be ineffective to relieve the Borrower of its obligations under this Regulatory Agreement. The written consent of the Governmental Lender to any Transfer of the Project shall constitute conclusive evidence that the Transfer is not in violation of this Section 12. Nothing in this Section shall affect any provision of any other document or instrument between the Borrower and any other party which requires the Borrower to satisfy certain conditions or obtain the prior written consent of such other party in order to Transfer the Project. Upon any Transfer that complies with this Regulatory Agreement, the Borrower shall be fully released from its obligations hereunder to the extent such obligations have been fully assumed in writing by the transferee of the Project.

The foregoing notwithstanding, the Project may be transferred pursuant to a foreclosure, exercise of power of sale or deed in lieu of foreclosure or comparable conversion under any deed of trust recorded against the Project without the consent of the Governmental Lender or compliance with the provisions of this Section 12. The Governmental Lender also hereby approves (A) the transfer of limited partnership interests in the Borrower to affiliates of the Investor Limited Partner of the Borrower, including, without limitation, the transfer of partnership interests in the Borrower from the Investor Limited Partner and non-managing membership interests in the limited partner of the Borrower, (B) the withdrawal of any partner of the Borrower under the Borrower's partnership agreement, or (C) any other transfer of interests pursuant to the provisions of the Borrower's partnership agreement as in effect from time to time, including but not limited to the removal of a general partner of the Borrower

(including removal of the managing general partner of the Borrower) and replacement thereof by an affiliate of any partner of the Borrower. The Governmental Lender also approves a removal of the general partner by the Investor Limited Partner and replacement with an entity approved by the Governmental Lender in its reasonable discretion.

For the Compliance Period, the Borrower shall not: (1) encumber any of the Project or grant commercial leases of any part thereof, or permit the conveyance, transfer or encumbrance of any part of the Project, except for (A) the Deed of Trust and Permitted Encumbrances (as defined in the Deed of Trust), or (B) a Transfer in accordance with the terms of this Regulatory Agreement, in each case (excepting a limited partner transfer or foreclosure or comparable conversion of any deed of trust recorded against the Project) upon receipt by the Governmental Lender and the Fiscal Agent of an opinion of Tax Counsel to the effect that such action will not adversely affect the Tax-Exempt status of interest on the Governmental Lender Tax-Exempt Note (provided that such opinion will not be required with respect to any encumbrance, lease or transfer relating to a commercial operation or ancillary facility that will be available for tenant use and is customary to the operation of multifamily housing developments similar to the Project, as certified in writing by the Borrower to the Governmental Lender and the Fiscal Agent); (2) demolish any part of the Project or substantially subtract from any real or personal property of the Project, except to the extent that what is demolished or removed is replaced with comparable property or such demolition or removal is otherwise permitted by the Borrower Loan Agreement or the Deed of Trust; or (3) permit the use of the dwelling accommodations of the Project for any purpose except rental residences.

Section 13. Term. This Regulatory Agreement and all and several of the terms hereof shall become effective upon its execution and delivery, and shall remain in full force and effect for the period provided herein and shall terminate as to any provision not otherwise provided with a specific termination date and shall terminate in its entirety at the end of the Compliance Period, it being expressly agreed and understood that the provisions hereof are intended to survive the retirement of the Governmental Lender Notes and discharge of the Bank Loan Agreement and the Borrower Loan Agreement; provided, however, the Fiscal Agent shall no longer be deemed a party hereto, as set forth in the last paragraph of Section 18 hereof.

The terms of this Regulatory Agreement to the contrary notwithstanding, the requirements of this Regulatory Agreement shall terminate and be of no further force and effect in the event of involuntary noncompliance with the provisions of this Regulatory Agreement caused by fire or other casualty, seizure, requisition, foreclosure, transfer of title by deed in lieu of foreclosure, change in a federal law or an action of a federal agency after the Closing Date, which prevents the Governmental Lender and the Fiscal Agent from enforcing such provisions, or condemnation or a similar event, but only if, within a reasonable period, either the Governmental Lender Notes are retired or amounts received as a consequence of such event are used to provide a project that meets the requirements hereof; provided, however, that the preceding provisions of this sentence shall cease to apply and the restrictions contained herein shall be reinstated if, at any time subsequent to the termination of such provisions as the result of the foreclosure or the delivery of a deed in lieu of foreclosure or a similar event, the Borrower or any related person (within the meaning of Section 1.103-10(e) of the Regulations) obtains an ownership interest in the Project for federal income tax purposes. The Borrower hereby agrees that, following any foreclosure, transfer of title by deed in lieu of foreclosure or similar event, neither the Borrower nor any such related person as described above will obtain an ownership interest in the Project for federal tax purposes.

Notwithstanding any other provision of this Regulatory Agreement, this Regulatory Agreement may be terminated upon agreement by the Governmental Lender, the Fiscal Agent and the Borrower, with the consent of CDLAC, upon receipt by the Governmental Lender and

the Fiscal Agent of an opinion of Tax Counsel to the effect that such termination will not adversely affect the exclusion from gross income of interest on the Governmental Lender Tax-Exempt Note for federal income tax purposes. Upon the termination of the terms of this Regulatory Agreement, the parties hereto agree to execute, deliver and (in the case of the Governmental Lender and the Borrower) record appropriate instruments of release and discharge of the terms hereof prepared by or on behalf of the Borrower or the Governmental Lender; provided, however, that the execution and delivery of such instruments shall not be necessary or a prerequisite to the termination of this Regulatory Agreement in accordance with its terms.

Section 14. Covenants to Run With the Land. Notwithstanding Section 1461 of the California Civil Code, the Borrower hereby subjects the Project to the covenants, reservations and restrictions set forth in this Regulatory Agreement. The Governmental Lender 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 15. Burden and Benefit. The Governmental Lender and the Borrower hereby declare their understanding and intent that the burdens 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 Governmental Lender and the Borrower hereby further declare their understanding and intent that the benefits of such covenants touch and concern the land by enhancing and increasing the enjoyment and use of the Project by Low Income Tenants and Very Low Income Tenants, the intended beneficiaries of such covenants, reservations and restrictions, and by furthering the public purposes for which the Governmental Lender Notes were executed and delivered.

Section 16. Uniformity; Common Plan. The covenants, reservations and restrictions hereof shall apply uniformly to the entire Project in order to establish and carry out a common plan for the use of the site on which the Project is located.

Section 17. Default; Enforcement. If the Borrower defaults in the performance or observance of any covenant, agreement or obligation of the Borrower set forth in this Regulatory Agreement, and if such default remains uncured for a period of 60 days after written notice thereof shall have been given by the Governmental Lender, the Bank or the Fiscal Agent to the Borrower, or for a period of 60 days from the date the Borrower should, with reasonable diligence, have discovered such default, then the Governmental Lender or the Fiscal Agent shall declare an "Event of Default" to have occurred hereunder; provided, however, that if the default is of such a nature that it cannot be corrected within 60 days, such default shall not constitute an Event of Default hereunder so long as (i) the Borrower institutes corrective action within said 60 days and diligently pursues such action (to the satisfaction of the Governmental Lender) until the default is corrected, and (ii) in the opinion of Tax Counsel, the failure to cure said default within 60 days will not adversely affect the Tax-Exempt status of interest on the Governmental Lender Tax-Exempt Note. The Governmental Lender and the Fiscal Agent (at the direction of the Bank) shall have the right to enforce the obligations of the Borrower under this Regulatory Agreement within shorter periods of time than are otherwise provided herein if necessary to insure compliance with the Housing Law or the Code.

The Investor Limited Partner shall have the right but not the obligation to cure defaults hereunder in the same manner as the Borrower, and the Governmental Lender, Bank, and Fiscal Agent agree to accept any cure tendered by any such Investor Limited Partner on behalf of the Borrower within any cure period specified herein.

Following the declaration of an Event of Default hereunder, the Governmental Lender or the Fiscal Agent, at the written direction of Governmental Lender and the Bank, subject to the terms of the Bank Loan Agreement, may take any one or more of the following steps, in addition to all other remedies provided by law or equity:

- (i) by mandamus or other suit, action or proceeding at law or in equity, including injunctive relief, require the Borrower to perform its obligations and covenants hereunder or enjoin any acts or things that may be unlawful or in violation of the rights of the Governmental Lender or the Fiscal Agent hereunder;
- (ii) have access to and inspect, examine and make copies of all of the books and records of the Borrower pertaining to the Project;
- (iii) take such other action at law or in equity as may appear necessary or desirable to enforce the obligations, covenants and agreements of the Borrower hereunder; and
- (iv) with the consent of the Bank, which consent shall not be unreasonably withheld, declare a default under the Borrower Loan Agreement and proceed with any remedies provided therein.

The Borrower hereby agrees that specific enforcement of the Borrower's agreements contained herein is the only means by which the Governmental Lender may fully obtain the benefits of this Regulatory Agreement made by the 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 hereunder.

The Fiscal Agent shall have the right, in accordance with this Section and the provisions of the Bank Loan Agreement, without the consent or approval of the Governmental Lender, but with the consent of the Bank, which consent shall not be unreasonably withheld, to exercise any or all of the rights or remedies of the Governmental Lender hereunder; provided that prior to taking any such action the Fiscal Agent shall give the Governmental Lender written notice of its intended action. After the Bank Loan Agreement has been discharged, the Governmental Lender may act on its own behalf to declare an "Event of Default" to have occurred and to take any one or more of the steps specified hereinabove to the same extent and with the same effect as if taken by the Fiscal Agent.

The Governmental Lender and the Fiscal Agent hereby agree that cure of any Event of Default made or tendered by any partner of the Borrower 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.

All reasonable fees, costs and expenses (including reasonable attorney's fees and expenses) of the Fiscal Agent and the Governmental Lender incurred in taking any action pursuant to this Section shall be the sole responsibility of the Borrower; provided, however, that in the event that any action arises hereunder in which the Borrower and the Fiscal Agent are adversaries, the prevailing party, if any, shall be entitled to recover legal fees and costs from the

other party; provided, further, if the prevailing party is not the Fiscal Agent, the Fiscal Agent shall remain entitled to any indemnity applicable to it hereunder, or under the Bank Loan Agreement or the Borrower Loan Agreement, for the payment of such legal fees and costs.

Section 18. The Fiscal Agent. The Fiscal Agent shall act as specifically provided herein and in the Bank Loan Agreement and may exercise such additional powers as are reasonably incidental hereto and thereto. The Fiscal Agent shall have no duty to act with respect to enforcement of the Borrower's performance hereunder as described in Section 17 unless it shall have actual knowledge of any such default as provided in Section 17 and the Fiscal Agent has received written direction from the Bank and has been indemnified to its satisfaction. The Fiscal Agent may act as the agent of and on behalf of the Governmental Lender, and any act required to be performed by the Governmental Lender as herein provided shall be deemed taken if such act is performed by the Fiscal Agent. In connection with any such performance, the Fiscal Agent is acting solely as Fiscal Agent under the Bank Loan Agreement and not in its individual capacity, and, except as expressly provided herein, all provisions of the Bank Loan Agreement relating to the rights, privileges, powers and protections of the Fiscal Agent shall apply with equal force and effect to all actions taken (or omitted to be taken) by the Fiscal Agent in connection with this Regulatory Agreement. Neither the Fiscal Agent nor any of its officers, directors or employees shall be liable for any action taken or omitted to be taken by it or them hereunder or in connection herewith except for its or their own gross negligence or willful misconduct.

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

Upon repayment of the Bank Loan in full, the Fiscal Agent shall no longer have any duties or responsibilities under this Regulatory Agreement and all references to the Fiscal Agent in this Regulatory Agreement shall be deemed references to the Governmental Lender.

Section 19. Recording and Filing. (a) The 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, and in such other places as the Governmental Lender may reasonably request. The Borrower shall pay all fees and charges incurred in connection with any such recording.

(b) The Borrower and the Governmental Lender will file of record such other documents and take such other steps as are reasonably necessary, in the opinion of Tax Counsel, in order to insure that the requirements and restrictions of this Regulatory Agreement will be binding upon all owners of the Project.

(c) The Borrower hereby covenants to include or reference the requirements and restrictions contained in this Regulatory Agreement in any documents transferring any interest in the Project to another person to the end that such transferee has notice of, and is bound by, such restrictions, and, except in the case of a foreclosure or comparable involuntary conversion of the Deed of Trust, whereby the Bank becomes the owner of the Project, to obtain the agreement from any transferee to abide by all requirements and restrictions of this Regulatory Agreement.

Section 20. Payment of Fees. Notwithstanding any prepayment of the Borrower Loan and discharge of the Bank Loan Agreement, throughout the Compliance Period, the Borrower shall continue to pay the fees of the Governmental Lender as provided in Section 7(a).

If the Borrower fails to make payment of the Governmental Lender's annual fee for a period of two consecutive years or more, then the Governmental Lender may, in its sole discretion, declare the total amount of the annual fee of the Governmental Lender through the end of the Compliance Period immediately due and payable, such amount to be discounted at a rate equal to the then current market rate for U.S. Treasury obligations of a maturity equal to the remaining term of the Compliance Period.

Section 21. Governing Law. This Regulatory Agreement shall be governed by the laws of the State of California applicable to contracts made and performed in California.

Section 22. Amendments; Waivers. (a) Except as provided in Section 8(a) hereof, this Regulatory Agreement may be amended only by a written instrument executed by the parties hereto or their successors in title, and duly recorded in the real property records of the County, and only upon (i) receipt by the Governmental Lender and the Fiscal Agent of an opinion from Tax Counsel that such amendment will not adversely affect the Tax-Exempt status of interest on the Governmental Lender Tax-Exempt Note and is not contrary to the provisions of the Housing Law and (ii) the written consent of the Bank, who shall receive a copy of any such amendment.

(b) Anything to the contrary contained herein notwithstanding, the Governmental Lender and the Borrower hereby agree to amend this Regulatory Agreement to the extent required, in the opinion of Tax Counsel, in order that interest on the Governmental Lender Tax-Exempt Note remains Tax-Exempt. The parties requesting such amendment shall notify the other parties to this Regulatory Agreement of the proposed amendment, with a copy of such proposed amendment to Tax Counsel and a request that Tax Counsel render to the Governmental Lender and the Fiscal Agent an opinion as to the effect of such proposed amendment upon the Tax-Exempt status of interest on the Governmental Lender Tax-Exempt Note. This provision shall not be subject to any provision of any other agreement requiring any party hereto to obtain the consent of any other person in order to amend this Regulatory Agreement.

(c) Any waiver of, or consent to, any condition under this Regulatory Agreement must be expressly made in writing.

Section 23. Notices. Any notice required to be given hereunder shall be made in writing and shall be given by personal delivery, overnight delivery, certified or registered mail, postage prepaid, return receipt requested, or by telecopy, in each case at the respective addresses specified in the Bank Loan Agreement, or at such other addresses as may be specified in writing by the parties hereto. Unless otherwise specified by the Administrator, the address of the Administrator is:

San Diego Housing Commission
1122 Broadway, Suite 300
San Diego, CA 92101
Attention: Bond Project Manager-Real Estate Department
Telephone: (619) 578-7582
Facsimile: (619) 578-7356

Unless otherwise specified by CDLAC, the address of CDLAC is:

California Debt Limit Allocation Committee
915 Capitol Mall, Room 311
Sacramento, CA 95814
Attention: Executive Director

The Governmental Lender, the Administrator, the Fiscal Agent, CDLAC and the Borrower may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent. Notice shall be deemed given on the date evidenced by the postal or courier receipt or other written evidence of delivery or electronic transmission; provided that any telecopy or other electronic transmission received by any party after 4:00 p.m., local time of the receiving party, as evidenced by the time shown on such transmission, shall be deemed to have been received the following Business Day. A copy of each notice of default provided to the Borrower hereunder shall also be provided to the Investor Limited Partner and the Bank at the addresses set forth in the Bank Loan Agreement.

A copy of each notice sent by or to the Borrower shall also be sent to the Manager at the address of the Manager provided by the Borrower to the Administrator and to the Investor Limited Partner at its address set forth in the Bank Loan Agreement; but such copies shall not constitute notice to the Borrower, nor shall any failure to send such copies constitute a breach of this Regulatory Agreement or a failure of or defect in notice to the Borrower.

The Borrower shall notify the Governmental Lender and the Administrator in writing of any change to the name of the Project or any change of name or address for the Borrower or the Manager. The Borrower shall notify CDLAC in writing of any event provided in Section 29(d) hereof.

Section 24. Severability. If any provision of this Regulatory Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining portions hereof shall not in any way be affected or impaired thereby.

Section 25. Multiple Counterparts. This Regulatory Agreement may be simultaneously executed in multiple counterparts, all of which shall constitute one and the same instrument, and each of which shall be deemed to be an original.

Section 26. Limitation on Liability. Notwithstanding the foregoing or any other provision or obligation to the contrary contained in this Regulatory Agreement, (i) the liability of the Borrower under this Regulatory Agreement to any person or entity, including, but not limited to, the Bank, the Fiscal Agent or the Governmental Lender and their successors and assigns, is limited to the Borrower's interest in the Project, the Security and the amounts held in the funds and accounts created under the Bank Loan Agreement, or any rights of the Borrower under any guarantees relating to the Project, and such persons and entities shall look exclusively thereto, or to such other security as may from time to time be given for the payment of obligations arising out of this Regulatory Agreement or any other agreement securing the obligations of the Borrower under this Regulatory Agreement; and (ii) from and after the date of this Regulatory Agreement, no deficiency or other personal judgment, nor any order or decree of specific performance (other than pertaining to this Regulatory Agreement, any agreement pertaining to any Project or any other agreement securing the Borrower's obligations under this Regulatory Agreement), shall be rendered against the Borrower, the assets of the Borrower (other than the Borrower's interest in the Project, this Regulatory Agreement, amounts held in the funds and accounts created under the Bank Loan Agreement, or any rights

of the Borrower under the Borrower Loan Agreement or any other documents relating to the Governmental Lender Notes or any rights of the Borrower under any guarantees relating to the Project), its partners, members, successors, transferees or assigns and each of their respective officers, directors, employees, partners, agents, heirs and personal representatives, as the case may be, in any action or proceeding arising out of this Regulatory Agreement, the Borrower Loan Agreement, the Bank Loan Agreement or any agreement securing the obligations of the Borrower under this Regulatory Agreement, or any judgment, order or decree rendered pursuant to any such action or proceeding, except to the extent provided in the Borrower Loan Agreement.

Section 27. Property Management. The Borrower agrees that at all times the Project shall be managed by a property manager (i) approved by the Governmental Lender in its reasonable discretion and (ii) who has at least three years' experience in the ownership, operation and management of similar size rental housing projects, and at least one year's experience in the ownership, operation and management of rental housing projects containing below-market-rate units, without any record of material violations of discrimination restrictions or other state or federal laws or regulations or local governmental requirements applicable to such projects (the "Manager"). The Governmental Lender has approved ConAm Management Corporation, as the initial Manager. The Borrower shall submit to the Governmental Lender from time to time such information about the background, experience and financial condition of any existing or proposed Manager as the Governmental Lender may reasonably require to determine whether such Manager meets the requirements for a Manager set forth herein. The Governmental Lender reserves the right to conduct periodic reviews of the management practices and of the Manager to determine if the Project is being operated and managed in accordance with the requirements and standards of this Regulatory Agreement. The Borrower agrees to cooperate with the Governmental Lender in such reviews.

Replacement of Manager. If the Governmental Lender determines in its reasonable judgment that the Project is not being operated and managed in accordance with one or more of the material requirements or standards of this Regulatory Agreement, the Governmental Lender may deliver written notice to the Borrower, the Fiscal Agent and the Bank requesting replacement of the Manager, which notice shall state clearly the reasons for such request. The Borrower agrees that, upon receipt of such notice, it shall within 60 days submit to the Governmental Lender, with copies to the Fiscal Agent and the Bank, a proposal to engage a new Manager meeting the requirements of this Section 27. Each of the Governmental Lender and the Bank shall respond within 30 days to such proposal or such approval shall be deemed given. Upon receipt of such consent or deemed consent, the Borrower shall within 60 days terminate the existing Manager's engagement and engage the new Manager.

Notwithstanding any other provision of this Section 27 to the contrary, the Bank may at any time by written instruction to the Governmental Lender, the Fiscal Agent and the Borrower deny the Governmental Lender's request for a replacement Manager and direct that the existing Manager be retained.

Section 28. Third-Party Beneficiaries. The Administrator, the Fiscal Agent, CDLAC and the Commission are intended to be and shall each be a third-party beneficiary of this Regulatory Agreement. The Administrator shall have the right (but not the obligation) to enforce, separately or jointly with the Governmental Lender and/or the Fiscal Agent, the terms of this Regulatory Agreement and to pursue an action for specific performance or other available remedy at law or in equity in accordance with Section 17 hereof. CDLAC shall have the right (but not the obligation) to enforce the CDLAC Conditions and to pursue an action for specific performance or other available remedy at law or in equity in accordance with Section 17

hereof, provided that any such action or remedy shall not materially adversely affect the interests and rights of any owners of the Governmental Lender Notes.

Notwithstanding the foregoing, from and after the date on which the Bank Loan has been paid in full, all references in this Regulatory Agreement to the Bank shall no longer be applicable.

Section 29. Requirements of CDLAC. In addition to other requirements set forth herein and to the extent not prohibited by the requirements set forth in Sections 4 through 6 hereof, the Borrower hereby agrees to comply with each of the requirements of CDLAC set forth in this Section 29, as follows:

(a) The Borrower shall comply with the conditions set forth in Exhibit A to the CDLAC Resolution (the "CDLAC Conditions"), as they may be modified or amended from time to time, which conditions are incorporated herein by reference and made a part hereof and are attached hereto as Exhibit E. Notwithstanding anything to the contrary herein, the provisions of this Section 29 shall remain effective for the period specified in the CDLAC Conditions, unless this Regulatory Agreement shall terminate as otherwise provided in Section 13 hereof.

(b) The Borrower acknowledges that the Governmental Lender intends to monitor the Borrower's compliance with the terms of the CDLAC Conditions. The Borrower will cooperate fully with the Governmental Lender in connection with such monitoring and reporting requirements as provided herein. Compliance with the terms of the CDLAC Conditions not contained within this Regulatory Agreement, but referred to in the CDLAC Conditions, is the responsibility of the Borrower to report to the Governmental Lender.

(i) The Borrower shall prepare and deliver a Certificate of CDLAC Program Compliance pursuant to the terms of the CDLAC Conditions. The Borrower acknowledges that the Borrower will prepare and submit to the Governmental Lender, not later than January 15 of each year, and the Governmental Lender will submit to CDLAC, not later than March 1 of each year, until the Borrower has submitted to the Governmental Lender and CDLAC a Completion Certificate, 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 term of the CDLAC Conditions, a Certificate of CDLAC Program Compliance, executed by an Authorized Borrower Representative.

(ii) The Borrower shall prepare and deliver a Self-Certification Certificate pursuant to the terms of the CDLAC Conditions. The Borrower acknowledges that the Borrower will prepare and submit to the Governmental Lender, not later than January 15 of each year, and the Governmental Lender will submit to CDLAC, not later than March 1 of each year, until the Borrower has submitted to the Governmental Lender and CDLAC a Completion Certificate, 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 term of the CDLAC Conditions, a Self-Certification Certificate in the form provided by CDLAC.

(iii) Within 30 days following the completion of the Project, the Borrower will prepare and submit to the Governmental Lender, the Bank and CDLAC a Completion Certificate. Following the submission of the Completion Certificate,

the Borrower will prepare and submit to the Governmental Lender, not later than January 15 every three years thereafter until the end of the Compliance Period, a California Tax Credit Allocation Committee Project Status Report or equivalent documentation in substantially the form required or otherwise provided by CDLAC from time to time.

(c) Except as otherwise provided in Section 13 of this Regulatory Agreement, this Regulatory Agreement shall terminate on the date 55 years after the date on which at least fifty percent (50%) of the units in the Project are first occupied or otherwise after the commencement of the Qualified Project Period.

(d) The Borrower shall notify CDLAC in writing of: (i) any change in ownership of the Project, (ii) any change in the Governmental Lender, (iii) any change in the name of the Project or the Manager; (iv) any material default under the Bank Loan Agreement, the Borrower Loan Agreement or this Regulatory Agreement, including, but not limited to, such defaults associated with the Tax-Exempt status of the Governmental Lender Tax-Exempt Note, and the income and rental requirements as provided in Sections 4 and 6 hereof and the CDLAC Conditions; or (v) termination of this Regulatory Agreement.

(e) Any of the foregoing requirements of CDLAC contained in this Section 29 may be expressly waived by CDLAC, in its sole discretion, in writing, but (i) no waiver by CDLAC of any requirement of this Section 29 shall, or shall be deemed to, extend to or affect any other provision of this Regulatory Agreement except to the extent the Governmental Lender has received an opinion of Tax Counsel that any such provision is not required by the Code and the Act and may be waived without adversely affecting the exclusion from gross income of interest on the Governmental Lender Tax-Exempt Note for federal income tax purposes; and (ii) any requirement of this Section 29 shall be void and of no force and effect if the Governmental Lender and the Borrower receive a written opinion of Tax Counsel to the effect that compliance with any such requirement would cause interest on the Governmental Lender Tax-Exempt Note to cease to be Tax-exempt or to the effect that compliance with such requirement would be in conflict with the Code and the Act or any other state or federal law.

(f) CDLAC is intended to be and is a third-party beneficiary of this Regulatory Agreement, and CDLAC shall have the right (but not the obligation) to enforce, separately or jointly with the Governmental Lender or to cause the Governmental Lender to enforce, the provisions of Section 29 of this Regulatory Agreement and to pursue an action for specific performance of such provisions or other available remedy at law or in equity in accordance with Section 17 hereof, provided that any such action or remedy shall not materially adversely affect the interests and rights of the Bank and shall otherwise be subject to the terms, conditions and limitations applicable to the enforcement of remedies under this Regulatory Agreement.

Any of the foregoing requirements of the CDLAC contained in this Section 29 may be expressly waived by CDLAC, in its sole discretion, in writing, but (i) no waiver by CDLAC of any requirement of this Section 29 shall, or shall be deemed to, extend to or affect any other provision of this Regulatory Agreement except to the extent the Governmental Lender has received an opinion of Tax Counsel that any such provision is not required by the Housing Law and may be waived without adversely affecting the exclusion from gross income of interest on the Governmental Lender Tax-Exempt Note for federal income tax purposes; and (ii) any requirement of this Section 29 shall be void and of no force and effect if the Governmental Lender and the Borrower receive a written opinion of Tax Counsel to the effect that compliance with any such requirement would cause interest on the Governmental Lender Tax-Exempt Note

to cease to be Tax-Exempt or to the effect that compliance with such requirement would be in conflict with the Code, the Housing Law or any other state or federal law.

Section 30. Annual Reporting Covenant. No later than January 31 of each calendar year (commencing January 31, 2023), the Borrower, on behalf of the Governmental Lender, agrees to provide to the California Debt and Investment Advisory Commission, by any method approved by the California Debt and Investment Advisory Commission, with a copy to the Governmental Lender, the annual report information required by Section 8855(k)(1) of the California Government Code. This covenant shall remain in effect until the later of the date (i) the Governmental Lender Notes are no longer outstanding or (ii) the proceeds of the Governmental Lender Notes and the Borrower Loan have been fully spent.

Section 31. Limited Liability of Governmental Lender. All obligations of the Governmental Lender incurred under this Regulatory Agreement shall be limited obligations, payable solely and only from amounts derived by the Governmental Lender from the Borrower Loan or otherwise under the Borrower Loan Agreement.

Section 32. Conflict With Other Affordability Agreements. Notwithstanding any provision in this Regulatory Agreement to the contrary, in the event of any conflict between the provisions of this Regulatory Agreement and any other agreement that imposes affordability requirements on the Project, including those referenced in Section 3(e) hereof, the provisions providing for the most affordable units, with the most affordability, in the Project shall prevail, so long as at all times the requirements of Section 2, 3, 4, 6, 7 and 29 of this Regulatory Agreement are in any event satisfied. Notwithstanding the foregoing, a breach or default under any agreement referenced in Section 3(e) hereof shall not, in itself, constitute a breach or a default under this Regulatory Agreement.

IN WITNESS WHEREOF, the Governmental Lender, the Fiscal Agent and the Borrower have executed this Regulatory Agreement by duly authorized representatives, all as of the date first above written.

HOUSING AUTHORITY OF THE CITY OF
SAN DIEGO

By: _____
Colin Miller,
Vice President Multifamily
Housing Finance of the
San Diego Housing Commission

19048.56:J18124

[Signature Page – Merge 56 Affordable Apartments Regulatory Agreement]

MERGE 56 AFFORDABLE, LP,
a California limited partnership

By: AOF SD MGP LLC,
a California limited liability company,
its Managing General Partner

By: AOF/Pacific Affordable Housing Corp.,
a California nonprofit public benefit corporation,
its Sole Member and Manager

By: _____
Brett Mascaro
Senior Vice President

By: Merge 56 Affordable, LLC,
a California limited liability company,
its Administrative General Partner

By: Rise Urban Partners, LLC, a Delaware limited
liability company,
its Managing Member

By: _____
David Allen
Manager

By: _____
Robert Morgan
Manager

19048.56:J18124

[Signature Page – Merge 56 Affordable Apartments Regulatory Agreement]

NOTARY ACKNOWLEDGMENT

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

State of California

ss.

County of _____

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

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

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

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

WITNESS my hand and official seal.

Signature _____ [Seal]
Notary Public

NOTARY ACKNOWLEDGMENT

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

State of California

ss.

County of _____

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

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

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

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WITNESS my hand and official seal.

Signature _____ [Seal]
Notary Public

NOTARY ACKNOWLEDGMENT

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State of California

ss.

County of _____

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

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

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

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

WITNESS my hand and official seal.

Signature _____ [Seal]
Notary Public

NOTARY ACKNOWLEDGMENT

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State of California

ss.

County of _____

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

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

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

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

WITNESS my hand and official seal.

Signature _____ [Seal]
Notary Public

EXHIBIT A

DESCRIPTION OF REAL PROPERTY

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF SAN DIEGO, IN THE COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

PARCEL A:

PARCEL 3 OF PARCEL MAP NO. ___, IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, __, 2022 AS INSTRUMENT NO. 2022-___ OF OFFICIAL RECORDS.

PARCEL B:

A NON-EXCLUSIVE EASEMENT FOR PEDESTRIAN AND VEHICULAR INGRESS AND EGRESS ON, OVER, THROUGH AND ACROSS THE "SHARED PRIVATE STREET" AND FOR PEDESTRIAN INGRESS AND EGRESS OVER, THROUGH AND ACROSS ADJACENT "PEDESTRIAN ACCESS AREAS" LOCATED WITHIN THE "MIXED USE PROPERTY"; AND A NON-EXCLUSIVE EASEMENT FOR PEDESTRIAN INGRESS AND EGRESS ON, OVER, THROUGH AND ACROSS THE "PEDESTRIAN ACCESS AREAS" LOCATED WITHIN THE "TOWNHOME PROPERTY" PURSUANT AND SUBJECT TO THE TERMS AND PROVISIONS CONTAINED IN THE "DECLARATION ESTABLISHING EASEMENTS, MAINTENANCE AND COST SHARING OBLIGATIONS FOR MERGE 56" RECORDED JULY 23, 2021, AS INSTRUMENT NO. 2021-0526884 OF OFFICIAL RECORDS.

PARCEL C:

A NON-EXCLUSIVE EASEMENT APPURTENANT ON, UNDER, THROUGH AND ACROSS THE PORTIONS OF THE "TOWNHOME PROPERTY" IN WHICH THE "SHARED PRIVATE SEWER LINE" IS LOCATED FOR THE PURPOSE OF SEWER DRAINAGE AND USE OF THE "SHARED PRIVATE SEWER LINE"; AND FOR THE FLOW, PASSAGE AND TREATMENT OF STORMWATER AND DRAINAGE OF TRE "SHARED STORMWATER FACILITIES" PURSUANT AND SUBJECT TO THE TERMS AND PROVISIONS CONTAINED IN THE "DECLARATION ESTABLISHING EASEMENTS, MAINTENANCE AND COST SHARING OBLIGATIONS FOR MERGE 56" RECORDED SEPTEMBER 30, 2021, AS INSTRUMENT NO. 2021-0688904 OF OFFICIAL RECORDS.

PARCEL D:

REA TO BE DETERMINED

A.P.N.: _____

HOUSEHOLD CERTIFICATION & SIGNATURES

The information on this form will be used to determine maximum income eligibility. I/we have provided for each person(s) set forth in Part II acceptable verification of current anticipated annual income. I/we agree to notify the landlord immediately upon any member of the household moving out of the unit or any new member moving in. I/we agree to notify the landlord immediately upon any member becoming a full time student.

Under penalties of perjury, I/we certify that the information presented in this Certification is true and accurate to the best of my/our knowledge and belief. The undersigned further understands that providing false representations herein constitutes an act of fraud. False, misleading or incomplete information may result in the termination of the lease agreement.

Signature

(Date)

Signature

(Date)

Signature

(Date)

Signature

(Date)

PART V. DETERMINATION OF INCOME ELIGIBILITY

TOTAL ANNUAL HOUSEHOLD INCOME FROM ALL SOURCES: From item (L) on page 1	\$ 	Unit Meets Income Restriction at: <input type="checkbox"/> 60% <input type="checkbox"/> 50% <input type="checkbox"/> 40% <input type="checkbox"/> 30% <input type="checkbox"/> %	<p align="center">RECERTIFICATION ONLY:</p> Current Income Limit x 140%: \$ _____ Household Income exceeds 140% at recertification: <input type="checkbox"/> Yes <input type="checkbox"/> No
Current Income Limit per Family Size:	\$ _____		
Household Income at Move-in:	\$ _____	Household Size at Move-in:	_____

PART VI. RENT

Tenant Paid Rent \$ _____ Utility Allowance \$ _____	Rent Assistance: \$ _____ Other non-optional charges: \$ _____
GROSS RENT FOR UNIT: (Tenant paid rent plus Utility Allowance & other non-optional charges)	\$
Maximum Rent Limit for this unit:	\$ _____
	Unit Meets Rent Restriction at: <input type="checkbox"/> 60% <input type="checkbox"/> 50% <input type="checkbox"/> 40% <input type="checkbox"/> 30% <input type="checkbox"/> %

PART VII. STUDENT STATUS

ARE ALL OCCUPANTS FULL TIME STUDENTS? <input type="checkbox"/> yes <input type="checkbox"/> no	If yes, Enter student explanation* (also attach documentation) Enter 1-5	*Student Explanation: 1 AFDC / TANF Assistance 2 Job Training Program 3 Single Parent/Dependent Child 4 Married /Joint Return 5 Former Foster Care
---	---	---

PART VIII. PROGRAM TYPE

Mark the program(s) listed below (a. through e.) for which this household's unit will be counted toward the property's occupancy requirements. Under each program marked, indicate the household's income status as established by this certification/recertification.

a. Tax Credit <input type="checkbox"/> See Part V above.	b. HOME <input type="checkbox"/> <i>Income Status</i> <input type="checkbox"/> ≤ 50% AMGI <input type="checkbox"/> ≤ 60% AMGI <input type="checkbox"/> ≤ 80% AMGI <input type="checkbox"/> OI**	c. Tax Exempt <input type="checkbox"/> <i>Income Status</i> <input type="checkbox"/> 50% AMGI <input type="checkbox"/> 60% AMGI <input type="checkbox"/> 80% AMGI <input type="checkbox"/> OI**	d. AHDP <input type="checkbox"/> <i>Income Status</i> <input type="checkbox"/> 50% AMGI <input type="checkbox"/> 80% AMGI <input type="checkbox"/> OI**	e. _____ <input type="checkbox"/> (Name of Program) <i>Income Status</i> <input type="checkbox"/> _____ <input type="checkbox"/> _____ <input type="checkbox"/> OI**
---	--	--	---	---

** Upon recertification, household was determined over-income (OI) according to eligibility requirements of the program(s) marked above.

SIGNATURE OF OWNER/REPRESENTATIVE

Based on the representations herein and upon the proof and documentation required to be submitted, the individual(s) named in Part II of this Tenant Income Certification is/are eligible under the provisions of Section 42 of the Internal Revenue Code, as amended, and the Land Use Restriction Agreement (if applicable), to live in a unit in this Project.

SIGNATURE OF OWNER/REPRESENTATIVE

DATE

Part III - Annual Income

See HUD Handbook 4350.3 for complete instructions on verifying and calculating income, including acceptable forms of verification.

From the third party verification forms obtained from each income source, enter the gross amount anticipated to be received for the twelve months from the effective date of the (re)certification. Complete a separate line for each income-earning member. List **each** respective household member number from Part II. Include anticipated income only if documentation exists verifying pending employment. If any adult states zero-income, please note "zero" in the columns of Part III.

- | | |
|------------|--|
| Column (A) | Enter the annual amount of wages, salaries, tips, commissions, bonuses, and other income from employment; distributed profits and/or net income from a business. |
| Column (B) | Enter the annual amount of Social Security, Supplemental Security Income, pensions, military retirement, etc. |
| Column (C) | Enter the annual amount of income received from public assistance (i.e., TANF, general assistance, disability, etc.). |
| Column (D) | Enter the annual amount of alimony, child support, unemployment benefits, or any other income regularly received by the household. |
| Row (E) | Add the totals from columns (A) through (D), above. Enter this amount. |

Part IV - Income from Assets

See HUD Handbook 4350.3 for complete instructions on verifying and calculating income from assets, including acceptable forms of verification.

From the third party verification forms obtained from each asset source, list the gross amount anticipated to be received during the twelve months from the effective date of the certification. List the respective household member number from Part II and complete a separate line for each member.

- | | |
|------------|--|
| Column (F) | List the type of asset (i.e., checking account, savings account, etc.) |
| Column (G) | Enter C (for current, if the family currently owns or holds the asset), or I (for imputed, if the family has disposed of the asset for less than fair market value within two years of the effective date of (re)certification). |
| Column (H) | Enter the cash value of the respective asset. |
| Column (I) | Enter the anticipated annual income from the asset (i.e., savings account balance multiplied by the annual interest rate). |
| TOTALS | Add the total of Column (H) and Column (I), respectively. |

If the total in Column (H) is greater than \$5,000, you must do an imputed calculation of asset income. Enter the Total Cash Value, multiply by 2% and enter the amount in (J), Imputed Income.

- | | |
|---|---|
| Row (K) | Enter the greater of the total in Column (I) or (J) |
| Row (L) | Total Annual Household Income From all Sources Add (E) and (K) and enter the total |
| *Effective Date of Income Certification | Enter the effective date of the income certification corresponding to the total annual household income entered in Box L. If annual income certification is not required, this may be different from the effective date listed in Part I. |
| *Household Size at Certification | Enter the number of tenants corresponding to the total annual household income entered in Box L. If annual income certification is not required, this may be different from the number of tenants listed in Part II. |

HOUSEHOLD CERTIFICATION AND SIGNATURES

After all verifications of income and/or assets have been received and calculated, each household member age 18 or older must sign and date the Tenant Income Certification. For move-in, it is recommended that the Tenant Income Certification be signed no earlier than 5 days prior to the effective date of the certification.

Part V – Determination of Income Eligibility

Total Annual Household Income from all Sources	Enter the number from item (L).
Current Income Limit per Family Size	Enter the Current Move-in Income Limit for the household size.
Household income at move-in Household size at move-in	For recertifications, only. Enter the household income from the move-in certification. On the adjacent line, enter the number of household members from the move-in certification.
Current Income Limit x 140%	For recertifications only. Multiply the Current Maximum Move-in Income Limit by 140% and enter the total. 140% is based on the Federal Set-Aside of 20/50 or 40/60, as elected by the owner for the property, not deeper targeting elections of 30%, 40%, 45%, 50%, etc. Below, indicate whether the household income exceeds that total. If the Gross Annual Income at recertification is greater than 140% of the current income limit, then the available unit rule must be followed.
*Units Meets Income Restriction at	Check the appropriate box for the income restriction that the household meets according to what is required by the set-aside(s) for the project.

Part VI - Rent

Tenant Paid Rent	Enter the amount the tenant pays toward rent (not including rent assistance payments such as Section 8).
Rent Assistance	Enter the amount of rent assistance, if any.
Utility Allowance	Enter the utility allowance. If the owner pays all utilities, enter zero.
Other non-optional charges	Enter the amount of <u>non-optional</u> charges, such as mandatory garage rent, storage lockers, charges for services provided by the development, etc.
Gross Rent for Unit	Enter the total of Tenant Paid Rent plus Utility Allowance and other non-optional charges.
Maximum Rent Limit for this unit	Enter the maximum allowable gross rent for the unit.
Unit Meets Rent Restriction at	Check the appropriate rent restriction that the unit meets according to what is required by the set-aside(s) for the project.

Part VII - Student Status

If all household members are full time* students, check "yes". If at least one household member is not a full time student, check "no".

If "yes" is checked, the appropriate exemption must be listed in the box to the right. If none of the exemptions apply, the household is ineligible to rent the unit.

Full time is determined by the school the student attends.

Part VIII – Program Type

Mark the program(s) for which this household's unit will be counted toward the property's occupancy requirements. Under each program marked, indicate the household's income status as established by this certification/recertification. If the property does not participate in the HOME, Tax-Exempt Bond, Affordable Housing Disposition, or other housing program, leave those sections blank.

- | | |
|------------|--|
| Tax Credit | See Part V above. |
| HOME | If the property participates in the HOME program and the unit this household will occupy will count towards the HOME program set-asides, mark the appropriate box indicating the household's designation. |
| Tax Exempt | If the property participates in the Tax Exempt Bond program; mark the appropriate box indicating the household's designation. |
| AHDP | If the property participates in the Affordable Housing Disposition Program (AHDP), and this household's unit will count towards the set-aside requirements, mark the appropriate box indicating the household's designation. |
| Other | If the property participates in any other affordable housing program, complete the information as appropriate. |

SIGNATURE OF OWNER/REPRESENTATIVE

It is the responsibility of the owner or the owner's representative to sign and date this document immediately following execution by the resident(s).

The responsibility of documenting and determining eligibility (including completing and signing the Tenant Income Certification form) and ensuring such documentation is kept in the tenant file is extremely important and should be conducted by someone well trained in tax credit compliance.

These instructions should not be considered a complete guide on tax credit compliance. The responsibility for compliance with federal program regulations lies with the owner of the building(s) for which the credit is allowable.

PART IX. SUPPLEMENTAL INFORMATION

- | | |
|-----------------------------|---|
| Tenant Demographic Profile | Complete for each member of the household, including minors, for move-in. Use codes listed on supplemental form for Race, Ethnicity, and Disability Status. |
| Resident/Applicant Initials | All tenants who wish not to furnish supplemental information should initial this section. Parent/guardian may complete and initial for minor child(ren). |

** Please note areas with asterisks are new or have been modified. Please ensure to note the changes or formats now being requested.*

TENANT INCOME CERTIFICATION QUESTIONNAIRE

Name: _____

Telephone Number: _____

()

- Initial Certification
 Re-certification
 Other

BIN # _____

Unit # _____

INCOME INFORMATION

Yes	No		MONTHLY GROSS INCOME
<input type="checkbox"/>	<input type="checkbox"/>	I am self employed. (List nature of self employment)	(use <u>net</u> income from business) \$
<input type="checkbox"/>	<input type="checkbox"/>	I have a job and receive wages, salary, overtime pay, commissions, fees, tips, bonuses, and/or other compensation: List the businesses and/or companies that pay you: <u>Name of Employer</u> 1) _____ 2) _____ 3) _____	\$ \$ \$
<input type="checkbox"/>	<input type="checkbox"/>	I receive cash contributions of gifts including rent or utility payments, on an ongoing basis from persons not living with me.	\$
<input type="checkbox"/>	<input type="checkbox"/>	I receive unemployment benefits.	\$
<input type="checkbox"/>	<input type="checkbox"/>	I receive Veteran's Administration, GI Bill, or National Guard/Military benefits/income.	\$
<input type="checkbox"/>	<input type="checkbox"/>	I receive periodic social security payments.	\$
<input type="checkbox"/>	<input type="checkbox"/>	The household receives <u>unearned</u> income from family members age 17 or under (example: Social Security, Trust Fund disbursements, etc.).	\$
<input type="checkbox"/>	<input type="checkbox"/>	I receive Supplemental Security Income (SSI).	\$
<input type="checkbox"/>	<input type="checkbox"/>	I receive disability or death benefits other than Social Security.	\$
<input type="checkbox"/>	<input type="checkbox"/>	I receive Public Assistance Income (examples: TANF, AFDC)	\$
<input type="checkbox"/>	<input type="checkbox"/>	I am entitled to receive child support payments.	\$
<input type="checkbox"/>	<input type="checkbox"/>	I am currently receiving child support payments. If yes, from how many persons do you receive support? _____	\$
<input type="checkbox"/>	<input type="checkbox"/>	I am currently making efforts to collect child support owed to me. List efforts being made to collect child support: _____ _____	
<input type="checkbox"/>	<input type="checkbox"/>	I receive alimony/spousal support payments	\$
<input type="checkbox"/>	<input type="checkbox"/>	I receive periodic payments from trusts, annuities, inheritance, retirement funds or pensions, insurance policies, or lottery winnings. If yes, list sources: 1) _____ 2) _____	\$ \$
<input type="checkbox"/>	<input type="checkbox"/>	I receive income from real or personal property.	(use <u>net</u> earned income) \$
<input type="checkbox"/>	<input type="checkbox"/>	Student financial aid (public or private, not including student loans) Subtract cost of tuition from Aid received	\$

Asset information

YES	NO		INTEREST RATE	CASH VALUE
<input type="checkbox"/>	<input type="checkbox"/>	I have a checking account(s). If yes, list bank(s) 1) 2)	% %	\$ \$
<input type="checkbox"/>	<input type="checkbox"/>	I have a savings account(s) If yes, list bank(s) 1) 2)	% %	\$ \$
<input type="checkbox"/>	<input type="checkbox"/>	I have a revocable trust(s) If yes, list bank(s) 1)	%	\$
<input type="checkbox"/>	<input type="checkbox"/>	I own real estate. If yes, provide description:		\$
<input type="checkbox"/>	<input type="checkbox"/>	I own stocks, bonds, or Treasury Bills If yes, list sources / bank names 1) 2) 3)	% % %	\$ \$ \$
<input type="checkbox"/>	<input type="checkbox"/>	I have Certificates of Deposit (CD) or Money Market Account(s). If yes, list sources / bank names 1) 2) 3)	% % %	\$ \$ \$
<input type="checkbox"/>	<input type="checkbox"/>	I have an IRA / Lump Sum Pension / Keogh Account / 401K. If yes, list bank(s) 1) 2)	% %	\$ \$
<input type="checkbox"/>	<input type="checkbox"/>	I have a whole life insurance policy. If yes, how many policies		\$
<input type="checkbox"/>	<input type="checkbox"/>	I have cash on hand.		\$
<input type="checkbox"/>	<input type="checkbox"/>	I have disposed of assets (i.e. gave away money / assets) for less than the fair market value in the past 2 years. If yes, list items and date disposed: 1) 2)		\$ \$

STUDENT STATUS

YES NO

<input type="checkbox"/>	<input type="checkbox"/>	Does the household consist of all persons who are <u>full-time</u> students (Examples: College/University, trade school, etc.)?
<input type="checkbox"/>	<input type="checkbox"/>	Does the household consist of all persons who have been a <u>full-time</u> student in the previous 5 months?
<input type="checkbox"/>	<input type="checkbox"/>	Does your household anticipate becoming an all full-time student household in the next 12 months?
<input type="checkbox"/>	<input type="checkbox"/>	If you answered yes to any of the previous three questions are you: <ul style="list-style-type: none"> • Receiving assistance under Title IV of the Social Security Act (AFDC/TANF/Cal Works - not SSA/SSI) • Enrolled in a job training program receiving assistance through the Job Training Participation Act (JTPA) or other similar program • Married and filing (or are entitled to file) a joint tax return • Single parent with a dependent child or children and neither you nor your child(ren) are dependent of another individual • Previously enrolled in the Foster Care program (age 18-24)
<input type="checkbox"/>	<input type="checkbox"/>	
<input type="checkbox"/>	<input type="checkbox"/>	
<input type="checkbox"/>	<input type="checkbox"/>	
<input type="checkbox"/>	<input type="checkbox"/>	

UNDER PENALTIES OF PERJURY, I CERTIFY THAT THE INFORMATION PRESENTED ON THIS FORM IS TRUE AND ACCURATE TO THE BEST OF MY/OUR KNOWLEDGE. THE UNDERSIGNED FURTHER UNDERSTANDS THAT PROVIDING FALSE REPRESENTATIONS HEREIN CONSTITUTES AN ACT OF FRAUD. FALSE, MISLEADING OR INCOMPLETE INFORMATION WILL RESULT IN THE DENIAL OF APPLICATION OR TERMINATION OF THE LEASE AGREEMENT.

PRINTED NAME OF APPLICANT/TENANT

SIGNATURE OF APPLICANT/TENANT

DATE

WITNESSED BY (SIGNATURE OF OWNER/REPRESENTATIVE)

DATE

EXHIBIT C

FORM OF CERTIFICATE OF CONTINUING PROGRAM COMPLIANCE

MERGE 56 AFFORDABLE APARTMENTS

The undersigned, being _____ of Merge 56 Affordable, LP, a California limited partnership (the "Borrower") has read and is thoroughly familiar with the provisions of the various documents associated with the Borrower's participation in the Housing Authority of the City of San Diego (the "Governmental Lender") Multifamily Housing Program, such documents including: (a) the Regulatory Agreement and Declaration of Restrictive Covenants, dated as of June 1, 2022 (the "Regulatory Agreement") between the Borrower and the Governmental Lender; and (b) the Borrower Loan Agreement, dated as of June 1, 2022, by and between the Governmental Lender and the Borrower referred to in the Regulatory Agreement.

In connection with the foregoing, the undersigned does hereby certify that:

1. During the preceding reporting period (i) the Project was continually in compliance with the Regulatory Agreement, and (ii) (a) ___% of the units in the Project were occupied by Low Income Tenants (including units referenced in the succeeding clause (b), minimum of 40%) and (b) ___% of the units in the Project were occupied by Very Low Income Tenants (minimum of 10%).

2. The representations set forth herein are true and correct to the best of the undersigned's knowledge and belief.

Set forth below are the names of Low Income Tenants and Very Low Income Tenants who commenced or terminated occupancy during the preceding reporting period.

Commenced Occupancy	Terminated Occupancy
1.	1.
2.	2.

The units occupied by Low Income Tenants and Very Low Income Tenants are of similar size and quality to other units and are dispersed throughout the Project. Attached is a separate sheet listing the number of each unit and indicating which units are occupied by Low Income Tenants and Very Low Income Tenants, the size, the number of bedrooms of such units and the number of Low Income Tenants and Very Low Income Tenants who commenced occupancy of units during the preceding reporting period.

3. Select appropriate certification: [No unremedied default has occurred under the Regulatory Agreement or the Borrower Loan Agreement.] [A default has occurred under the _____. The nature of the default and the measures being taken to remedy such default are as follows: _____.]

4. The representations set forth herein are true and correct to the best of the undersigned's knowledge and belief.

Capitalized terms used in this Certificate and not otherwise defined herein have the meanings given to such terms in the Regulatory Agreement.

Date: _____

MERGE 56 AFFORDABLE, LP,
a California limited partnership

By: AOF SD MGP LLC,
a California limited liability company,
its Managing General Partner

By: AOF/Pacific Affordable Housing Corp.,
a California nonprofit public benefit corporation,
its Sole Member and Manager

By: _____
Brett Mascaro
Senior Vice President

By: Merge 56 Affordable, LLC,
a California limited liability company,
its Administrative General Partner

By: Rise Urban Partners, LLC, a Delaware limited
liability company,
its Managing Member

By: _____
David Allen
Manager

By: _____
Robert Morgan
Manager

Unit No.	Low Income, Very Low Income or Market Unit	No. of Bedrooms	Rent	Total Eligible Income (for Low/Very Low Income Units)	Size (Sq. Ft.)
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____

Total Number of Units: _____

Percentage of Low Income Units: _____

Percentage of Very Low Income Units: _____

Number of Low Income Tenants commencing occupancy this month: _____

Number of Very Low Income Tenants commencing occupancy this month: _____

EXHIBIT D

FORM OF COMPLETION CERTIFICATE

The undersigned hereby certifies that the acquisition and construction of the Project was substantially completed as of _____.

The undersigned hereby further certifies that:

(1) the aggregate amount disbursed on the Borrower Loan to date is \$_____;

(2) all amounts disbursed on the Borrower Loan have been applied to pay or reimburse the undersigned for the payment of Project Costs and none of the amounts disbursed on the Borrower Loan have been applied to pay or reimburse any party for the payment of costs or expenses other than Project Costs;

(3) at least ninety-seven percent (97%) of the amounts disbursed on the Borrower Loan derived from proceeds of the Governmental Lender Tax-Exempt Note have been applied to pay or reimburse the Borrower for the payment of Qualified Project Costs, and less than twenty-five percent (25%) of such disbursements have been used for the acquisition of land or an interest therein; and

(4) the Borrower is in compliance with the provisions of the Regulatory Agreement and the Borrower Loan Agreement.

Capitalized terms used in this Completion Certificate have the meanings given such terms in the Regulatory Agreement and Declaration of Restrictive Covenants, dated as of June 1, 2022, between Merge 56 Affordable, LP, a California limited partnership and the Housing Authority of the City of San Diego.

MERGE 56 AFFORDABLE, LP,
a California limited partnership

By: AOF SD MGP LLC,
a California limited liability company,
its Managing General Partner

By: AOF/Pacific Affordable Housing Corp.,
a California nonprofit public benefit corporation,
its Sole Member and Manager

By: _____
Brett Mascaro
Senior Vice President

By: Merge 56 Affordable, LLC,
a California limited liability company,
its Administrative General Partner

By: Rise Urban Partners, LLC, a Delaware limited
liability company,
its Managing Member

By: _____
David Allen
Manager

By: _____
Robert Morgan
Manager

EXHIBIT E
CDLAC RESOLUTION

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE

RESOLUTION NO. 21-263

**A RESOLUTION TRANSFERRING A PORTION OF THE 2021 STATE CEILING
ON QUALIFIED PRIVATE ACTIVITY BONDS AND
AUTHORIZING THE MAKING OF A CARRYFORWARD ELECTION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT**

WHEREAS, the California Debt Limit Allocation Committee ("Committee") has received an application ("Application") from the Housing Authority of the City of San Diego ("Applicant") for the transfer to the Applicant of a portion of the 2021 State Ceiling on Qualified Private Activity Bonds under Section 146 of the Internal Revenue Code of 1986, as amended, for use by the Applicant to issue bonds or other obligations ("Bonds") for a Project as specifically described in Exhibit A ("Project") (capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Regulations of the Committee implementing the Allocation of the State Ceiling on Qualified Private

WHEREAS, the Project Sponsor has represented and the Applicant has confirmed in the Application certain facts and information concerning the Project; and

WHEREAS, in evaluating the Project and allocating a portion of the State Ceiling on Qualified Private Activity Bonds to the Applicant for the benefit of the Project, the Committee has relied upon the written facts and information represented in the Application by the Project Sponsor and the Applicant; and

WHEREAS, it is appropriate for the Committee to make a transfer of a portion of the 2021 State Ceiling On Qualified Private Activity Bonds ("Allocation") in order to benefit such Project described in the Application; and

WHEREAS, the Committee has determined that it is appropriate to authorize the Applicant to make a carryforward Allocation to calendar year 2022 with respect to the Project described in the Application.

NOW, THEREFORE, the California Debt Limit Allocation Committee resolves as follows:

Section 1. There is hereby transferred to the Applicant authorization to use \$16,000,000 of the 2021 State Ceiling on Qualified Private Activity Bonds for the Project. Such Allocation may be used only by the Applicant and only for the issuance of Bonds for the Project, as specifically described in Exhibit A. All of the terms and conditions of Exhibit A are incorporated herein as though set forth in full (this resolution, together with Exhibit A are hereafter referred to collectively as this "Resolution").

Section 2. The terms and conditions of this Resolution shall be incorporated in appropriate documents relating to the Bonds. The Project Sponsor and the Applicant, and all of their respective successors and assignees, will be bound by such terms and conditions. The Applicant shall monitor the Project for compliance with the terms and conditions of this Resolution. In addition, the Project shall be subject to the monitoring provisions of the California Code of Regulations, Title 4, Section 10337(c) and Section 5220 of the Committee's Regulations.

Section 3. Any modification to the Project made prior to the issuance of the Bonds that impacts the resolution must be reported to the Executive Director and, if the Executive Director determines such modification to be material in light of the Committee's Regulations, shall require reconsideration by the Committee before the Allocation may be used for the Project. After Bonds are issued, the terms and conditions set forth in this Resolution shall be enforceable by the Committee through an action for specific performance or any other available remedy.

RESOLUTION NO. 21-263

Page 2 of 3

In addition, after bonds are issued, changes to Items #1, #6, #7, #10 thru #12, #14 thru #16, #18 thru #26, and #37 of the Exhibit A require Committee or Executive Director approval for the term of commitment; changes to item #2, #13, #17, and #27 of the Exhibit A cannot be altered; changes to Items #3 thru #5 of the Exhibit A require no Committee or Executive Director approval but any alterations must be reported to CDLAC staff for the affordability period; changes to Items #8 and #9 of the Exhibit A require no CDLAC notification; and changes to Items #28 thru #36 of the Exhibit A require Committee or Executive Director approval only prior to the Project being Placed in Service by the CA Tax Credit Allocation Committee (TCAC), if the bond receives tax credits.

Section 4. Any material changes in the structure of the bond sale prior to the issuance of the Bonds and not previously approved by the Committee shall require approval of the Committee Chair or the Executive Director.

Section 5. The transfer of proceeds from the sale of bonds to a project other than the Project subject to this Resolution is allowable only with the prior approval of the Executive Director in consultation with the Chair, except when the Project is unable to utilize any of its allocation and the Applicant is requesting the transfer of the entire Allocation to different project(s). In such case, prior approval of the Committee must be obtained. Any transfer made pursuant to this Section may only be made to another project of the same issuer that has been previously approved by the Committee.

Section 6. The Applicant is authorized to use the Allocation transferred hereby to make a carryforward election with respect to the Project. The Applicant is not authorized to transfer the Carryforward Allocation to any governmental unit in the State except this Committee.

Section 7. If the allocation transferred herein to the Applicant has not issued bonds by the close of business on June 20, 2022, the issuer shall notify the Committee and carryforward the Allocation to the next approved project to be awarded a bond allocation in accordance with Section 5133 of the Committee's Regulations.

Section 8. Prior to being submitted to the IRS, draft Carryforward Elections must be emailed to CDLAC at cdlac@treasurer.ca.gov no later than February 1, 2022 for CDLAC approval of election amounts.

Section 9. Within twenty-four (24) hours of using the Allocation to issue Qualified Private Activity Bonds, the Applicant shall notify the Committee at CDLAC@treasurer.ca.gov that the Allocation has been used. This notice shall identify the Applicant, the Project or Program, the date the Allocation was used and the amount of Allocation used.

Section 10. Within fifteen (15) calendar days of the Bond closing, the Applicant or its counsel shall formally transmit to the Committee information regarding the issuance of the Bonds by submitting a completed Report of Action Taken in a template prescribed by and made available by the Committee.

Section 11. Any differences between the amount of Bonds issued and the amount of the Allocation granted in Section 1 of this Resolution shall be retained by the Applicant for the period allowed by Section 146(f)(3)(A) of the Internal Revenue Code regarding carryforward elections. Use of any Carryforward Allocation shall be in accordance with Section 5133 of the Committee's Regulations regarding carryforward elections.

Section 12. The staff of the Committee is authorized and directed to transmit a copy of this Resolution to the Applicant together with a request that the Applicant retain a copy of this Resolution in the Applicant's official records for the term of the Bonds under this Allocation or the term of the income and rental restrictions whichever is longer. The Committee staff is further directed to retain a copy of this Resolution in the files of the Committee (or any successor thereto) for the same period of time.

RESOLUTION NO. 21-263

Page 3 of 3

Section 13. In consideration of the Allocation transferred to the Applicant and the Project Sponsor, the Applicant and the Project Sponsor shall comply with all of the terms and conditions contained in this Resolution and ensure that these terms and conditions are included in the documents related to the Bonds. Furthermore, the Applicant and the Project Sponsor expressly agree that the terms and conditions of this Resolution may be enforced by the Committee through an action for specific performance or any other available remedy, provided however, that the Committee agrees not to take such action or enforce any such remedy that would be materially adverse to the interests of Bondholders. In addition, the Applicant and the Project Sponsor shall ensure that the Bond documents, as appropriate, expressly provide that the Committee is a third party beneficiary of the terms and conditions set forth in this Resolution.

Section 14. The Certification of Compliance II document is to be submitted by the Project Sponsor to the Applicant by the Applicant's specified deadline, but no later than March 1st annually until the project's Certificate of Completion has been submitted by the Project Sponsor to the Applicant. An Annual Applicant Public Benefits and On-going Compliance Self-Certification must be submitted by the Applicant to CDLAC online every year until the Certificate of Completion document has been submitted by the Project Sponsor to the Applicant. Following the submission of the Certificate of Completion to the Applicant, the Certification of Compliance II is to be submitted by the Project Sponsor to the Applicant no later than March 1st, and no later than March 1st every three years thereafter pursuant to Section 5144 of the CDLAC Regulations. Verification to CDLAC of income and rental information is not required in advance of the submission of the Certificate of Completion. A copy of the Certification of Compliance II template may be found at this website location: <http://www.treasurer.ca.gov/cdlac/forms.asp>. Failure to submit compliance may result in disqualification from future program participation.

Section 15. All relevant bond documents for Qualified Residential Rental Projects must permit principal payments or prepayments on the underlying loan(s) as transferred proceeds in a bond preservation and recycling program as permitted by 26 U.S.C. 146(i)(6) and shall require no less than thirty (30) days' notice to CDLAC and to the applicant prior to the redemption of bonds at conversion to permanent financing.

Section 16. This Resolution shall take effect immediately upon its adoption.

* * *

CERTIFICATION

I, Nancee Robles, Interim Executive Director of the California Debt Limit Allocation Committee, hereby certify that the above is a full, true, and correct copy of the Resolution adopted at a meeting of the Committee held in the Jesse Unruh 915 Capitol Mall, Sacramento, California 95814, on December 8, 2021 with the following votes recorded:

AYES: State Treasurer Fiona Ma, CPA
Gayle Miller for Governor Gavin Newsom
Anthony Sertich for State Controller Betty T. Yee

NOES: None
ABSTENTIONS: None
ABSENCES: None


Nancee Robles, Interim Executive Director

Date: December 8, 2021

RESOLUTION NO. 21-263

QUALIFIED RESIDENTIAL RENTAL PROJECT
EXHIBIT A

1. Applicant: Housing Authority of the City of San Diego
2. Application No.: 21-765
3. Project Sponsor: Merge 56 Affordable, LP (Merge 56 Affordable, LLC and AOF Pacific Affordable Housing Corp)
4. Property Management Co.: Hyder & Company Management
5. Project Name: Merge 56 Affordable
6. Location: San Diego, CA
7. Private Placement Purchaser: **Pacific Western Bank**
Cash Flow Bond: **Not Applicable**

All units identified in the CDLAC resolution, including both the Federally Bond-Restricted Units and the Other Restricted Units, will be incorporated into the Bond Regulatory Agreement. Assumptions to be included in the Bond Regulatory Agreement regarding the Other Restricted Units will include the AMI as outlined in the CDLAC resolution, a limitation that tenants pay no more than 30% of their income and 1.5 persons per bedroom occupancy standard to determine the applicable rent.

Applicable

8. Public Sale: **Not Applicable**
Credit Enhancement Provider: **Not Applicable**
9. Total Number of Units: 47 plus 0 unrestricted manager unit(s)
10. Total Number of Restricted Rental Units: 47
11. The term of the income and rental restrictions for the Project will be at least 55 years from the date 50% occupancy is achieved or when the project is otherwise placed in service.
12. The Regulatory Agreement shall not terminate prior to the end of the CDLAC Resolution affordability term in the event of foreclosure, exercise of power of sale, and/or transfer of title by deed in lieu of foreclosure in connection with a deed of trust directly or indirectly securing the repayment of Cash Flow Permanent Bonds.
13. The Project will utilize Gross Rents as defined in Section 5170 of the Committee's Regulations.

Applicable

RESOLUTION NO. 21-263

Exhibit A

Page 2 of 5

14. Income and Rental Restrictions

a. Federally Bond-Restricted Set-aside:

At least 40% of the total units will be restricted at 60% of the Area Median Income.

b. Other Restricted Units

For the entire term of the income and rental restrictions, the Project will have:

At least 10 Qualified Residential units rented or held vacant for rental for persons or families whose income is at or below 50% of the Area Median Income.

At least 37 Qualified Residential units rented or held vacant for rental for persons or families whose income is at 60% of the Area Median Income.

15. Units restricted to households with incomes no greater than 50% of the Area Median Income in accordance with Section 5191(a) will be distributed as follows:

Applicable:

Three-bedroom: 1

Four-bedroom: 1

16. New Construction Pool Set-aside Requirements.

Homeless Set-aside: at least 25% of the Tax Credit Units are designated for homeless households as defined by TCAC Regulation Section 10315(b)(1) with affordable rents consistent with Section 10325(g)(3).

Not Applicable

Homeless Set-aside Priority: 100% of the Tax Credit Units are designated for homeless households as defined by TCAC Regulation Section 10315(b)(1) with affordable rents consistent with Section 10325(g)(3).

Not Applicable

Extremely Low Income/Very Low Income (ELI/VLI) Set-aside. The rent and income targeting restrictions must have an average of 50% area median income (AMI) or below.

Not Applicable

Mixed Income Set-aside. A Mixed Income Project is a New Construction Qualified Residential Rental Project which either (1) is not utilizing the Average Income test of Internal Revenue Code Section 42 (g)(1)(C) and which has 50% or fewer of its total units designated as Restricted Rental Units or; (2) is part of the California Housing Finance Agency Mixed-Income Program. In a Competitive Application Process, a Mixed Income Project may only apply for an allocation of tax-exempt bonds if the ratio of tax-exempt bonds, not including recycled bonds, to aggregate depreciable basis plus land basis is less than or equal to the ratio of units that will be restricted pursuant to a CTCAC regulatory agreement.

Not Applicable

17. Minimum construction standards pursuant to CDLAC Regulation Section 5205 and Sections 10325(f)(7)(A) through (J) of the TCAC Regulations will be incorporated into the project design for all new construction and rehabilitation projects.

Applicable

RESOLUTION NO. 21-263

Exhibit A

Page 3 of 5

18. For all acquisition and rehabilitation projects, a minimum of \$15,000 in hard construction costs will be expended for each unit.
Not Applicable
19. Other Rehabilitation Pool Requirements. The Project will comply with the requirement to complete rehabilitation work at a minimum of \$60,000 in hard construction cost per unit as defined in TCAC Regulation Section 10302(u), subject to the provisions of Internal Revenue Code Section 42(e)(3)(A)(ii)(I), expended only on immediate health and safety improvements, seismic and accessibility improvements and/or the replacement of major systems with a remaining useful life of less than ten years pursuant to CDLAC Regulation Section 5170.
Not Applicable
20. The Project will comply with the Preservation and Other Rehabilitation Project Priorities of Section 5230(b). At a minimum, the Project must continue to meet the criteria sufficient to retain 0 points.
Not Applicable
21. The Project will comply with the New Construction Density and Local Incentives of Section 5230(c). At a minimum, the Project must continue to meet the criteria sufficient to retain 10 points.
Applicable
22. The Project will comply with the Exceeding Minimum Income Restrictions of Section 5230(d). At a minimum, the Project must continue to meet the criteria sufficient to retain 20 points.
Applicable
23. The Project will comply with the Exceeding Minimum Rent Restrictions of Section 5230(e). At a minimum, the Project must continue to meet the criteria sufficient to retain 10 points.
Applicable
24. The Project will comply with the General Partner Experience requirements of Section 5230(f)(1). At a minimum, the Project must continue to meet the criteria sufficient to retain 7 points.
Applicable
25. The Project will comply with the Management Company Experience requirements of Section 5230(f)(2). At a minimum, the Project must continue to meet the criteria sufficient to retain 3 points.
Applicable
26. The Project will comply with the New Construction Housing Type requirement of Section 5230(g). At a minimum, the Project must continue to meet the criteria sufficient to retain 10 points as a Large Family housing type.
Applicable
27. The Project will comply with the Leveraged Soft Resources requirements of Section 5230(h). At a minimum, the Project must continue to meet the criteria sufficient to retain 8 points.
Applicable
28. The Project will comply with the Readiness to Proceed requirements of Sections 5152 and 5230(i). At a minimum, the Project must continue to meet the criteria sufficient to retain 10 points.
Applicable

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29. The Project will comply with the Affirmatively Furthering Fair Housing requirements of Section 5230(j)(1)(A). At a minimum, the Project must continue to meet the criteria sufficient to retain 20 points.

Applicable

30. The Project will comply with the Affirmatively Furthering Fair Housing Site Amenity requirements of Section 5230(j)(1). At a minimum, the Project must continue to meet the criteria sufficient to retain 0 points.

Not Applicable

31. For a period of fifteen (15) years after the Project is placed in use, the Project will provide residents high speed internet service in each Project unit free of charge.

Not Applicable

- 32c. For a period of fifteen (15) years after the Project is placed in use, the Project will provide residents instructor-led adult educational, health and wellness, or skill building classes. This includes, but is not limited to: Financial literacy, computer training, home-buyer education, GED classes, and resume building classes, ESL, nutrition class, exercise class, health information/awareness, art class, parenting class, on-site food cultivation and preparation classes, and smoking cessation classes. Drop-in computer labs, monitoring or technical assistance shall not qualify.

Applicable

Hours per Year: 84

- 32d. For a period of fifteen (15) years after the Project is placed in use, the Project will provide residents Health and Wellness Services and Programs. Such services and programs shall provide individualized support to tenants (not group classes) and need not be provided by licensed individuals or organizations. This includes, but is not limited to visiting nurses programs, intergenerational visiting programs, or senior companion programs. The application must describe in detail the services to be provided.

Applicable

Hours per Year: 63

- 33a. Special Needs projects:
Additional Service Amenity Requirements.

Not Applicable

Hours per Year: 0

- 33b. Special Needs projects:
Additional Service Amenity Requirements.

Not Applicable

Hours per Year: 0

34. The Project will comply with the Cost Containment requirements of Section 5230(l). At a minimum, the Project must continue to meet the criteria sufficient to retain 12 points.

Applicable

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35. As specified in Section 5144(b) of the Committee's Regulations, sponsors will be required to utilize TCAC's Compliance Manual specifically Section VI: Qualify Tenants for Low Income Housing Tax Credit Units, to verify tenant income in conjunction with initial occupancy. No less than every three (3) years after the project is completed, the Sponsor must collect and retain the following income and verification documentation related to all the Federally Bond-Restricted units identified in the Committee Resolution: TCAC Tax Income Calculation (TIC) or equivalent documentation, all associated source income documentation, evidence of the verifying income computation and unit lease.

Applicable

36. As specified in Section 5144(c) of the Committee's Regulations, compliance with the income and rental requirements of the Federally Bond-Restricted Units identified in the Committee Resolution and the Bond Regulatory Agreement must be demonstrated by the Applicants initial review of 20% of all management files associated with the Federally Bond-Restricted units and subsequent review every three years of 20% of all management files associated with the Federally Bond-Restricted units.

Applicable

37. As specified in Section 5144(d) of the Committee's Regulations, applicants are required to ensure an onsite inspection as well as an on-site review of the 20% Federally Bond-Restricted units is performed every 3 years after the Qualified Project Period has commenced.

The following entity will conduct the site and file inspections:

Not Applicable

[FORM OF OPINION OF BOND COUNSEL]

June __, 2022

Housing Authority of the City of San Diego
1122 Broadway, Suite 300
San Diego, California 92101

OPINION: \$16,000,000 Housing Authority of the City of San Diego Multifamily Housing Revenue Note (Merge 56 Affordable), Series 2022C-1 (Tax-Exempt) and \$_____ Housing Authority of the City of San Diego Multifamily Housing Revenue Note (Merge 56 Affordable), Series 2022C-2 (Taxable)

Members of the Authority:

We have acted as bond counsel in connection with the issuance by the Housing Authority of the City of San Diego (the "Authority") of its \$16,000,000 Housing Authority of the City of San Diego Multifamily Housing Revenue Note (Merge 56 Affordable), Series 2022C-1 (Tax-Exempt) (the "Governmental Lender Tax-Exempt Note") and its \$_____ Housing Authority of the City of San Diego Multifamily Housing Revenue Note (Merge 56 Affordable), Series 2022C-2 (Taxable) (together with the Governmental Tax-Exempt Note, the "Governmental Lender Notes"), pursuant to Chapter 1 of Part 2 of Division 24 of the California Health and Safety Code, Resolution No. HA-_____, adopted by the Board of Commissioners of the Authority on May 24, 2022, and a Loan Agreement, dated as of June 1, 2022 (the "Bank Loan Agreement"), among the Authority, U.S. Bank Trust Company, National Association, as fiscal agent (the "Fiscal Agent"), and Pacific Western Bank, as Bank. The Governmental Lender Notes have been issued by the Authority to provide funds for the Authority to make a loan to Merge 56 Affordable, LP, a California limited partnership (the "Borrower"), pursuant to a Loan Agreement, dated as of June 1, 2022 (the "Borrower Loan Agreement"), between the Authority and the Borrower, to finance a portion of the costs of the acquisition and construction by the Borrower of a multifamily rental housing facility located in the City of San Diego, California.

In connection with this opinion, we have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion. As to questions of fact material to our opinion, we have relied upon representations of the Authority contained in the Bank Loan Agreement and in the certified proceedings and certifications of public officials and the Borrower furnished to us, without undertaking to verify the same by independent investigation.

Based upon the foregoing we are of the opinion, under existing law, as follows:

1. The Authority is a public body, corporate and politic, duly created and validly existing under the laws of the State of California, with the power to enter into the Bank Loan Agreement and the Borrower Loan Agreement, perform the agreements on its part contained in the Bank Loan Agreement and the Borrower Loan Agreement, and issue the Governmental Lender Notes.

2. The Bank Loan Agreement, the Assignment Agreement (as defined in the Bank Loan Agreement), the Regulatory Agreement (as defined in the Bank Loan Agreement), and the Borrower Loan Agreement have been duly approved by the Authority and, assuming the due execution and delivery thereof by the other respective parties thereto, constitute valid and binding obligations of the Authority enforceable upon the Authority in accordance with their respective terms.

3. The Governmental Lender Notes have been duly authorized, executed and delivered by the Authority and are valid and binding limited obligations of the Authority, payable solely from the sources provided therefor in the Bank Loan Agreement.

4. Subject to compliance by the Authority and the Borrower with certain covenants, interest on the Governmental Lender Tax-Exempt Note (a) is excludable from gross income of the owner thereof for federal income tax purposes, except for interest on the Governmental Lender Tax-Exempt Note for any period during which the Governmental Lender Tax-Exempt Note is owned by a person who is a substantial user of the facilities financed by the Governmental Lender Tax-Exempt Note or any person considered to be related to such a person (within the meaning of section 147(a) of the Internal Revenue Code of 1986, as amended (the "Code")), and (b) is not included as an item of tax preference in computing the alternative minimum tax under the Code. Failure to comply with certain of such covenants could cause interest on the Governmental Lender Tax-Exempt Note to be includable in gross income for the federal income tax purposes retroactively to the date of issuance of the Governmental Lender Tax-Exempt Note.

6. The interest on the Governmental Lender Notes is exempt from personal income taxation imposed by the State of California.

Ownership of the Governmental Lender Notes may result in other tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to either of the Governmental Lender Notes.

The rights of the Bank under, and the enforceability of, the Governmental Lender Notes, the Bank Loan Agreement, the Assignment Agreement, the Regulatory Agreement and the Borrower Loan Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and may also be subject to the exercise of judicial discretion in accordance with general principals of equity. We express no opinion with respect to the validity, priority or enforceability of the Deed of Trust (as such term is defined in the Bank Loan Agreement).

In rendering this opinion, we have relied upon certifications of the Authority, the Borrower and others with respect to certain material facts. Our opinion represents our legal judgment based upon such review of the law and the facts that we deem relevant to render our opinion and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

Quint & Thimmig LLP

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April 25, 2022

VIA EMAIL

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From: Paul J. Thimmig, Quint & Thimmig LLP, Note Counsel

Re: Merge 56 Affordable Apartments Financing

If the Housing Authority of the City of San Diego (the "Authority") adopts a resolution authorizing the issuance of the Housing Authority of the City of San Diego Multifamily Housing Revenue Note (Merge 56 Affordable), Series 2022C-1 (Tax-Exempt) and Series 2022C-2 (Taxable) (collectively, the Notes"), it is expected that the Notes will be sold and issued in private placement transaction with Pacific Western Bank in June of this year.

The primary legal documents for the Notes that are referenced in the Resolution of the Authority authorizing the issuance of the Notes (the "Resolution") currently contain a number of blanks that are related to various dates and other matters. The following table sets forth a summary of the blanks in the primary legal documents for the Notes referenced in the Resolution, and describes when, and by whom, the information will be provided in order to fill in the blanks.

Document	Location of Blank	When Completed	Responsible Party
Bank Loan Agreement	<u>Cover Page</u>	Prior to Closing	Pacific Western Bank
	<ul style="list-style-type: none"> Final Series 2022C-2 Note Amount 		
	<u>Section 1.01 - Definitions</u>	Prior to Closing	Pacific Western Bank
	<ul style="list-style-type: none"> Bank Loan Amount Borrower Loan Amount Borrower Taxable Note Amount Closing Date Governmental Lender Taxable Loan Amount 		
	<u>Section 3.03</u>		
	<ul style="list-style-type: none"> Maximum Amount of Bank Loan 		
	<u>Section 5.01(c)</u>		
	<ul style="list-style-type: none"> Bank Loan Fee 		
	<u>Section 10.02</u>	Prior to Closing	Pacific Western Bank
	<ul style="list-style-type: none"> Bank Notice Party 		
<u>Exhibit A - Form of Note</u>	Prior to Closing	Completion of above-listed blanks will allow Note Counsel to complete blanks in the Form of Note	
<ul style="list-style-type: none"> Principal Amount of Note Dated Date 			
<u>Exhibit B - Form of Transferee Representations</u>	Prior to Closing	Pacific Western Bank	
<ul style="list-style-type: none"> Maximum Note Amount 			
<u>Exhibits C and D – Requisitions</u>	Prior to Draw of Funds	Borrower	
<ul style="list-style-type: none"> Draw Number, Amount, Payees 			
Borrower Loan Agreement	<u>Cover Page</u>	Prior to Closing	Pacific Western Bank
	<ul style="list-style-type: none"> Final Series 2022C-2 Note Amount 		
	<u>Exhibit A – Form of Borrower Note</u>	Prior to Closing	Pacific Western Bank
<ul style="list-style-type: none"> Maximum Principal Amount of Note Note Issuance Date Note Interest Rate 			
Regulatory Agreements and Declarations of Restrictive Covenants	<u>Cover Page</u>	Prior to Closing	Pacific Western Bank
	<ul style="list-style-type: none"> Amount of Series 2022C-2 Note 		
	<u>Section 7(a) - Requirements of the Issuer</u>	Prior to Closing; Depends Upon Final Note Amount	Pacific Western Bank, Housing Authority
	Amounts of Issuer Fees		
<u>Exhibit A – Legal Description of the Site</u>	Prior to Closing	Title Company	
<ul style="list-style-type: none"> Description of the Project Site 			
Assignment Agreement	<u>Cover Page</u>	Prior to Closing	Pacific Western Bank
	<ul style="list-style-type: none"> Final Series 2022C-2 Note Amount 		
	<u>Exhibit A</u>	Prior to Closing	Title Company
<ul style="list-style-type: none"> Description of the Project Site 			



The City of San Diego
Item Approvals

Item Subject: Final Multifamily Revenue Note Authorization for Merge 56 Affordable Apartments.

Contributing Department	Approval Date
DOCKET OFFICE	04/28/2022
ENVIRONMENTAL ANALYSIS	04/28/2022

Approving Authority	Approver	Approval Date
HOUSING COMMISSION FINAL DEPARTMENT APPROVER	MARSHALL, SCOTT	04/27/2022
EXECUTIVE VICE PRESIDENT	DAVIS, JEFF	04/29/2022
CITY ATTORNEY	MIDDAUGH, MARGUERITE	05/05/2022