

COMPARISON OF EXISTING GROUND LEASE PROVISIONS  
MARINERS COVE  
SAN DIEGO HOUSING COMMISSION

	Existing	AIMCO Proposal	SDHC Counterproposal	AIMCO Counterproposal	LMA Updated Analysis
	Second Amended and Restated Ground Lease effective July 1, 2015	Developer e-mail April 13, 2020	SDHC Counterproposal November 2020	Developer Counterproposal April 2022	LMA Updated Analysis May 2022
PROJECT DESCRIPTION					
I. Site Area	31.005 Acres <sup>(1)</sup>	31.005 Acres	31.005 Acres	31.005 Acres	31.005 Acres
II. Number of Units					
Studio	0 Units	79 Units	79 Units	79 Units	78 Units
One Bedroom	200 Units	284 Units	284 Units	284 Units	282 Units
Two Bedroom	280 Units	362 Units	362 Units	362 Units	360 Units
Three Bedroom	20 Units	29 Units	29 Units	29 Units	28 Units
Townhome	0 Units	18 Units	18 Units	18 Units	18 Units
Additional Units	<u>0</u> Units	<u>0</u> Units	<u>0</u> Units	<u>6</u> Units	<u>6</u> Units
Total Units	500 Units	772 Units	772 Units	778 Units	772 Units
III. Affordability					
Low Income @ 60% AMI	0 Units (0% of Total)	0 Units (0% of Total)	0 Units (0% of Total)	6 Units (1% of Total)	6 Units (1% of Total)
Low Income @ 80% AMI	100 Units (20% of Total)	100 Units (13% of Total)	100 Units (13% of Total)	100 Units (13% of Total)	100 Units (13% of Total)
Moderate Income @ 120% AMI	<u>200</u> Units (40% of Total)	<u>200</u> Units (26% of Total)	<u>200</u> Units (26% of Total)	<u>200</u> Units (26% of Total)	<u>200</u> Units (26% of Total)
Total	300 Units (60% of Total)	300 Units (39% of Total)	300 Units (39% of Total)	306 Units (39% of Total)	306 Units (39% of Total)
IV. Average Unit Size	735 SF	943 SF	943 SF	not provided	936 SF
V. Year Built	1984	2026	2026	not provided	2029
GROUND LEASE PROVISIONS					
I. Rehabilitation / Redevelopment	Capital Improvements on or before July 1, 2021, to include: roof, siding, infrastructure, landscaping, and/or interiors	Demolition of existing structures; construction of 772 new residential units	Demolition of existing structures; construction of 772 new residential units	Demolition of existing structures; construction of 777 new residential units	Demolition of existing structures; construction of 772 new residential units
II. Investment	No less than \$25.0 M	No less than \$350.0 M	No less than \$350.0 M	not provided <div>Minimum investment not addressed in counterproposal.</div>	not provided <div>Minimum investment not addressed in counterproposal.</div>

(1) Not consistent with 30.21 acre site size estimate in Appraisal Report prepared by Jones, Roach & Caringella, Inc., March 12, 2020.

EXHIBIT A

COMPARISON OF EXISTING GROUND LEASE PROVISIONS  
MARINERS COVE  
SAN DIEGO HOUSING COMMISSION

	Existing	AIMCO Proposal	SDHC Counterproposal	AIMCO Counterproposal	LMA Updated Analysis
	Second Amended and Restated Ground Lease effective July 1, 2015	Developer e-mail April 13, 2020	SDHC Counterproposal November 2020	Developer Counterproposal April 2022	LMA Updated Analysis May 2022
III. Affordability	<ul style="list-style-type: none"><li>0 Units at 60% AMI (0% of Total)</li><li>100 Units at 80% AMI (20% of Total)</li><li>200 Units at 120% AM (40% of Total)</li></ul>	<ul style="list-style-type: none"><li>0 Units at 60% AMI (0% of Total)</li><li>100 Units at 80% AMI (13% of Total)</li><li>200 Units at 120% AM (26% of Total)</li><li>Potential for additional Low Income units off-site (number of units not specified)</li></ul>	<ul style="list-style-type: none"><li>0 Units at 60% AMI (0% of Total)</li><li>100 Units at 80% AMI (13% of Total)</li><li>200 Units at 120% AM (26% of Total)</li><li>27 Units developed off-site (10% of 272 incremental units developed)</li></ul>	<ul style="list-style-type: none"><li>6 Units at 60% AMI (1% of Total)</li><li>100 Units at 80% AMI (13% of Total)</li><li>200 Units at 120% AM (26% of Total)</li><li>Developer continues its efforts to add 100 units on Barnes Tennis Center site which will include 10 affordable units</li></ul> <div>Potential for additional Low Income units off-site not addressed in counterproposal</div>	<ul style="list-style-type: none"><li>6 Units at 60% AMI (1% of Total)</li><li>100 Units at 80% AMI (13% of Total)</li><li>200 Units at 120% AM (26% of Total)</li></ul> <div>Potential for additional Low Income units off-site not addressed in counterproposal</div>
IV. Off-site Affordable Housing	----	<p>Provide AIMCO option to sell, transfer, or assign existing HAP Contract to alternate property</p> <p>AIMCO to have right to transfer/ sell/assign interest in off-site housing to qualified owner/operator</p>	<p>No right to sell, transfer, or assign existing HAP Contract to alternative property, unless alternate method of complying with SB 330 is proposed. (2)</p> <p>AIMCO to have right to transfer/ sell/assign interest in off-site housing to qualified owner/operator</p>	No longer requesting option to sell, transfer, or assign existing HAP Contract to alternate property	No longer requesting option to sell, transfer, or assign existing HAP Contract to alternate property
V. Term	55 years + one 20-year option July 1, 2015 - December 31, 2070; (with option term would expire December 31, 2090)	99 years or 55 years + two 22-year options	55 years + one 20-year option July 1, 2015 - December 31, 2070; (with option term would expire December 31, 2090)	55 years + one 20-year option July 1, 2015 - December 31, 2070; (with option term would expire December 31, 2090)	55 years + one 20-year option July 1, 2015 - December 31, 2070; (with option term would expire December 31, 2090)

(2) Adjusted/clarified 2/2/2021.

EXHIBIT A

COMPARISON OF EXISTING GROUND LEASE PROVISIONS  
MARINERS COVE  
SAN DIEGO HOUSING COMMISSION

	Existing	AIMCO Proposal	SDHC Counterproposal	AIMCO Counterproposal	LMA Updated Analysis																					
	Second Amended and Restated Ground Lease effective July 1, 2015	Developer e-mail April 13, 2020	SDHC Counterproposal November 2020	Developer Counterproposal April 2022	LMA Updated Analysis May 2022																					
VI. Ground Lease Payment	<div>Balance of 2015: 6% of Gross income Lease</div> <table><thead><tr><th>Calendar Year</th><th>Payment</th><th>Escalation</th></tr></thead><tbody><tr><td>2016</td><td>\$667,640</td><td></td></tr><tr><td>2017</td><td>\$767,640</td><td>15.0%</td></tr><tr><td>2018</td><td>\$867,640</td><td>13.0%</td></tr><tr><td>2019</td><td>\$967,640</td><td>11.5%</td></tr><tr><td>2020</td><td>\$1,203,326</td><td>24.4%</td></tr><tr><td>2021</td><td>\$1,239,426</td><td>3.0%</td></tr></tbody></table> <div>For 2022 and each year following, Ground Rent shall be increased based on CPI.</div>	Calendar Year	Payment	Escalation	2016	\$667,640		2017	\$767,640	15.0%	2018	\$867,640	13.0%	2019	\$967,640	11.5%	2020	\$1,203,326	24.4%	2021	\$1,239,426	3.0%	Unchanged from existing Ground Lease	Ramp-up of ground rent at 10%/year during Years 2022 - 2031	<ul style="list-style-type: none"><li>CPI increase in ground rent every year after 2022 ceased until redevelopment is completed</li><li>Ground rent paid in 2022 stays in place until project stabilization</li><li>Annual CPI increase (capped at 3%) to resume after project reaches stabilization</li></ul>	<ul style="list-style-type: none"><li>CPI increase in ground rent every year after 2022 ceased until redevelopment is completed</li><li>Ground rent paid in 2022 stays in place until project stabilization</li><li>Annual CPI increase (capped at 3%) to resume after project reaches stabilization</li></ul>
Calendar Year	Payment	Escalation																								
2016	\$667,640																									
2017	\$767,640	15.0%																								
2018	\$867,640	13.0%																								
2019	\$967,640	11.5%																								
2020	\$1,203,326	24.4%																								
2021	\$1,239,426	3.0%																								
VII. Ground Lease Payment Adjustments / Reappraisal	<div>Lessor at its sole option may have calendar rent for 2041 be fair market rent based on current conditions of Improvements and applicable restrictions.</div> <div>Each year thereafter through the term ending 12/31/70 shall be subject to a CPI increase.</div> <div>If Lessee exercises option to extend the Term, annual Ground Rent for the first year of the option period will be based on fair market rent for the Property, and subject to an annual CPI increase every year thereafter.</div>	Unchanged from existing Ground Lease	<div>Appraisal milestones every 10 years beginning in Year 2032</div> <div>For each appraisal milestone year, previous year ground rent reflects ground rent floor</div>	Unchanged from existing Ground Lease	Unchanged from existing Ground Lease																					

EXHIBIT B

PROJECTED DEVELOPER RETURNS AND ESTIMATED VALUE OF LEASED FEE <sup>(1)</sup>  
MARINERS COVE  
SAN DIEGO HOUSING COMMISSION

	A	B	C	D	E	F
	EXISTING	AIMCO PROPOSAL	SDHC COUNTERPROPOSAL	AIMCO COUNTERPROPOSAL	LMA Updated Analysis	KMA Sensitivity Tests
	Second Amended Ground Lease effective July 1, 2015	Developer e-mail April 13, 2020	SDHC Counterproposal November 2020	Developer Counterproposal April 2022	LMA Updated Analysis May 2022	KMA Sensitivity Tests May 2022
	500 Units	772 Units	772 Units	777 Units	772 Units	772 Units
	75 Year Lease Term <sup>(2)</sup>	99 Year Lease Term <sup>(3)</sup>	75 Year Lease Term <sup>(3)</sup>	75 Year Lease Term <sup>(3)</sup>	75 Year Lease Term <sup>(3)</sup>	75 Year Lease Term <sup>(3)</sup>
<b>Key Assumptions:</b>						
Annual Ground Rent Escalator Lease Yrs 7-11	2.5%	2.5%	10.0%	0.0%	2.5%	2.5%
Annual Ground Rent Escalator Lease Yrs 12-16	2.5%	2.5%	10.0%	2.5%	2.5%	2.5%
Annual Ground Rent Escalator Lease Yrs 17+	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Annual Land Value Escalator	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Re-Appraisal Years <sup>(4)</sup>	2041, 2071	2041, 2071, 2093	2032, 2042, 2052 2062, 2072, 2082	2041, 2071	2041, 2071	2041, 2071
Prevailing Wages	---	Yes	Yes	Yes	Yes	Yes
Cost Reduction	---	---	---	---	---	-10.00%
Cost Escalation	---	---	---	---	7.5%/year	5.0%/year
Income Escalation	2.5%	3.50%	3.50%	3.50%	3.00%	3.50%
Total Development Cost w/o Acquisition <sup>(5)</sup>	\$25.0 M	\$360.9 M	\$360.9 M	\$360.9 M	\$507.1 M	\$439.0 M
Acquisition Costs	<u>\$135.0 M</u>	<u>\$135.0 M</u>	<u>\$135.0 M</u>	<u>\$135.0 M</u>	<u>\$151.0 M</u>	<u>\$151.0 M</u>
Total Development Costs	\$160.0 M	\$495.9 M	\$495.9 M	\$495.9 M	\$658.1 M	\$590.0 M
<b>I. Projected Developer Returns</b>						
A. Developer Unleveraged IRR	6.6%	8.1%	7.8%	Developer did not provide updated cash flow projection	6.7%	7.7%
B. Developer Leveraged IRR	7.9%	9.3%	9.2%		7.6%	---
B. Off-Site Inclusionary Financing Gap	---	\$3.1 M <sup>(6)</sup>	\$3.1 M <sup>(6)</sup>		---	---
<b>II. Estimated Value of Leased Fee <sup>(7)</sup></b>						
A. Ground Lease Payments	\$33.2 M	\$43.9 M	\$58.8 M	\$38.2 M	\$42.4 M	\$42.4 M
B. Reversion	<u>\$3.8 M</u>	<u>\$1.1 M</u>	<u>\$3.8 M</u>	<u>\$3.5 M</u>	<u>\$3.8 M</u>	<u>\$3.8 M</u>
C. Total <sup>(8)</sup>	\$37.0 M	\$44.9 M	\$62.5 M	\$41.7 M	\$46.1 M	\$46.1 M

(1) All projections based on AIMCO original pro forma submitted June 24, 2020 and August 28, 2020.

(2) Per Second Amended and Restated Ground Lease effective July 1, 2015, reflects 55 year ground lease term extended to include one 20-year option for a total of 75 years.

(3) Per Developer proposal, assumes ground lease term extended to include two 22-year options, for a total of 99 years.

(4) Assumes KMA estimates of reappraisal and ground rent adjustments at future milestone years.

(5) Excludes financing costs.

(6) KMA estimate. Assumes 27 affordable units with an affordability gap of \$115,000 per affordable unit. Cost obligation reflected in Developer outcomes.

(7) Reflects present value of annual ground lease payments and future reversion to Housing Authority. Assumes a discount rate of 8.0%.

(8) Allow for rounding error.