



Good Neighbors

San Diego
Housing Commission

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REPORT

DATE ISSUED: March 23, 2005

ITEM 105

REPORT NO.: HCR05-27
For the Agenda of April 8, 2005

SUBJECT: The Sale and Leaseback of the Property Located at 1625 Newton Avenue (District 8)

SUMMARY

Issue: Should the San Diego Housing Commission recommend to the Housing Authority of the City of San Diego that the Housing Commission be authorized to sell to Concordia Communities, LLC, or approved affiliate the main Housing Commission office facility located at 1625 Newton Avenue, and that the Housing Commission be further authorized to lease back the facility until its new offices at the Smart Corner are completed and ready for occupancy?

Recommendations: That the Housing Commission recommend to the Housing Authority approval of the following actions:

1. Authorize the Housing Commission to sell the office facility located at 1625 Newton Avenue to Concordia Communities, LLC, or approved affiliate for Six Million Fifty Thousand Dollars (\$6,050,000) pursuant to the Purchase and Sale Agreement (Attachment 1);
2. Authorize the Housing Commission to enter into a fifteen (15) month Leaseback Agreement (including options to extend lease) with Concordia, or approved affiliate to continue to occupy the office facility located at 1625 Newton Avenue (Attachment 2);
3. Authorize the President and Chief Executive Officer (CEO) to execute all documents, receive funds and make any expenditures necessary to implement these agreements, including lease extensions if needed.

Fiscal Impacts: Proceeds of Six Million Fifty Thousand Dollars (\$6,050,000) from the sale of the Newton Avenue property will be used toward the purchase of the Housing Commission's new office at the Smart Corner, as previously approved. Monthly lease payments of Thirty Four Thousand Dollars (\$34,000) are not to exceed Five Hundred Ten Thousand Dollars (\$510,000) for the fifteen (15) month term, with an additional

contingency amount of (\$408,000) for nine (9) lease extensions (the first six extensions would be at the same monthly rate of Thirty Four Thousand Dollars (\$34,000) and the last three monthly extensions would be at Sixty Eight Thousand Dollars (\$68,000).

Auditors Certificate: 05-096
Amount of Compensation: Maximum compensation to be paid over the 15 month leaseback agreement shall not exceed Five Hundred Ten Thousand Dollars (\$510,000) with an additional contingency amount of Four Hundred Eight Thousand Dollars (\$408,000) for lease extension options.
Revenue Source: Facilities Management
Division: Programs
Line Item: Building Rent

Equal Opportunity Statement: Concordia Communities, LLC is not a certified Disadvantaged, Women Owned or Disabled Veteran Business Enterprise. A Certificate of Compliance and a Workforce Analysis has been provided and shows that this vendor is in compliance with the San Diego Housing Commission Equal Opportunity Program. Information on the Workforce Analysis (Attachment 3) indicates that 19% of the company's workforce is minority.

Previous Related Actions: On July 18, 2003, the Housing Commission voted to recommend the Housing Authority approve a Purchase and Sale Agreement (PSA) with Lankford & Associates, Inc. for the Housing Commission's proposed office building (Report HCR02-063).

On July 29, 2003, the Housing Authority approved the PSA with Lankford & Associates, Inc. (HAR03-004).

Environmental Review: This project has been reviewed by City Environmental Analysis Staff and determined to be exempt from CEQA pursuant to CEQA Guidelines Section 15301. See Determination of Exemption which is attached as Attachment 6.

BACKGROUND

The San Diego Housing Commission moved into its current main offices at 1625 Newton Avenue in 1984, when its staff consisted of less than half of the current number of employees, thousands fewer families were assisted, and the budget was \$21.5 million compared to today's \$200+ million. The Housing Commission owns this retrofitted warehouse facility outright and historically has utilized its own revenues (no City General Funds are involved) to provide for all administrative needs, including office space. Over the past 20 years, renovations have been made to the site and warehouse space has been built out in increments to accommodate the need for more employees. Two other office facilities off site are leased to accommodate the growing menu of programs and number of staff employed.

In July of 2000, the Housing Commission established an ad hoc subcommittee of the Board to work with staff and Keyser Marston & Associates (KMA) to investigate options including renovation, lease of new offices, or purchase of a new facility. KMA's analysis eliminated leasing elsewhere as an option because of the expense and lack of equity appreciation, verified that renovation would yield a poor return on investment and leave the Agency with transportation issues, and suggested further investigation into purchase opportunities.

In the meantime, Center City Development Corporation (CCDC), which had purchased a city block at 12th Avenue and "C" Street, sought a developer for a transit-oriented, mixed-use development to help meet redevelopment plan goals. CCDC issued a Request for Proposals and, at the same time, the Housing Commission issued a Request for Qualifications for developers interested in developing an office facility for the Agency.

Lankford and Associates, Inc. successfully responded to both solicitations and, on November 27, 2001, the Housing Authority authorized the Housing Commission to enter into an Exclusive Negotiating Agreement (ENA) with Lankford & Associates. Extensive negotiations followed and in the summer of 2003, the San Diego Housing Commission and Housing Authority of the City of San Diego approved a Purchase and Sale Agreement (PSA) with Lankford and Associates, Inc. (Developer/Seller) which was subsequently executed on July 29, 2003. Under the terms of the PSA, the Developer/Seller is to construct for the Housing Commission a five story office building, consisting of one floor, the ground floor, for lease to retail establishments; one floor for office space to be leased to other non-profit or government organizations; three floors for the Housing Commission's offices and a four level subterranean parking garage. Two floors of parking are assigned to the adjacent condominium development that will share the site. These facilities will be constructed for a fixed guaranteed maximum price of \$23,846,160. The total project budget sources and uses approved by the Housing Commission and Housing Authority on July 23, 2003 and July 29, 2003, respectively, are as follows:

SOURCES

Loan Proceeds	\$ 20,441,260
SDHC Equity	\$ 1,500,000
SDG&E Credit	\$ 150,000
Value of existing Headquarters	<u>\$ 4,441,250</u>
	\$ 26,532,510

USES

Acquisition Cost	\$ 23,846,160
Leasing Commissions	\$ 270,000
Furniture, Fixtures and Equipment	\$ 2,050,000
Financing Costs	\$ 271,350
Moving Expenses	<u>\$ 95,000</u>
	\$ 26,532,510

The Housing Commission entered into an agreement with US Bank for the loan proceeds portion of the budget and the equity is held in Housing Commission reserves for this purpose. Staff is continuing to work with SDG&E on securing the credits and the sale of Newton Avenue, as proposed herein, would ensure that the required monies are available to fund the project.

Completion of the new facility was originally scheduled for November of 2005. The project has experienced initial time delays necessitating the granting of both six month time extensions allowed for under the terms and conditions of the PSA with the Developer. Excavation is now underway and the completion of construction and availability of the new facility for occupancy is scheduled for November of 2006.

DISCUSSION

Transition to the new office facility is complex. Given the structure of the purchase transaction, the primary risk involves sale of the current office property for the anticipated price in time to make the sale proceeds available to the purchase transaction. In this case, staff, in consultation with members of the Commission's Ad Hoc Office Building Sub-Committee, chose to act early to solicit purchasers for the real estate. If a transaction to sell the property is consummated prior to completion of the new facility, it is necessary for the Commission to lease back the building from the buyer. Furthermore, options to extend the lease are important so that potential delays in delivery of the new building can be accommodated by staying longer at Newton Avenue.

With these constraints in mind, the Housing Commission issued a Request For Proposals (RFP) on October 22, 2004, for the purchase and leaseback of the property and building located at 1625 Newton Avenue, San Diego, California. The Commission sought experienced, qualified businesses with adequate net worth and proven track records of successful closings to submit proposals. Note: This is not considered a sale of Government "surplus property" as the property continues to be utilized as the Housing Commission's main offices.

Sale of Newton Avenue

Advertisements were placed in the *San Diego Union*, the *San Diego Daily Transcript*, *La Prensa*, *San Diego Business Journal*, *Wall Street Journal* and the *Voice and Viewpoint* and mailings were sent to ninety three (93) commercial real estate brokers. During the thirty two (32) day proposal period a total of thirty six (36) solicitation packages were provided to interested businesses.

At the closing date of November 22, 2004, only Concordia Communities, LLC submitted a proposal. Their response included a purchase price of Six Million Fifty Thousand Dollars (\$6,050,000) and a leaseback rate of Thirty Four Thousand Dollars (\$34,000) a month. Since that time, Concordia has completed its due diligence and has submitted a best and final offer in which the sale and lease terms remained the same. Staff has determined that the proposed lease rate of seventy five cents (\$.75) per square foot is reasonable for the existing Newton Avenue offices.

On January 15, 2005, staff received an Updated Restricted Appraisal by Ohrmund Land Company for the Newton Avenue property. The previous appraisal, completed in December 2002 was for Four Million Six Hundred Seventy Five Thousand Dollar (\$4,675,000). The updated appraisal indicates a value for the property between Six and Seven Million Dollars which supports Concordia's offer, particularly because the sale is being handled by staff and General Counsel and no real estate commission, estimated at Five percent (5%) or Three Hundred Thousand Dollars (\$300,00), is being paid.

Concordia has obtained a Conditional Financing Commitment (Attachment 4) and their deposit of Two Hundred Fifty Thousand Dollars (\$250,000) has been received. The only remaining contingency to the transaction is the approval of the San Diego Housing Commission and the Housing Authority of the City of San Diego. Concordia has agreed to provide an additional Two Hundred Fifty Thousand Dollars (\$250,000) deposit upon receipt of the Housing Authority approval. Should Concordia not close the transaction by July 31, 2005, they will forfeit the entire Five Hundred Thousand Dollars (\$500,000).

Concordia Communities, LLC is a residential developer with offices in Carlsbad, California. Staff analysis indicates that Concordia Communities, LLC (Attachment 5) has adequate experience and net worth to complete this transaction.

Leaseback of Newton Avenue

Concordia has proposed a leaseback of the Newton Avenue property to the Housing Commission until the new building is available for occupancy. Under terms of the lease, Concordia would be responsible for maintaining the structural integrity of the property and for any property taxes. The Commission would be responsible for interior maintenance and utilities.

A Twenty Thousand Dollar (\$20,000) security deposit is required and the proposed rate of Thirty Four Thousand Dollars (\$34,000) per month is within the Housing Commission's budget for this purpose. The term of the initial lease would be through October 31, 2006, to coincide with the anticipated availability of the Smart Corner office building. Six monthly extensions are allowed at the same rate and, in addition, up to three more monthly extensions are authorized at a monthly rate of Sixty Eight Thousand Dollars (\$68,000).

Should these extensions be necessary, Lankford & Associates Inc. is required under the terms and conditions of the Purchase and Sale Agreement (PSA) to pay for all costs in excess of the San Diego Housing Commission's base occupancy costs at the Newton Avenue office.

Staff is recommending the sale of the property to Concordia, or approved affiliate and the leaseback of the property to the Housing Commission.

Alternative: Do not sell to Concordia and hire a broker to seek a purchaser at a higher price. This is not recommended as it creates uncertainty in the Commission's ability to fund the move in a timely manner and risks not securing a sufficient offer to pay additional broker fees and return substantially more than the current offer.

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Purchase and Leaseback of the Property and Building at 1625 Newton Avenue
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Respectfully submitted,

Approved by

Steve Snyder
Director of Facilities

**Signature on File
With Original Document**

Elizabeth C. Morris
President and Chief Executive Officer

G. Gelbman 578-7524

Attachment: 1- Purchase and Sale Agreement
2- Leaseback Agreement
3- Workforce Analysis
4- Conditional Financing Commitment
5- Concordia Disclosure Statement
6- Notice of Exemption

ATTACHMENT 1

PURCHASE AND SALE AGREEMENT, JOINT ESCROW INSTRUCTIONS AND LEASEBACK AGREEMENT

THIS PURCHASE AND SALE AGREEMENT, JOINT ESCROW INSTRUCTIONS AND LEASEBACK AGREEMENT (“Agreement”) is entered into as of this 16th day of March, 2005, by and between the SAN DIEGO HOUSING COMMISSION, a public agency (“Seller”) and Concordia Communities, LLC, a Delaware limited liability company (“Purchaser”).

RECITALS

A. Seller owns the fee interest in and to that certain parcel of real property located at 1625 Newton Avenue, San Diego, California, more particularly described on Exhibit “A,” attached hereto, together with all improvements and structures (the “Property”).

B. Seller desires to sell the Property to Purchaser, and Purchaser desires to purchase the Property from Seller, and after such sale, Seller and Purchaser desire for Seller to lease the Property back to Purchaser, all on the terms and conditions hereinafter provided.

AGREEMENT

FOR GOOD AND VALUABLE CONSIDERATION, the receipt and adequacy of which are acknowledged, Purchaser and Seller hereby agree as follows:

1. **PROPERTY.** The term “Property” shall mean all of the following:

1.1 **Real Property.** That certain parcel of real property located at 1625 Newton Avenue, San Diego, California, more particularly described on Exhibit “A” (the “Real Property”);

1.2 **Appurtenances.** All rights, privileges and easements appurtenant to the Real Property, including, without limitation, all minerals, oil, gas and other hydrocarbon substances on and under the Real Property, as well as any development rights, air rights, and water rights relating to the Real Property which are owned by Seller, and any other easements, rights-of-way or appurtenances which run with the Real Property and are used in connection with the beneficial use and enjoyment of the Real Property (collectively, the “Appurtenances”);

1.3 **Improvements.** All buildings, improvements and structures constructed on the Real Property (collectively, the “Improvements”); and

1.4 **Tenant Leases.** Seller’s interest as of the close of Escrow in all leases and rental agreements concerning the Property (collectively, the “Tenant Leases”), which Tenant Leases as of the date hereof are listed in the Exhibit “B.”

ATTACHMENT 2
LEASE AGREEMENT

THIS LEASE AGREEMENT (“Lease”), is made as of this 31st day of July, 2005, by and between Concordia Communities, LLC, a Delaware limited liability company (“Landlord”) and San Diego Housing Commission, a public agency (“Tenant”), with reference to the following facts:

RECITALS

A. Concurrently herewith, the Landlord is purchasing from Tenant that certain real property, situated in the City of San Diego, County of San Diego, State of California, more particularly described on attached Exhibit “A” (the “Property”), from the City of San Diego (“City”). The Property does not include Suites B and D, but includes all of the office building and all of the parking on the real property, except for four (4) parking spaces.

B. The sale of the Property from Tenant to Landlord was conditioned upon, *inter alia*, the parties entering into this Lease.

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

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

(a) Commencement Date. “Commencement Date” means the date first set forth above.

(b) Landlord. “Landlord” means the Concordia Communities, LLC, a Delaware limited liability company.

(c) Event of Default. “Event of Default” has that meaning set forth in Section 12(a) of this Lease.

(d) Hazardous Materials. “Hazardous Materials” means any substances defined as “extremely hazardous substances,” “hazardous substances,” “hazardous materials,” “hazardous waste,” or “toxic substances,” in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. §9601, et seq., as amended; the Emergency Planning and Community Right-To-Know Act, 42 U.S.C. §§11001-11050, as amended; the Hazardous Materials Transportation Act, 49 U.S.C. §1801, et seq., as amended; the Toxic Substances Control Act, 15 U.S.C. §2601, et seq., as amended; the Resource Conservation and Recovery Act, 42 U.S.C. §6901, et seq.; and those substances defined as “hazardous waste” in Section 25117 of the California Health & Safety Code, as “infectious waste” in Section 25117.5 of the

California Health & Safety Code, or as “hazardous substances” in Section 25316 of the California Health & Safety Code or “hazardous materials” as defined in Section 353 of the California Vehicle Code; and in the regulations adopted and publications promulgated pursuant to said laws.

(e) Improvements. “Improvements” means the buildings, improvements and structures constructed on the Property.

(f) Property. “Property” means collectively that certain real property described on Exhibit “A”, attached hereto, and the Improvements.

(g) Rent. “Rent” shall have that meaning ascribed to it in Section 3 of this Lease.

(h) Tenant. “Tenant” means the San Diego Housing Commission, a public agency.

(i) Term. The “Term” of this Lease shall commence as of the Commencement Date, and unless sooner terminated as provided in this Lease, shall expire and terminate at 12:00 midnight, on October 31, 2006, provided, however, that Tenant shall have the right to nine (9) 30-day extensions of this Lease, by providing written notice to Landlord not less than five (5) days prior to October 31, 2006, and not less than five (5) days prior to expiration of each 30-day extension. Landlord shall have no right to terminate this Lease prior to the expiration of the Term, including without limitations any extensions of this Lease, except as provided in Section 12 of this Lease.

2. Use of the Property.

(a) Tenant’s Use. During the Term, Landlord shall lease the Property to Tenant. During the Term of this Lease, Tenant and its subtenants, unless prevented by conditions beyond Tenant’s control, shall keep the Property in a neat, clean, and orderly condition at all times during occupancy, and shall not permit rubbish, waste, garbage, etc., to accumulate at any time; shall not commit, suffer to permit any waste of said Property or any acts to be done in violation of any laws or ordinances; shall not use or permit the use of said Property for any illegal purposes; and shall comply with all applicable laws and local ordinances concerning said Property and the use thereof. Furthermore, Tenant shall indemnify, defend and hold Landlord harmless from any and all loss or liability to Landlord resulting from activities of Tenant, its employees or agents upon the Property.

(b) Maintenance of the Property by Landlord. During the Term of this Lease and any renewal or extension thereof, Landlord shall, at its own cost and expense, keep the exterior roof, sidewalls, structural supports, and foundations of the building on the Property in good repair, and make all repairs necessary to ensure the continued structural integrity of the Property during the Term of this Lease.

(c) Maintenance of the Property by Tenant. Except as provided in Section 2(b), above, Tenant shall, at Tenant’s own cost and expense, during the Term of this Lease or any extension of such Term:

(1) keep and maintain the interior of the Property in good order, repair, and habitable condition; and

(2) repair any damage cause by the sole negligence or abuse of the Property by Tenant or its employees, agents, subtenants or permittees.

(d) Alterations to Property. Tenant may not make, without the approval of Landlord, structural alterations or improvements to the interior and/or exterior of the Property. Nothing contained herein does or shall be interpreted to limit Tenant's right to make nonstructural alterations or improvements to the interior and/or exterior of the Property. All improvements and alterations made by Tenant on the Property shall comply with the requirements of any federal, state or municipal authority having jurisdiction.

(e) Ownership of Improvements and Trade Fixtures. Any alterations, improvements, or installations made by Tenant to the Property shall become a part of the realty and belong to the Landlord. On expiration or earlier termination of this Lease, Tenant shall surrender the Property and all improvements thereon to the Landlord in decent, safe and sanitary conditions, excluding ordinary wear and tear. Notwithstanding the foregoing, Tenant shall have the right to remove all of Tenant's personal property, including without limitation furniture and equipment, and to remove improvements permitted under Section 2(d) of this Lease, if any, from the Property at the expiration or earlier termination of the Term provided that Tenant repairs any damage to the Property caused by such removal.

(f) Surrender of Property. Upon expiration or earlier termination of this Lease, Tenant shall promptly surrender and deliver the Property to Landlord in as good condition as the Property existed on the date of this Lease, excluding reasonable wear and tear.

3. Rent.

(a) Monthly Rent. Tenant shall pay to Landlord a gross monthly rent equal to Thirty-Four Thousand and No/100 DOLLARS (\$34,000.00) (the "Rent"), each month on the first day of the month during the Term of this Lease. All Rent shall be paid to Landlord at the address to which notices to Landlord are given, or to such other person or such other place as directed from time to time by written notice to Tenant from Landlord. If Tenant exercises any of the nine (9) one-month extensions of the Term of this Lease, as set forth in Section 1(i), above, the gross monthly Rent for each of the first six (6) one-month extensions, if exercised, shall be Thirty-Four Thousand and No/100 Dollars (\$34,000.00), and the gross monthly Rent for each of the seventh, eighth, and ninth one-month extensions, if exercised, shall be Sixty-Eight Thousand and No/100 Dollars (\$68,000.00).

(b) Delinquent Rent. In the event all or any part of the applicable Rent is more than fifteen (15) days past due, the Tenant shall pay the Landlord in addition to the delinquent Rent, a sum of money equal to one percent (1%) of said delinquent Rent; provided, however, in the event said delinquent Rent is more than forty-five (45) days past due the Tenant shall pay Landlord, instead of said one percent (1%) of said delinquent Rent, a sum of money equal to two

percent (2%) of said delinquent Rent. It is the intent of the parties hereto, that Landlord shall be compensated by such additional sums for loss resulting from the rental delinquency including costs to the Landlord of servicing the delinquent account. The Landlord may for good cause, waive any such delinquency compensation required herein, upon written application of Tenant.

(c) Security Deposit. Immediately following the execution of this Lease, the Tenant shall pay to the Landlord the sum of TWENTY THOUSAND AND NO/100 DOLLARS (\$20,000.00) as a security deposit to insure the faithful performance of the terms of this Lease.

(d) Inspection of Property. Landlord shall have the right of entry upon the Property at reasonable times and upon reasonable notice of not less than seventy-two (72) hours for the purpose of inspecting the condition of the Property. Any such inspections shall be performed with as little disturbance and inconvenience to Landlord and its subtenants as reasonably possible. Landlord shall indemnify, defend and hold Tenant harmless from and against any and all loss or liability to Tenant resulting from the activities of Landlord, its employees or agents upon the Property.

4. Covenants and Conditions.

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

(b) Right to Assign and Sublet the Property. Tenant may assign this Lease or any interest herein and may sublease any portion of the Property; notwithstanding the foregoing, Tenant may sublease a portion of the Property to the Housing Department Partners of San Diego (“HDP”). Provided, however, that in no event may the term of Tenant’s sublease, including any extensions hereof, as set forth in Section 1(i), above, that are actually exercised by Tenant.

5. Compliance With All Codes, Orders and Ordinances.

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

(b) Disputes. Tenant shall have the right to contest by appropriate legal proceedings, the validity or application of any law, ordinance, order, rule, regulation or requirement of the nature referred to in Section 5(a) above, and if by the terms of any such law, ordinance, order, rule, regulation or requirement, compliance therewith (pending the prosecution of any such proceeding) may legally be held in abeyance without the incurrence of a lien, charge or liability

of any kind against the Property and Tenant may postpone compliance therewith until the final determination of any proceedings, provided that all such proceedings shall be prosecuted with all due diligence and dispatch. Under no circumstances shall any such contest of any law, ordinance, order, rule, regulation or requirement of the nature referred to in Section 5(a) above, result in any cost, liability or expense to Landlord whatsoever.

6. Utilities. Tenant shall pay or cause to be paid, as and when they become due and payable, all charges for water, gas, light, heat, telephone, electricity, garbage, refuse and all other utilities and communication services rendered or used on or about the Property or the Improvements at all times during the Term of this Lease. Provided, however, that nothing contained in this Section 9 of this Lease, shall limit or otherwise impair Tenant's ability to charge the subtenants, if any, for such amounts and/or to have all such amounts billed directly to the subtenants.

7. Payment of Taxes, Assessments, Etc.

(a) Landlord to Pay All Taxes When Due. Landlord shall pay, before delinquency, all taxes, assessments, license fees and public charges levied, assessed or imposed upon or measured by the value of the Property, including but not limited the building and the land.

(b) Tenant Right to Cure. If Landlord in violation of the provisions of Section 7(a), above, shall fail to pay and discharge any tax, the Tenant may, but shall not be obligated to, pay or discharge such tax, and all such amounts paid by the Tenant, including without limitation, costs, expenses, penalties and attorneys' fees, together with simple interest at an annual rate of ten percent (10%) per annum, from the date of any such payment. Such amounts shall at Tenant's sole and absolute discretion, either: (1) be taken by Tenant as a credit against any Rent due from Tenant to Landlord; or (2) be deemed to be and shall be payable immediately by Landlord to Tenant.

8. Damages or Destruction of the Improvements. Landlord covenants that in case of damage to or destruction of the Improvements by fire or any other cause, similar or dissimilar, insured or uninsured, or if for any reason all or any material part of the Property cannot reasonably be occupied by Tenant, Tenant in Tenant's sole and absolute discretion may: (1) terminate this Lease (in which case no additional Rent shall be due from Tenant to Landlord); or (2) require Landlord, at Landlord's sole cost and expense, restore, repair, replace or rebuild the Improvements as nearly as possible to the condition, quality and class such Improvements were in immediately prior to such damage or destruction (in which case Tenant shall be obligated to pay Rent to Landlord, provided however that the Rent shall be reduced proportionately by the percentage of the Improvements that cannot reasonably be occupied by Tenant). Such restoration, repairs, replacement or rebuilding shall be commenced promptly and prosecuted with reasonable diligence. If insurance proceeds, if any, recovered in respect of any insured damage or destruction, less any cost of recovery, shall be insufficient to pay the entire cost of such restoration, repairs, replacement or rebuilding, Landlord covenants to pay any deficiency in its entirety.

9. Environmental. Tenant shall not use, treat, store or dispose of, or knowingly permit anyone else, to use, treat, store or dispose of, whether temporarily or permanently, any Hazardous Materials at, on or beneath the Property, except (i) as set forth in the Phase I Environmental Assessment Report for the Property, dated as of July 30, 2003, issued by Alisto Engineering Group I; (ii) as set forth in the Phase II Environmental Assessment Report (the "Phase II") for the Property, dated as of November 25, 2003, issued by Alisto Engineering Group, and (iii) that Landlord has orally informed Tenant that Landlord purportedly discovered an unidentified substance under a portion of the Property that may or may not be a Hazardous Material.

10. Required Insurance.

(a) Landlord Minimum Insurance Requirements. During the Term of this Lease, Landlord at its sole cost and expense shall keep or cause to be kept a policy or policies of insurance against loss or damage to the Improvements on the Property resulting from fire, windstorm, hail, lightning, vandalism, malicious mischief, and such other perils ordinarily included in extended coverage casualty insurance policies. All insurance hereunder shall be maintained in an amount not less than one hundred percent (100%) of the Full Insurable Value of the Improvements as defined below.

(b) Definition of Full Insurable Value. The term "Full Insurable Value", as used in Section 10(a), shall mean the actual replacement cost of the Improvements.

(c) Tenant Minimum Insurance Requirements. During the Term of this Lease, Tenant at its sole cost and expense shall maintain or cause to be maintained public liability insurance, naming the Landlord as additional insured, to protect against loss from liability imposed by law for damages on account of personal injury, including death therefrom, suffered or alleged to be suffered by any person or persons whomsoever, in on or about the Property; to protect against loss from liability imposed by law for damages on account of personal injury, including death therefrom, as a result of the acts or omissions of Tenant. Such personal injury and property damage insurance shall be maintained in full force and effect during the entire Term of this Lease in an amount of at least Two Million Dollars (\$2,000,000) combined single limit.

(d) Failure to Maintain Insurance. If Tenant or Landlord fails or refuses to procure or maintain insurance, as required by this Lease to be procured and maintained by Tenant or Landlord, respectively, either party shall have the right in each of their sole and absolute discretions, but not the obligation, to procure and maintain the insurance described in this Section 10, and all amounts paid therefore shall be deemed to be and shall be payable immediately from the party required to maintain the insurance to the party that paid for such insurance.

11. Condemnation.

(a) Tenant's Option to Terminate. In the event that during the Term, all or any portion of the Property is subject to a taking or a threatened taking by public authority, Tenant shall have the right, exercisable by giving notice to Landlord within fifteen (15) days after receiving written

notice of such taking, either (i) to terminate this Lease, in which case neither party shall have any further rights or obligations hereunder, except that any Rent shall be allocated between the Landlord and Tenant on a pro rata basis to the date of termination of this Lease, or (ii) to continue to occupy the Property with a reduction in Rent in a proportion equal to the amount by which the square footage of the property taken bears to the total square footage of the Property as of the Effective Date of this Lease.

(b) Tenant Participation in Condemnation Proceedings. Tenant shall have the right to participate in any condemnation proceeding for the sole and limited purpose of protecting its rights under this Lease, and in this connection, specifically and without limitation to introduce evidence independently of Landlord to establish the value of or damage to the Improvements.

12. Events of Default.

(a) Events of Default and Right to Cure. If (i) Tenant at any time is in default with respect to any Rent payments or other charges payable by Tenant under this Lease, and if such default continues for a period of fifteen (15) days after written notice from Landlord to Tenant; or (ii) Tenant is in material default in the prompt and full performance of any other of its promises, covenants or agreements contained in this Lease and such default or breach of performance continues for more than a reasonable time (not to exceed forty-five (45) days) after written notice thereof from Landlord to Tenant specifying the particulars of such default or breach of performance; or (iii) Tenant abandons the Property; then Landlord may treat the occurrence of any one or more of the foregoing events as a breach of this Lease (an “Event of Default”), and in addition to any or all other rights or remedies of Landlord under this Lease or as otherwise permitted by law, Landlord shall have the right to declare the Lease Term ended, to declare this Lease terminated and to reenter the Property and take possession thereof and remove all persons therefrom, and Tenant shall have no further claim thereon.

(b) Termination of Lease. Should Landlord elect to terminate this Lease under the provisions of Sections 12(a), above, Landlord may recover from Tenant as damages:

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

(2) any other amount necessary to compensate Landlord for the detriment proximately caused by Tenant’s failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom.

(c) Furniture, Fixtures and Equipment. In the event of default, Tenant shall retain all of Tenant’s rights with respect to all of Tenant’s personal property, including without limitation furniture and equipment, and with respect to the alterations, improvements, or installations set forth in Section 2(e), above.

(d) Compliance. Landlord shall not be deemed to be in default in the performance of any obligation required to be performed by it under this Lease until it has failed to perform such

obligation within ten (10) days after written notice by Tenant to Landlord specifying the nature of Landlord's default.

13. Estoppel Certificates.

(a) By Tenant. Tenant agrees at any time and from time to time upon not less than ten (10) days prior notice by Landlord to execute, acknowledge and deliver to Landlord and/or Landlord's lender(s) a statement in writing certifying that this Lease is unmodified and in full force and effect (or if there have been modifications that the Lease is in full force and effect as modified and stating the modifications) and stating whether or not to the best knowledge of the signer of such statement Landlord is then in default or may be in default with notice or the passage of time, or both, in keeping, observing or performing any term, covenant, agreement, provision, condition or limitation contained in this Lease, and, if in default, specifying each such default, it being intended that any such statement delivered pursuant to this Section may be relied upon by Landlord or any prospective purchaser of the Property, but reliance on such statement may not extend to any default as to which the signer shall have had no actual knowledge. Furthermore, Tenant agrees to cooperate with the reasonable requirements of Landlord's lender(s), including the execution of such subordination agreements, nondisturbance agreements and attornment agreements, as approved by the President and CEO of Tenant and General Counsel, in their reasonable discretions.

(b) By Landlord. Landlord agrees at any time and from time to time upon not less than ten (10) days prior notice by Tenant to execute, acknowledge and deliver to Tenant a statement in writing certifying that this Lease is unmodified and in full force and effect (or if there shall have been modifications that the Lease is in full force and effect as modified and stating the modifications), the dates to which the Rent has been paid, and stating whether or not to the best knowledge of the signer of such statement Tenant is then in default or may be with notice or the passage of time, or both, in keeping, observing or performing any term, covenant, agreement, provision, condition or limitation contained in this Lease and, if Tenant shall be in default, specifying each such default of which the signer may have knowledge, it being intended that such statement delivered pursuant to this Section may be relied upon by any prospective transferee of Tenant's interest in this Lease, but reliance on such certificate may not extend to any default as to which the signer shall have had no actual knowledge.

14. Notices. All notices under this Lease shall be in writing and sent by (a) certified or registered mail, return receipt requested, in which case notice shall be deemed delivered seven (7) business days after deposit, postage prepaid in the United States Mail, (b) by a nationally recognized overnight courier such as FedEx, in which case notice shall be deemed delivered one (1) business day after deposit with that courier, (c) by facsimile, in which case notice shall be deemed delivered one (1) business day after confirmation of receipt, or (d) by personal delivery, in which case notice shall be deemed delivered upon the actual date of delivery. All notices shall be delivered to the following addresses:

If to the Tenant:
San Diego Housing Commission
Attn: Elizabeth Morris, Chief Executive Officer

1625 Newton Avenue
San Diego, CA 92113
Tel: (619) 578-7533
Fax: (619) 578-7360

And To:

San Diego Housing Commission
Attn: Steve Snyder
1625 Newton Avenue
San Diego, CA 92113
Tel: (619) 578-7545
Fax: (619) 578-7360

With a copy to:

Charles B. Christensen, Esq.
Christensen Schwerdtfeger & Spath LLP
444 West C Street, Suite 200
San Diego, CA 92101
Tel: (619) 236-9343
Fax: (619) 236-8307

If to the Landlord:

Concordia Communities
1903 Wright Place Suite 120
Carlsbad CA 92008
Tel: (760) 804-1579
Fax: (760) 804-1577

With a Copy To:

Luce Forward Hamilton & Scripps LLP
Attn: David Hymer
600 West Broadway, Suite 2600
San Diego, CA 92102-3372
Tel: (619) 699-2518
Fax: (619) 645-5334

Service of any such notice or demand so made by mail shall be deemed completed on the day of actual delivery as shown by the addressee's registry or certification receipt or at the expiration of the second day after the date of mailing, whichever is earlier in time. Either party may designate by notice in writing given in the manner specified above a new or other address to which such notice or demand shall thereafter be so given or made.

15. As-Is. Tenant hereby agrees to lease the Property "As-Is" from Landlord, without relying on any communications that may have been made by Landlord, or any of Landlord's agents or employees, with respect to the Property or Tenant's intended use thereof. Without

limiting the generality of the foregoing, Tenant shall be solely responsible for determining the condition of the property.

16. No Holdover. In no event shall the tenant continue to occupy the Property after the expiration of the Term of this Lease (which Term shall be deemed to include any extensions hereof, as set forth in Section I(i), above) without the written consent of Landlord. In the event tenant holds-over and continues to occupy the Property in violation of this Section 16, Tenant shall continue to pay the monthly Rent, as set forth in section 3(a), above, to Landlord for the period of any such holdover, and Tenant shall indemnify, defend and hold Landlord harmless from any and all loss, damage, claim, cost, expense, or liability (including, without limitation, attorney's fees and costs) resulting from such holdover.

17 General Conditions.

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

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

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

(d) Binding Effect. This Lease shall be binding upon and inure to the benefit of the parties and their respective legal representatives, successors, heirs and permitted assigns.

(e) Modifications; Waiver. No waiver, modification, amendment, discharge or change of this Lease shall be valid unless it is in writing and signed by the party against which the enforcement of the modification, waiver, amendment, discharge or change is sought.

(f) Entire Agreement. This Lease contains the entire agreement between the parties relating to the transactions contemplated by this Lease and all prior or contemporaneous agreements, understandings, representations or statements, oral or written, are superseded.

(g) Partial Invalidity. Any provision of this Lease which is unenforceable, invalid, or the inclusion of which would adversely affect the validity, legality, or enforcement of this Lease shall have no effect, but all the remaining provisions of this Lease shall remain in full effect.

(h) No Third-Party Rights. Nothing in this Lease, express or implied, is intended to confer upon any person, other than the parties to this Lease and their respective successors and assigns, any rights or remedies.

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

(j) Attorneys' Fees. If any legal action or any other proceeding, including arbitration or an action for declaratory relief, is brought to enforce this Lease or because of a dispute, breach, default or misrepresentation in connection with this Lease, the prevailing party shall be entitled to recover reasonable attorneys' fees and other costs incurred in that action or proceeding, in addition to any other relief to which that party may be entitled. Prevailing party shall include without limitation (a) a party who dismisses an action in exchange for sums allegedly due; (b) the party that receives performance from the other party alleged to have breached a covenant or the party that receives a desired remedy; or (c) the party determined to be the prevailing party by a court of law.

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

(l) Tenant Approval. Where this Lease refers to an action or approval of the Tenant, it shall mean the approval of the Chief Executive Officer of the San Diego Housing Commission, or designee, unless otherwise provided.

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

(n) Further Assurances. Landlord and Tenant agree to execute all such instruments and documents and to take all actions pursuant to the provisions hereof in order to consummate the purchase and sale herein contemplated and shall use their commercially reasonable efforts to accomplish the Close of Escrow in accordance with the provisions hereof.

(o) Real Estate Brokers. Landlord and Tenant each agree that, to the extent any real estate commission or brokerage and/or finder's fee shall be earned or claimed in connection with this Lease, the payment of such fee or commission, and the defense of any action in connection therewith, shall be the sole and exclusive obligation of the party who requested the services of the broker and/or finder. In the event that any claim, demand or cause of action or brokerage and/or finder's fee is asserted against the party to this Lease who did not request such services, the party through whom the broker or finder is making the claim shall indemnify, defend (with an attorney of the indemnitee's choice) and hold harmless the other from and against any and all such claims, demands and causes of action and expenses related thereto, including (without limitation) attorneys' fees and costs.

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

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

TENANT:

SAN DIEGO HOUSING COMMISSION, a public agency

By: _____
Elizabeth C. Morris, President & CEO

APPROVED AS TO FORM AND LEGALITY:
CHRISTENSEN SCHWERDTFEGER & SPATH LLP
HOUSING COMMISSION GENERAL COUNSEL

By: _____
Charles B. Christensen, Esq.

LANDLORD:

Concordia Communities, LLC, a Delaware limited liability company

By: _____
Print Name: _____
Its: _____

By: _____
Print Name: _____
Its: _____

Exhibit "A"

Legal Description of the Property

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

THAT PORTION OF BLOCK 92 OF MANNASSE AND SCHILLER'S SUBDIVISION OF PUEBLO LOT 1157, IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF NO. 209, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY ON JULY 11, 1870, INCLUDING THE CLOSED PORTION OF THE ALLEY IN SAID BLOCK WHICH LIES NORTHWESTERLY OF THE SOUTHEASTERLY LINE OF LOTS 18 AND 31 IN SAID BLOCK AND THE PROLONGATION OF SAID SOUTHEASTERLY LINE ACROSS SAID ALLEY, AND SOUTHEASTERLY OF A LINE CONCENTRIC AND PARALLEL WITH AND DISTANT 10.00 FEET SOUTHEASTERLY; MEASURED RADially AND AT RIGHT ANGLES, FROM THE CENTER LINE OF SPUR TRACT LEADING THROUGH SAID BLOCK 92.

EXCEPTING THEREFROM THE NORTHEASTERLY ONE-HALF OF MAIN STREET, FORMERLY "O" STREET, AS VACATED AND CLOSED TO PUBLIC USE ON OCTOBER 30, 1918, BY RESOLUTION NO. 24058 OF THE COMMON COUNCIL OF THE CITY OF SAN DIEGO.

ALSO EXCEPTING THEREFROM THAT PORTION THEREOF, LYING BELOW A DEPTH OF 500.00 FEET, MEASURED VERTICALLY, FROM THE CONTOUR OF THE SURFACE OF SAID PROPERTY; HOWEVER, GRANTOR, OR ITS SUCCESSORS AND ASSIGNS SHALL NOT HAVE THE RIGHT FOR ANY PURPOSE WHATSOEVER TO ENTER UPON, INTO OR THROUGH THE SURFACE OF SAID PROPERTY, OR ANY PART THEREOF, LYING BETWEEN SAID SURFACE AND 500.00 FEET BELOW SAID SURFACE.

1.5 Property Contracts. Seller's interest as of the close of Escrow in all agreements or understandings concerning the Property by which Purchaser would be bound following the Close of Escrow (collectively, the "Property Contracts"), which Property Contracts as of the date hereof are listed in the Exhibit "C."

2. **PURCHASE AND SALE**. In consideration of the mutual covenants in this Agreement, and on the terms and conditions set forth herein, Seller agrees to sell the Property in fee simple and "As-Is" to Purchaser, and Purchaser agrees to purchase the Property "As-Is" from Seller, as provided herein.

3. **DEFINITIONS**. As used in this Agreement, the following terms shall have the following meanings:

3.1 ALTA Survey. "ALTA Survey" shall have the meaning ascribed to it in Section 8.1.4 of this Agreement.

3.2 Approved Exceptions. "Approved Exceptions" shall have the meaning ascribed to it in Section 9 of this Agreement.

3.3 **Intentionally Left Blank**

3.4 Appurtenances. "Appurtenances" shall have the meaning ascribed to it in Section 1.2 of this Agreement.

3.5 **Intentionally Left Blank**

3.6 Closing. "Closing" shall mean the close of Escrow as provided herein.

3.7 Closing Date. "Closing Date" shall mean the date on which the Closing occurs, which shall be July 31, 2005 or such earlier date as the parties may mutually agree.

3.8 Commission Lease. "Commission Lease" shall have the meaning ascribed to it in Section 5 of this Agreement.

3.9 Commission Lease Property. "Commission Lease Property" shall have the meaning ascribed to it in Section 5 of this Agreement.

3.10 Deposit. "Deposit" shall have the meaning ascribed to it in Section 4.2 of this Agreement.

3.11 Effective Date. "Effective Date" shall mean the date on which the last of the following has occurred: (i) this Agreement has been duly executed by all parties hereto, including Seller's General Counsel; (ii) this Agreement has been formally approved by resolution of the Seller's board; and (iii) this Agreement has been formally approved by resolution of the Housing Authority of the City of San Diego. Under no circumstances will this Agreement be effective before all of the preceding have occurred.

3.12 Escrow. “Escrow” shall mean and refer to the escrow depository and disbursement services to be performed by Escrow Agent pursuant to the provisions of Section 6 below.

3.13 Escrow Agent. “Escrow Agent” shall mean Chicago Title Company, located at 925 B Street, San Diego, California, 92101.

3.14 Grant Deed. “Grant Deed” shall mean a duly executed and acknowledged grant deed conveying fee simple title to the Real Property from Seller to Purchaser.

3.15 Hazardous Materials. “Hazardous Materials” shall have the meaning ascribed to it in Section 10.7 of this Agreement.

3.16 Immediately Available Funds. “Immediately Available Funds” shall mean a bank wire transfer or a certified bank or cashier’s check.

3.17 Improvements. “Improvements” shall have the meaning ascribed to it in Section 1.3 of this Agreement.

3.18 Material. “Material” shall have the meaning ascribed to it in Section 15.6 of this Agreement.

3.19 Opening of Escrow. “Opening of Escrow” shall mean the date that the parties cause the Escrow to be opened with Escrow Agent, which date shall be no later than two (2) business days after the Effective Date.

3.20 **Intentionally Left Blank**

3.21 Phase I. “Phase I” shall have the meaning ascribed to it in Section 8.1.5 of this Agreement.

3.22 Phase II. “Phase II” shall have the meaning ascribed to it in Section 8.1.6 of this Agreement.

3.23 Property. “Property” shall have the meaning ascribed to it in Section 1 of this Agreement.

3.24 Property Contracts. “Property Contracts” shall have the meaning ascribed to it in Section 10.6 of this Agreement.

3.25 Purchase Price. “Purchase Price” shall have the meaning ascribed to it in Section 4.1 of this Agreement.

3.26 Purchaser. “Purchaser” shall mean Concordia Communities, LLC, a Delaware limited liability company. Under no circumstances shall an assignment of all or any of Purchaser’s interest in this Agreement release Purchaser from its obligations hereunder.

3.27 Real Property. “Real Property” shall have the meaning ascribed to it in Section 1.1 of this Agreement.

3.28 Rent Roll. “Rent Roll” shall have the meaning ascribed to it in Section 8.1.1 of this Agreement.

3.29 Seller. “Seller” shall mean the San Diego Housing Commission, a public agency or its permitted assignee.

3.30 Tenants. “Tenants” shall have the meaning ascribed to it in Section 10.5 of this Agreement.

3.31 Tenant Leases. “Tenant Leases” shall have the meaning ascribed to it in Section 1.4 of this Agreement.

3.32 Title Company. “Title Company” shall mean Chicago Title Company.

3.33 Title Policy. “Title Policy” shall mean a CLTA Standard Owner’s policy insuring Purchaser’s fee simple title to the Real Property, with liability in the amount of the Purchase Price, insuring that fee title to the Real Property vests with the Purchaser subject only to Approved Exceptions.

3.34 Title Report. “Title Report” shall mean the preliminary title report issued by Title Company, dated April 29, 2004, covering the Real Property.

4. PURCHASE PRICE.

4.1 Purchase Price. The purchase price for the Property shall be Six Million Fifty Thousand and No/100 Dollars (\$6,050,000.00) (“Purchase Price”), and shall be paid by Purchaser, with Immediately Available Funds, to Escrow Agent at least one (1) day before the scheduled Closing.

4.2 Payment of the Purchase Price. The Purchase Price shall be payable with Immediately Available Funds as follows:

(a) Purchaser shall deposit of FIVE HUNDRED THOUSAND AND No/100 Dollars (\$500,000.00) (the “Deposit”) with Seller as follows: (i) Purchaser has deposited with Seller the sum of FIFTY THOUSAND and No/100 Dollars; (ii) on or before March 16, 2005, and concurrently with Purchaser’s execution and delivery of this Agreement, Purchaser shall provide with an additional deposit of TWO HUNDRED THOUSAND AND NO/100 DOLLARS (\$200,000.00) in Immediately Available Funds. The Deposit shall become non refundable, if the purchase and sale is approved by the Housing Authority of the City of San Diego on or before

May 15, 2005. Provided, however, that if the purchase and sale are not approved by the Housing Authority of the City of San Diego on or before May 31, 2005, the Deposit and all funds, if any, deposited by Purchaser with Seller shall be returned to Purchaser; and

(b) Not less than one (1) business day prior to the Closing Date, Purchaser shall deliver to Escrow Agent Immediately Available Funds in an amount equal to the remainder of the Purchase Price (i.e., \$5,550,000.00), plus or minus any adjustments for prorations and expenses required under Section 14 below.

5. LEASEBACK OF THE PROPERTY TO THE SELLER. Following the Closing, Seller shall continue to occupy that portion of the Property that is currently occupied by the Seller (the "Commission Lease Property"). Upon Closing of the Sale of the Property from the Seller to the Purchaser, Seller and Purchaser shall enter into a lease agreement (the "Commission Lease"), in the form and format attached hereto as Exhibit D. The Commission Lease shall be effective as of the Closing. Pursuant to the Commission Lease the Seller shall lease the Commission Lease Property from Purchaser at the rental rate, for the period specified, upon the terms and conditions set forth in the Commission Lease.

6. ESCROW.

6.1 Establishment of Escrow. No later than two (2) business days after the Effective Date, Purchaser and Seller shall open the Escrow, with Escrow Agent.

6.2 Purchaser's Deposit Upon Opening of Escrow. Concurrently with Opening of Escrow, Seller shall deliver Purchaser's Deposit to Escrow. The Deposit shall be credited toward the Purchaser Price upon the close of escrow.

6.3 Closing. Escrow shall close on the Closing Date, subject to the terms and conditions of this Agreement after satisfaction of all of the conditions, contingencies and requirements of this Agreement has occurred.

6.4 Escrow Instructions. This Agreement, along with the general provisions of the Escrow shall serve as escrow instructions to the Escrow Agent. The parties agree to execute such additional supplemental escrow instructions not inconsistent with this Agreement as Escrow Agent may reasonably require in order to facilitate the consummation of the transactions contemplated in this Agreement, and otherwise to conform to the usual practice of Escrow Agent, provided such instructions do not conflict with the provisions hereof. In the event of such conflict, the terms and conditions of this Agreement shall prevail.

6.5 Procedure For Closing. On the Closing Date, Escrow Agent shall close the Escrow by performing the following acts:

6.5.1 Recording the Grant Deed;

6.5.2 Issuing the Title Policy;

6.5.3 Prorating the taxes, costs and expenses as provided in Section 14 of this Agreement;

6.5.4 Disbursing the following amount to Seller: the Purchase Price, less (i) any prorated amounts and charges to be paid by or on behalf of Seller, and (ii) any costs and expenses to be paid by Seller pursuant to this Agreement;

6.5.5 Preparing and delivering to both Seller and Purchaser one signed original copy of the Escrow Agent's closing statements showing all receipts and disbursements of the Escrow;

6.5.6 Delivering the Title Policy; and

6.5.7 Delivering the original Commission Lease to Purchaser.

6.6 Escrow Costs. Purchaser shall pay all costs and charges of the Escrow, including without limitation the cost of the Title Policy.

7. CONDITIONS TO CLOSING.

7.1 Conditions Precedent to Closing for Benefit of Seller. Seller's obligation to close shall be conditioned upon the satisfaction or waiver of the following conditions precedent, on or before Closing or as otherwise provided below:

7.1.1 The deposit by Purchaser into Escrow at least one (1) day prior to Closing of Immediately Available Funds equal to the Purchase Price less the Deposit and interest earned thereon;

7.1.2 The deposit by Purchaser into Escrow at least one (1) day prior to Closing of Immediately Available Funds equal to all expenses to be paid by Purchaser pursuant to this Agreement;

7.1.3 The performance by Purchaser of Purchaser's obligations, covenants and agreements under this Agreement within the time provided for such performance;

7.1.4 The deposit by Purchaser into Escrow of the original duly executed Commission Lease and all other documents and instruments reasonably required by Escrow Agent and/or Title Company to complete the Closing; and

7.1.5 Purchaser is substantially in compliance, and will be substantially in compliance at the Closing, with each and every covenant, condition and representation in this Agreement.

The failure of Purchaser to perform or make any delivery described above by the Closing Date shall constitute a material breach of this Agreement by Purchaser, provided that the conditions to such performance or delivery have not been expressly waived by Seller in writing.

7.2 Conditions Precedent to Closing for Benefit of Purchaser. Purchaser's obligation to Close shall be conditioned upon the satisfaction or waiver of each of the following conditions precedent:

7.2.1 The deposit by Seller into Escrow of the Grant Deed conveying fee simple title to the Real Property to Purchaser;

7.2.2 Performance by Seller of all of Seller's obligations, covenants and agreements to be performed under this Agreement within the time provided for such performance;

7.2.3 The deposit by Seller into Escrow of Seller's affidavit that Seller is not a foreign person and is a "United States Person" as such term is defined in Section 7761(a)(30) of the Internal Revenue Code of 1986, as amended. The affidavit shall be in the form prescribed by federal regulations;

7.2.4 The deposit by Seller into Escrow of a duly executed FTB Form 590 or other evidence that withholding of any portions of the Purchase Price is not required by the Revenue and Taxation Code of California;

7.2.5 The deposit by Seller into Escrow of the original duly executed Commission Lease, and all other documents and instruments reasonably required by Escrow Agent and/or Title Company to complete the Closing;

7.2.6 Title Company being ready, willing and able to issue the Title Policy, subject only to the Approved Exceptions set forth in Section 9, in an amount not less than the Purchase Price of the Property;

7.2.7 As of the Closing Date, there exists no lease, tenancy or occupancy agreement affecting the Property or any part of the Property, except as approved, in writing by the Purchaser or which is an Approved Exception; and

7.2.8 Purchaser is substantially in compliance, and will be substantially in compliance at the Closing, with each and every covenant, condition and representation in this Agreement.

The failure of Seller to perform or make any delivery described above by the Closing Date shall constitute a material breach of this Agreement by Seller, provided that the conditions to such performance or delivery have not been expressly waived by Purchaser in writing.

7.3 Waiver By Seller. If any of the foregoing conditions precedent set forth in Section 7.1 has not been satisfied in accordance with their terms, the conditions set forth in Section 7.1 may be waived by Seller unilaterally; and if so waived, such conditions shall be of no further effect hereunder. Any such waiver shall be effective only if the same is (i) expressly waived in writing signed by Seller, and (ii) delivered to Purchaser. If any of the conditions set

forth in Section 7.1 are not satisfied, or waived, then this Agreement may be terminated as provided in Section 7.5.

7.4 Waiver By Purchaser. If any of the foregoing conditions precedent set forth in Section 7.2 has not been satisfied in accordance with their terms, the conditions set forth in Section 7.2 may be waived by Purchaser unilaterally, and if so waived, such conditions shall be of no further effect hereunder. Any such waiver shall be effective only if the same is (i) expressly waived in writing signed by Purchaser, and (ii) delivered to Seller. If any of the conditions set forth in Section 7.2 are not satisfied, or waived, then this Agreement may be terminated as provided in Section 7.5.

7.5 Failure of Conditions. If the conditions set forth in Sections 7.1 or 7.2 are not satisfied prior to expiration of the time period required for such satisfaction or expressly waived in writing, either party (provided such party is not in default hereunder) may unilaterally terminate this Agreement and the Escrow by giving written notice of termination to Escrow Agent (with a copy to the other party). After receipt of such written notice to terminate, the other party shall have ten (10) business days to cure any alleged non-satisfaction of a condition or other default under this Agreement as specified in the written notice of termination. If such matter remains unsatisfied or the default remains uncured after the expiration of such ten (10) day period, then this Agreement shall terminate at the close of business on such tenth (10th) day. Any such termination of this Agreement shall not release the defaulting party from liability hereunder. Any termination of this Agreement as a result of failure of one of the conditions precedent for the benefit of Purchaser set forth in Section 7.2, above, then the Deposit and all other funds, if any, deposited by Purchaser with Seller or Escrow Agent shall be returned to Purchaser, less any fees charged by Escrow Agent.

8. SELLER'S DISCLOSURES AND PURCHASER'S ACKNOWLEDGEMENTS AND APPROVALS.

8.1 Disclosures. Purchaser hereby acknowledges that Seller has disclosed to Purchaser and that Purchaser has received and hereby approves each of the following:

8.1.1 a rent roll and security deposit report (collectively, the "Rent Roll") as of a recent date listing all Tenant Leases, which Rent Roll is attached hereto as Exhibit E and made a part hereof;

8.1.2 true and correct copies of all Tenant Leases (including all amendments and modifications thereto);

8.1.3 the Title Report;

8.1.4 the ALTA/ACSM Land Title Survey (the "ALTA Survey") of the Real Property, dated as of July 20, 2004, issued by Nasland Engineering, including without limitation Purchaser acknowledges that Seller has disclosed and Purchaser accepts title to the Property subject to any and all encroachments and easements shown thereon;

8.1.5 the Phase I Environmental Assessment Report (the "Phase I") for the Property, dated as of July 30, 2003, issued by Alisto Engineering Group;

8.1.6 the Phase II Environmental Assessment Report (the "Phase II") for the Property, dated as of November 25, 2003, issued by Alisto Engineering Group;

8.1.7 that the Property is located within a flood plain; and

8.1.8 that the Property is located within the Alquist Priola fault zone.

8.2 Waiver. Notwithstanding the foregoing, Purchaser hereby agrees and acknowledges that Purchaser is purchasing the Property "As-Is" and without warranty and further agrees not to make any claim or take any legal action against the preparer of any such reports or studies regarding work performed on Seller's behalf; provided, however, that the foregoing limitation shall not apply to any claim based upon work performed by the preparer on Purchaser's behalf and/or reports or studies which are re-certified by the preparer directly to Purchaser.

9. TITLE AND POSSESSION. Seller shall deliver title to the Property to Purchaser free of any exceptions to title other than those exceptions shown on the Title Report and/or the ALTA Survey (the "Approved Exceptions"). Possession of the Property shall be delivered to Purchaser at the Close of Escrow, subject to the Commission Lease and the Tenant Leases.

10. SELLER'S REPRESENTATIONS AND WARRANTIES. Seller hereby represents and warrants to Purchaser, which representations and warranties are true, correct and complete as of the date hereof and shall be true, correct and complete as of the Closing Date.

10.1 Representation and Warranty Regarding Seller's Authority. This Agreement and all documents executed by Seller which are to be delivered to Purchaser and or the Escrow Agent at or prior to the Closing are, or on the Closing Date will be, duly authorized, executed and delivered by Seller.

10.2 Representation and Warranty Regarding Enforceability of Agreement. This Agreement and all documents required hereby to be executed by Seller shall be valid, legally binding obligations of, and enforceable against, Seller in accordance with their terms.

10.3 Representation and Warranty Pertaining to Real Estate and Legal Matters. Seller has not received written notice from any governmental authority advising Seller of the existence of any violation (or an alleged violation) relative to the Property of any applicable building codes, environmental, zoning, subdivision, and land use laws, the violation of which would have a material adverse effect upon the operation of the Property. To Seller's knowledge, there are no pending or threatened legal or administrative proceedings or actions of any kind or character of which Seller is a party or by which the Property are bound, which, if adversely determined, would have a material adverse effect upon the Property, Seller's ownership in the Property, or Purchaser's right to occupy or utilize the Property in the manner presently contemplated. Notwithstanding the foregoing or anything else to the contrary contained herein, Purchaser has

orally informed Seller that Purchaser purportedly discovered a substance under a portion of the Property that may or may not be a Hazardous Material, as further described in Section 11.5, below.

10.4 Representation and Warranty Pertaining to Rent Roll. To Seller's knowledge, the Rent Roll and other documents required to be delivered to Purchaser are true and correct in all material respects as of the dates set forth thereon.

10.5 Representation and Warranty Pertaining to Leases. The copies of the Tenant Leases and other agreements with the tenants (the "Tenants") under the Tenant Leases delivered (or to be delivered) to Purchaser are true and correct copies thereof, are in full force and effect, constitute the entire agreements with such Tenants relating to the leased portions of the Property, and have not been amended, modified or supplemented, except for such amendments, modifications and supplements delivered to Purchaser. Except as otherwise disclosed to Purchaser in writing, Seller has not received written notice of any material default or claim for setoff with respect to the Tenant Leases.

10.6 Representation and Warranty Regarding Operation of the Property Prior to Closing. Except for any agreements terminable at will without penalty or premium, neither Seller nor its agents have entered into any agreements or understandings concerning the Property by which Purchaser would be bound following the Close of Escrow other than the Tenant Leases and the agreements listed in Exhibit "C" attached hereto and made a part hereof (the "Property Contracts"). True, complete and correct copies of the Property Contracts have been (or will be) delivered to Purchaser. To Seller's knowledge, the Property Contracts are in full force and effect, without default by any party and without any claims made for the right of setoff, except as expressly provided by the terms of such Property Contracts or as disclosed to Purchaser in writing at the time of such delivery.

10.7 Representation and Warranty Regarding Hazardous Materials. Seller does not use, treat, store or dispose of, and has not knowingly permitted anyone else, to use, treat, store or dispose of, whether temporarily or permanently, any hazardous or toxic materials ("Hazardous Materials") at, on or beneath the Property. Seller has not received written notice of any violation affecting the Project under any federal, state or local law or regulation relating to Hazardous Materials, and Seller is not aware of any Hazardous Materials present at, on or beneath the Property, except (i) as set forth in the Phase I and/or Phase II; and (ii) that Purchase has orally informed Seller that Purchaser purportedly discovered a substance under a portion of the Property that may or may not be a Hazardous Material, as further described in Section 11.5 below. For the purpose of this Agreement, "Hazardous Materials" shall include any substances defined as "extremely hazardous substances," "hazardous substances," "hazardous materials," "hazardous waste," or "toxic substances," in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. §9601, et seq., as amended; the Emergency Planning and Community Right-To-Know Act, 42 U.S.C. §§11001-11050, as amended; the Hazardous Materials Transportation Act, 49 U.S.C. §1801, et seq., as amended; the Toxic Substances Control Act, 15 U.S.C. §2601, et seq., as amended; the Resource Conservation and Recovery Act, 42 U.S.C. §6901, et seq.; and those substances defined as "hazardous waste" in Section 25117 of the California Health & Safety Code, as "infectious waste" in Section 25117.5

of the California Health & Safety Code, or as “hazardous substances” in Section 25316 of the California Health & Safety Code or “hazardous materials” as defined in Section 353 of the California Vehicle Code; and in the regulations adopted and publications promulgated pursuant to said laws.

10.8 Property to be Sold and Purchased “As-Is”. Purchaser and Seller hereby agree that (i) except for the warranties and representations of Seller set forth in this Agreement, Purchaser is purchasing the Property on an “As-Is” basis without relying on any communications that may have been made by Seller, or any of Seller’s agents or employees, with respect to the Property or Purchaser’s intended use thereof; (ii) the only representations and warranties made with respect to the Property are contained herein; and (iii) for purposes of this paragraph 10, Seller’s “knowledge” shall be deemed to include the knowledge of Elizabeth C. Morris, Carrol Vaughan and Steve Snyder as of the Effective Date, and Seller’s “written notice” shall be deemed to include notices sent to the attention of one or more of said persons. The foregoing does not imply and shall not be deemed to require Seller’s independent investigation. Without limiting the generality of the foregoing, Purchaser shall be solely responsible for determining the condition of the Property and all aspects regarding the fees, charges and assessments relating to the Property.

11. PURCHASER’S REPRESENTATIONS AND WARRANTIES. Purchaser hereby represents and warrants to Seller, which representations and warranties are true, correct and complete as of the date hereof and shall be and are true, correct and complete as of the Closing Date.

11.1 Representation and Warranty Regarding Purchaser’s Authority. This Agreement and all documents executed by Purchaser which are to be delivered to Seller and or the Escrow Agent at or prior to the Closing are, or on the Closing Date will be and are, duly authorized, executed and delivered by Purchaser.

11.2 Representation and Warranty Regarding Enforceability of Agreement. This Agreement and all documents required hereby to be executed by Purchaser shall be valid, legally binding obligations of, and enforceable against, Purchaser in accordance with their terms.

11.3 Representation and Warranty Regarding Independent Investigation. Purchaser has made (or will make prior to Closing) all independent investigations Purchaser has deemed necessary with regard to the Property and Purchaser’s intended use thereof.

11.4 Property to be Sold and Purchased “As-Is”. Purchaser represents and warrants that Purchaser is purchasing the Property on an “As-Is” basis without relying on any communications that may have been made by Seller, or any of Seller’s agents or employees, with respect to the Property or Purchaser’s intended use thereof. Without limiting the generality of the foregoing, Purchaser shall be solely responsible for determining the condition of the Property and all aspects regarding the fees, charges and assessments relating to the Property.

11.5 Representation and Warranty Regarding Hazardous Materials. Purchaser represents, warrants, acknowledges and agrees that : (i) Purchaser elected to perform

geotechnical testing on the Property after the expiration of the due diligence period set forth in the San Diego Housing Commission Request For Proposal for Purchase and Leaseback of Property and Building Located at 1625 Newton Avenue, San Diego, California, dated October 22, 2004: (ii) as a result of such additional geotechnical testing the Purchaser purportedly discovered a substance (the “Unidentified Substance”) that may or may not be a Hazardous Material; (iii) Purchaser orally informed Seller of the discovery of the Unidentified Substance; (iv) Purchase has performed all of the due diligence, inspections and testing, including without limitation environmental testing, that Purchaser deems necessary with respect to the Property; (v) Purchaser agrees to purchase the Property “as-is” and on the terms and conditions set forth herein regardless of the existence of the Unidentified Substance and/or any Hazardous Materials that may have existed, may exist now or may exist in the future on, within, under, about or from the Property, or in or adjacent to any part of the Property, or in the soil, groundwater or soil vapor on or under the Property, or elsewhere: and (vi) Purchaser agrees to assume all responsibility and liability, and to defend, protect, indemnify and hold harmless Seller, the City of San Diego and the Housing Authority of the City of San Diego, from and against any and all costs, expenses or losses arising from any claim, liability, damage, injunctive relief, injury to person, property or natural resources, fine penalty, action and cause of action arising directly or indirectly from the condition of the Property, including without limitation, the Unidentified Substance and/or any other Hazardous Materials may have existed, may exist now or may exist in the future on, within, under, about or from the Property, or in or adjacent to any part of the Property, or in the soil, groundwater or soil vapor or under the Property, or elsewhere.

11.6 Representation and Warranty Regarding No Novation of Assignment. Purchase represents, warrants, covenants and agrees that: (i) Purchaser assumed all responsibility to Seller, and indemnified Seller, with respect to the County of San Diego Department of Environmental Health and Water Quality Division “Property Owner Responsibility Acknowledgement”, dated January 21, 2005 (the “Assignment”); (ii) this Agreement is not a novation of, and does not amend, revise or otherwise modify, the Assignment: (iii) the Assignment is in full force and effect; and (iv) the Assignment shall survive the Closing.

12. Intentionally Left Blank.

13. INDEMNIFICATION. Purchaser hereby agrees to indemnify Seller and hold Seller harmless from and against any and all claims, demands, liabilities, liens, costs, expenses, penalties, damages and losses of any kind, including, without limitation, reasonable attorneys’ fees and costs suffered by Seller as a direct or indirect result of: (a) any misrepresentation or breach of warranty or breach of covenant made by Purchaser in this Agreement or any document, certificate, or exhibit given or delivered to Seller pursuant to or in connection with this Agreement, and/or (b) the operation of the Property following Seller’s vacation of the Property. The provisions of this Section 13 shall survive the execution and delivery of this Agreement, the Closing, the delivery of the Grant Deed and the transfer of title.

13.2 Environmental Indemnity.

13.2.1 Purchaser hereby agrees to defend, protect, indemnify and hold harmless Seller, the City of San Diego, the Housing Authority of the City of San Diego and their affiliates, commissioners, officers, agents and employees, and their successors and assigns (hereinafter,

collectively, the “Indemnified Parties”), from and against, and shall reimburse the Indemnified Parties for, any and all actual out-of-pocket costs (including, without limitation, attorneys’ fees, expenses and court costs), expense or loss arising from any claim, liability, damage, injunctive relief, injury to person, property or natural resources, fine, penalty, action, and cause of action (collectively, “Costs and Liabilities”), incurred by or asserted against any Indemnified Party and arising directly or indirectly, in whole or in part, out of the release, discharge, deposit or presence, or alleged or suspected release, discharge, deposit or presence, of any Hazardous Materials at, on, within, under, about or from the Property, or in or adjacent to any part of the Property, or in the soil, groundwater or soil vapor on or under the Property, or elsewhere, or in connection with the transportation of Hazardous Materials to or from the Property in violation of any Hazardous Materials Laws, whether or not known to Purchaser or Indemnified Parties, whether foreseeable or unforeseeable, regardless of the source of such release, discharge, deposit or presence or, regardless of when such release, discharge, deposit or presence occurred or is discovered. Without limiting the generality of the foregoing indemnity, such Costs and Liabilities shall include, without limitation, all actual out-of-pocket costs incurred by Indemnified Parties in connection with (i) determining whether the Property is in compliance with this Indemnity and with all applicable Hazardous Materials Laws or the amount of money required to remediate any environmental contamination, and causing the Property to be or become in compliance, with all applicable Hazardous Materials Laws, (ii) any removal or remediation of any kind and disposal of any Hazardous Materials present at, on, under or within the Property or released from the Property to the extent required by applicable Hazardous Materials Laws in effect at the time of such removal, remediation or disposal, and (iii) repair of any damage to the Property or any other property caused by any removal, remediation or disposal. Upon demand by any Indemnified Party, Purchaser shall defend any investigation, action or proceeding in connection with any claim or liability, or alleged claim or liability, that would, if determined adversely to such Indemnified Party, be covered by the foregoing indemnification provisions, such defense to be at Purchaser’s sole cost and expense and by counsel reasonably approved by such Indemnified Party.

13.3.2 A separate right of action hereunder shall arise each time an Indemnified Party acquires knowledge of any matter described herein. Separate and successive actions may be brought hereunder to enforce any of the provisions hereof at any time and from time to time. No action hereunder shall preclude any subsequent action.

13.2.3 Notwithstanding anything to the contrary herein, Purchaser shall not be liable hereunder to an Indemnified Party to the extent of that portion of any Costs and Liabilities which Purchaser establishes is attributable to an affirmative act of such Indemnified Party at the Property which causes the release, discharge, deposit or presence of a Hazardous Material at the Property, if and only if, such act was in violation of any Hazardous Materials Laws or was carried out without reasonable care under the circumstances.

14. PRORATIONS AND APPORTIONMENTS.

14.1 Revenues and Expenses. All revenues and all expenses of the Property shall be prorated and apportioned as of 12:01 a.m. on the Closing Date, so that Seller shall bear all expenses with respect to the Property and shall have the benefit of all income with respect to the

Property through and including the period preceding the Closing Date. Any revenue or expense amount which cannot be ascertained with certainty as of the Closing Date shall be the subject of a final proration thirty (30) days after the Closing Date or as soon thereafter as the precise amounts can be ascertained. Seller shall deliver a statement setting forth such agreed prorations to Title Company. Title Company shall not be required to calculate any prorations.

14.2 Property Taxes. The Real Property is exempt from property taxes until the Closing. Purchaser shall be liable for all real property taxes affecting the Real Property from and after the Closing.

14.3 Treatment of Expenses. Expenses to be prorated shall include water rates and sewer rates, if any; fees under any service contracts; gas, electricity and other utility charges; any unfixed meter charges, if any (apportioned on the basis of the last meter reading); license and permit fees and other expenses customarily prorated. If possible, in lieu of prorating, utilities and other expenses shall be contracted for in the name of Purchaser as of the Closing.

14.4 Payment of Taxes. Purchaser shall pay all taxes, including, but not limited to, sales tax or transfer taxes imposed upon the conveyance of the Property to Purchaser.

14.5 **Intentionally Left Blank**

14.6 Legal and Related Fees. Except as otherwise provided in this Agreement, Purchaser shall pay the legal fees and other fees incurred by Purchaser, and Seller shall pay the legal fees and other fees incurred by Seller.

14.7 Other Costs and Expenses. Except as otherwise provided in this Agreement and except for services requested by or exclusively benefiting only Purchaser, Seller shall pay all other costs and charges of the Escrow.

15. **RIGHT TO TERMINATE AND RISK OF LOSS.**

15.1 Purchaser's Rights to Terminate. Purchaser shall advise Seller in writing of any information Purchaser receives which indicates that any representation or warranty made by Seller herein is untrue in any material respect. Seller shall have five (5) business days from receipt of Purchaser's notice to attempt to remedy the breach or inaccuracy in such representation or warranty. In the event Seller is unwilling or unable to remedy such inaccuracy within said period, Purchaser shall have the right, exercisable by giving notice to Seller and Escrow Agent within five (5) days after the expiration of Seller's five (5) business day cure period, either (i) to terminate this Agreement, or (ii) to consummate the transactions contemplated hereby. If Purchaser elects to close escrow after receiving written notice of any actual or alleged inaccuracy of Purchaser representations and warranties, Purchaser shall thereby waive any right or remedy concerning such inaccuracy.

15.2 Seller's Right to Terminate. IF PURCHASER DEFAULTS HEREUNDER, AND AS A RESULT ESCROW FAILS TO CLOSE, SELLER'S SOLE REMEDY SHALL BE

TO TERMINATE THIS AGREEMENT BY GIVING WRITTEN NOTICE THEREOF TO PURCHASER, WHEREUPON THE DEPOSIT OF FIVE HUNDRED THOUSAND AND NO/100 DOLLARS (\$500,000.00), TOGETHER WITH ANY INTEREST THEREON WHILE DEPOSITED IN ESCROW AND LESS SELLER'S SHARE OF ANY ESCROW FEES AND CHARGES, SHALL BE RECEIVED AND RETAINED BY SELLER AS LIQUIDATED DAMAGES, AND NEITHER PARTY HERETO SHALL HAVE ANY FURTHER LIABILITY OR OBLIGATION TO THE OTHER PARTY HERETO EXCEPT FOR SELLER'S RIGHT TO RECEIVE AND RETAIN SUCH LIQUIDATED DAMAGES FROM ESCROW AGENT. THE PARTIES HERETO ACKNOWLEDGE AND AGREE THAT SELLER'S ACTUAL DAMAGES IN THE EVENT OF PURCHASER'S DEFAULT HEREUNDER ARE UNCERTAIN IN AMOUNT AND DIFFICULT TO ASCERTAIN, AND THAT SUCH AMOUNT OF LIQUIDATED DAMAGES IS REASONABLE UNDER THE PROVISIONS OF CALIFORNIA CIVIL CODE SECTION 1671 ET SEQ., CONSIDERING ALL OF THE CIRCUMSTANCES EXISTING ON THE DATE HEREOF INCLUDING, WITHOUT LIMITATION, THE RELATIONSHIP OF SUCH AMOUNT TO THE RANGE OF POTENTIAL HARM TO SELLER THAT CAN REASONABLY BE ANTICIPATED AND THE ANTICIPATION THAT PROOF OF ACTUAL DAMAGES RESULTING FROM SUCH DEFAULT WOULD BE COSTLY AND INCONVENIENT. IN PLACING ITS INITIALS IN THE SPACE BELOW, EACH PARTY HERETO SPECIFICALLY CONFIRMS THE ACCURACY OF THE FOREGOING AND THE FACT THAT SUCH PARTY HAS BEEN REPRESENTED BY COUNSEL WHO EXPLAINED THE CONSEQUENCES OF THIS LIQUIDATED DAMAGES PROVISION. IN ADDITION, IF ESCROW FAILS TO CLOSE SOLELY DUE TO PURCHASER'S DEFAULT HEREUNDER, PURCHASER WAIVES ALL ANY AND ALL RIGHT TO SPECIFIC PERFORMANCE OF THIS AGREEMENT, AND PURCHASER AGREES THAT THE ESCROW SHALL BE TERMINATED.

Purchaser's Initials

Seller's Initials

15.3 Material Damage or Destruction. In the event of "Material," as defined in Section 15.6, below, damage to or destruction of the Property prior to Closing, through no fault of Seller, Purchaser shall have the right, exercisable by giving notice to Seller within fifteen (15) days after receiving written notice of such damage or destruction, either (i) to terminate this Agreement, in which case neither party shall have any further rights or obligations hereunder except that (a) any money (including, without limitation, the Deposit and all interest accrued thereon) or documents in escrow shall be returned to the party depositing the same, and (b) Purchaser and Seller each shall be responsible for one-half of any title or escrow cancellation fee, or (ii) to accept the Property in its then condition and to proceed with the Closing with an abatement or reduction in the Purchase Price in the amount of the deductible for the applicable insurance coverage, in which case Purchaser shall be entitled to receive an assignment of all of Seller's rights to any insurance proceeds payable by reason of such damage or destruction. If Purchaser elects to proceed under clause (ii) above, Seller shall not compromise, settle or adjust any claims to such proceeds without Purchaser's prior written consent.

15.4 Eminent Domain. In the event that prior to the Closing, all or any "Material," as defined in Section 15.6, below, portion of the Property is subject to a taking or a threatened

taking by public authority, Purchaser shall have the right, exercisable by giving notice to Seller within fifteen (15) days after receiving written notice of such taking, either (i) to terminate this Agreement, in which case neither party shall have any further rights or obligations hereunder except that (a) any money (including, without limitation, the Deposit and all interest accrued thereon) or documents in escrow shall be returned to the party depositing the same, and (b) Purchaser and Seller each shall be responsible for one-half of any title or escrow cancellation fee, or (ii) to accept the Property in its then condition and to proceed with the Closing without an abatement or reduction in the Purchase Price, in which case Purchaser shall be entitled to receive an assignment of all of Seller's rights to any condemnation award payable by reason of such taking. If Purchaser elects to proceed under clause (ii) above, Seller shall not compromise, settle or adjust any claims to such award without Purchaser's prior written consent.

15.5 Non-Material Taking or Damage. In the event that prior to the Closing, any Non-Material portion of the Property is damaged, destroyed or subject to a taking or a threatened taking by public authority, Purchaser shall accept the Property in its then condition and proceed with the Closing without any abatement or reduction in the Purchase Price, in which case Purchaser shall be entitled to receive an assignment of all of Seller's rights to (i) any applicable insurance proceeds; and/ or (ii) any condemnation award payable by reason of such taking. In the event of any such Non-Material damage, destruction or taking, Seller shall not compromise, settle or adjust any claims to such award without Purchaser's prior written consent.

15.6 Definition of Material. For the purpose of this Section 15, damage to the Property or a taking of a portion thereof shall be deemed to involve a Material portion thereof if the reasonably estimated cost of restoration or repair of such damage or the amount of the condemnation award with respect to such taking shall exceed One Hundred Thousand Dollars (\$100,000).

16. BROKER'S COMMISSIONS. Seller and Purchaser each agree that, to the extent any real estate commission or brokerage and/or finder's fee shall be earned or claimed in connection with this Agreement or the Close of Escrow hereunder, the payment of such fee or commission, and the defense of any action in connection therewith, shall be the sole and exclusive obligation of the party who requested the services of the broker and/or finder. In the event that any claim, demand or cause of action or brokerage and/or finder's fee is asserted against the party to this Agreement who did not request such services, the party through whom the broker or finder is making the claim shall indemnify, defend (with an attorney of the indemnitee's choice) and hold harmless the other from and against any and all such claims, demands and causes of action and expenses related thereto, including (without limitation) attorneys' fees and costs.

17. NOTICES. All notices under this Agreement shall be in writing and sent by (a) certified or registered mail, return receipt requested, in which case notice shall be deemed delivered seven (7) business days after deposit, postage prepaid in the United States Mail, (b) by a nationally recognized overnight courier such as FedEx, in which case notice shall be deemed delivered one (1) business day after deposit with that courier, (c) by facsimile, in which case notice shall be deemed delivered one (1) business day after confirmation of receipt, or (d) by personal delivery, in which case notice shall be deemed delivered upon the actual date of delivery. All notices shall be delivered to the following addresses:

If to Seller:

San Diego Housing Commission
Attn: Elizabeth Morris, Chief Executive Officer
1625 Newton Avenue
San Diego, CA 92113
Tel: (619) 578-7533
Fax: (619) 578-7360

And To:

San Diego Housing Commission
Attn: Steve Snyder
1625 Newton Avenue
San Diego, CA 92113
Tel: (619) 578-7545
Fax: (619) 578-7360

With a Copy To:

CHRISTENSEN SCHWERDTFEGER & SPATH LLP
Attn: Charles B. Christensen, Esq.
444 West C Street, Suite 200
San Diego, CA 92101
Tel: (619) 236-9343
Fax: (619) 236-8307

If to Purchaser:

_Concordia Communities LLC
1903 Wright Place Suite 120
Carlsbad CA 92008
Tel: 760-804-1576
Fax: 760-804-1577

With a Copy To:

Luce Forward Hamilton & Scripps, LLP
Attn: David Hymer
600 West Broadway, Suite 2600
San Diego, CA 92101-3372
Tel: (619) 699-2518
Fax: (619) 645-5534

If to Title Company/Escrow Agent:

Chicago Title Company
925 B Street
San Diego, California, 92101
Tel: (619) 544-6233
Fax: (619) 544-6279

The addresses above may be changed by written notice to the other party; provided however, that no notice of a change of address shall be effective until actual receipt of the notice.

18. ASSIGNMENT. Neither this Agreement nor any interest hereunder shall be assigned or transferred by Seller or Purchaser without the prior written consent of the other party except that Purchaser may assign this Agreement to CH Newton, LLC or an entity controlled by Purchaser, in a form and format acceptable to the President and CEO of Seller and General Counsel. In connection with any said approved assignment, the assignee shall assume the assignor's obligation hereunder, but the assignor shall nevertheless remain liable therefor. As used in this Agreement, the terms "Purchaser" and "Seller" shall be deemed to include any assignee or other transferee of the initial Purchaser or Seller, as applicable.

19. GENERAL PROVISIONS.

19.1 Governing Law. This Agreement shall be interpreted and construed in accordance with California law.

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

19.3 Captions. The captions in this Agreement are inserted for convenience of reference and in no way define, describe or limit the scope or intent of this Agreement or any of the provisions of this Agreement.

19.4 Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties and their respective legal representatives, successors, heirs and permitted assigns.

19.5 Modifications; Waiver. No waiver, modification, amendment, discharge or change of this Agreement shall be valid unless it is in writing and signed by the party against which the enforcement of the modification, waiver, amendment, discharge or change is sought.

19.6 Entire Agreement. This Agreement contains the entire agreement between the parties relating to the transactions contemplated by this Agreement and all prior or contemporaneous agreements, understandings, representations or statements, oral or written, are superseded.

19.7 Partial Invalidity. Any provision of this Agreement which is unenforceable, invalid, or the inclusion of which would adversely affect the validity, legality, or enforcement of this Agreement shall have no effect, but all the remaining provisions of this Agreement shall remain in full effect.

19.8 Survival. Except as otherwise expressly provided in this Agreement, all representations, warranties, covenants, agreements, indemnities and other obligations of Seller and Purchaser in this Agreement shall survive the Closing of this transaction.

19.9 No Third-Party Rights. Nothing in this Agreement, express or implied, is intended to confer upon any person, other than the parties to this Agreement and their respective successors and assigns, any rights or remedies.

19.10 Time Of Essence. Time is of the essence in this Agreement.

19.11 Attorneys' Fees. If any legal action or any other proceeding, including arbitration or an action for declaratory relief, is brought to enforce this Agreement or because of a dispute, breach, default or misrepresentation in connection with this Agreement, the prevailing party shall be entitled to recover reasonable attorneys' fees and other costs incurred in that action or proceeding, in addition to any other relief to which that party may be entitled. Prevailing party shall include without limitation (a) a party who dismisses an action in exchange for sums allegedly due; (b) the party that receives performance from the other party alleged to have breached a covenant or the party that receives a desired remedy; or (c) the party determined to be the prevailing party by a court of law.

19.12 Possession. Possession of the Property is to be given to Purchaser on the Closing.

19.13 Relationship. Nothing contained in this Agreement shall be deemed or construed by the parties or by any third person to create a relationship of principal and agent or partnership or a joint venture between Purchaser and Seller or between either or both of them and any third party.

19.14 Purchaser Approval. Where this Agreement refers to an action or approval of the Purchaser, it shall mean the approval of the Chief Executive Officer of the San Diego Housing Commission, or designee, unless otherwise provided.

19.15 Exhibits and Recitals Incorporated. All exhibits referred to in this Agreement are hereby incorporated in this Agreement by this reference, regardless of whether or not the exhibits are actually attached to this Agreement. The Recitals to this Agreement are hereby incorporated in this Agreement by this reference.

19.16 Further Assurances. Purchaser and Seller agree to execute all such instruments and documents and to take all actions pursuant to the provisions hereof in order to consummate the purchase and sale herein contemplated and shall use their commercially reasonable efforts to accomplish the Close of Escrow in accordance with the provisions hereof.

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

SELLER:
SAN DIEGO HOUSING COMMISSION, a public agency

By: _____
Elizabeth C. Morris, President & CEO

APPROVED AS TO FORM AND LEGALITY:
CHRISTENSEN SCHWERDTFEGER & SPATH LLP
HOUSING COMMISSION GENERAL COUNSEL

By: _____
Charles B. Christensen, Esq.

PURCHASER:

_Concordia Communities, LLC, a _Delaware limited liability company

By: _____
Print Name: _____
Its: _____

By: _____
Print Name: _____
Its: _____

Exhibit A

Legal Description of the Site

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

THAT PORTION OF BLOCK 92 OF MANNASSE AND SCHILLER'S SUBDIVISION OF PUEBLO LOT 1157, IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF NO. 209, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY ON JULY 11, 1870, INCLUDING THE CLOSED PORTION OF THE ALLEY IN SAID BLOCK WHICH LIES NORTHWESTERLY OF THE SOUTHEASTERLY LINE OF LOTS 18 AND 31 IN SAID BLOCK AND THE PROLONGATION OF SAID SOUTHEASTERLY LINE ACROSS SAID ALLEY, AND SOUTHEASTERLY OF A LINE CONCENTRIC AND PARALLEL WITH AND DISTANT 10.00 FEET SOUTHEASTERLY; MEASURED RADially AND AT RIGHT ANGLES, FROM THE CENTER LINE OF SPUR TRACT LEADING THROUGH SAID BLOCK 92.

EXCEPTING THEREFROM THE NORTHEASTERLY ONE-HALF OF MAIN STREET, FORMERLY "O" STREET, AS VACATED AND CLOSED TO PUBLIC USE ON OCTOBER 30, 1918, BY RESOLUTION NO. 24058 OF THE COMMON COUNCIL OF THE CITY OF SAN DIEGO.

ALSO EXCEPTING THEREFROM THAT PORTION THEREOF, LYING BELOW A DEPTH OF 500.00 FEET, MEASURED VERTICALLY, FROM THE CONTOUR OF THE SURFACE OF SAID PROPERTY; HOWEVER, GRANTOR, OR ITS SUCCESSORS AND ASSIGNS, SHALL NOT HAVE THE RIGHT FOR ANY PURPOSE WHATSOEVER TO ENTER UPON, INTO OR THROUGH THE SURFACE OF SAID PROPERTY, OR ANY PART THEREOF, LYING BETWEEN SAID SURFACE AND 500.00 FEET BELOW SAID SURFACE.

Exhibit B

Tenant Leases

Lease dated August 27, 2004, for Suite B with Bel-BZ Management Company. The Suite B lease expired on March 6, 2005. Bel-BZ Management Company has requested a 6 month lease extension or a lease extension on a month to month basis. Seller is currently negotiating an extension of the Suite B lease as Seller may determine, in its discretion, is appropriate. Seller may enter into a lease or a lease extension for Suite B with Bel-BZ Management Company, which lease or lease extension may extend beyond the Closing Date.

Exhibit C

Property Contracts

Janitorial Services- Capital Cleaning Contractors

Waste Disposal- EDCO Disposal Corporation

Landscaping- Aztec Landscaping, Inc.

HVAC- Comfort Cooling

Pest Control- Tibbet/American Pest Control

Elevator Service- ThyssenKrupp Elevator

Exhibit D

Pro Forma Commission Lease

Exhibit E

Rent Roll

Suite B rent for the month ending March 6, 2005 was \$2480.00. The Suite B lease between Seller and Bel-BZ Management Company expired on March 6, 2005. Bel-BZ Management Company has requested a 6 month lease extension or a lease extension on a month to month basis. Seller is currently negotiating an extension of the Suite B lease as Seller may determine, in its discretion, is appropriate. Seller may enter into a lease or a lease extension for Suite B with Bel-BZ Management Company, which lease or lease extension may extend beyond the Closing Date. The rent under such lease or lease extension, if any, has not been determined.

ATTACHMENT 3
SAN DIEGO HOUSING COMMISSION
REPORT OF SAN DIEGO COUNTY WORKFORCE
Company Name CHCal, Inc. Payroll Ending Date 11/12,2004

Occupational Category	Total Number of Employees		Caucasian Non Hispanic		African American Non Hispanic		Hispanic All Races		Asian/Pacific Islander Non Hispanic		Native American Non Hispanic		Filipino		Disabled		Total Disadvantaged	
	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F
Executive, Administrative and Managerial	7	2	6	2			1											
Professional Specialty	4	5	4	5														
Technicians and Related Support																		
Sales	4	3	3	2			1	1										
Administrative Support	1	6	1	3				1		1				1				
Services																		
Precision Production, Craft and Repair																		
Machine Operators, Assemblers and Inspector																		
Transportation and Material Moving																		
Handlers, Equipment Cleaners, Helpers and Laborers																		
TOTALS	16	16	14	12			2	2		1				1				